

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 NOS: 20864

APPLICATION OF MARATHON OIL PERMIAN LLC
FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 14, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, EXAMINERS LEONARD LOWE, KATHLEEN MURPHY, PHILLIP GOETZE, and LEGAL EXAMINER ERIC AMES, on Thursday, November 14, 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: Irene Delgado, NMCCR 253
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A P P E A R A N C E S

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I N D E X

CASE NO. 20867 CALLED	
CHASE RICE (By Affidavit)	03
REBECCA HORNE (By Affidavit)	05
TAKEN UNDER ADVISEMENT	07

E X H I B I T I N D E X

	Admitted
Exhibit A and Attachments	06
Exhibit B and Attachments	06

1 HEARING EXAMINER LOWE: Call Case Number 20864.
2 Call for appearance.

3 MS. BENNETT: Good morning. Deana Bennett on
4 behalf of Marathon Oil Permian LLC.

5 MR. LARSON: Good morning, Mr. Examiner. Gary
6 Larson of the Santa Fe office of Hinkle Shanor on behalf of
7 BTA Oil Producers. I do not have any witnesses.

8 HEARING EXAMINER LOWE: Are you going to present
9 by affidavit?

10 MS. BENNETT: Yes, and I have conferred with
11 counsel for BTA who does not oppose me putting the case on
12 by affidavit.

13 HEARING EXAMINER LOWE: You may proceed.

14 MS. BENNETT: Good morning again. Before you I
15 have placed a packet of exhibits for Case Number 20864.
16 Case Number 20864 involves the S/2 of the two sections that
17 are at issue here, and these are Wolfcamp wells, Upper and
18 Lower Wolfcamp wells, six wells total.

19 Behind Tab A is the affidavit of Mr. Chase Rice,
20 a Marathon landman who has been previously qualified to
21 testify before the Division. Behind his affidavit are all
22 the terms that Marathon is seeking for the particular wells.
23 He also, behind his affidavit, he includes the application
24 for Case Number 20864.

25 Behind Tab 2 are the C-102s, and the wells are in

1 the Purple Sage Wolfcamp Gas Pool, and these wells do not
2 comply with the setback requirements for the Purple Sage
3 Wolfcamp Gas Pool, and Marathon will be requesting NSL
4 approval, non-standard approval separately, and those
5 applications are in process. We are in the process of
6 compiling the offset owners' addresses. As soon as I have
7 those, we will be submitting the NSL application.

8 Behind Tab 3 are the lease tract maps -- is the
9 lease tract map, as well as the breakdown of working
10 interest versus uncommitted working interest.

11 Behind Tab 4 is the proposal letter. This
12 proposal letter includes wells in both the N/2 and the S/2,
13 and the N/2 wells are the subject of the contested hearing
14 that we will be having later today or tomorrow.

15 The next pages behind Tab 5 are the AFEs, and as
16 I previously testified -- Mr. Rice testified -- or as I
17 previously stated, Mr. Rice testified, these costs are in
18 line with costs that other operators are charging in this
19 area of New Mexico.

20 Behind Tab 6 is my affidavit of notice which
21 includes the notice letters that were sent out. As I
22 previously explained, we inadvertently left BLM off the
23 initial mailing, so we FedEx'd BLM an overnight letter, and
24 that information is also included in this affidavit, as well
25 as my affidavit of publication showing we published notice

1 of this hearing today.

2 Let's see. Behind Tab B is the affidavit of the
3 Ms. Rebecca Horne. As I mentioned earlier, she will be
4 testifying in the contested hearing, and I will present -- I
5 will supplement these exhibits with her resume, but we will
6 also be discussing her qualifications when she testifies in
7 person later today or tomorrow.

8 HEARING EXAMINER LOWE: Okay.

9 MS. BENNETT: Behind her affidavit is the locator
10 map showing the proposed unit in reference to the Capitan
11 Reef, a wellbore schematic. Again, this wellbore schematic
12 does show both the N/2 and S/2 wells, but the S/2 wells are
13 identified by a red dash box. That's on Page 61.

14 Then Ms. Horne has produced two sets -- provided
15 two sets of geology studies, one for the Upper Wolfcamp
16 wells and one for the Lower Wolfcamp wells. And for each
17 study she prepared a structure map, a map showing the
18 location of the wells used to create her cross section, the
19 cross section and an isochore.

20 Behind Tab 11 is a citation from the Snee Zoback
21 paper justifying her conclusions about the preferred well
22 orientation in this area.

23 This application also involves a proximity tract,
24 and Mr. Rice testifies about the proximity tract -- excuse
25 me -- that's in the application on Page 6 -- I'm sorry --

1 Paragraph 6, which is on Page 7, the completed interval for
2 the Valkyrie 12 WXY Federal Com 9H well is less than 330
3 feet from the adjoining tract, and the Division's rule
4 allows for the proximity tract within the proposed spacing
5 for the wells. So that is the, quote-unquote, defining well
6 for purposes of the proximity tract rule.

7 With that I would ask that Exhibits A and B and
8 their attachments be admitted into the record in case Number
9 20864.

10 HEARING EXAMINER LOWE: Mr. Larson?

11 MR. LARSON: No objection.

12 HEARING EXAMINER LOWE: Exhibits A and B will be
13 accepted for this case.

14 (Exhibits A and B admitted.)

15 MS. BENNETT: I stand for any questions, if I can
16 answer any.

17 HEARING EXAMINER LOWE: Ms. Murphy?

18 EXAMINER MURPHY: Pardon me, I'm confused, but
19 the S/2 is the contested part of this?

20 MS. BENNETT: The N/2 is the contested part. The
21 S/2 is uncontested.

22 EXAMINER MURPHY: Thank you.

23 MS. BENNETT: You are welcome.

24 HEARING EXAMINER LOWE: Is that it?

25 EXAMINER MURPHY: No questions, thank you.

1 HEARING EXAMINER LOWE: Mr. Goetze.

2 EXAMINER GOETZE: We have six wells for this
3 application, and we also have other wells cited in the
4 letter to the various parties. I'm assuming they are in the
5 other cases?

6 MS. BENNETT: They are. We have the Bone Spring
7 S/2 wells will be my next presentation, and then for the N/2
8 we have Bone Spring -- Bone Spring wells and Wolfcamp wells.

9 EXAMINER GOETZE: No further questions. Thank
10 you.

11 MS. BENNETT: Thank you.

12 HEARING EXAMINER LOWE: Of the six wells you
13 indicated for this case, are they all unorthodox?

14 MS. BENNETT: They are all unorthodox.

15 HEARING EXAMINER LOWE: They are all unorthodox?

16 MS. BENNETT: Yes. They are all proposed to be
17 100 feet from the outer boundary of the spacing unit.

18 HEARING EXAMINER LOWE: That's all the questions
19 I have.

20 MS. BENNETT: Thank with. With that I would ask
21 that Case Number 20864 be taken under advisement.

22 HEARING EXAMINER LOWE: Case Number 20864 will be
23 taken under advisement.

24 MS. BENNETT: Thank you.

25 (Case 20864 taken under advisement.)

1 STATE OF NEW MEXICO)
)SS
2 COUNTY OF SANTA FE)

3 I, IRENE DELGADO, certify that I reported the
4 proceedings in the above-transcribed pages, that pages
5 numbered 1 through 7 are a true and correct transcript of my
6 stenographic notes and were reduced to typewritten
7 transcript through Computer-Aided Transcription, and that on
8 the date I reported these proceedings I was a New Mexico
9 Certified Court Reporter.

10 Dated at Santa Fe, New Mexico, this 14th day of
11 November 2019.

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Irene Delgado, NMCCR 253
Expires: 12-31-19