

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF MARATHON OIL PERMIAN, CASE NO. 20466
LLC FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 2, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Scott Dawson,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, May 2, 2019, at the New Mexico Energy,
Minerals and Natural Resources Department, Wendell Chino
Building, 1220 South St. Francis Drive, Porter Hall,
Room 102, Santa Fe, New Mexico.

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1 (10:55 a.m.)

2 EXAMINER DAWSON: That brings us down to
3 Case Number 20466, which is an application by Marathon
4 Oil Permian for compulsory pooling, Eddy County, New
5 Mexico.

6 Please call for appearances.

7 MS. BENNETT: Good morning, Mr. Examiners.
8 My name is Deana Bennett, and I'm here on
9 behalf of the Applicant, Marathon Oil Permian, LLC.

10 EXAMINER DAWSON: Any other appearances?

11 MR. FELDEWERT: May it please the examiner,
12 Michael Feldewert, from the Santa Fe office of Holland &
13 Hart, appearing on behalf of OXY USA, Inc.

14 EXAMINER DAWSON: Okay.

15 MS. BENNETT: Mr. Examiner, this morning I
16 have with me one witness, a landman from Marathon who
17 will be testifying, and then I will be presenting the
18 geology information by affidavit.

19 EXAMINER BROOKS: I'm sorry, Mike. I did
20 not get who you were appearing for.

21 MR. FELDEWERT: OXY USA, Inc.

22 EXAMINER BROOKS: Thank you.

23 EXAMINER DAWSON: May your witness please
24 stand and be sworn in by the court reporter?

25 (Mr. Broussard sworn.)

1 EXAMINER DAWSON: When you're ready,
2 Ms. Bennett.

3 MS. BENNETT: The packet that I just passed
4 out to you has the landman's exhibits that we will be
5 going through with Mr. Broussard, as well as the geology
6 exhibits that I'll go through after we finish with his
7 testimony.

8 JEFF BROUSSARD,
9 after having been first duly sworn under oath, was
10 questioned and testified as follows:

11 DIRECT EXAMINATION

12 BY MS. BENNETT:

13 Q. Mr. Broussard, please state your name for the
14 record.

15 A. Jeff Broussard.

16 Q. And who do you work for and in what capacity?

17 A. I'm a petroleum landman for Marathon Oil
18 Company.

19 Q. What are your responsibilities as a petroleum
20 landman for Marathon?

21 A. My general responsibilities range across Lea
22 and Eddy Counties, New Mexico, negotiating terms for new
23 leases and assignments, as well as well proposals and
24 negotiating with other interest owners within those well
25 proposals to get them in line with our development

1 plans.

2 Q. Have you previously testified before the
3 Division?

4 A. I have not.

5 Q. And so let's briefly walk through your
6 credentials for the examiners. Where did you go to
7 college?

8 A. I went to college at Texas Christian University
9 in Fort Worth. I got a bachelor's in business with a
10 major in finance with a real estate emphasis and a minor
11 in energy and technology management, which was TCU's
12 form of a petroleum minor at the time.

13 Q. And since you've graduated, have you been
14 working primarily as a landman?

15 A. I have.

16 Q. And can you briefly give us an overview of your
17 work experience since you graduated?

18 A. Sure. Immediately after college, I started
19 working as a contract landman in Fort Worth for a land
20 services company. That took me all over Texas
21 performing basic land and title work for about a year
22 and a half, at which time I moved to Houston and worked
23 for a smaller private oil and gas company. I performed
24 in-house landman responsibilities for about six and a
25 half, seven years with them before I joined Marathon

1 last November. So I've been at Marathon for about six
2 months.

3 Q. And does your area of responsibility at
4 Marathon -- you already did testify to this. But can
5 you just confirm that your area of responsibility
6 includes Eddy County?

7 A. Yes, it does.

8 Q. And are you familiar with the application that
9 Marathon filed in this case?

10 A. I am.

11 Q. Are you familiar with the status of the lands
12 at issue in this application?

13 A. Yes.

14 MS. BENNETT: At this time I'd like to
15 tender Mr. Broussard as an expert petroleum landman.

16 EXAMINER DAWSON: Any objections?

17 MR. FELDEWERT: No objection.

18 EXAMINER DAWSON: At this time
19 Mr. Broussard will be admitted to the record as an
20 expert petroleum landman.

21 MS. BENNETT: Thank you very much.

22 EXAMINER DAWSON: Uh-huh.

23 Q. (BY MS. BENNETT) With that, I'd like to turn to
24 what's marked as -- behind Tab 1 Exhibit 1. And Exhibit
25 1 is the application that we filed in this case, 20466;

1 is that right?

2 A. Yes.

3 Q. And can you briefly describe what Marathon
4 seeks under this application?

5 A. Marathon seeks to pool all uncommitted interest
6 owners within the Wolfcamp; Purple Sage Gas Formation
7 covering the east half of Section 5, Township 23 South,
8 28 East -- Range 28 East.

9 Q. And the wells are identified -- well, we'll get
10 to the well names in a moment, but you've listed, I
11 think, seven wells in this application; is that right?

12 A. That is correct.

13 Q. Are there any depth severances in this proposed
14 spacing unit?

15 A. No.

16 Q. Okay. Let's look at Exhibit 2. Now, can you
17 please explain to the examiners what Exhibit 2 contains?

18 A. Exhibit 2 contains preliminary C-102 reports
19 for each well, each Achilles well, tied to this
20 application.

21 Q. Now, when I look at the C-102s, I note that the
22 wells on the C-102 is slightly different than the name
23 of the wells on the application. Can you explain the
24 change in the well name and why said well names were
25 changed?

1 A. We had originally listed the well names with
2 the tag of just FC, and the BLM requires it to say "Fed
3 Com."

4 Q. And so the well names that are in the C-102s
5 reflect the well names as you would like to see them in
6 the order?

7 A. That is correct.

8 Q. Has the Division identified a pool code and
9 pool name for these -- on this C-102?

10 A. Yes. It is for the Purple Sage; Wolfcamp Gas
11 Pool, and the pool code is 98220.

12 Q. And is this pool governed by a specific order?

13 A. Yes.

14 Q. Do you know -- well, you do know. But will the
15 completed intervals for the wells comply with the
16 setback requirements under that order?

17 A. They will not.

18 Q. And why is that?

19 A. We are proposing 100-foot -- nonstandard
20 100-foot setbacks. The pool imposes a 330-foot setback.

21 Q. And we will be filing separate NSL applications
22 for these wells; is that right?

23 A. That is correct.

24 MS. BENNETT: They have not yet been filed,
25 but Marathon intends to file them in the near term.

1 Q. (BY MS. BENNETT) Great.

2 Let's go ahead and turn to Exhibit 3. If
3 wouldn't you mind explaining to the examiners what the
4 first page of Exhibit 3 is.

5 A. The first page of Exhibit 3 is just a lease
6 tract map for the east half of Section 5, which we are
7 proposing to pool. It gives boundaries for each tract
8 and lists the type of acreage for each tract, which
9 includes one federal lease and three tracts of fee
10 leases.

11 Q. Great.

12 And then turning to the next page of the
13 Exhibit 3, can you explain to the examiners what that
14 page shows?

15 A. This page shows the aggregate working interests
16 across the entire proposed spacing unit. It includes
17 both committed and uncommitted working interest parties.

18 EXAMINER BROOKS: What page is this?

19 THE WITNESS: This is page 2 of Tab 3.

20 Q. (BY MS. BENNETT) And can you identify for the
21 examiners the uncommitted working interest owners?

22 A. Yes. We have OXY USA, Sisbro Oil & Gas, Norma
23 J. Chanley, Roy G. Barton, Jr. and his wife Claudia,
24 Mizel Resources and Stanico Energy.

25 Q. And those are the parties that you seek to

1 pool?

2 A. They are.

3 Q. Are there also overriding royalty interest
4 owners within the proposed unit that Marathon is seeking
5 to pool?

6 A. Yes.

7 Q. Would you summarize for the examiners the
8 efforts that you undertook to obtain voluntary pooling
9 of interests?

10 A. We hired a brokerage firm to run detailed title
11 work to determine the ownership, at which point we
12 located addresses for each owner, sent them initial
13 proposal letters and attempted to follow up with phone
14 calls and emails for any party that didn't contact us
15 first.

16 Q. In your opinion, has Marathon made a good-faith
17 effort to obtain the voluntary joinder in the unit in
18 the wells?

19 A. Yes.

20 Q. Let's look at Exhibit 4. Is Exhibit 4 an
21 example of the well proposal that was sent to the
22 working interest owners?

23 A. It is.

24 Q. And does Exhibit 4 include the surface-hole
25 location -- a proposed surface-hole location,

1 bottom-hole location and approximate TVD?

2 A. It does, yes.

3 Q. When you sent the proposal letter, I notice
4 that you have separate elections for each well. Is that
5 accurate?

6 A. That is correct. Yeah.

7 Q. Do you include with the proposal letter AFEs?

8 A. We do.

9 Q. And are those AFEs behind Tab 5?

10 A. They are, yes.

11 Q. And for each -- you provided an AFE for each
12 well; is that correct?

13 A. Yes.

14 Q. And the AFEs include the estimated costs for
15 drilling, completing and equipping the well; is that
16 right?

17 A. Yes.

18 Q. So let's quickly go through the AFEs and just
19 inform the hearing examiners about the estimated cost
20 for each of the wells.

21 A. Okay.

22 Q. So let's start with the 1H well. That's the
23 first one in the packet. What's the estimated cost for
24 drilling, completing and equipping the well?

25 A. Estimated cost is \$6,993,485.

1 Q. Great.

2 And then for the 2H well?

3 A. 2H well, estimated cost is \$7,443,310.

4 Q. And the 3H well?

5 A. The 3H well is \$6,992,415.

6 Q. The 4H well?

7 A. The 4H well is \$7,443,310.

8 Q. And then the 5H well?

9 A. The 5H well is \$6,992,415.

10 Q. And is that the same estimated costs for the 7H
11 well?

12 A. It is.

13 Q. And how about for the 8H?

14 A. The 8H is \$7,443,310.

15 Q. And in your opinion, are those costs in line
16 with the cost of other horizontal wells drilled to this
17 length and depth in New Mexico?

18 A. Yes.

19 Q. Do you have an opinion as to who should be
20 appointed operator of the well?

21 A. I believe Marathon Oil Permian should be
22 appointed operator.

23 Q. Do you have a recommendation for the amounts
24 which Marathon should be paid for supervision and
25 administrative expenses?

1 A. Yes. We recommend 7,000 while the well is
2 being drilled and 700 a month while it's producing.

3 Q. And are these amounts equivalent to those
4 normally charged by Marathon and other operators in this
5 area for horizontal wells of this length and depth?

6 A. Yes.

7 Q. Do you request that these rates be adjusted
8 periodically as provided by the COPAS accounting
9 procedure?

10 A. Yes.

11 Q. Does Marathon request the maximum cost plus 200
12 percent risk charge if any pooled working owner --
13 working interest owner fails to pay its share of costs
14 for drilling, completing and equipping the well?

15 A. Yes.

16 Q. Is it your understanding that the parties you
17 are seeking to pool were notified of this hearing?

18 A. Yes.

19 Q. Turning to Exhibit 6, Exhibit 6 is an Affidavit
20 of Notice that I prepared that shows the parties who
21 were identified, the status of whether they received
22 notice and an Affidavit of Publication from the
23 "Carlsbad Argus" newspaper. Is that your understanding
24 of Exhibit 6?

25 A. Yes.

1 Q. And you provided to me the names and addresses
2 of overriding royalty interest owners, as well as
3 working interest owners; is that correct?

4 A. Yes.

5 Q. Does Marathon request that it be allowed a
6 period of one year between when the wells are drilled
7 and when the first well is completed under the orders?

8 A. Yes.

9 Q. And is Marathon planning, as far as you know,
10 to drill these wells from two pads?

11 A. Yes.

12 Q. Were Exhibits 1 through 6 prepared by you or
13 under your supervision or compiled from company business
14 records?

15 A. Yes, they were.

16 Q. In your opinion, is the granting of these
17 applications in the interest of conservation and the
18 prevention of waste?

19 A. Yes.

20 MS. BENNETT: At this time I'd like to move
21 to have Exhibits 1 through 6 admitted into the record.

22 EXAMINER DAWSON: Any objections?

23 MR. FELDEWERT: No objections.

24 EXAMINER DAWSON: At this time Exhibits 1
25 through 6 will be admitted into the record.

1 (Marathon Oil Permian, LLC Exhibit Numbers
2 1 through 6 are offered and admitted into
3 evidence.)

4 MS. BENNETT: And I have no further
5 questions for Mr. Broussard.

6 EXAMINER DAWSON: Okay. Mr. Brooks, do you
7 have any questions?

8 EXAMINER BROOKS: Yes.

9 MR. FELDEWERT: Mr. Dawson, I have a few.

10 EXAMINER DAWSON: Oh, sorry, Mr. Feldewert.
11 Go ahead.

12 CROSS-EXAMINATION

13 BY MR. FELDEWERT:

14 Q. Mr. Broussard, do you routinely work with your
15 geologist and reservoir engineers within the company?

16 A. Yes.

17 Q. Okay. And you do you talk with him about the
18 certain number of wells per spacing unit?

19 A. To a degree, yes.

20 Q. And the depths?

21 A. Yes.

22 Q. And the spacing patterns?

23 A. To a degree.

24 Q. So you have general information about the
25 geology, then, in the areas you work in? I'm just

1 talking about general information.

2 A. Generally.

3 Q. And the same with respect to drainage patterns?

4 A. Generally.

5 Q. Okay. Do you know, does the Wolfcamp D tend to
6 be gassier than the Wolfcamp X-Y or the Wolfcamp A?

7 A. I believe so. I'm not a geologist, but I
8 believe so.

9 Q. Is that your general understanding in talking
10 with people within the company?

11 A. Yes, sir.

12 Q. As I understand your development here for
13 Section 5, you've got one case here involving the east
14 half and the second case for the west half?

15 A. Yes, sir.

16 Q. You're proposing four X-Y wells across Section
17 5 to --

18 A. Yes, sir.

19 Q. And four Wolfcamp A wells across Section 5?

20 A. Yes, sir.

21 Q. And then six -- six Wolfcamp D wells across
22 Section 5?

23 A. Yes, sir.

24 Q. Okay. And if I look at your Exhibit B7 -- do
25 you have the packet in front of you?

1 A. Exhibit B?

2 Q. B7.

3 MS. BENNETT: Just to be clear, these are
4 the exhibits prepared by the geologist and not
5 Mr. Broussard.

6 THE WITNESS: Okay.

7 Q. (BY MR. FELDEWERT) B7 reflects, basically, the
8 spacing for those wells in the east half of 5; is that
9 right?

10 A. It looks that way. Yes.

11 Q. All right. Do you have an understanding of why
12 Marathon has chosen this particular spacing pattern?

13 A. That would be a question better answered by a
14 geologist.

15 Q. Do you have an understanding based on your
16 discussions?

17 A. Just that the subsurface team believes that
18 this is the optimal spacing pattern.

19 Q. Do you have an understanding as to why they
20 believe you would have six Wolfcamp D wells in the
21 gassier portion of the reservoir and four in the
22 less-permeable section of the reservoir?

23 A. I couldn't answer that question. No.

24 Q. You don't have a general understanding as to
25 why they do that?

1 A. No, sir.

2 EXAMINER DAWSON: I think, Mr. Feldewert,
3 some of your questions would be more properly directed
4 to the geologist --

5 MR. FELDEWERT: He's not here.

6 EXAMINER DAWSON: -- and not the landman.

7 MR. FELDEWERT: Geologist ain't here.

8 MS. BENNETT: And I apologize. If I had
9 known there would be questions for the geologist, I
10 certainly would have made him available. And I'm happy
11 to pass any of Mr. Feldewert's questions on to the
12 geologist and then supplement the record.

13 MR. FELDEWERT: I was just asking for his
14 understanding. I recognize he's not a geologist.

15 EXAMINER BROOKS: Well, his understanding
16 is legally irrelevant. And what's relevant is what the
17 reasons are, but I don't know what the issue is because
18 I don't know why you're here and what your position is.

19 MR. FELDEWERT: I'm representing OXY.

20 EXAMINER BROOKS: I understand that. Do
21 you oppose the granting of this application?

22 MR. FELDEWERT: We're trying to get an
23 understanding of the pattern here.

24 EXAMINER BROOKS: Well, okay. I think that
25 you can object to the affidavit of the geologist, and

1 they will have to continue the case and present him
2 live, if you do, because I guess you can ask these
3 questions for exploratory purposes --

4 MR. FELDEWERT: That's correct.

5 EXAMINER BROOKS: -- to determine if you
6 want to or not to enter an objection.

7 I'll overrule the objection, if there was
8 an objection.

9 MR. FELDEWERT: I don't think there was an
10 objection.

11 (Laughter.)

12 EXAMINER BROOKS: Nobody objected.

13 Okay. Go ahead.

14 **Q. (BY MR. FELDEWERT) Let me ask you this,**
15 **Mr. Broussard. Has Marathon actually drilled any wells**
16 **at this spacing in Eddy County?**

17 A. I don't know that answer specifically. I know
18 that immediately offsetting to the west that Marathon is
19 currently drilling Wolfcamp D wells in Section 6.

20 **Q. Section 6. In what township and range?**

21 A. 23 South, Range 28 East.

22 **Q. Is that the same range and township here?**

23 A. It is.

24 **Q. So Section 6?**

25 A. Yes.

1 Q. And you're actually drilling, you say, in the
2 Wolfcamp. Are they drilling at this -- my question is:
3 Are they drilling at this spacing pattern in Section 6?

4 A. I believe it's the way that it was proposed. I
5 don't have the materials here in front of me to say for
6 sure.

7 Q. You believe that the spacing pattern drilling
8 in Section 6 is what we see on Exhibit 7?

9 A. I believe it was the way they proposed. But,
10 again, I don't have the materials in front of me, so I
11 couldn't say for certain.

12 Q. Who is the land person in charge of Section 6?

13 A. Chase Rice.

14 Q. Chase. Okay.

15 REDIRECT EXAMINATION

16 BY MS. BENNETT:

17 Q. And just to clarify what you're saying, you
18 believe that the wells that are being drilled in Section
19 6 were proposed in a similar fashion --

20 A. Yes.

21 Q. -- in a way the wells are being proposed
22 here --

23 A. Correct.

24 Q. -- and that those wells are now being drilled,
25 and they're Wolfcamp D wells?

1 A. Yes.

2 Q. Which is the area --

3 MR. FELDEWERT: So if I may ask the
4 witness.

5 MS. BENNETT: Sorry.

6 CONTINUED CROSS-EXAMINATION

7 BY MR. FELDEWERT:

8 Q. I'm talking about the spacing pattern. I'm
9 talking about four Wolfcamp X-Y, four Wolfcamp A and six
10 Wolfcamp D, that spacing pattern. Okay?

11 A. Okay.

12 Q. Is it your testimony that you believe that
13 they're doing the same drilling on that spacing in
14 Section 6?

15 A. I couldn't say for certain.

16 Q. Okay.

17 A. It's not something I looked at prior to this.
18 So --

19 Q. Is that the only section where they're actually
20 drilling -- potentially drilling in this pattern in the
21 Wolfcamp in Eddy County that you're aware of?

22 A. I'm not certain. I just know that it's
23 offsetting to this, so I have a general idea of what --

24 Q. And they have a drilling rig there, and they're
25 actually drilling? That's your testimony?

1 A. I couldn't say for certain.

2 **Q. Has Marathon actually completed any wells at**
3 **this pattern in the Wolfcamp in Eddy County?**

4 A. The full development -- I do not believe they
5 have completed a full development at this spacing.

6 **Q. At this spacing?**

7 A. Correct.

8 **Q. Is there a reason why you have proposed**
9 **one-mile wells here and not two-mile wells?**

10 A. We have proposed only one-mile wells here
11 because it is -- well, first of all, it's the sections
12 that we actually have an interest in, and second of all,
13 we have development plans that surround this section
14 that hamper it from -- from us extending it.

15 **Q. So the reason for one-mile is solely limited to**
16 **land considerations?**

17 A. To my knowledge, yeah.

18 **Q. Okay. If I look at Exhibit 7, if I'm**
19 **understanding this exhibit, because you don't have any**
20 **interest in Section 8, you limited this to just one-mile**
21 **wells?**

22 A. Yes.

23 **Q. What about Section 32?**

24 A. It is my understanding that we have separate
25 proposals for two-mile wells that run east-west in the

1 sections to the north.

2 Q. East-west?

3 A. Yes.

4 Q. So that was my next question. Why did you
5 choose a stand-up orientation here rather than a
6 lay-down orientation like you have up there in Section
7 32?

8 A. I think this would be a question better suited
9 for the geologist again. But it's my general
10 understanding that in this portion of the basin that
11 either orientation performs well.

12 Q. Okay. All right. Now, when did you say that
13 you have a rig scheduled for these particular wells?

14 A. We do not have a specific spud date for these
15 wells, but it is our proposed plan to drill these by
16 mid-2020.

17 Q. Mid-2020?

18 A. Uh-huh.

19 Q. Any kind of a drilling schedule?

20 A. I do not have specific spud dates. No.

21 Q. Okay. And when you start drilling sometime in
22 mid-2020, is it the intention to drill all of these at
23 the same time, or is your thought process that you would
24 start, for example, with the Wolfcamp D first and then
25 proceed from there?

1 A. It is my understanding that we would actually
2 drill the Upper Wolfcamp, so the As and X-Ys together,
3 completed together, and then sometime in the future come
4 back and do the same thing for the Lower Wolfcamps.

5 **Q. So you batch drill the A and the X-Y?**

6 A. Yes.

7 **Q. And then subsequently come back and do the D?**

8 A. Yes. That's why there are two pads, one for
9 the uppers and one for the lowers.

10 **Q. And when you say -- do you know when you would**
11 **come back and drill the Wolfcamp D?**

12 A. I couldn't say. No.

13 **Q. Can you then explain to me why you're proposing**
14 **and requiring operators to pay their share of Wolfcamp D**
15 **wells if you don't have any time frame in which you**
16 **intend to drill them?**

17 A. I believe the thought process is to pool the
18 entire formation under our development plan and develop
19 it the way that Marathon sees the most efficient.

20 **Q. But you understand that you're asking the**
21 **parties you're seeking to pool to pay their share of an**
22 **AFE for the Wolfcamp D wells in a circumstance where you**
23 **don't even have them on your drilling schedule?**

24 A. Yes, sir. But it's my understanding that
25 nonoperating working interests don't have to pay those

1 fees until the actual costs are incurred, especially if
2 we are able to get anybody signed up on a joint
3 operating agreement, which is fully our intention.

4 Q. So if you got a pooling order in this case,
5 then you wouldn't require OXY to pay a share of any of
6 these wells until sometime later as we get closer to
7 mid-2020?

8 A. It is my understanding that once and if a
9 pooling order is given for those wells, that we have to
10 repropose on a well-by-well basis underneath that order
11 and that each owner has the opportunity to either elect
12 or go nonconsent in each well --

13 Q. Okay.

14 A. -- at which time costs could be collected.

15 Q. So given that you don't intend to drill these
16 until sometime in mid-2020, when does the company intend
17 to propose these wells under the pooling order if you
18 get one?

19 A. I -- I couldn't say exactly when they would be
20 proposed because that hinges on when the order is given
21 and, after that, when we can get it on a specific drill
22 schedule.

23 Q. Okay. So you can -- you would agree with me
24 then if you get a pooling order in the next two or three
25 months, it would make no sense at that point to require

1 OXY or any other pooled parties to pay their share of
2 these wells at that point in time?

3 MS. BENNETT: Objection. I don't think
4 that is a question that Mr. Broussard --

5 EXAMINER BROOKS: This is becoming an
6 extremely long process, Mr. Feldewert. Is there any way
7 we can get your concern without examining this witness
8 about things -- about his understanding of things which
9 his understanding may or may not be correct? That's not
10 very edifying for the examiners.

11 Q. (BY MR. FELDEWERT) Would you be willing to
12 entertain an amended pooling order that would limit the
13 time frame in which you would be able to actually
14 propose and require the parties to pay their fair share
15 given that you don't intend to drill these wells until
16 sometime in mid-2020?

17 MR. FELDEWERT: How's that?

18 MS. BENNETT: I'm going to object to that
19 question as well. It's asking the witness to speculate
20 about something that --

21 EXAMINER BROOKS: I think it's very
22 similar. It's argumentative because this witness does
23 not have the authority -- I can't imagine that this
24 witness has the authority to commit his company on
25 something of that character. So --

1 MR. FELDEWERT: Okay.

2 Q. (BY MR. FELDEWERT) What is the status of your
3 discussions with OXY?

4 A. We have spoken to OXY on everything related to
5 these well proposals. We have also been in discussions
6 with OXY to acquire their acreage in this area, not only
7 this section but other surrounding areas because we do
8 believe this is a core development area for us and
9 acquiring those interests via trade, and we have made
10 proposals and are in discussions with the landmen
11 responsible for different areas in both Lea and Eddy
12 Counties. And it is our hope that we could have those
13 issues resolved before we would have to repropose these
14 wells under an order.

15 Q. What is the status of those discussions, the
16 trade discussions?

17 A. I think they're just that. They're still
18 discussions at this point.

19 Q. Any proposals provided?

20 A. There have been proposals. Yes.

21 Q. What's the next step, in your opinion?

22 A. The next step, in my opinion, is for both sides
23 to come to an agreement on equitable acreage swaps.

24 Q. And try to reach an agreement?

25 A. Try to reach an agreement.

1 **Q. What's the next step in that process based on**
2 **where you are now?**

3 A. I mean, I believe that both Marathon and OXY
4 have given each other large chunks of different acreage
5 that they would be open to trading or trading away --
6 trading out of or trading for, and it is just a matter
7 of shrinking those trade conversations to actually come
8 to an agreement.

9 **Q. So you have a proposal in hand from OXY?**

10 A. I believe that Marathon has submitted potential
11 trade opportunities.

12 **Q. To OXY?**

13 A. Yes.

14 **Q. And you're waiting for OXY to respond?**

15 A. I think it's an ongoing discussion.

16 **Q. Are you involved in those discussions?**

17 A. To a degree, yes.

18 **Q. Okay. And are you waiting for OXY to respond,**
19 **or is OXY waiting for you to respond --**

20 MS. BENNETT: Objection. Asked and
21 answered a number of times.

22 EXAMINER BROOKS: It's my understanding
23 that they're waiting for OXY. Now, I don't -- I think
24 the witness should answer it, though, because even
25 though it has been asked and there's been lots of

1 discussion about it, I'm not clear.

2 THE WITNESS: So as I mentioned, both OXY
3 and Marathon have swapped acreage positions that they
4 would be willing to trade in or out of, and both teams
5 are pushing those proposals up to management that can
6 actually make decisions and the teams to put specific
7 values on each acreage to actually come to an equitable
8 agreement on an acreage -- acre-by-acre basis. So those
9 conversations have been friendly to date. I think that
10 both sides are in agreement that we need to get out of
11 each other's hair, for lack of a better term. And it
12 is, you know, across-basin proposals, so acreage in Lea
13 and acreage in Eddy, that kind of thing, which takes
14 time between teams to get management approval and to put
15 accurate values on each acreage position.

16 Q. (BY MR. FELDEWERT) So is OXY waiting on
17 something from you, or are you waiting on something from
18 OXY?

19 A. I think we are both waiting on something from
20 each other.

21 Q. Okay. All right. Will that effort continue
22 following this hearing?

23 A. It will.

24 Q. And in the event that you're able to consummate
25 your trade, do you plan to dismiss OXY from this pooling

1 **application?**

2 A. Yes.

3 MR. FELDEWERT: That's all the questions I
4 have.

5 EXAMINER BROOKS: Very good.

6 EXAMINER DAWSON: Do you have any
7 questions, Mr. Brooks?

8 EXAMINER BROOKS: I've forgotten what I was
9 going to ask. If I think of it, I'll ask it later in
10 the proceeding.

11 Go ahead.

12 MS. BENNETT: Any other questions for him?

13 EXAMINER DAWSON: I have no further
14 questions of this witness, Ms. Bennett.

15 MS. BENNETT: If you don't mind, the
16 witness can just stay since he's our witness in the next
17 case, too, if you want to stay up here, or he can be
18 dismissed while I go through the geologist's affidavit.
19 It's up to you.

20 EXAMINER BROOKS: Well, now, are you going
21 to object to the geologist's affidavit, Mr. Feldewert?

22 MR. FELDEWERT: No.

23 EXAMINER BROOKS: Okay.

24 MR. FELDEWERT: I know you want to get to
25 lunch. No, I won't.

1 (Laughter.)

2 EXAMINER BROOKS: Yes. I have to leave at
3 11:35, so let's go through the geologist's affidavit.

4 EXAMINER DAWSON: We'll go on to the
5 geologist.

6 MS. BENNETT: So the geologist's affidavit
7 is behind Tab B, and the affidavit is the affidavit
8 prepared by Mr. Matt Baker. Mr. Baker has previously
9 been qualified as an expert petroleum geologist, and his
10 credentials have been accepted as a matter of record.

11 Mr. Baker actually broke down his exhibits
12 between the Upper Wolfcamp and Lower Wolfcamp wells
13 after Exhibit 7.

14 Exhibit 7 is the structure map, and it does
15 show all of the wells. And based on Mr. Baker's review,
16 he notes that the structure dips to the east.

17 Exhibit 8 is where we start with the
18 separate exhibits for the Upper versus Lower Wolfcamp
19 wells. And Exhibit 8 is a reference map just of the
20 wells that Mr. Baker used for the stratigraphic cross
21 section. At a prior hearing, Mr. McMillan asked that
22 the cross reference wells be included on a separate
23 slide from the structure map, and so that's what this
24 slide is, is being responsive to Mr. McMillan's request.

25 But you can see the project area. On

1 Exhibit 8, for example, the project area is identified
2 by a black-dashed box, and the four WX -- the four Upper
3 Wolfcamp wells are identified, and their relationship to
4 the four different cross-referenced wells is shown on
5 Exhibit 8.

6 So if we turn to Exhibit 9, Exhibit 9 is
7 the stratigraphic cross section. And, again, Mr. Baker
8 has included an inset of his cross-reference map so you
9 can see the relationship between the cross-reference
10 wells and our proposed wells. And the cross-reference
11 wells run from A to A prime, and he used four wells here
12 for his cross section. And he testifies that the
13 Wolfcamp Y Sand thickness varies slightly from north to
14 south, and the Wolfcamp A thickness is relatively
15 consistent from north to south.

16 And unfortunately on these color printouts,
17 I guess our green is kind of not working all that well,
18 but you can see there are two red arrows. And those two
19 red arrows identify the target zone. The producing zone
20 is between the blue line and the bottom of -- and the
21 Wolfcamp B line. That's a producing zone, but the
22 target zone is identified by the two red arrows. And
23 those two red arrows are the Wolfcamp A and the
24 Wolfcamp Y.

25 So turning to Exhibit 10, Exhibit 10 is the

1 gross interval isochore of the Wolfcamp to Wolfcamp B.
2 And, again, this is for the Upper Wolfcamp wells. So it
3 shows the layout of the WA and WXY wells, along with our
4 proposed -- I mean the black-dashed box around the
5 proposed unit.

6 Exhibit 11, then, is the reference map for
7 the cross section for the Lower Wolfcamp wells, and
8 these are the three WD Fed Com wells. So here again you
9 can see the black-dashed box with the project area. The
10 well's delineated from A to A prime from which Mr. Baker
11 derives his data for the cross section and the location
12 of proposed wells.

13 Exhibit 12 is the stratigraphic cross
14 section for the Lower Wolfcamp wells. And, again, it
15 shows the producing zone, and the target area is the --
16 it's identified by the red arrows. And Mr. Baker
17 testifies that the Wolfcamp C2 interval thickens from
18 north to south, but the D is relatively consistent
19 across the unit.

20 And Exhibit 13 is his gross interval
21 isochore from the Wolfcamp C2 to the Wolfcamp D3 for the
22 Lower Wolfcamp wells. And, again, it's got the
23 black-dashed box and shows the three Wolfcamp D wells.

24 From his study, Mr. Baker testifies that
25 his conclusion is that the horizontal spacing unit is

1 justified from a geologic standpoint, that there are no
2 structural impediments or faulting that will interfere
3 with horizontal development and that each section will
4 contribute more or less equally in production.

5 And as Mr. Broussard alluded to earlier,
6 Mr. Baker has testified in his affidavit that the
7 preferred well orientation in this area is either
8 north-south or east-west, and he states that that is
9 because the SHmax is 45 -- approximately 45 degrees from
10 north within this unit.

11 He testifies that these exhibits, 7 through
12 13, were prepared by him or under his supervision or
13 compiled from company business records, and it's his
14 opinion that the granting of this application is in the
15 interest of conservation and the prevention of waste.

16 At this time I'd like to move Exhibits B7
17 through 13.

18 EXAMINER DAWSON: Any objections?

19 MR. FELDEWERT: No objections.

20 EXAMINER DAWSON: Okay. At this time B7
21 through 13 will be admitted to the record.

22 (Marathon Oil Permian, LLC Exhibit Numbers
23 B7 through 13 are offered and admitted into
24 evidence.)

25 EXAMINER DAWSON: Any questions,

1 Mr. Brooks?

2 EXAMINER BROOKS: No questions.

3 EXAMINER DAWSON: I have no further
4 questions.

5 MS. BENNETT: Thank you.

6 At this time Marathon would ask that Case
7 Number 20466 be taken under advisement.

8 EXAMINER DAWSON: Okay. At this time Case
9 Number 20466 will be taken under advisement.

10 MS. BENNETT: Thank you.

11 EXAMINER DAWSON: At this time we will go
12 on break until 1:00.

13 (Case Number 20466 concludes, 11:33 a.m.)

14 (Recess, 11:33 a.m. to 1:05 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

20 DATED THIS 21st day of May 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

25