

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:

CASE NO. 20822, 20823

Application of Marathon Oil
Permian, LLC for Compulsory
Pooling, Lea County, New Mexico

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING
8:47 A.M.
THURSDAY, OCTOBER 31st, 2019
SANTA FE, NEW MEXICO

This matter came on for hearing before the
New Mexico Oil Conservation Division, Kathleen Murphy,
Examiner, Phillip Goetze, Examiner, Eric Ames, Legal
Examiner on Thursday, October 31, 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.

Reported By: Robin E. Johnson
New Mexico CCR 105, RPR, CA CSR
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11 FOR OXY USA, INC. AND XTO ENERGY, INC.:

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1 EXAMINER MURPHY: The next cases that
2 we'll hear are 20822 and 20823, application of Marathon
3 Oil Permian, LLC for compulsory pooling, Lea County,
4 New Mexico.

5 Call for appearances.

6 MS. BENNETT: Good morning, hearing
7 examiners. My name is Deana Bennett, that's D-E-A-N-A,
8 Bennett, on behalf of Marathon Oil Permian, LLC. And
9 I've asked that these cases be consolidated for hearing
10 purposes. And I'd ask that these cases be put on by
11 affidavit.

12 EXAMINER MURPHY: Any other appearances?

13 MR. PADILLA: Ernest L. Padilla, for DOC
14 Resources. We don't have any witnesses or any
15 evidence, simply entering an appearance in this case.

16 MR. FELDEWERT: Examiner,
17 Michael Feldewert, Santa Fe office of Holland & Hart,
18 here on behalf of Oxy USA, Inc. and then separately for
19 XTO Energy, Inc.

20 EXAMINER MURPHY: Okay. Please proceed.

21 MS. BENNETT: Thank you. Happy
22 Halloween. Thanks for being here on Halloween.

23 Again, my name is Deana Bennett, and I
24 represent Marathon Oil Permian, LLC.

25 What I've presented to you today is a

1 consolidated package of exhibits for both cases 20822
2 and 20823.

3 Briefly stated, in these cases,
4 Marathon seeks compulsory pooling, and Marathon has
5 proposed two sets of -- or two cases that include a
6 total of 10 wells. The wells are in the Avalon and
7 Bone Springs formations. That is one case.

8 The first case covers the Avalon and
9 Bone Springs Wells. And the second case, 20823,
10 covers the Wolfcamp Wells.

11 Based on my discussion with Mr. Ames
12 this morning, I intend to present these cases very
13 expeditiously by affidavit. And if you have any
14 questions, I'm happy to answer them.

15 The highlights for you all is that is
16 the packet contains two main tabs, Tab A and Tab B.

17 Tab A includes the landman's exhibits,
18 which are his affidavit and all the accompanying
19 exhibits that you would anticipate to see behind his
20 affidavit: C-102's, lease tract, the proposal letter,
21 the AFE's. And the parties that Marathon seeks to
22 pool are also behind his affidavit.

23 Exhibit No. 7 is my affidavit showing
24 that notice was completed for these cases, which
25 includes a copy of the notice letter that I sent out.

1 Tab B is the geology affidavits and
2 exhibits. And here I would point out that there are a
3 number of geology slides. And that is because there
4 are several target formations, the Avalon, First Bone
5 Spring, Second Bone Spring, Third Bone Spring,
6 Wolfcamp A and Wolfcamp XY. That is why there are so
7 many geology slides in this particular packet. But
8 there are slides for each proposed target interval.

9 I would also note that Marathon is
10 taking advantage of, in the most positive meaning of
11 that word, the proximity tract rule. So, that is
12 explained in the landman's affidavit as to which is
13 the defined wells and the size of the spacing units
14 that Marathon seeks as a result of reliance on the
15 proximity tract rule.

16 Other than that, I think those are the
17 only real highlights I have for you and the only
18 points I would like to make. Otherwise, the exhibits
19 are standard exhibits that you would expect to see
20 from an affidavit case.

21 So, with that, I would like to ask that
22 Exhibits A and B, with their attachments be taken, be
23 admitted into the record in Case No. 20822 and
24 Case No. 20823.

25 EXAMINER MURPHY: Mr. Feldewert?

1 MR. FELDEWERT: I have a couple
2 questions. I'm looking at your Exhibit Tab 4. I
3 guess, now is there just the working interest owners?

4 MS. BENNETT: Those are the working
5 interest owners, but Marathon is also seeking to pool
6 the overrides.

7 MR. FELDEWERT: Overrides, where would I
8 find that?

9 MS. BENNETT: That is attached to
10 Exhibit 7. At the end of Exhibit 7, there is a list of
11 the overriding royalty interest owners in Section 15,
12 and the overriding royalty interest owners in
13 Section 22.

14 MR. FELDEWERT: Okay. So, you have --
15 interest owners in Section 15, record titles in
16 Section 22 overrides. Okay. Thank you very much.

17 MS. BENNETT: Sure.

18 EXAMINER MURPHY: Did you have another
19 question?

20 MR. FELDEWERT: No. That was my two.

21 EXAMINER MURPHY: Mr. Padilla?

22 MR. PADILLA: I don't have any
23 questions.

24 EXAMINER MURPHY: And no objections to
25 taking the affidavits into the record?

1 MR. FELDEWERT: No.

2 MR. PADILLA: No.

3 EXAMINER MURPHY: The 20822 and 20823
4 exhibits are entered into the record.

5 Thank you.

6 MS. BENNETT: If there are no further
7 questions from the examiners, I'm happy to answer
8 those, but if there aren't any other questions I would
9 ask that Case No. 20822 and Case No. 20823 be taken
10 under advisement at this time.

11 EXAMINER MURPHY: I will look forward to
12 reading Mr. Lockwood's geology section on the proximity
13 tracts.

14 And Cases 20822 and 20823 will be taken
15 under advisement.

16 MS. BENNETT: Thank you.

17 And just to clarify the discussion
18 about the proximity tracts, it's in the landman's
19 affidavit, which is Mr. Travis Prewett. And the
20 C-102's showing the first and last take points are
21 also part of his exhibits. He also described the
22 first and last take points in his affidavit, which is
23 where you'll get the information to confirm the wells
24 that would be quote, unquote the defining wells.

25 EXAMINER MURPHY: We don't want to give

1 the geologist credit when it's the landman; do we?

2 MS. BENNETT: Well, I just don't want
3 you looking hopefully eagerly to the geology testimony
4 only to find that it's not --

5 EXAMINER MURPHY: Thank you.

6 (The hearing concluded at 8:54 a.m.)

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REPORTER'S CERTIFICATE

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I, ROBIN E. JOHNSON, RPR; CA CSR; New Mexico
Certified Shorthand Reporter, certify:

That the foregoing proceedings were taken
before me at the time and place therein set forth;

That the questions propounded and all
objections and statements made at the time of the
hearing were recorded stenographically by me and were
thereafter transcribed;

That the foregoing is a true and correct
transcript of my shorthand notes so taken.

I further certify that I am not a relative or
employee of any of the parties, nor financially
interested in the action.

I declare under penalty of perjury, under the
laws of New Mexico, that the foregoing is true and
correct, dated this 14th day of November 2019.

ROBIN E. JOHNSON, RPR, CA CSR
New Mexico CCR No. 105