

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. 20820
CASE NO. 20821

Application of MARATHON OIL
PERMIAN, LLC for Compulsory Pooling,
Lea County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, OCTOBER 3, 2018

SANTA FE, NEW MEXICO

This matter came on for hearing before the
New Mexico Oil Conservation Division, Phillip Goetz,
Examiner, Dylan Rose-Coss, Examiner, Eris Ames, Legal
Examiner, on Thursday, October 3, 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: Mary Therese Macfarlane
New Mexico CCR 122
PAUL BACA COURT REPORTERS
500 Fourth Street NW, Suite 105
Albuquerque, New Mexico 87102
(505) 843-9241

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A P P E A R A N C E S

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| For the Applicant: | Deana Bennett, Esq. Nicole Russell, Esq. Modrall, Sperling P.O Box 2168 Albuquerque, NM (505) 848-1845 dbennett@modrall.com |
| For EOG Resources | Ernest L. Padilla, Esq. Padilla Law Firm 1512 St. Francis Drive Santa Fe, NM 87505 (505) 988-7677 |

I N D E X

| CASE NOS. 20820/20821 CALLED | PAGE |
|-----------------------------------|------|
| APPLICANT WITNESSES: | |
| RYAN GYLLEGAND (By affidavit) | 4 |
| THOMAS LOCKWOOD (BY AFFIDAVIT) | 5 |

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

| APPLICANT MARATHON OIL PERMIAN, LLC EXHIBITS | PAGE |
|--|------|
| A | 6 |
| A-1 through A-7 | 6 |
| B | 6 |
| B-1 through B-7 | 6 |

1 (Time noted 3:24 p.m.)

2 EXAMINER GOETZ: We call Case No. 20820 and
3 20821 Application or Marathon Permian, LLC, for compulsory
4 pooling for Lea County, New Mexico.

5 Call for appearances.

6 MS. BENNETT: My name is Deana Bennett and I'm
7 here with Nicole Russell from the Albuquerque office of
8 Modrall, Sperling, and we are here on behalf of Marathon
9 Permian, LLC.

10 MR. PADILLA: Ernest L. Padilla entering an
11 appearance for EOG Resources in Case 20821.

12 EXAMINER GOETZ: And you have no objections to
13 this being presented by affidavit?

14 MR. PADILLA: Not at all. The only request is
15 the same as in prior cases so --

16 MS. RUSSELL: Marathon is agreeable to that
17 request.

18 THE SPECIAL MASTER: That for the record is?

19 MR. PADILLA: That the 30-day period for
20 submission of money after Schedule of Well Costs is
21 submitted to be extended from 30 days to 90 days

22 EXAMINER GOETZ: Very good. Thank you. It's on
23 the record.

24 Ms. Bennett.

25 MS. BENNETT: Thank you.

1 So what I have presented to you is a copy
2 of our exhibits. And this is for two cases we are
3 consolidating for hearing, 20820 and 20821. These two
4 cases seek side-by-side spacing units. One is in the Bone
5 Spring and one is in the Wolfcamp. One is in the east
6 half/west half, and one is the east half. Exhibit A is
7 the combined affidavit for both cases 20820 and 20821.
8 It's an affidavit prepared by Mr. Ryan Gyllenband. He has
9 previously testified before the Division and his
10 credentials were accepted as a matter of record.

11 Behind -- excuse me, his affidavit also
12 includes the amounts that Marathon seeks for drilling and
13 producing and the risk penalty charge.

14 Behind his affidavit are the Applications.
15 The first tab has the application for Case 20820, so the
16 second tab has the Application for Case No. 20821.

17 Behind Exhibit 3 are the two C-102s, one
18 for each well. These are the Ender Wiggins well, I would
19 clarify.

20 Tab 4 has the Lease Tracts map and the
21 Summary of Interests.

22 And the AFEs are behind Tab 6.

23 And Tab 7 is my Affidavit of Notice, which
24 includes the names and addresses of folks to whom we sent
25 notice of this hearing, a sample of the Notice Letter, and

1 then the mailings for the next case, 20821, sample of the
2 Notice Letter and then sample -- I'm sorry, the Affidavit
3 of Publication.

4 And then Exhibit 7-D is a list of
5 overriding royalty interest owners that Marathon seeks to
6 pool in these two cases. And the list is the same for
7 both cases.

8 Turning now to Exhibit B, Exhibit B is the
9 the affidavit of the geologist Mr. Thomas Lockwood.
10 Mr. Thomas Lockwood has previously testified before the
11 Division, and his credentials were accepted as a matter of
12 record.

13 Behind Tab 8-A are the locator maps -- I'm
14 sorry. Behind Tab 8 are the locator maps, one for each
15 well location in the Capitan Reef.

16 Tab 9 contains Mr. Lockwood's geology study
17 for the 11H well, which is a Bone Spring well, and so he
18 has the usual exhibits there: A wine rack (phonetic)
19 view, a structure map, reference map for the controlling
20 section, a small cross section, and then we provided a
21 blown-up extra-large cross section, and then a gross
22 interval isochore.

23 Behind Tab 10 is his geology study. 13A
24 well, which is Wolfcamp well. The same exhibits: the
25 wine rack, structure map, reference map, cross section,

1 large cross section, and the gross interval isochore.

2 Behind Tab 11 is Mr. Lockwood's -- in his
3 affidavit he testifies to the preferred well orientation
4 in this area, and Tab 11 is a citation to the Snee and
5 Zoback 2018 paper, as well as some information that
6 justified his conclusion about the preferred well
7 orientation in this area.

8 With that I would move the exhibits, move
9 the admission of Exhibit A and its supporting exhibits,
10 and Exhibit B and its supporting exhibits in Cases Nos.
11 20820 and 20821.

12 EXAMINER GOETZ: Very good. Then Exhibit A and
13 and its supporting tabs, and B and its supporting tabs
14 will be so entered in Cases 20820 and 20821.

15 It's hard to say.

16 MS. BENNETT: Thank you.

17 At this time I would ask that Cases 20820
18 and 20821 be taken under advisement.

19 EXAMINER GOETZ: Cases 20820 and 20821 are taken
20 under advisement.

21 MS. BENNETT: Thank you very much.

22 (Time noted 3:31 p.m.)

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1 STATE OF NEW MEXICO)
2) SS
3 COUNTY OF TAOS)
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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, October
8 3, 2019, the proceedings in the above-captioned matter
9 were taken before me; that I did report in stenographic
10 shorthand the proceedings set forth herein, and the
11 foregoing pages are a true and correct transcription to
12 the best of my ability and control.

13 I FURTHER CERTIFY that I am neither employed by
14 nor related to nor contracted with (unless excepted by the
15 rules) any of the parties or attorneys in this case, and
16 that I have no interest whatsoever in the final
17 disposition of this case in any court.

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MARY THERESE MACFARLANE, CCR
NM Certified Court Reporter No. 122
License Expired: 12/31/2019