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6

7 **DAY 2 (March 11, 2026) of March 10th Special Docket**

8

9 **OCD Special Docket March 10, 2026-**
10 **20260311_133354UTC-Meeting Recording**

11 March 11, 2026, 1:33PM

12 4h 0m 0s

13

14  **+15*****12** 51:08

15 OK.

16

17  **Pecos Hall** 55:41

18 Mr. Aragon, are you ready to go?

19

20  **Gerald Aragon** 55:49

21 Yes, Sir, I am.

22

23  **Pecos Hall** 55:50

24 All right. Thank you. And Mr. Fordyce, I see you and I know you're ready. OK. It is 8:30

25 AM on the 11th of March. We are continuing the contested hearing in case 25610.

26 Yesterday we heard from one witness from Powder.

27 Powderhorn, Mr. Travis Maca, and then we heard Mr. Mweke from Marathon a little

28 bit out of order. So we're going back to Powderhorn. But before we do, are there any

29 preliminary issues that arose last night for anyone?

30 Mr. Officer Adam Rankin for Marathon. Not to my knowledge. OK, thank you. All

31 right. So, Mr. Mr. Holiday, who do you want to call next? Well, we'd like to call

32 Leonard Wood. Mr. Wood.

33

34  **Lenny Wood** 56:41

35 Good morning, Mr. Hearing Examiner.

36

PH Pecos Hall 56:43

38 Good morning, Mr. Wood. I remind you that you're under oath.

39

LW Lenny Wood 56:46

41 Yes, Sir.

42

PH Pecos Hall 56:47

44 Mr. Holiday.

45

LW Lenny Wood 56:51

47 I'm sorry, is there an echo on my end?

48

PH Pecos Hall 56:53

50 Yes, I was just getting. No, it's mine, but I fixed it.

51 OK, just one second.

52 Share my screen.

53 Go to the exhibits. OK. Morning, Mr. Wood.

54

LW Lenny Wood 57:11

56 Good morning.

57

PH Pecos Hall 57:13

59 Some preliminary matters before we get rolling. Could you just state your name and your position with Powderhorn for the record?

61

LW Lenny Wood 57:19

63 Leonard Wood, I'm the Vice President of Exploration and Development.

64

PH Pecos Hall 57:25

66 And how long have you been? And you're a petroleum geologist, correct?

67

LW Lenny Wood 57:29

69 Yes, I've been a geologist for almost 24 years, or a little over 24 probably.

70

PH Pecos Hall 57:30

72 Right here.

73 Right, OK.

74 And can you just really briefly walk through your educational background?

75

LW Lenny Wood 57:39

77 Sure. I have a bachelor's in geology from Midwestern State University in Wichita Falls.

78 I received that in 1999, and I have a Masters of Geoscience from Texas Tech

79 University. I received that in 2001.

80

PH Pecos Hall 57:53

82 OK. Thank you. And then could you just provide a brief summary of your career prior
83 to joining Powderhorn?

84

LW Lenny Wood 58:02

86 Yes, sure. And do you want it in reverse order or from the beginning? I don't know

87 how. After graduation, I went to work for Matador Resources. I'm sorry, Matador

88 Petroleum Corporation in Dallas, TX. That company was acquired by Tom Brown Inc

89 and then subsequent.

90

PH Pecos Hall 58:07

92 Uh, yeah, sure, that'd be good.

93

LW Lenny Wood 58:21

95 In Canada, I spent four years with that organization as a geologist. Left there, was at

96 EOG eight years in Midland, held numerous roles as senior geologist, geological

97 advisor. My last two years there, I was division exploration manager.

98 Left EOG and went to a private equity startup, Bold Energy 3, where I was a partner,

99 was the exploration manager there, and then that entity was acquired by Earthstone

100 Energy. So between those two, I spent almost 11 years together.

101 Ending up the last five years, I was Vice President of Exploration and Development

102 there. Earthstone is it was a publicly held company that was acquired by Permian

103 Resources in 2023. I was an officer at that company, did not survive the merger with

104 Permian Resources.

105 Started consulting. Powderhorn was one of my consulting clients and then I came to
106 work for them in January of 2025.

107

108 **PH** Pecos Hall 59:23

109 Thank you. And you've previously testified as an expert before this division, correct?

110

111 **LW** Lenny Wood 59:27

112 I have.

113

114 **PH** Pecos Hall 59:30

115 And you prepared a self-affirm statement and the exhibits in this in Powderhorn's
116 exhibit packet that are marked Exhibit B, is that correct? OK, do you have any
117 additions or changes to your testimony that you want to make right now?

118

119 **LW** Lenny Wood 59:40

120 I did.

121 I do not.

122

123 **PH** Pecos Hall 59:49

124 OK.

125 OK, I want to get into geology a little bit. Mr. Wood, can you describe the geologic
126 characteristics of the Wolf Camp formation that underlie the proposed Super Hornet
127 spacing unit?

128

129 **LW** Lenny Wood 1:00:03

130 Sure, I'd be happy to. And it's my understanding that we're in agreement with
131 Marathon on targets and geology here, but the Wolf Camp is the most developed
132 reservoir target in this area.

133 Multiple landing targets in the Wolf Camp AXY and the BC depending on
134 intraformational nomenclature varies per different company, but in my testimony I'll
135 refer to the deeper target as the B.

136 Say mixed siliciclastic deep, deep marine system. I think across the Super Hornet
137 proposed interval, the upper target in the Y sand is is pretty uniform, 50 to 60 feet
138 thick, the lower B target.

139

140 **HH** **Hunter Hall** 1:00:51

141 It's pretty uniform.

142

143 **LW** **Lenny Wood** 1:00:53

144 Is pretty uniform, about 125 feet thick.

145 I we have. I'm sorry, go ahead. I I think in review of Mr. Dupree's.

146

147 **PH** **Pecos Hall** 1:00:58

148 So it's I'm good. Go ahead. I'm sorry.

149

150 **LW** **Lenny Wood** 1:01:06

151 Exhibits, I think our targets are equivalent.

152

153 **PH** **Pecos Hall** 1:01:12

154 And in your professional opinion, does the geology, does it support developing
155 sections 2 and three as a single spacing unit?

156

157 **LW** **Lenny Wood** 1:01:19

158 Yes, I believe so.

159

160 **PH** **Pecos Hall** 1:01:22

161 And you're aware that Marathon's geologist, Mr. Dupree, states there's no substantial
162 geologic difference between Powderhorn's plan and Conoco's plan, right?

163

164 **LW** **Lenny Wood** 1:01:31

165 Yes, I agree with that.

166

167 **PH** **Pecos Hall** 1:01:33

168 OK.

169 And is there anything in the subsurface geology that would prevent the drilling of 1
170 1/2 mile laterals in a east-west orientation across sections 2, sorry, across sections
171 two and three?

172

173 **LW** **Lenny Wood** 1:01:42

174 Not to mine. I'm sorry, but yeah, I I didn't. I don't believe so. I'm sorry, Ben. I'll I'll wait
175 for you to finish the question.

176

177 **PH** Pecos Hall 1:01:49

178 OK.

179 No, I'm I'm the I'm the usual offender on that and so I will do a better job of
180 stopping. I want to turn to.

181 Marathon's rebuttal exhibit.

182 Number six. So we can see that there is a graph on the left hand side of that exhibit.

183 Can you tell me what that is, Mr. Hearing Officer, this would be Sir rebuttal and I
184 don't know that we've asked for leave to to.

185

186 **LW** Lenny Wood 1:02:07

187 Sure.

188

189 **PH** Pecos Hall 1:02:20

190 Presents a rebuttal testimony. This is relevant. The only argument, only time
191 maximum stress orientation was raised was in Marathon's rebuttal exhibits 6 hours. I
192 mean 24 hours or less than 24 hours before the hearing. And it's important this case.
193 They're standing on it. They're going to testify about it. I think it's completely
194 adequate.

195 Because they open the door. All right, so hold on a second. Let me Orient myself
196 because I've not seen this exhibit yet. What are we looking at, Mr. Holiday? So if you
197 go to Marathon Rebuttal Exhibit 6, OK, on the left side, there's a blue to green.

198 Picture map that's labeled Maximum stress orientation. I see it now. So this exhibit
199 was when did you first see this exhibit? Monday night, Monday night. OK and Mr.

200 Rankin, your objection to their testifying.

201 Rebuttal to your rebuttal exhibit is what?

202 This would be sure rebuttal because.

203 They're responding to our rebuttal. We did raise the orientation and the preference
204 based on I I I have to pull up his his testimony, but I believe it was addressed in his in
205 his direct. But this is in response to to.

206 Powderhorn's failure to address well orientation and just pointing out that there is no
207 preference based on maximum stress orientation, which was the the point of this
208 testimony. So yesterday I remember you were saying after Mr. Holiday's opening

209 argument.

210 Which is not evidence that you know this this raised the question for you about the
211 orientation, but it seems to me as though this exhibit opens the door to that sort of
212 testimony and and and.

213 What do you have to say about that? So in their direct testimony, Mr. Examiner, they
214 they made arguments that the Northeast Corridor was going to be stranded, right?
215 And the only way that's the case is if they fail to do a stand up orientation well.
216 North-south, you mean standard? And the only reason that would not be acceptable
217 is if the maximum stress orientation dictates a lay down orientation. Therefore, this
218 testimony regarding the maximum stress should have been part of their direct case.
219 Explaining why a lay down orientation was necessary and prevented them from
220 doing a stand up, thereby stranding the Northeast quarter. So they this was clearly
221 within the scope of what they should have been putting on in their direct case, which
222 which they didn't do.

223 So, so why is this diagram in your witness's rebuttal testimony? We're pointing out
224 that they failed in their direct testimony to put forth any evidence on maximum
225 stress or preferred well orientation, and we're we're solidifying here that there is no
226 preference.

227 Based on maximum stress and based on the history of wealth development.
228 And this is coming in through which of your witnesses, our geologist. And so, so you
229 wouldn't have any objection if this testimony came after your geologist testified, is
230 that right? Well, I would just say that they would have to seek leave, I would suggest
231 for a survey rebuttal.

232 Because normally that's only at the leave of the of the court, and they have to
233 demonstrate why it's appropriate for them to be given the opportunity to provide
234 survey rebuttal.

235 Let me think, Mr. Holiday, if I if I need anything further from you, let me think about
236 this. So let's see. We have an issue here about.

237 The direction of the wells and the argument is, hey, this should have been in your
238 direct testimony, Mr. Holiday. Why wasn't this part of your direct occasion chief?
239 Sure, I think it'd be helpful to.

240 To bring us back to what we're doing here today, which is to approve Powderhorn's
241 plan. Powderhorn does not plan to drill NS well. Our entire plan and development
242 has been communicated as east to West. Marathon does not plan to drill a NS well.
243 The only time we've began discussing Powderhorn drilling a NS well was when we

244 received the rebuttal.

245 Exhibits on Monday night, which depict A proposed location from Powderhorn to
246 drill north-south and we have this maximum stress orientation slide of support for
247 that. It's well within the scope of what we're talking about today to have our
248 geologists discuss why that is unacceptable to Powderhorn.

249 So it was never Powderhorn's intent to drill a north-south well. It was always their
250 intent to drill an E West well. That is correct. And that's why you didn't bring it up in
251 your direct. That's correct. All right. And then Mr. Mr. Rankin, if I'm not mistaken,
252 didn't Mr.

253 The Mcway yesterday discussed this slide. Well, they again in response to their
254 engineers directs testimony where they said that the Northeast core would be
255 stranded again from the very beginning. If they're going to say the Northeast core is
256 going to be stranded, they have to say why and they never said why.

257 And the only reason it's possible is because of geologic reasons, and they failed to
258 put forth any evidence in their case achieved for why geologically it's not possible for
259 them to do north-south. We understood. We learned yesterday for the first time, the
260 true reason was because they made a contractual arrangement with Avant that
261 would require.

262 Them to only drill a lay down east to West. So for that that is the reason I understand
263 based on Mr. Maka's testimony that they are prohibited from considering doing a
264 stand up well here, not because of geology. So again, I would say the reason they
265 didn't put forth any geologic evidence in their direct was because it wasn't a geologic
266 basis.

267 It was a contractual basis for their insistence on doing a a study down well. So that's
268 why in my view they didn't put forward any geologic evidence in their direct and so I
269 believe it's it's late and they and they they should ask you know they should just put
270 forward a.

271 A reason, a clear reason, not just because they didn't intend to do east-west, but a
272 geologic reason why they didn't put forward this evidence in the in their direct case.

273 Mr. Holiday, I don't think it's common for operators to argue against their own
274 position again.

275 Powderhorn is the only party with the application pending. We're requesting to go
276 east-west. We're not requesting to go north-south. The only party requesting north-
277 south is Marathon, who's also planning to go east-west next door. It is completely
278 reasonable for us to talk about why we don't agree with that.

279 That proposed plan. So I have a question. So, so Mr. This will help me. I think I
280 understand that it wasn't indication chief, but I understand why. I understand that
281 this diagram here from your geologist.
282 Is being presented to show the division that they don't have to go east-west. Is that
283 what you're saying? That's correct. And I would just say that Mister Holiday can have
284 at our geologist and cross to explain all the reasons. But that's exactly why I'm not
285 wild about parties telling each other how to.
286 Build their case. So I'm not gonna, I'm not gonna entertain that idea, but this exhibit
287 here is for that purpose. OK, fine. And yesterday when your witness was discussing
288 this slide.
289 Um.
290 What was his point? You're well, engineer, reservoir engineer. What was his point? So
291 actually this slide came up. It was not presented through Mr. Emekway. OK, Mr. Fortis
292 raised it with him. I will say that in our direct testimony we we stated that there was
293 no preference.
294 Based on maximum stress. So if this if if Paderon had an issue with that, they ought
295 to have put forward something in their rebuttal, which they didn't do. OK, so.
296 That was their opportunity to respond. They didn't do it. But this was filed on
297 Monday. I just asked Mr. Holiday and he said he saw this Monday night. Was it
298 Monday night? Yesterday was the first day of the of the hearing. I think this is fair
299 game. I understand the technical argument.
300 I understand your technical argument, but we're not in the court of law and in the
301 administrative procedure, we have a lot of flexible rules here to allow parties to
302 thoroughly present their case. I could understand if there was some.
303 Unfair prejudice to you based on this testimony, but as this is your exhibit, I I don't
304 find the argument that it should have been presented at some other point persuasive
305 at this point. May may I make one more additional point, Mr. Hearing Officer, if you
306 look at paragraph 10 of our direct.
307 Evidence. I don't have that. So I can it would take me a moment. What are you trying
308 to do? I can read it to you. OK, so this is our direct case that we filed more than a
309 week ago. OK, our geologist says. In my opinion, the lay down orientation of the
310 proposed wells is appropriate given the geologic stress in this area, which does not
311 indicate a preferred well orientation.
312 As demonstrated by mix of existing stand up and lay down Wolf Camp horizontal
313 walls reflected on our exhibit. OK, so my point here is that if they have a concern

314 which they are now expressing about our statement about maximum stress.
315 That should have come in and rebuttal from them, and they didn't do it. In my
316 opening statement, I was going to make the remark that they've given up the
317 argument about stranding, stranded acreage because they failed to refute or address
318 in any way the maximum stress orientation or any geologic or technical basis for the
319 lay down.

320 So now after submitting our rebuttal to the fact that they didn't address anything in
321 their direct or rebuttal, they want to bring it up. So that's my concern.

322 I understand your concern. So we're here, as Mr. Holiday said, to either approve or
323 deny his proposed almost 1000 acre project and part of.

324 Why we're here is to gather relevant and material evidence to either approve or deny
325 it. Now their plan has been to go east West from the very beginning.

326 This slide here and your your witnesses testimony say they don't need to go east-
327 west, therefore they don't need to strand that or that acres doesn't need to be
328 stranded.

329 I think it's a hyper-technical argument to keep out this Sir rebuttal testimony from
330 this geologist so that the division can make an educated, meaningful decision on this
331 case. And so for that reason, and since it's not unfair, it doesn't.

332 Unfairly prejudice you. I give you a lot of latitude, Mr. Rankin, to do what you need to
333 do to help the division make an educated choice. But I feel like I need to let in
334 relevant and material evidence. So I'm overruling the objection. Mr. Holiday, go
335 ahead.

336 Thank you.

337 So when we look at Exhibit 6 or Marathon Rebuttal Exhibit 6, what is this? We we've
338 well, we've established that this is maximum stress orientation. Can you explain just
339 in plain language why this is important?

340

341 **LW** **Lenny Wood** 1:14:18

342 Sure. And again, I think it's been established. I saw this late Monday evening and I'd
343 like to to make the statement that since Marathon and Earth, I'm sorry, Marathon
344 and Powderhorn had the same orientation, I thought I didn't think I needed to make
345 this argument.

346 This map shows a published stress orientation map, maximum horizontal stress from
347 Zovak and Snee. I believe they they published multiple papers on stress orientations
348 and unconventional basins.

349 This one shows the Greater Permian Basin, shows the stress rotation across the
350 Greater Permian Basin. The bulk of the Midland Basin is predominantly east-west, N
351 75 N 80 E as you move West into the Delaware Basin.
352 In the portion of New Mexico, if you look in southeast New Mexico, it still has the
353 same orientation pretty much N 80 degrees east. As you move West across southern
354 New Mexico, the stress field rotates and it also rotates below the Grisham fault in the
355 other direction in the southern Delaware.
356 So the stress field is complicated and well published in the Delaware basin in the east
357 in eastern Lee County. Due to the strong stress orientation, wells are drilled north-
358 south in northern Eddy County due to the strong stress orientation be being.
359 The SH Max being north-south, the wells are drilled east-west. Marathon has drawn a
360 red box around pretty much in the project area or close. I don't have a planimeter or
361 digital planimeter, but that looks to be about north or N 35.
362 By the east to me, I think Mr. Fordyce pointed out in his cross-examination yesterday
363 of Doctor Amekwe that he even said that it thought it looked a little more
364 preferential to drill east West.

365

366 **PH Pecos Hall** 1:16:25

367 And just to make sure I'm clear for the record, what is it about the maximum stress
368 orientation that makes an East West well plan more preferable in your opinion?

369

370 **LW Lenny Wood** 1:16:37

371 Sure, it's pretty common in in horizontal plays to try to drill as close to perpendicular
372 to maximum horizontal stress as you can. Induced hydraulic fractures propagate in
373 the direction of SH Max, so your horizontal wells are drilled in the.

374 The minimum stress direction. Usually it's been pointed out by Marathon that wells
375 are drilled at both orientations. Powder horns 960 acre proposal we have.

376 I think yesterday Mr. Rankin's testimony that or cross was that wells could be drilled
377 at multiple orientations for multiple reasons, timing, pre-existing wells, pooling,
378 permit, existing permits, existing wells.

379 Powderhorn has a Greenfield 960 acre proposed unit where we can decide the
380 orientation. Our preference here given our our understanding of the stress field
381 being north or N 35 degrees, N 30 to N 35 degrees east.

382 We would prefer an east West orientation, which is what we had before the
383 Commission.

384

385 **PH Pecos Hall** 1:17:51

386 Let's move on from that for a little bit. We may come back, but let's talk about when
387 you were at Earthstone and you were the Vice President of Exploration Development.
388 Did you guys drill and complete wells in the area of the proposed Super Hornet unit?

389

390 **LW Lenny Wood** 1:17:55

391 OK.

392 Yes, we we had some development. Our stone acquired a company in late 2001, early
393 2002 Chisholm Energy. They had, they had assets in the Township to the north, 23 S,
394 26 E.

395

396 **PH Pecos Hall** 1:18:19

397 OK. And you guys drilled some wells called the Cletus Wells that were approximately
398 2 miles northwest of here, right?

399

400 **LW Lenny Wood** 1:18:27

401 We did.

402

403 **PH Pecos Hall** 1:18:28

404 And what orientation were those wells drilled?

405

406 **LW Lenny Wood** 1:18:31

407 North-south.

408

409 **PH Pecos Hall** 1:18:34

410 Would you have drilled these wells north-south if you could have chosen another
411 way or let me wait strike that. Why were these wells drilled north-south?

412

413 **LW Lenny Wood** 1:18:43

414 Sure. When Earthstone acquired Chisholm, excuse me, those wells were pooled and
415 permitted, I believe pooled for sure in a north-south orientation. Plus Chisholm had
416 existing wells on the east and West.

417 I believe the dark Canyon wells are on the east and the asteroid wells are on the

418 West, preventing A2 mile EW orientation.

419

420 **PH** Pecos Hall 1:19:12

421 Do you believe that for these cleaves wells, the completion, would it have been more
422 optimized if they had been drilled on a east West orientation?

423

424 **LW** Lenny Wood 1:19:21

425 I believe the stress orientation is slightly more preferable to an east West orientation.
426 I believe that the wells would be slightly better.

427

428 **PH** Pecos Hall 1:19:29

429 And how did you sequence the Wolfkamp Wells, the Wolfkamp A and the Wolfkamp
430 B? How were those sequenced in the Cletus unit?

431

432 **LW** Lenny Wood 1:19:38

433 Um.

434 Going back in the vault, Mr. Holiday, but I think, I think when we acquired Chisholm,
435 the asteroid wells had been drilled to the West and the dark Canyon wells had been
436 drilled to the east. We drilled 2.

437 Um.

438 XY wells on the east half in a stand up orientation and then came back I think say 15
439 months later plus or minus and drilled two more XY locations and tested the B
440 interval as a single target.

441

442 **PH** Pecos Hall 1:20:16

443 Yeah.

444 And do you believe, and this is the last question I have about this, do you believe
445 that that orientation or excuse me, that the sequencing was optimal?

446

447 **LW** Lenny Wood 1:20:21

448 Sure.

449 Um.

450 I think with the capital restraints that Earthstone had, we we didn't have the budget
451 to drill four wells at the same time. I think is my recollection or room in the drill
452 schedule. I think there were multiple.

453 The reasons for the two phase development?

454

455 **PH Pecos Hall** 1:20:51

456 OK. If you had had the budget, would you have liked to drill all the wells at the same
457 time?

458

459 **LW Lenny Wood** 1:20:55

460 Absolutely, yes.

461

462 **PH Pecos Hall** 1:21:00

463 I want to talk a little bit about.

464 Conoco's alternative plan for the north half of Section 2.

465 When we look at well orientation, what's the well orientation that Marathon has
466 proposed for its Campana Wells and the north half Section 2?

467

468 **LW Lenny Wood** 1:21:15

469 East West.

470

471 **PH Pecos Hall** 1:21:18

472 Very east, West.

473 So I just want to make sure I'm clear. Marathon plans to drill EW Wells, but they want

474 Powderhorn to agree N S Wells in the east half of three. Is there any geologic basis

475 for that distinction?

476

477 **LW Lenny Wood** 1:21:35

478 I didn't, excuse me, I didn't prepare those exhibits, but it was my understanding that
479 we we had competing orient, competing well proposals with the same orientation
480 and the same target. I I didn't know we were going to have to do a stress orientation,
481 but again.

482 Powderhorn has a 960 acre unit that we're proposing that has no wells on it. Our
483 preference would be given the slight.

484 North-south bias of the stress field. We would prefer to drill east West.

485

486 **PH Pecos Hall** 1:22:10

487 Yeah, and I'll say for the record that I didn't look forward to having to read the Z and
488 Snowback article on the airplane the way up here.

489

490 **LW** Lenny Wood 1:22:18

491 I understand.

492

493 **PH** Pecos Hall 1:22:21

494 Do you think, or in your professional opinion, does Conic or I keep calling Conoco
495 Marathon is they're synonymous in my mind. Is there is Marathon's choice to drill its
496 own wells east-west? Does that confirm that they?
497 That the East West is the preferred orientation.

498

499 **LW** Lenny Wood 1:22:40

500 In my opinion, yes.

501

502 **PH** Pecos Hall 1:22:43

503 Right.

504 OK, let's move to lateral length.

505 So from a geological perspective.

506 Is there any reason Powderhorn cannot drill 1 1/2 mile laterals across section one
507 and two?

508

509 **LW** Lenny Wood 1:22:59

510 Section 2 and three.

511

512 **PH** Pecos Hall 1:23:01

513 I'm sorry. Yeah, Section 2 and three. Sorry.

514

515 **LW** Lenny Wood 1:23:03

516 Yeah, I've already testified in that are provided my statement that I believe that the
517 geology is uniform across the east half of three and Section 2.

518

519 **PH** Pecos Hall 1:23:15

520 So Marathon originally proposed their 1 1/2 miles also, and then they we've
521 discussed ad nauseam that they've switched to a one-mile lateral. But from a
522 geological standpoint, is there any geological basis for shortening those laterals to
523 one mile?

524

525 **LW** Lenny Wood 1:23:30

526 Not in my opinion.

527

528 **PH** Pecos Hall 1:23:37

529 And we, I believe we discussed in your prior testimony that horizontal wells can be
530 drilled in orientations other than perpendicular maximum horizontal stress, correct?

531

532 **LW** Lenny Wood 1:23:49

533 Sure, that's great.

534

535 **PH** Pecos Hall 1:23:51

536 But does that mean that stress orientation is irrelevant to well planning?

537

538 **LW** Lenny Wood 1:23:58

539 No, not at all. I think stress orientation is very important, but I think even Mr. Rankin
540 pointed out yesterday that there are other reasons wells get drilled other besides
541 stress orientation.

542

543 **PH** Pecos Hall 1:24:10

544 But operators generally, in your experience, consider the stress direction when
545 planning their well orientation.

546

547 **LW** Lenny Wood 1:24:16

548 Yes.

549

550 **PH** Pecos Hall 1:24:18

551 And even though there's multiple possible or that are multiple orientations that are
552 physically possible, we're not going to talk about whether they're economically
553 preferable, but if they're physically possible, is Powderhorn's east-west orientation, is
554 that consistent with sound, geologic and engineering practice?

555

556 **LW** Lenny Wood 1:24:35

557 Yes, in my opinion.

558

559 **PH Pecos Hall** 1:24:40

560 OK, we're pretty close. I have a few questions about Powderhorn's plan.

561 Because we've we've done, we've talked a lot about maximum stress, but I just want
562 to make sure we've we've fully covered Powderhorn's plan because that's what we're
563 here to approve or disapprove. Can you describe Powderhorn's proposed
564 development plan from a geological perspective?

565

566 **LW Lenny Wood** 1:25:00

567 Sure. We plan to drill the 401 through 404 wells first targeting the the by sand upper
568 a sand completing those and then coming back probably within a year.
569 Perso and drilling the B target.

570

571 **PH Pecos Hall** 1:25:19

572 And in your professional opinion, this development plan, it's geologically sound.

573

574 **LW Lenny Wood** 1:25:25

575 I I believe so. I think other operators in the area have drilled a wells without drilling
576 BS with plans to come back later.

577

578 **PH Pecos Hall** 1:25:35

579 And just so broadly this marathons alternative proposal in which.

580 They would also have to the division would also have to deny Avant's plans for the
581 for the same acreage. So if the if Conoco's alternative is accepted and Powderhorn's
582 plans denied and Avant's plans denied.

583 And Powderhorn has to drill. It's one mile N southwest. Do you think that makes
584 sense from a geological perspective?

585

586 **LW Lenny Wood** 1:26:04

587 I do not.

588

589 **PH Pecos Hall** 1:26:09

590 All right. I just have two more questions, so.

591 Based on.

592 Your 24 years of experience as a petroleum geologist.

593 You're, you know, you review this acreage, the data. It's your opinion. Or is it your
594 opinion that Powderhorn's proposed development plan is geologically reasonable
595 and consistent with sound industry practice?

596

597 **LW** Lenny Wood 1:26:32

598 I do. I believe it is.

599

600 **PH** Pecos Hall 1:26:34

601 Right. And it's your opinion, right? Or sorry, is it your opinion that Powderhorn's
602 proposed development plan will prevent waste and protect correlative rights?

603

604 **LW** Lenny Wood 1:26:43

605 Yes.

606

607 **PH** Pecos Hall 1:26:47

608 I think.

609 That that those are all my questions.

610 I have a question before we turn to Mr. Rankin. Mr. Wood, I didn't hear. Maybe I
611 missed it. I didn't hear you address the assertion yesterday for Mr. Mweke that your.
612 That there's going to be parent child well interference. Would you talk to that?

613

614 **LW** Lenny Wood 1:27:18

615 Yeah, I think there's there's a the way that we would drill east-west here, Mr.
616 Examiner. There would be minimal parent-child influence from existing wells
617 developed by the industry. I think if we drilled as proposed by Marathon.
618 North-south U-turn and the east half of Section 3, we would have a apparent well, I
619 believe that was drilled five years ago. I apologize, I don't remember the date, some
620 depletion, but I believe.

621 I believe us co-developing with four are developing all of the XY sand at one time
622 would minimize parent child in that bench.

623 Versus the plan of Marathon drilling 2 wells and then.

624 Powderhorn drilling 2 wells in the in the South half.

625 Does that answer your question, Mr. Examer?

626

627 **PH** Pecos Hall 1:28:24

628 Um.

629 Well, it begins to. I'm not sure that I feel confident about the answer, so.

630

631 **LW** Lenny Wood 1:28:29

632 OK.

633 Could you could you state the question again? I'm sorry, I just want to make sure I

634 answer it.

635

636 **PH** Pecos Hall 1:28:36

637 Well, yesterday, were you present yesterday when Marathon's witness was testifying?

638 OK. And you saw the graph that he that he you that he developed OK and it showed

639 that gap between the two.

640

641 **LW** Lenny Wood 1:28:41

642 I was.

643 Yes.

644

645 **PH** Pecos Hall 1:28:53

646 The parent and the child development.

647

648 **LW** Lenny Wood 1:28:56

649 Yes.

650

651 **PH** Pecos Hall 1:28:57

652 OK, there it is there. So how do you address that about 19% drop in production and

653 and and and and as a follow-up?

654

655 **LW** Lenny Wood 1:28:58

656 Yes.

657 Uh, I sure, sure.

658

659 **PH** Pecos Hall 1:29:12

660 What would the drop be in your expert opinion if there is a drop?

661

662 **LW** Lenny Wood 1:29:15

663 I I'm not disputing doctors, Doctor Mikwe's evaluation of that unit. I don't believe I
664 did. I do think it was pointed out yesterday that there was a three-year gap between
665 the original parent wells and the project wells that were deal drilled in the deeper.
666 Powderhorn's intent would be to get back to the deeper bench as soon as possible.
667 To minimize that 19%, I mean, if we got back within a year, Mr. Examiner, it could be
668 0. I mean, it could be 2%. I don't, I don't know.

669

670 **PH Pecos Hall** 1:29:56

671 And how does the time, how does the timing of the drilling of the second set of wells
672 relate to the drop?

673

674 **LW Lenny Wood** 1:30:05

675 It would be pressure our production draw down from the the upper reservoir that
676 would lower pressure and it would it would cause.

677 I think when it's my understanding, I think it's generally understood that during
678 hydraulic fracturing.

679 The fractures would communicate up to a lower pressured interval. This has been
680 that shown in the the potato baby was a three-year gap. I think we we could get back
681 a lot faster. Our plan is and Mr. Tippin can speak to it, but I think our underwriting on
682 this project with our partners.

683 Was a about a one year return.

684

685 **PH Pecos Hall** 1:30:50

686 All right. Thank you, Mr. Rankin. Or is it Miss Vance, Mr. Rankin?

687 Thank you very much, Mr. Holiday. May I take over the sharing from you? Thank you.

688 Just want to hit a couple things to make sure I got it for the record. I think you you
689 did confirm that Powderhorn's not proposing to drill any of its initial wells in the
690 Wolf Camp B target, correct?

691

692 **LW Lenny Wood** 1:31:31

693 Correct.

694

695 **PH Pecos Hall** 1:31:33

696 Um.

697 And the intent is to come back within a year to target those low, the lower bench,
698 correct?

699

700 **LW** Lenny Wood 1:31:41

701 That's that's my understanding. Yes, Sir.

702

703 **PH** Pecos Hall 1:31:45

704 Um.

705 But there's nothing holding Powderhorn to that time frame, is there, even under a
706 pooling order?

707

708 **LW** Lenny Wood 1:31:54

709 No, Sir. Just would probably be our preference on on capital outlay.

710

711 **PH** Pecos Hall 1:32:03

712 And and it's just to reiterate, I mean you're not aware of any any requirement under a
713 pooling. I mean you Paderhorn could just drill the first its first bench wells and then
714 do nothing.

715 Subsequent to that, correct.

716

717 **LW** Lenny Wood 1:32:16

718 In theory, yes, Sir.

719

720 **PH** Pecos Hall 1:32:19

721 Um.

722 Now.

723 I want to ask you a couple questions about you you testified about the.

724 Previous development experience you had in the area, I believe it was the Cletus

725 Wells, correct? And you testified that during the development of that project, the

726 operator, I think it was Chisholm at the time targeted the XY at at the top.

727

728 **LW** Lenny Wood 1:32:36

729 Yes, Sir.

730

731 **PH Pecos Hall** 1:32:46

732 Initially correct with two wells.

733

734 **LW Lenny Wood** 1:32:49

735 Earthstone drilled those wells, but the properties were acquired by Chisholm. Yes, Sir.

736

737 **PH Pecos Hall** 1:32:54

738 OK, so but they they they drilled the the two XY's in the in the in the E half initially,

739 correct?

740

741 **LW Lenny Wood** 1:33:04

742 Right.

743

744 **PH Pecos Hall** 1:33:04

745 And then they came back and they drove the the B about 15 months later, correct?

746

747 **LW Lenny Wood** 1:33:10

748 Two additional XY wells and AB test.

749

750 **PH Pecos Hall** 1:33:15

751 And 1B test OK.

752 And.

753 You testified that if Earthstone had the money, it would have preferred to drill both

754 benches at the same time, correct?

755

756 **LW Lenny Wood** 1:33:28

757 I believe my testimony was.

758 I would have preferred to drill all four XY wells at the same time.

759

760 **PH Pecos Hall** 1:33:47

761 I think. OK, so you.

762

763 **LW Lenny Wood** 1:33:47

764 But I yes, but yes, you're correct Mr. Rankin, I I believe our our drill schedule timing in
765 the drill schedule and and capital outlay was was the main driver there.

766

767 **PH Pecos Hall** 1:34:00

768 Preference would have been to drill both benches at once, correct?

769

770 **LW Lenny Wood** 1:34:04

771 No, Sir. We drilled a AB well to test a single B well to test its economic viability north-
772 south.

773

774 **PH Pecos Hall** 1:34:16

775 OK, so you're telling me that your testimony was limited to drilling the the single
776 bench at one time?

777

778 **LW Lenny Wood** 1:34:26

779 Sure.

780

781 **PH Pecos Hall** 1:34:27

782 Is that correct?

783

784 **LW Lenny Wood** 1:34:28

785 Yes, Sir.

786

787 **PH Pecos Hall** 1:34:30

788 OK.

789 Um.

790 Now, you testified that you didn't know that you're going to have to address stress
791 orientation in in this hearing, correct?

792

793 **LW Lenny Wood** 1:34:54

794 I didn't think it necessary given the orientations were between the two companies
795 were identical.

796

797 **PH Pecos Hall** 1:35:03

798 You're familiar with your colleague, Mr. Maka's testimony that was prepared and filed
799 in this case.

800

801 **LW** Lenny Wood 1:35:10

802 I I I listened to it yesterday. Yes, Sir.

803

804 **PH** Pecos Hall 1:35:14

805 And you're aware that he testified in his written testimony and in his oral testimony
806 that the concern Powderhorn's driving concern here is that the northeast quarter.

807 Could be is at risk of being stranded as a result of Marathon's development.

808 I'm pointing you. I'm directing your attention to paragraph 25 of his direct written
809 testimony.

810

811 **LW** Lenny Wood 1:35:37

812 Yes.

813

814 **PH** Pecos Hall 1:35:44

815 You're aware? OK, so you're aware at the time that Powderhorn's testimony was filed
816 that the company was making an argument that the Northeast Quarter Section 3 was
817 going to be stranded, correct?

818

819 **LW** Lenny Wood 1:35:44

820 OK, I I I've read it.

821 Uh.

822 Yes.

823

824 **PH** Pecos Hall 1:36:07

825 OK. And on a technical basis, purely technical?

826 What's what could be a reason? What's the reason for a potential stranding of that
827 acreage in the northeast quarter of Section 3?

828

829 **LW** Lenny Wood 1:36:21

830 I'm I'm sorry, Mr. Rankin, could you repeat the question one more time?

831

832 **PH** Pecos Hall 1:36:23

833 Sure. On a technical basis, geologically, what? What is a reason that the northeast
834 quarter of Section 3 could be stranded if Marathon were to do its development?

835

836 **LW** Lenny Wood 1:36:35

837 I think the uh the.

838 I think the section could be developed north-south by Powderhorn, but I proposal
839 was to drill the 960 east West and not strand that acreage.

840

841 **PH** Pecos Hall 1:36:49

842 OK.

843 So just to be clear, I think I understood you to say that it's possible for Patterhorn to
844 drill a stand up in that acreage, correct?

845

846 **LW** Lenny Wood 1:37:00

847 It's possible, yes, Sir.

848

849 **PH** Pecos Hall 1:37:03

850 Thanks.

851 And when I look at.

852 What other operators are doing in the area?

853 And I'm talking about here. I'm looking at a powder on exhibit A8 immediately
854 offsetting in the in the West half of Section 3 Permian resources says drove a stand
855 up well north-south orientation. Do you see that?

856

857 **LW** Lenny Wood 1:37:35

858 Uh, yes Sir. That well was drilled by Chisholm and is now owned by Permian
859 Resources.

860

861 **PH** Pecos Hall 1:37:39

862 OK. So in your opinion, was the drilling of that well done through sound geologic
863 and engineering principles?

864

865 **LW** Lenny Wood 1:37:48

866 I I don't think it's at an optimum orientation or landing.

867

868 **PH** Pecos Hall 1:37:52

869 OK. But that didn't answer my question I guess. Do you think it was done through
870 sound geologic engineering and?

871

872 **LW** Lenny Wood 1:37:58

873 I I I wasn't at Chisholm at the time and it would not have been my preferred
874 orientation.

875

876 **GA** Gerald Aragon 1:38:04

877 Gentlemen, this is the reporter. I'm sorry for interrupting, but if you could Please wait
878 for each other to finish speaking to answer our question. Thank you.

879

880 **PH** Pecos Hall 1:38:05

881 OK.

882

883 **LW** Lenny Wood 1:38:12

884 Yes, I apologize.

885

886 **PH** Pecos Hall 1:38:14

887 So I guess I understand that's not your preference, but I'm asking a different
888 question. I'm asking you whether you would agree that that well was drilled using
889 sound, geologic and engineering principles.

890

891 **LW** Lenny Wood 1:38:26

892 Uh, sure, Mr. Rankin.

893

894 **PH** Pecos Hall 1:38:27

895 OK. And then you would agree with me that Newburn's proposed spacing unit and
896 the West half of 35, that's a stand up?

897 Would also be following sound geologic and engineering principles.

898

899 **LW** Lenny Wood 1:38:45

900 Sure.

901

902 **PH Pecos Hall** 1:38:45

903 OK.

904 Same with Gotara's planned stand up wells in sections 10 and and 15 and 11 and 14

905 agree.

906

907 **LW Lenny Wood** 1:38:57

908 I don't believe there's any wells permitted in those sections.

909

910 **PH Pecos Hall** 1:39:01

911 OK. How about how about the existing wells in 11 and in 10 and 15? Would you

912 agree that that well was drilled using sound engineering and and geologic

913 principles?

914

915 **LW Lenny Wood** 1:39:07

916 I I think.

917 Yes, so the all the wells in the area were drilled using geologic and engineering

918 principles.

919

920 **PH Pecos Hall** 1:39:18

921 Sound geologic and engineering principles agree.

922

923 **LW Lenny Wood** 1:39:20

924 Sure.

925

926 **PH Pecos Hall** 1:39:33

927 Oh.

928 Not letting me switch my.

929 One moment.

930 There we go. Um.

931 And looking at marathon rebuttal. Um.

932 6.

933 On the right hand side of the exhibit where it's demonstrated that there you know

934 pre pre 2017 wells and then wells from 2017 forward, you agree with me that the

935 majority of the acreage drilled immediately offsetting.

936 The proposed acreage or contested acreage in this case all reflect stand up
937 orientations. Agree.

938

939 **LW** Lenny Wood 1:40:23

940 I would agree with that statement, Mr. Rankin.

941

942 **PH** Pecos Hall 1:40:25

943 And and you would agree with me, based on your prior testimony, that all those
944 wells and the decisions to drill them was were based on sound geologic and
945 engineering principles. Agree.

946

947 **LW** Lenny Wood 1:40:34

948 Yes, Sir.

949

950 **PH** Pecos Hall 1:40:35

951 OK.

952 Um.

953 Mr. Shekelian Hearing Examiner was asking you some questions about this this
954 exhibit that was discussed by Marathon's and Reservoir Engineer Rebuttal Exhibit #5
955 and I think I heard you say that.

956 If the timing is done well, that there might be 0 degradation as a result of
957 sequentially developing these benches. Is that still your testimony?

958

959 **LW** Lenny Wood 1:41:21

960 Yes, Sir.

961

962 **PH** Pecos Hall 1:41:22

963 OK, so your opinion is, but you're not an engineer, right?

964

965 **LW** Lenny Wood 1:41:25

966 I am not.

967

968 **PH** Pecos Hall 1:41:27

969 OK. And and that analysis about potential degradation is usually something that an
970 engineer addresses, correct?

971

972 **LW** **Lenny Wood** 1:41:28

973 Yeah.

974 My statement was qualitative, but engineering usually does that analysis.

975

976 **PH** **Pecos Hall** 1:41:42

977 OK. So you yourself haven't prepared any sort of an assessment or done any
978 kind of review, technical review of the potential for degradation due to sequential
979 vertical offset development, correct?

980

981 **LW** **Lenny Wood** 1:41:56

982 No, that would be Mr. Tippin's purview.

983

984 **PH** **Pecos Hall** 1:41:59

985 OK. And so your your opinion and your testimony to Mr. Shekalian wasn't based on
986 on any expertise in that area, correct?

987

988 **LW** **Lenny Wood** 1:42:08

989 Mr. Rankin, I've I've worked at multiple companies and been involved in multiple
990 drilling programs where we've witnessed parent child interference. I think I could
991 make a qualitative statement on on depletion.

992

993 **PH** **Pecos Hall** 1:42:22

994 OK, but have you in the history of your work, have you done any technical analysis
995 evaluating parent-child degradation in a top down?

996

997 **LW** **Lenny Wood** 1:42:28

998 Not, not personal, not personally.

999

1000 **PH** **Pecos Hall** 1:42:33

1001 OK.

1002 So you don't have the background or expertise to testify on that, do you?

1003

1004 **LW** **Lenny Wood** 1:42:42

1005 Correct, Mr. Rankin. I am not an engineer.

1006

1007 **PH Pecos Hall** 1:42:46

1008 Um.

1009 You agree that's a vertical offset between the upper bench and the lower bench

1010 proposed by Pat Horn is approximately 610 feet.

1011

1012 **LW Lenny Wood** 1:43:10

1013 That's what's shown on Marathon's exhibit. I believe that's correct. I believe our

1014 targets were almost identical between the A and the B. So I would, I would assume

1015 that footage is correct.

1016

1017 **PH Pecos Hall** 1:43:22

1018 And in your opinion.

1019 I mean, have you have you discussed the potential for vertical top-down parent-child

1020 degradation with your engineers in powder horns development?

1021

1022 **LW Lenny Wood** 1:43:33

1023 We have discussed it and our opinion was.

1024

1025 **PH Pecos Hall** 1:43:35

1026 You have not.

1027

1028 **LW Lenny Wood** 1:43:38

1029 I'm sorry.

1030

1031 **PH Pecos Hall** 1:43:38

1032 I'm sorry, I'm sorry I couldn't understand, but you said you have not.

1033

1034 **LW Lenny Wood** 1:43:41

1035 We have and our our timing, we've discussed getting back as soon as possible, which

1036 has seemed to be geologic practice by other operators in the area.

1037

1038 **PH Pecos Hall** 1:43:42

1039 Yeah.

1040

1041 **LW** Lenny Wood 1:43:54

1042 There was a develop, I'm sorry, there was a development 2 miles to the east. I believe
1043 that was a farm out from Conoco slash Marathon that was solely developed in the
1044 XYA and that the B was not drilled.

1045

1046 **PH** Pecos Hall 1:43:54

1047 So based on go ahead.

1048

1049 **LW** Lenny Wood 1:44:11

1050 Co developed in that project.

1051

1052 **PH** Pecos Hall 1:44:14

1053 So based on the discussions and the intention to come back as quickly as possible,
1054 you agree with me that there was a there's a recognition by Patterhorn that there is a
1055 likelihood of a parent-child degradation effect as a result of top-down development.

1056

1057 **LW** Lenny Wood 1:44:28

1058 I think there's potential parent-child effects if the entire in in any scenario where all
1059 wells are not drilled at the same time.

1060

1061 **PH** Pecos Hall 1:44:38

1062 OK, I'm going to set aside the horizontal concerns for later, OK. But I'm asking you
1063 now, you agree with me that as the top down effect when they're not, when they're
1064 sequentially developed, there's going to be a likely impact from parent child's
1065 impacts, correct?

1066

1067 **LW** Lenny Wood 1:44:54

1068 Uh, sure.

1069

1070 **PH** Pecos Hall 1:44:55

1071 And is it your opinion, based on your discussions with your engineers, that a 600
1072 vertical offset or slightly more than 600 vertical offset is sufficient?

1073 To avoid the parent, a parent child degradation effect.

1074

1075 **LW** **Lenny Wood** 1:45:08

1076 I believe that we were comfortable with that distance.

1077

1078 **PH** **Pecos Hall** 1:45:15

1079 And what is that based off of?

1080

1081 **LW** **Lenny Wood** 1:45:21

1082 I believe we were comfortable with that distance giving the mixed to lithology.

1083 There's a pretty ductile shale between other operators in the area are not co-

1084 developing. They're drilling the top down bench based on multiple variables we we

1085 were comfortable with coming back.

1086

1087 **PH** **Pecos Hall** 1:45:42

1088 Have you or anyone at Powderhorn conducted any studies that support your opinion

1089 that 610 vertical offset is sufficient to avoid or mitigate parent-child impacts?

1090

1091 **LW** **Lenny Wood** 1:45:56

1092 I don't want to speak to all of Mr. Tippin's reservoir studies. I'll defer that question to

1093 him.

1094

1095 **PH** **Pecos Hall** 1:46:01

1096 But to your knowledge, are you aware of any studies done by anybody at

1097 Powderhorn?

1098

1099 **LW** **Lenny Wood** 1:46:08

1100 Mr. Tippin has looked at a lot of wells. I don't want to speak to all the patterns that

1101 he's looked at.

1102

1103 **PH** **Pecos Hall** 1:46:12

1104 I'm not asking you to speak for him, I'm asking you to speak for yourself. To your

1105 knowledge, personal knowledge, are you aware of any studies that were done that

1106 contributed to the determination of a 610 vertical offset here?

1107

1108 **LW** Lenny Wood 1:46:26

1109 I don't recall, Mr. Rankin.

1110

1111 **PH** Pecos Hall 1:46:28

1112 OK.

1113 In your opinion, is there any would there be any benefit to developing the Wolf

1114 Camp A or XY Sand and the Wolf Camp B bench simultaneously?

1115

1116 **LW** Lenny Wood 1:46:49

1117 I think it would mitigate.

1118 The chance for top down parent child.

1119

1120 **PH** Pecos Hall 1:47:06

1121 I think you picked up on something and I I I said in one of my cross-examination

1122 questions yesterday or one of my one of my questions about there may be multiple

1123 reasons for operators to choose different development plans whether it's.

1124 Um, sequential development or well orientation? Um.

1125 And.

1126 My question to you is.

1127 That your testimony is that your preference? Yeah, there's a slight preference for a

1128 lay down well orientation, in this case for Powderhorn, based on the geology,

1129 correct?

1130

1131 **LW** Lenny Wood 1:47:42

1132 Correct.

1133

1134 **PH** Pecos Hall 1:47:43

1135 OK.

1136 In addition to your opinion about maximum stress and the well orientation, isn't it

1137 true that Powderhorn has also entered into a contract with Avant that requires it to

1138 drill east-west oriented wells in this acreage?

1139

1140 **LW** Lenny Wood 1:47:59

1141 I believe that was Mr. Maka's testimony.

1142

1143 **PH Pecos Hall** 1:48:05

1144 And and isn't it true that Paddlehorn prefers a longer lateral length over a shorter
1145 lateral length, correct?

1146

1147 **LW Lenny Wood** 1:48:13

1148 I I think it's generally accepted in the industry that longer laterals are are more
1149 economic. Yes, Powderhorn prefers longer laterals.

1150

1151 **PH Pecos Hall** 1:48:22

1152 And the only way to do that is east-west here, correct?

1153

1154 **LW Lenny Wood** 1:48:25

1155 Yes, Sir.

1156

1157 **PH Pecos Hall** 1:48:27

1158 OK, so it's not just well orientation, rather maximum stress orientation here. There's
1159 other factors that contribute to Powderhorn's preferences, correct?

1160

1161 **LW Lenny Wood** 1:48:35

1162 Yes, we we we like our plan for four 7500 foot wells.

1163

1164 **PH Pecos Hall** 1:48:42

1165 But you would agree with me that even if even if the geology favored a north-south
1166 orientation here.

1167 Pat Horn is under contract that requires it to drill east West, correct?

1168

1169 **LW Lenny Wood** 1:48:56

1170 We, I'm sorry, Mr. Rangan, please restate the question.

1171

1172 **PH Pecos Hall** 1:49:02

1173 Yeah, I mean.

1174 All things set aside, Patterhorn has entered into a contract requiring it to drill east

1175 West.

1176

1177 **LW** **Lenny Wood** 1:49:13

1178 That's correct because we we prefer east West.

1179

1180 **PH** **Pecos Hall** 1:49:17

1181 Have no other questions, Mr. Hearing Officer. Thank you, Mr. Fordyce.

1182

1183 **FE** **Fordyce, Andrew, EMNRD** 1:49:24

1184 Yeah, I I have maybe one follow-up question actually on this this slide that Mister

1185 Wood was asked to discuss rebuttal like Exhibit 5.

1186

1187 **LW** **Lenny Wood** 1:49:29

1188 Yes, Sir.

1189

1190 **FE** **Fordyce, Andrew, EMNRD** 1:49:41

1191 I'm gonna, I'm gonna say it's not completely clear what this this graph is displaying in
1192 terms of the blue line just being potentially I guess the wells in the the keg shell unit.

1193 In the orange line I would assume being just the wells in the potato baby unit, but I
1194 believe it was mentioned that you know we discussed here that there was a time
1195 lapse of approximately.

1196 Three years between the drilling and completion of parent well and project wells.

1197 Mr. Wood, could you, could you think of, you know, any other, you know, possible

1198 influences on this well performance and production that could have taken place over
1199 the course of those three years?

1200 Or is the only reason that we see the difference here the parent project? Well, the
1201 type of interference?

1202

1203 **LW** **Lenny Wood** 1:50:48

1204 Sure, Mr. Fordyce, I'd love to answer that question. I think the spacing looks
1205 equivalent, but the timing between the parent and child could be influenced by
1206 several other things, I believe.

1207 Pipeline take away the some of those wells could have been shut in. I don't think

1208 Doctor Mequa had any knowledge or testified that he had any knowledge of

1209 anything that changed on the subsurface. Those wells could have been pipeline

1210 constrained.

1211 They could have been down for artificial lift. There's multiple variables that could
1212 have contributed to a loss of production other than just sequential timing.

1213

1214 **FE Fordyce, Andrew, EMNRD 1:51:36**

1215 So would it be fair to say that there's a lot of factors that go into this graph that
1216 we're not aware of?

1217

1218 **LW Lenny Wood 1:51:43**

1219 Yes, Sir, I believe that's correct.

1220

1221 **FE Fordyce, Andrew, EMNRD 1:51:45**

1222 Thank you, Mr. Wood. I don't have any other questions.

1223

1224 **PH Pecos Hall 1:51:50**

1225 Mr. Holiday, is there any redirect? Just a few. I'll be as brief as I can.

1226 I want to well, first let's talk about your decision and time constraints on coming back
1227 to drill the BI believe is your testimony that Powderhorn intends to come back within
1228 approximately one year. Is that correct?

1229

1230 **LW Lenny Wood 1:52:11**

1231 That's correct.

1232

1233 **PH Pecos Hall 1:52:12**

1234 And what would drive that decision to come back for? Why would Powderhorn want
1235 to come back within one year?

1236

1237 **LW Lenny Wood 1:52:19**

1238 I think, I think we want to get get capital to work as soon as possible. I think our
1239 current layout for East West Wells and our facility development contemplates one
1240 well. I think putting those wells on a year later would allow for the initial flow back of
1241 the the parent wells.

1242 Allowing us not to build a giant facility. Powderhorn is also engaged in additional
1243 projects. We're working on permitting an additional project to the north. So we're
1244 there would be other places for the rig to go. We wouldn't just plant it there.

1245 But I think coming back, it's my testimony that coming back sooner rather than later
1246 is better for the reservoir.

1247

1248 **PH Pecos Hall** 1:53:04

1249 And so Powderhorn would be, is it fair to say, highly incentivized to come back within
1250 a year?

1251

1252 **LW Lenny Wood** 1:53:10

1253 Yes, I mean, we're all partners and investors in the company. We want to do the best
1254 thing for our investment.

1255

1256 **PH Pecos Hall** 1:53:16

1257 OK. I want to go back to your testimony. I believe it was about the Cletus Wells and
1258 there was a question over whether you said I would have liked to drill them all at the
1259 same time and I'm paraphrasing, paraphrasing, I would have liked to drill them all the
1260 same time, but there was capital constraints.

1261

1262 **LW Lenny Wood** 1:53:28

1263 Sure.

1264

1265 **PH Pecos Hall** 1:53:34

1266 To clarify for the record, were those capital constraints preventing you from drilling
1267 the A&B simultaneously, or did they prevent you from drilling the full a bench
1268 simultaneously?

1269

1270 **LW Lenny Wood** 1:53:46

1271 Again, Mr. Holiday, I I've slept since we were looking at that drill schedule, but
1272 Earthstone generally drilled is not \$150 billion company like Conoco Fields. So we we
1273 drilled smaller pads hopped around.

1274 Had wells come online when we forecasted and then we would come back. We were
1275 trying to manage capital and meet our production goals as a public company.

1276

1277 **PH Pecos Hall** 1:54:15

1278 Yeah.

1279 Adam, can I grab the exhibits for you?

1280 I want to go to.

1281 This slide, which is Marathon's Rebuttal Exhibit 4.

1282

1283 **LW** Lenny Wood 1:54:39

1284 Yes, Sir.

1285

1286 **PH** Pecos Hall 1:54:41

1287 So if I look at this, there are offsetting north-south wells, one to the east, that's

1288 Coterra and one to the West, that's Permian resources, correct?

1289

1290 **LW** Lenny Wood 1:54:54

1291 Uh, yes.

1292

1293 **PH** Pecos Hall 1:54:55

1294 And there's an existing NS well approximately in the middle to the South, correct,

1295 right?

1296

1297 **LW** Lenny Wood 1:55:00

1298 Yes, Sir. That Kotair Bradley will. Yes, Sir.

1299

1300 **PH** Pecos Hall 1:55:03

1301 Mr. Rankin asked about why Mewburn and Coterra.

1302 May be planning to drill NS wells. Let's take a look in Section 35. If Newburn wanted

1303 to drill east to West, could they do that based on the existing wells in that in that

1304 location?

1305

1306 **LW** Lenny Wood 1:55:24

1307 That map is small, but it appears that they are constrained for that orientation.

1308

1309 **PH** Pecos Hall 1:55:31

1310 OK. So the same question for the the Coterra existing units to the east and the South.

1311 Let's say Coterra wanted to drill east to West, would they be constrained from doing

1312 so based on existing wells?

1313

1314 **LW** **Lenny Wood** 1:55:45

1315 I believe due to existing wells and and pooling.

1316

1317 **PH** **Pecos Hall** 1:55:49

1318 So it's fair to say their decision to drill N southwest is at least likely or excuse me,
1319 possible. It's based on factors other than geology. It could be based on pooling and
1320 the presence of existing wells. Is that correct?

1321

1322 **LW** **Lenny Wood** 1:56:06

1323 Correct.

1324

1325 **PH** **Pecos Hall** 1:56:09

1326 Um.

1327 I want to go to our exhibit or powder horns exhibit A8.

1328 Just give me just a second.

1329 Actually, that was the slide I was gonna look at, but I borrowed marathons.

1330 OK.

1331 I believe that's all my questions. Thank you.

1332 Does that bring up any recross for you, Mr. Rankin? No, I think we can. We can allow

1333 Mr. Wood to to be excused. Thank you, Mr. Fordyce. Did that bring up any additional

1334 questions for you?

1335

1336 **FE** **Fordyce, Andrew, EMNRD** 1:57:08

1337 I have nothing further from Mr. Wood, Mr. Examiner.

1338

1339 **PH** **Pecos Hall** 1:57:12

1340 OK. Thank you, Mr. Wood, Mr. Mr. Holiday, do you want to call Mr. Tippin?

1341

1342 **LW** **Lenny Wood** 1:57:15

1343 Thank you.

1344

1345 **PH** **Pecos Hall** 1:57:19

1346 Uh, yes, Pat Horn calls Brendan Tippin.

1347 It.

1348

1349 **BT** **Brendan Tippen** 1:57:25

1350 Hello, Mr. Examiner.

1351

1352 **PH** **Pecos Hall** 1:57:27

1353 Good morning. And I remind you that you're under oath. Go right ahead, Miss

1354 Holiday.

1355 All right.

1356 Good morning, Mr. Tiffin. Just for the record, could you state your name and position

1357 with Powderhorn?

1358

1359 **BT** **Brendan Tippen** 1:57:52

1360 Yes, my name is Brendan Tippin and I'm the Director of Engineering.

1361

1362 **PH** **Pecos Hall** 1:57:57

1363 OK. And as director of an engineering, what are your responsibilities?

1364

1365 **BT** **Brendan Tippen** 1:58:02

1366 At Powderhorn, I oversee all of the reservoir engineering. This is everything from
1367 acquisitions, trades, all of our internal reserves as well as development and planning.

1368 I also assist our VP of Exploration, Lenny Wood and our CEO, Patrick Walter.

1369 He's also a petroleum engineer in any other engineering related operations.

1370

1371 **PH** **Pecos Hall** 1:58:24

1372 Um and.

1373 Can you just briefly sum up your prior industry experience?

1374

1375 **BT** **Brendan Tippen** 1:58:31

1376 Yes. So prior to this, I started work with Piedra Resources in 2016. Piedra was a small
1377 private equity backed group. I worked with them from 2016 to 2024. When I started
1378 there, they were starting to aggregate leasehold in the Midland Basin.

1379 When I when I left there, we had aggregated 17,000 acres in the northern Midland

1380 basin and drilled over 70 wells.

1381 We sold the event of in 2023.

1382

1383 **PH Pecos Hall** 1:59:00

1384 And so you were there when they drilled their first horizontal wells, is that correct?

1385

1386 **BT Brendan Tippen** 1:59:04

1387 That's correct.

1388

1389 **PH Pecos Hall** 1:59:06

1390 And you and at least one other member of the Powderhorn team work together on
1391 those wells. Is that correct?

1392

1393 **BT Brendan Tippen** 1:59:11

1394 That's correct.

1395

1396 **PH Pecos Hall** 1:59:13

1397 So fair to say you guys do have experience drilling wells together in a prior
1398 professional experience.

1399

1400 **BT Brendan Tippen** 1:59:19

1401 That is correct.

1402

1403 **PH Pecos Hall** 1:59:20

1404 OK, so who on Powderhorn? There was a question yesterday about who on
1405 Powderhorn's team is responsible for for the drilling and completion aspect. Who?
1406 Who? Who is that?

1407

1408 **BT Brendan Tippen** 1:59:32

1409 Yeah. So our team right now we've got, we just heard from Lenny Wood, our VP of
1410 Exploration, myself, the Director of Engineering and then our Co CEO, Patrick Walter,
1411 who has, who's a petroleum engineer with a quite a bit of operational experience,
1412 was at Taprock prior to this.

1413 So he has Delaware Basin experience as well as experience in several States and even
1414 other countries.

1415

1416 **PH Pecos Hall** 1:59:58

1417 Yeah.
1418 And there was a there's a lot of talk about the drilling contractor that you
1419 Powderhorn intends to use, but we didn't actually name them. So which contractor
1420 does Powderhorn intend to use? And then could you describe your sorry?
1421

1422 **BT** **Brendan Tippen** 2:00:09

1423 Yeah, I I'm glad to get.

1424 I'm sorry, Ben. Yes, so.

1425

1426 **PH** **Pecos Hall** 2:00:15

1427 Yeah, I'll ask it in two parts. Which one do you intend to use?
1428

1428

1429 **BT** **Brendan Tippen** 2:00:19

1430 We are using Uh dual drilling consultants. Um, we've been in negotiations with them,

1431 Um or talking with them since May of last year. Uh, they've helped us with Uh

1432 planning Um AFES. We are currently in the process. They're helping us with APDS.

1433 And we are talking and negotiating, picking up a rig for this development.
1434

1434

1435 **PH** **Pecos Hall** 2:00:43

1436 So fair to fair to say you expect to work with dual drilling consultants on the drilling

1437 of the powder Super Hornet wells, correct?
1438

1438

1439 **BT** **Brendan Tippen** 2:00:50

1440 That is what we expect.
1441

1441

1442 **PH** **Pecos Hall** 2:00:52

1443 OK and um.

1444 The route is has dual drilling consultants. Have they been the drilling contractor on

1445 any adjacent projects in this area?
1446

1446

1447 **BT** **Brendan Tippen** 2:01:05

1448 Yes. So dual drilling is currently running seven rigs in the Delaware Basin. They work

1449 for a lot of smaller groups, just like us, a lot of PE groups. They've worked for

1450 Admiral, they've worked for Ridge Runner, they've worked for.

1451 Flat Creek. They have developments within 20 miles and some closer.

1452 Closer.

1453

1454 **PH** Pecos Hall 2:01:26

1455 Were they the drilling contractor that was used on the bat bomb and?

1456 War pigeon units.

1457

1458 **BT** Brendan Tippen 2:01:33

1459 They worked for Admiral, so I believe so.

1460

1461 **PH** Pecos Hall 2:01:39

1462 Let's talk about our Powderhorn's plan. Were you asked to evaluate Powderhorn's

1463 development plan?

1464

1465 **BT** Brendan Tippen 2:01:45

1466 Yes.

1467

1468 **PH** Pecos Hall 2:01:46

1469 And then were you also asked to review Marathon's competing development

1470 proposals?

1471

1472 **BT** Brendan Tippen 2:01:53

1473 That's correct.

1474

1475 **PH** Pecos Hall 2:01:54

1476 OK. And when you were doing that review, what what were the engineering factors

1477 that you focused on?

1478

1479 **BT** Brendan Tippen 2:02:00

1480 Yeah. So I really focused between the two development plans. And so I I think it

1481 boiled down to to really two things, capital efficiencies. With that I looked at both of

1482 our plans have different lateral lengths. So I looked at the difference between drilling

1483 shorter and longer laterals.

1484 Also, both of our plans encompassed different different acreage. So we're drilling 8

1485 wells total and they're drilling 4 going back to say we're drilling 4 Wolf camp A's and

1486 then a subsequent 4 Wolf camp B's. So there's efficiencies there.
1487 In addition to that, I looked at another big factor here is parent-child issues and
1488 sequencing of this development. And so that was another major factor that I looked
1489 at.

1490

1491 **PH Pecos Hall 2:02:47**

1492 OK, yeah, I wanted to ask you a question. You heard Mr. Wood's testimony and I
1493 could be butchering this, but he testified to the fact that it's but it's possible that
1494 there could be 0 degradation amongst the two zones A&B.
1495 Do I? Did I summarize that correctly?

1496

1497 **BT Brendan Tippen 2:03:06**

1498 Yes.

1499

1500 **PH Pecos Hall 2:03:07**

1501 OK. But then it was discussed that he's not an engineer and he may not be qualified
1502 to talk about that. What are your thoughts on that concept?

1503

1504 **BT Brendan Tippen 2:03:15**

1505 I.

1506 Yes, I think Lenny was talking in generalities and I think he said it is possible that that
1507 is the case. I'm.

1508

1509 **PH Pecos Hall 2:03:23**

1510 Do you think it's possible?

1511

1512 **BT Brendan Tippen 2:03:25**

1513 Yes. So I have a study in an exhibit that has been filed looking at A&B parent child
1514 effects. The results of my study is that it is unclear that the B or drilling the A prior to
1515 the B has an effect on.

1516 Production.

1517

1518 **PH Pecos Hall 2:03:46**

1519 And so as we assess these, I mean, I guess they're not truly competing development

1520 plans, but the two plans being offered, could you summarize folks on Powderhorn's
1521 plan, could you summarize Powderhorn's proposed development plan?

1522

1523 **BT** **Brendan Tippen** 2:04:00

1524 Yes. And so in my exhibit C2, I show both of these plans. This is a Powderhorn's plan
1525 is to drill 41 1/2 milers in the Wolf Camp A. We then plan to come back and drill an
1526 additional 41 1/2 milers in the Wolf Camp B. This is over a 960 acre unit.

1527 Conoco's development plan is to drill a 320 1/2 section unit drilling 2A's and two B's.

1528

1529 **PH** **Pecos Hall** 2:04:27

1530 OK and.

1531

1532 **BT** **Brendan Tippen** 2:04:28

1533 Um, you can see on this diagram right here in the bottom left corner, that's a high
1534 level summary of our development plates.

1535

1536 **PH** **Pecos Hall** 2:04:36

1537 OK.

1538 I'm going to stop sharing my screen for a second.

1539 OK. So we talked about one of the one of the factors that you looked at was the
1540 lateral length and you felt like that was dispositive between the two plans. Why? Why
1541 is it? Why is this lateral length matter in horizontal development?

1542

1543 **BT** **Brendan Tippen** 2:04:57

1544 Yeah. So every time we drill a horizontal well, the vertical section of the well bore has
1545 to be drilled regardless of the lateral length. And so as we drill longer laterals, the
1546 cost of that vertical section of the well bore gets spread across more lateral feet and
1547 we we gain capital efficiency.

1548

1549 **PH** **Pecos Hall** 2:05:15

1550 Is another way to say that economies of scale.

1551

1552 **BT** **Brendan Tippen** 2:05:19

1553 That would be another fair way to say that.

1554

1555 **PH** Pecos Hall 2:05:21

1556 OK. And you did evaluate the difference between the one mile and the mile and 1/2
1557 proposals in this case, correct?

1558

1559 **BT** Brendan Tippen 2:05:27

1560 That is correct.

1561

1562 **PH** Pecos Hall 2:05:29

1563 OK, and I'm gonna show you exhibit C6.

1564 In.

1565 So we looked at C6 as longer laterals and capital efficiency and operational efficiency.

1566 What did you conclude based on your review between the mile and mile and a half
1567 laterals?

1568

1569 **BT** Brendan Tippen 2:05:54

1570 Yeah. So this is, this is really just a comparison of the two both when we proposed
1571 these wells and when Conoco proposed their wells, we both provided other working
1572 interest owners in the unit with our best estimates of what it's going to cost to to drill
1573 and complete our wells. This would include facilities.

1574 Comparing these two plans, Powderhorn's AF fees are roughly 20% lower than
1575 Conoco's on a DCNF per foot basis. This is showing that we have stronger capital
1576 efficiencies.

1577 This is due to lateral length as well as some facility efficiencies as well, but largely
1578 driven by lateral length.

1579

1580 **PH** Pecos Hall 2:06:41

1581 Yeah. Thank you.

1582 Let's talk about those, the facility efficiency a little bit. So service disturbance, there's
1583 a big factor for the division when they're evaluating plans. Does the development
1584 layout that Powderhorn has proposed, does that affect the facility efficiency?

1585

1586 **BT** Brendan Tippen 2:07:07

1587 Absolutely. So we plan on drilling 4 Wolf Camp A wells with an additional 4 Wolf
1588 Camp B wells shortly thereafter. We plan on drilling these with two pads and we will

1589 have a central facility on one of the two pads.
1590 With that we we get facility efficiencies. We can build, we can build a facility in which
1591 we can repurpose some of that to bring on the subsequent 4 wells. Contractor Brad
1592 Hall at Resource Production has helped us a lot with this.
1593 In Konica's development plan, they will be sending four wells to one facility and at
1594 that point we'll have developed their Wolf camp, at least as as proposed.

1595

1596 **PH Pecos Hall 2:07:54**

1597 So why? Why would the Powderhorn's plan versus Marathon's plan be relevant to the
1598 division in terms of waste prevention?

1599

1600 **BT Brendan Tippen 2:08:05**

1601 Yes. So we can just make it more capital efficient to drill these wells, which make
1602 them more economic. So it makes it more likely that these locations do get
1603 developed. Secondly, I think we can minimize surface impact.

1604

1605 **PH Pecos Hall 2:08:18**

1606 So let's talk about, let's move on from that. We're going to go to parent and child
1607 effects. You discussed parent child effects in your testimony.

1608 And if I can show you exhibit C3.

1609 What does this slide say about parent child issues?

1610

1611 **BT Brendan Tippen 2:08:46**

1612 Yes. So this is a study that we did in a in an AOI surrounding the Super Hornet unit.
1613 So you can see in that my map right there you can see the Super Hornet unit and
1614 you can see the study area. Part of the reason that it's skewed slightly E is because
1615 moving West from here we essentially get out of.

1616 The basin as far as at least the basin that's been developed. What I did here is I
1617 defined a child and defining a child, I said this is a well that's less than 200 vertical
1618 feet, less than 17160 horizontal feet and offset a well that had been completed for
1619 greater than 180.

1620 80 days or six months prior. So that is how I defined a child. So my definition of a
1621 child would be a well that falls within the wolf camp A. That's why I did the 200 foot
1622 vertical that is within 1700 feet, so roughly 4 wells per section spacing.

1623 And that's been online for six months. That's how I defined a child. Everything else

1624 was a non child. When I compared those two groups of wells, I came up with two
1625 type curves and I compared those. So on the bottom chart here you can see.

1626

1627 **PH** Pecos Hall 2:09:49

1628 Yeah.

1629

1630 **BT** Brendan Tippen 2:10:00

1631 And I apologize, my colors did not come through when we submitted this into
1632 exhibits, but the top line there would be the average of the non child wells. The
1633 bottom line there would be the average of the child wells and then you can see my
1634 projection on both of those curves.

1635 And we see a 15% reduction in UR.

1636

1637 **PH** Pecos Hall 2:10:20

1638 OK, so.

1639 When we look at this, we're looking just the Wolf Camp A. Let's go down to Wolf
1640 Camp B.

1641 It's been argued whether the Wolfcamp A&B must be developed simultaneously.

1642 What is your opinion?

1643

1644 **BT** Brendan Tippen 2:10:40

1645 I don't see any evidence that they do.

1646

1647 **PH** Pecos Hall 2:10:44

1648 Thank you.

1649 If we just talk more broadly about parent child effects, what factors in do you feel
1650 influence the severity of those parent child effects?

1651

1652 **BT** Brendan Tippen 2:11:02

1653 Yeah. So I think and Doctor Pascal talked about this some yesterday. I think some of
1654 the the the largest influence of a of a parent child effect is going to be pressure
1655 depletion in the parent well, depletion in the reservoir between the child and the
1656 parent and those are going to be the two defining factors.

1657

1658 **PH** Pecos Hall 2:11:21

1659 OK. So based on that and your knowledge of unconventional fracks, do you believe
1660 that well interactions are generally more significant when they're on a horizontal
1661 plane?

1662

1663 **BT** **Brendan Tippen** 2:11:32

1664 Yes, that's my belief.

1665

1666 **PH** **Pecos Hall** 2:11:38

1667 So let's talk about Marathon's code development plan. Marathon.

1668 Argues the Wolf Camp A&B must be drilled together, and I think we just covered
1669 that, but you did evaluate that claim, right?

1670

1671 **BT** **Brendan Tippen** 2:11:51

1672 I did.

1673

1674 **PH** **Pecos Hall** 2:11:53

1675 And did you examine some of the offset development around the Super Hornet in
1676 your analysis?

1677

1678 **BT** **Brendan Tippen** 2:12:00

1679 That's correct, I did.

1680

1681 **PH** **Pecos Hall** 2:12:02

1682 Yeah. What criteria? When you were doing that analysis, what criteria did you use
1683 and what proximity to the Super Hornet unit did you use?

1684

1685 **BT** **Brendan Tippen** 2:12:10

1686 Yeah, so I was looking at I and to be fair for this study, there's not a lot of great
1687 examples nearby of co-development. But what I was looking for was examples of a
1688 pad that had been co-developed and non co-developed within 6 miles of the Super
1689 Hornet.

1690 And I found and that were completed with modern fracks and so I found three units
1691 with that met this criteria and those are the three units that I use in my study for the
1692 A&B interactions.

1693

1694 **PH Pecos Hall** 2:12:47

1695 And what what was the if you could sum up the the analysis, how would you sum it
1696 up?

1697

1698 **BT Brendan Tippen** 2:12:53

1699 Yeah, so we I had three pads, one pad that was Co developed, one pad that was not
1700 Co developed, but they got back to it within a a short time frame, I believe about six
1701 months and then one pad that was not Co developed, but it there's a long time
1702 frame between Co development.

1703 Comparing the the Wolfcamp B wells in all of these pads, there were no clear trends
1704 as to that supported that the non co-developed pads saw degradation compared to
1705 the other wells.

1706

1707 **PH Pecos Hall** 2:13:28

1708 OK, I'm going to sum that up and you tell me if this is correct. So is it your testimony
1709 that your analysis confirmed there is no substantial degradation?

1710

1711 **BT Brendan Tippen** 2:13:39

1712 Correct.

1713

1714 **PH Pecos Hall** 2:13:40

1715 And if we were to look a little further afield, do you believe the results of this study
1716 could be used for a, let's call it 15 mile radius or 20 mile radius?

1717

1718 **BT Brendan Tippen** 2:13:51

1719 No, I think that's going too far.

1720

1721 **PH Pecos Hall** 2:13:53

1722 Yeah. So if we look at Doctor Mweke's study that he published yesterday or or put up
1723 yesterday, it looked like they were evaluating some some wells about 19 miles to the
1724 southwest.

1725 Are there any significant differences between your study and Doctor Mweke's?

1726

1727 **BT Brendan Tippen** 2:14:16

1728 Yes, I believe there are. One is it's 20 miles away. A lot can change in 20 miles. I think
1729 Lenny has talked some to that. Secondly, in his study, they're targeting a Wolfcamp a
1730 shale target compared to a Wolfcamp sand target that we're targeting.
1731 In their study, they have a different density in the Wolf Camp A compared to the
1732 density that we plan and Conoco plans to drill in the Super Hornet. In addition to
1733 that, they drilled a different density in the Wolf Camp BC Stagger than we plan to
1734 drill at Super Hornet with just one B target.

1735

1736 **PH Pecos Hall** 2:14:54

1737 And you stated your study comes to a different conclusion than marathons. But let's
1738 imagine a hypothetical case where their study is correct. In that event, could
1739 Powderhorn still mitigate the damage that they claim?

1740

1741 **BT Brendan Tippen** 2:15:08

1742 Absolutely. So back to the statement I said about, I think that the two biggest factors
1743 to parent-child are pressure depletion of the parent well and communication. So if
1744 we're going to accept that the these zones are going to communicate, the pressure
1745 depletion is what we can control.

1746 Pressure depletion is going to be correlated to how much fluid we've pulled out of
1747 the ground. So the the simple answer would be the sooner we get back to those
1748 locations, the less of a chance there is for an impact.

1749

1750 **PH Pecos Hall** 2:15:40

1751 So there's a OK, so Powderhorn is heavily incentivized from a production standpoint
1752 to come back and develop the Wolfcamp.

1753

1754 **BT Brendan Tippen** 2:15:40

1755 Or a severe impact.

1756 Yes.

1757

1758 **PH Pecos Hall** 2:15:50

1759 When you reviewed marathons, exhibits and rebuttals, did they show any economics
1760 to show the impact of parent-child effect on the Wolf Camp B?

1761

1762 **BT** **Brendan Tippen** 2:16:02

1763 No, I did not see that.

1764

1765 **PH** **Pecos Hall** 2:16:04

1766 And did they show any economics that stated the, you know, if we talk about the
1767 economic degradation that they perceive that you don't agree with is my
1768 understanding, have, is there anything that they put forth that states that economic
1769 degradation will have a larger, you know what, let's just strike that.

1770 Question. It's too clunky. Let's move to the sequential development of the Wolf
1771 Camp A and B. Will, in your opinion, did Marathon present any economics
1772 quantifying the the impact?

1773 Of that claim degradation on well returns. That's a mouthful.

1774

1775 **BT** **Brendan Tippen** 2:16:43

1776 Could you say that one more time, Ben?

1777

1778 **PH** **Pecos Hall** 2:16:45

1779 Yep. Did Marathon present any economics quantifying the impact of the claimed
1780 degradation on well returns between the A&B?

1781

1782 **BT** **Brendan Tippen** 2:16:55

1783 No.

1784

1785 **PH** **Pecos Hall** 2:16:56

1786 No, but by contrast, you've presented economics comparing the cost efficiency of
1787 mile and a half laterals versus one mile laterals. Is that correct?

1788

1789 **BT** **Brendan Tippen** 2:17:05

1790 That's correct.

1791

1792 **PH** **Pecos Hall** 2:17:06

1793 OK.

1794 And we looked at that and that was the green box on the drilling completion cost

1795 per foot. Fair to say marathons wells cost 19 to 21% more per lateral foot, is that
1796 correct?

1797

1798 **BT** **Brendan Tippen** 2:17:20

1799 Yes.

1800

1801 **PH** **Pecos Hall** 2:17:22

1802 So in your opinion, would you say the division has quantified evidence of the
1803 economic penalty from shorter laterals? But on on the flip side, they don't have
1804 quantified evidence from Marathon showing the economic degradation that it
1805 claims. Is that fair to say?

1806

1807 **BT** **Brendan Tippen** 2:17:39

1808 Yes, I think, I think it's fair to say we've shown um our economics and a 20% increase
1809 in capital Uh cost is going to is going to hurt those.

1810

1811 **PH** **Pecos Hall** 2:17:50

1812 So in the about 8 months since we the Powderhorn's been working on this proposed
1813 development plan, have any of the other counterparties Powderhorn was in
1814 discussion with Hermion Resources, Kaiser, Coterra, PBEX, Avant, any of them, have
1815 any of them expressed any concerns with Powderhorn's actual development plan?

1816

1817 **BT** **Brendan Tippen** 2:18:08

1818 No.

1819

1820 **PH** **Pecos Hall** 2:18:09

1821 OK. And you would consider all those to be experienced operators in the Delaware
1822 Basin of New Mexico, correct?

1823

1824 **BT** **Brendan Tippen** 2:18:14

1825 I would.

1826

1827 **PH** **Pecos Hall** 2:18:16

1828 OK, so let's just touch. We're getting close to the end here. Wolfcamp bee. Did you
1829 evaluate the Wolfcamp bee economics?

1830

1831 **BT** **Brendan Tippen** 2:18:22

1832 Yes.

1833

1834 **PH** **Pecos Hall** 2:18:23

1835 And what did that analysis show?

1836

1837 **BT** **Brendan Tippen** 2:18:26

1838 So the Wolfcamp B is a very viable target and and then one that we intend to
1839 develop. However, uh, it's got a very high GOR, um, it has less oil and uh, it's a little
1840 bit more marginal. And so my main analysis of the Wolfcamp B is.

1841 We any sort of decreases in capital efficiencies or any sort of parent child effects
1842 within the zone could have could have major impacts on whether this zone is viable
1843 or not.

1844

1845 **PH** **Pecos Hall** 2:18:57

1846 And then just for the record, why does that matter for your development planning?

1847

1848 **BT** **Brendan Tippen** 2:19:03

1849 It matters because Conoco has a proposal that would increase our capital in. That's a
1850 double negative. It would create capital inefficiencies as well as potentially create end
1851 zone parent child's.

1852

1853 **PH** **Pecos Hall** 2:19:20

1854 OK. It seems like Powderhorn and Marathon agree that longer laterals are generally
1855 more preferable. Powderhorn's plan is to develop the entire 960, is that correct?

1856

1857 **BT** **Brendan Tippen** 2:19:29

1858 That's correct.

1859

1860 **PH** **Pecos Hall** 2:19:30

1861 Does Marathon's proposal develop the full acreage in that way?

1862

1863 **BT** **Brendan Tippen** 2:19:35

1864 No, they would only develop 320 acres of the 960.

1865

1866 **PH Pecos Hall** 2:19:39

1867 OK. And why is that important from an engineering perspective?

1868

1869 **BT Brendan Tippen** 2:19:43

1870 I think if they went to develop their 320 in the 960, it would require other operators

1871 to coordinate to develop the other to the the remaining acreage. You'd be left with

1872 two, two additional 320s that would have to get developed. It could lead to difficult

1873 development sequencing, likely a lot of parent child effects likely.

1874 A lot of trips back to the unit to develop.

1875

1876 **PH Pecos Hall** 2:20:07

1877 OK. And looking at Marathon's plans or the plans that as you understand them as

1878 they've been presented to you, did those development plans, did their concept

1879 remain consistent throughout this case?

1880

1881 **BT Brendan Tippen** 2:20:19

1882 No, Conoco previously proposed 7500 footers in the north half of the unit and then

1883 change them to 5000 footers in the north half of just Section 2.

1884

1885 **PH Pecos Hall** 2:20:32

1886 But Powderhorn's plans remain consistent, correct?

1887

1888 **BT Brendan Tippen** 2:20:35

1889 Yes, we have remained consistent from our original proposals.

1890

1891 **PH Pecos Hall** 2:20:39

1892 So what does that suggest to you about these two plans?

1893

1894 **BT Brendan Tippen** 2:20:44

1895 I think Powderhorn has the most sound, efficient and prudent operating plan to

1896 develop this unit responsibly.

1897

1898 **PH Pecos Hall** 2:20:52

1899 Just so wells, we talked about maximum stress orientation and preferred orientation

1900 of wells. Wells can be drilled in different orientations and configurations, right? It's
1901 physically possible.

1902

1903 **BT** **Brendan Tippen** 2:21:05

1904 That.

1905 That is correct.

1906

1907 **PH** **Pecos Hall** 2:21:10

1908 Does that mean that your development design, your East West orientation, does that
1909 mean that doesn't matter just because it's physically possible?

1910

1911 **BT** **Brendan Tippen** 2:21:18

1912 No, it does not.

1913

1914 **PH** **Pecos Hall** 2:21:20

1915 So fair to say that your orientation lateral length and this parent child issue that
1916 affects the recovery and efficiency of the development plan.

1917

1918 **BT** **Brendan Tippen** 2:21:30

1919 Yes.

1920

1921 **PH** **Pecos Hall** 2:21:33

1922 And you believe that Powderhorn's plan is the most or, excuse me, more efficient?
1923 Engineering approach for this unit that will optimize recovery, is that correct?

1924

1925 **BT** **Brendan Tippen** 2:21:42

1926 Yes.

1927

1928 **PH** **Pecos Hall** 2:21:46

1929 And just for the record, based on your engineering analysis, what's your opinion
1930 regarding Powderhorn Super Hornet development plan?

1931

1932 **BT** **Brendan Tippen** 2:21:56

1933 Yes, I guess kind of to repeat, I think that I think we have the most prudent plan to
1934 where we will maximize recovery for this unit for all the working interest owners.

1935 Protecting correlative rights, I think we will do it in a capially efficient manner and I
1936 think we have the best, the best plan.

1937

1938 **PH** Pecos Hall 2:22:20

1939 And last question, do you believe this plan better prevents waste and protects
1940 gorilla's rights than Marathon's alternative?

1941

1942 **BT** Brendan Tippen 2:22:28

1943 Yes.

1944

1945 **PH** Pecos Hall 2:22:30

1946 I have no further questions right now, Mr. Rankin.

1947 Thank you, Mr. Officer. I wonder if we might just take a short break since we haven't
1948 had one yet since 8:30, just before I start my cross. All right. And let's let's go over
1949 the schedule. It's 10:00 now. This is Mr. Holiday's.

1950 Final witness in his case in chief.

1951 In his rebuttal case as well.

1952 So you have two witnesses to present and you know that I need to take a break
1953 today, mid-day at some point.

1954 And I wonder how you would you prefer and this is just something for you to think
1955 about. You can tell me later, it doesn't matter. We can either break from 12:00 to 2:00
1956 or we can break from.

1957 12:30 to 2:30. I'll leave that up to you in case you think you can finish your case in
1958 that time. And I'm certainly not rushing you, but whatever you want to do is fine.

1959 We'll come back.

1960 After. OK, so 5 minutes, 5 minutes. All right. Thank you. We're off the record.

1961 Ready as I'll never be, I guess.

1962 It's 1007. Let's get back on the record, Mr. Rankin. Thank you very much, Mr. Hearing
1963 Officer. Good morning, Mr. TIPPIN. I hope you guys had a safe drive back last night.

1964

1965 **BT** Brendan Tippen 2:33:51

1966 Thank you. Good morning, Mr. Rankin.

1967

1968 **PH** Pecos Hall 2:33:54

1969 Um.

1970 I just want to make sure I understood that in terms of overseeing the drilling, any
1971 drilling that would occur on this acreage under this plan, it would be Mr. Mr. Walker
1972 would be working directly with the drilling contractor to oversee that drilling. Is that
1973 correct?

1974

1975 **BT** **Brendan Tippen** 2:34:14

1976 So Mr. Walter, he's our Co CEO and then Lenny Wood, our VP of exploration and I
1977 will also be involved in communications back and forth with Thul.

1978

1979 **PH** **Pecos Hall** 2:34:16

1980 Walter, sorry. Apologies. Yep.

1981 OK.

1982 So a team effort, correct?

1983

1984 **BT** **Brendan Tippen** 2:34:31

1985 Correct.

1986

1987 **PH** **Pecos Hall** 2:34:32

1988 And have have the three of you ever worked as a team to drill a well before?

1989

1990 **BT** **Brendan Tippen** 2:34:37

1991 Uh, no, Sir.

1992

1993 **PH** **Pecos Hall** 2:34:39

1994 Have the three of you ever worked as a team to drill a well with dual drilling?

1995

1996 **BT** **Brendan Tippen** 2:34:46

1997 No.

1998

1999 **PH** **Pecos Hall** 2:34:48

2000 You've been in discussions with drill drilling for about a little little less than a year
2001 since May of last year, I understand, correct?

2002

2003 **BT** **Brendan Tippen** 2:34:55

2004 That's correct.

2005

2006 **PH Pecos Hall** 2:34:57

2007 Does Powderhorn have any written vetting procedures or requirements for its third-

2008 party operators or drilling contractors in place as a means of evaluating its

2009 contractors that you're going to work with?

2010

2011 **BT Brendan Tippen** 2:35:10

2012 So, um, we did. We did our internal research and um, arrived on a dual.

2013

2014 **PH Pecos Hall** 2:35:17

2015 OK. So you you've never Pat Horn has never yet done an evaluation to identify a

2016 potential contractor for drilling, correct?

2017

2018 **BT Brendan Tippen** 2:35:28

2019 Can you repeat that question?

2020

2021 **PH Pecos Hall** 2:35:29

2022 Sure. Up until this point, Powderhorn has not yet gone through a process where it's

2023 identified and contracted with a drilling operator, correct?

2024

2025 **BT Brendan Tippen** 2:35:40

2026 No, there's no contractual agreement for the drilling of of these walls yet.

2027

2028 **PH Pecos Hall** 2:35:45

2029 OK. But but my question is, has Powderhorn gone through that process to evaluate

2030 and contract with any drilling operators up to this point anywhere?

2031

2032 **BT Brendan Tippen** 2:35:54

2033 No, not as a powder on team.

2034

2035 **PH Pecos Hall** 2:35:59

2036 Um.

2037 I'm going to share my screen real quick.

2038 Paragraph 7 of your direct testimony state that there are fewer one mile wells being

2039 drilled over time in this acreage, correct?

2040

2041 **BT** **Brendan Tippen** 2:36:37

2042 Yes, and this is specific to Conoco operated wells.

2043

2044 **PH** **Pecos Hall** 2:36:42

2045 Now people operators are still drilling one mile wells in this acreage and elsewhere,
2046 correct?

2047

2048 **BT** **Brendan Tippen** 2:36:51

2049 Yes, by in this acreage, I assume you mean within the study area.

2050

2051 **PH** **Pecos Hall** 2:36:57

2052 Within the general vicinity of the subject acreage, yeah.

2053

2054 **BT** **Brendan Tippen** 2:37:01

2055 Yes.

2056

2057 **PH** **Pecos Hall** 2:37:03

2058 And are you aware of any case where the division has determined that a one mile
2059 well would be wasteful?

2060

2061 **BT** **Brendan Tippen** 2:37:11

2062 Uh, I'm not aware.

2063

2064 **PH** **Pecos Hall** 2:37:15

2065 I want to talk a little bit about Powderhorn's plan of development. You state that
2066 Powderhorn's plan is to drill first the XY, the upper bench, correct in the Wolfcamp
2067 and then and then sequentially develop the Wolfcamp B, right?

2068

2069 **BT** **Brendan Tippen** 2:37:27

2070 That's correct.

2071 Yes.

2072

2073 **PH** **Pecos Hall** 2:37:36

2074 And I understand, I'll get to this a little bit, but I'll build up to it. But but your your

2075 opinion is that there's no observable top-down vertical degradation in this general
2076 vicinity that you can observe, correct?

2077

2078 **BT** **Brendan Tippen** 2:37:51

2079 That's my opinion, yes.

2080

2081 **PH** **Pecos Hall** 2:37:54

2082 OK. And that's based on your review of an offsetting study that I think it's your
2083 exhibit C7.

2084

2085 **BT** **Brendan Tippen** 2:38:00

2086 That's correct.

2087

2088 **PH** **Pecos Hall** 2:38:01

2089 OK, we'll get to that.

2090

2091 **BT** **Brendan Tippen** 2:38:03

2092 Good.

2093

2094 **PH** **Pecos Hall** 2:38:04

2095 But in the event that there are parent-child effects, vertical parent-child effects, that
2096 would potentially make your Wolfcamp B or the Wolfcamp B target less.

2097 Economic, correct?

2098

2099 **BT** **Brendan Tippen** 2:38:21

2100 Yes, in that hypothetical scenario that there were parent child effects, the B would
2101 become less economic.

2102

2103 **PH** **Pecos Hall** 2:38:27

2104 And that's why Paddlehorn is proposing to come back and drill the Wolf Camp B as
2105 quickly as possible, correct?

2106

2107 **BT** **Brendan Tippen** 2:38:36

2108 That's correct. I would also like to say that there are capital efficiencies associated
2109 with not drilling the eight wells all at once and having a 12 month staggered.

2110

2111 **PH Pecos Hall** 2:38:45

2112 OK. So but just to be clear, you had, I understand for Mr. Wood that you had

2113 discussions internally about ways to mitigate vertical top down parent child

2114 degradation effects in this development, correct?

2115

2116 **BT Brendan Tippen** 2:38:59

2117 Yes.

2118

2119 **PH Pecos Hall** 2:39:01

2120 And that was those discussions were undertaken because there was a concern about

2121 it, correct?

2122

2123 **BT Brendan Tippen** 2:39:07

2124 Primarily due to the competing rebuttal from the Conoco engineer, Mr. Pascal.

2125

2126 **PH Pecos Hall** 2:39:14

2127 So those discussions weren't part of Powderhorn's due diligence evaluating this

2128 project prior to the exhibits filed in this case.

2129

2130 **BT Brendan Tippen** 2:39:24

2131 I'm sorry, that's not correct. We we study parent child, um, um, essentially every

2132 project we look at.

2133

2134 **PH Pecos Hall** 2:39:29

2135 OK and so.

2136 Based on that analysis, Powderhorn is determined with its partners that it's going to

2137 come back and drill the Wolf Camp B bench as soon as possible, correct?

2138

2139 **BT Brendan Tippen** 2:39:43

2140 That's correct.

2141

2142 **PH Pecos Hall** 2:39:44

2143 OK. And again, that's just because correct me if I'm wrong, but you you recognize

2144 that there's a impact from parent child degradation as to the vertical offset wells,
2145 correct?

2146

2147 **BT** **Brendan Tippen** 2:39:59

2148 Can you repeat that question?

2149

2150 **PH** **Pecos Hall** 2:40:00

2151 And the reason that you're coming back within a short period of time, you propose
2152 to come back within a short period of time is because you recognize that there's a
2153 top-down vertical degradation effect in the Wolfcamp bee.

2154

2155 **BT** **Brendan Tippen** 2:40:10

2156 No, that is not correct. We proposed to come back because we see with our capital
2157 structure, we want to put capital to work as quickly as possible in an efficient way
2158 and we think that this development plan.

2159 That is a great way to do that.

2160

2161 **PH** **Pecos Hall** 2:40:27

2162 So you don't agree with your geologist who's testified that one of the ways to
2163 mitigate parent-child effects is to come back as quickly as possible, and that's why
2164 Pat Arn's intending to do that.

2165

2166 **BT** **Brendan Tippen** 2:40:36

2167 I agree with that statement. If if there are parent child effects coming back as quickly
2168 as possible is a way to mitigate it. That does not mean that there will be parent child
2169 effects.

2170

2171 **PH** **Pecos Hall** 2:40:48

2172 Right. But that's one of the reasons, at least, that Powderhorn has identified its plan
2173 to come back as quickly as possible and the wolf can't be correct.

2174

2175 **BT** **Brendan Tippen** 2:40:56

2176 Yes, in the case that we were wrong and this is a hypothetical that came true, that
2177 would mitigate that.

2178

2179 **PH Pecos Hall** 2:41:09

2180 Now the the vertical offset here is just a little more than 600 feet between the the
2181 two benches that Pat Horn's proposing to develop, correct?

2182

2183 **BT Brendan Tippen** 2:41:17

2184 That's correct.

2185

2186 **PH Pecos Hall** 2:41:20

2187 And just to be clear, it's your opinion that that vertical offset is sufficient to avoid or
2188 mitigate parent child effects between the two benches.

2189

2190 **BT Brendan Tippen** 2:41:27

2191 That's my opinion. Yes, that's correct.

2192

2193 **PH Pecos Hall** 2:41:30

2194 OK.

2195 What's your opinion based on that the 600 foot vertical offset is sufficient to avoid
2196 parent-child effects?

2197

2198 **BT Brendan Tippen** 2:41:38

2199 Um, that's based on spacing studies as well as uh, my experience in the Permian. Um,
2200 at Piedra we drilled a we drilled the metal spray berry atop lower spray berry that we
2201 drilled um 600 feet apart. That's not a great analog, but I'm just, uh, using that as a
2202 way to.

2203 Way to reference some of my experience.

2204

2205 **PH Pecos Hall** 2:41:57

2206 OK, just going to take those in pieces. So the first thing you mentioned that based on
2207 spacing studies, what spacing studies specifically are you referencing?

2208

2209 **BT Brendan Tippen** 2:42:05

2210 Uh, we have a basin wide spacing study built in Spotfire that we use. Um.

2211

2212 **PH Pecos Hall** 2:42:09

2213 You didn't.
2214 You didn't present any of any of that spacing study as part of your evidence or
2215 testimony today, did you?

2216

2217 **BT** **Brendan Tippen** 2:42:16

2218 That spacing study was used to populate the spacing studies that we provided.

2219

2220 **PH** **Pecos Hall** 2:42:22

2221 What spacing studies are you pride? I'm not to be specific. What are you referencing?

2222

2223 **BT** **Brendan Tippen** 2:42:26

2224 We we provided a space or I'm sorry, we provided the parent child study for the Wolf

2225 Camp A as well as a parent child study for the Wolf Camp AB cut development.

2226

2227 **PH** **Pecos Hall** 2:42:36

2228 OK, I'm asking you to reference your exhibits. What are you referencing?

2229

2230 **BT** **Brendan Tippen** 2:42:41

2231 Let's see. Uh, it's gonna be C7.

2232 Is the Wolfcamp AB sequencing?

2233 And then I.

2234 It's.

2235 Exhibit.

2236 C3 is the parent child effects within the Wolf campaign.

2237

2238 **PH** **Pecos Hall** 2:43:04

2239 So when you you were just talking to me about your.

2240 It's called spacing studies. You're specifically referencing C7 and C3, correct?

2241

2242 **BT** **Brendan Tippen** 2:43:15

2243 Yes.

2244

2245 **PH** **Pecos Hall** 2:43:16

2246 And nothing else, right?

2247

2248 **BT** **Brendan Tippen** 2:43:18

2249 Yes.

2250

2251 **PH** **Pecos Hall** 2:43:18

2252 OK.

2253 In and as to the middle Sprayberry, that's that's a formation in Texas.

2254

2255 **BT** **Brendan Tippen** 2:43:30

2256 That is correct in the Permian Midland Basin.

2257

2258 **PH** **Pecos Hall** 2:43:32

2259 And that's more than the 20 miles away than Mr. to make ways study, correct?

2260

2261 **BT** **Brendan Tippen** 2:43:37

2262 That's correct. I would like to, uh, say that that statement was merely to reference a

2263 Permian experience, not, um, anything specific to this unit.

2264

2265 **PH** **Pecos Hall** 2:43:45

2266 OK. So is that do you still want, is that still influencing your analysis in terms of

2267 vertical offset degradation or not?

2268

2269 **BT** **Brendan Tippen** 2:43:56

2270 My exhibit C7 is going to be what I lean on of where I see no clear evidence that

2271 there is degradation between the A&B.

2272

2273 **PH** **Pecos Hall** 2:44:02

2274 OK. So just want to make sure I understand. So going forward when we talk about

2275 your opinion and the basis for it, it's solely limited to the analysis in C7, correct?

2276

2277 **BT** **Brendan Tippen** 2:44:14

2278 Yes.

2279

2280 **PH** **Pecos Hall** 2:44:16

2281 OK.

2282 Um.
2283 Very good. I will come back to that shortly.
2284 Now, in your direct testimony, you make an argument about parent-child effects as
2285 well, but it's focused on horizontal offsets, correct?

2286

2287 **BT** **Brendan Tippen** 2:44:38

2288 Yes, I am talking about parent child effects within a horizon within the Wolf
2289 campaign specifically.

2290

2291 **PH** **Pecos Hall** 2:44:47

2292 And in that context, you're you're you, you prepared, you mentioned this other
2293 spacing study that was exhibit C3 and I'm gonna put that up on the screen here.

2294

2295 **BT** **Brendan Tippen** 2:44:58

2296 Yep.

2297

2298 **PH** **Pecos Hall** 2:45:05

2299 And as in the basically the constraints of your study or the definitions you're using
2300 and I've highlighted it here that in your definition a child was one that is within 200
2301 vertical foot offset and within 1760 horizontal, correct.

2302

2303 **BT** **Brendan Tippen** 2:45:25

2304 That's correct. So 200 vertical feet and 1760 horizontal.

2305

2306 **PH** **Pecos Hall** 2:45:30

2307 And again, this analysis, the study that you've done is all within the wolf camp,
2308 correct?

2309

2310 **BT** **Brendan Tippen** 2:45:37

2311 This is all within the Wolfcamp A specifically.

2312

2313 **PH** **Pecos Hall** 2:45:40

2314 OK. And in this acreage is all governed by the Purple Sage Wolf Camp Pool. Agree.

2315

2316 **BT** **Brendan Tippen** 2:45:46

2317 Yes.

2318

2319 **PH** **Pecos Hall** 2:45:48

2320 OK. And the Purple Sage Wolf Camp Pool, it's a special pool that was designated by
2321 the division, correct?

2322

2323 **BT** **Brendan Tippen** 2:45:56

2324 Yes, believe so.

2325

2326 **PH** **Pecos Hall** 2:45:58

2327 Are are you aware that the Purple Sage Wolf Camp Pool was created to an order
2328 after an evidentiary hearing before the division?

2329

2330 **BT** **Brendan Tippen** 2:46:09

2331 No, I was not aware of that.

2332

2333 **PH** **Pecos Hall** 2:46:11

2334 Mr. Hearing Officer, at this time I'm going to ask that the division take administrative
2335 record a notice rather of the Purple Wolf Sage Special Pool rule, which is order
2336 number R 14262.

2337 Mr. Tippen, are you familiar with the special rules that govern the Purple Sage Wolf
2338 Camp Pool? That is the subject of this Wolf Camp acreage.

2339

2340 **BT** **Brendan Tippen** 2:46:40

2341 No, I'm not intimately familiar with this.

2342

2343 **PH** **Pecos Hall** 2:46:43

2344 OK.

2345 So just for background, this was a a hearing that went to the division back in 2016,
2346 during which Matador and Mewburn requested the creation of a special pool in the
2347 Wolf camp. OK, you're generally familiar with that fact, correct?

2348

2349 **BT** **Brendan Tippen** 2:47:04

2350 Yes.

2351

2352 **PH** **Pecos Hall** 2:47:06

2353 And at the hearing on this, are you aware that the division took evidence on?

2354 The appropriate offsets.

2355 That would be protective of crowd of rights and would prevent waste.

2356

2357 **BT** **Brendan Tippen** 2:47:25

2358 Yes, I see that on the screen.

2359

2360 **PH** **Pecos Hall** 2:47:28

2361 And you're aware that the the findings that the division made included the finding

2362 that setting the setbacks at 330 feet would be would not harm offsetting space units,

2363 nor would it impair federal rights.

2364

2365 **BT** **Brendan Tippen** 2:47:43

2366 I see that that's what that statement says.

2367

2368 **PH** **Pecos Hall** 2:47:51

2369 And that that they went on to determine that the Purple Sage Wolf Camp gas pool

2370 should have special rules allowing well locations no closer than 330 feet to the outer

2371 boundary of a spacing unit. Do you see that?

2372

2373 **BT** **Brendan Tippen** 2:48:03

2374 I see that.

2375

2376 **PH** **Pecos Hall** 2:48:05

2377 And you're aware that those were the rules that govern this acreage, correct?

2378

2379 **BT** **Brendan Tippen** 2:48:12

2380 Um, yes.

2381

2382 **PH** **Pecos Hall** 2:48:14

2383 And finally, the division finds in paragraph 21 in that order that the application
2384 should be approved with those setbacks to prevent waste and protect private rights.
2385 Do you see that?

2386

2387 **BT** **Brendan Tippen** 2:48:27

2388 Yes.

2389

2390 **PH** **Pecos Hall** 2:48:28

2391 And then they go on at the end of the rule to specify what the setbacks are going to
2392 be. And again, it's 330 foot setbacks and that's your understanding, correct?

2393

2394 **BT** **Brendan Tippen** 2:48:38

2395 Yes.

2396

2397 **PH** **Pecos Hall** 2:48:38

2398 And based on those 330 foot setbacks, that means that wells can be spaced at 660
2399 feet. And based on the division's findings, based on evidence and testimony, that 660
2400 foot offsets are going to be protective of corral rights and prevent waste. Agree.

2401

2402 **BT** **Brendan Tippen** 2:48:55

2403 That's what this document says, yes.

2404

2405 **PH** **Pecos Hall** 2:48:59

2406 Is your testimony that the special rules that govern this acreage for the purple sage
2407 wolf camp are not protective of correlative rights? It will not prevent waste.

2408

2409 **BT** **Brendan Tippen** 2:49:09

2410 No, my argument is that our our plan to develop this acreage will protect correlative
2411 rights.

2412

2413 **PH** **Pecos Hall** 2:49:17

2414 OK, that wasn't my that wasn't my question. My question is, are you saying that the
2415 special rules that govern this acreage are not protective of crowd of rights and will
2416 not prevent waste?

2417

2418 **BT** **Brendan Tippen** 2:49:30

2419 Oh, I think.

2420 I think if we space these wells at 660 feet, we would damage correlative rights

2421 despite that that is allowed per this document.

2422 I think Conoco would agree with me because they proposed the same, uh, roughly

2423 1320 foot spacing that we did.

2424

2425 **PH** **Pecos Hall** 2:49:49

2426 So are you telling me then that the Purple Sage, the divisions rules are not protective
2427 of crowd rights?

2428 Mr. Examiner, I'm gonna object. This line of questioning on offsets and orders is

2429 more appropriate for Landman. It's not applicable to the vertical offsets that we

2430 proposed.

2431 But.

2432 Mr. Tippin has made an argument that horizontal offsets are going to cause parent
2433 child effects.

2434 Based on his engineering analysis, the division set rules that govern this acreage

2435 based on engineering evidence that require 330 foot setbacks. I'm asking him, based

2436 on his engineering testimony and his expertise, whether the division rules that

2437 govern this acreage are appropriate or not.

2438 And.

2439

2440 **BT** **Brendan Tippen** 2:50:48

2441 If so if I'm understanding the.

2442

2443 **PH** **Pecos Hall** 2:50:48

2444 Hold on, hold on, hold on, hold on, hold on. Mr. Tippin, don't don't answer the

2445 question until you resolve the objection. Your your attorney has made a evidentiary

2446 objection. I have to think about it so.

2447

2448 **BT** **Brendan Tippen** 2:51:03

2449 Yes, sir.

2450

2451 **PH** **Pecos Hall** 2:51:05

2452 How is it relevant whether this expert?
2453 Agrees with the division or disagrees? Well, Mr. Hearing Officer, the the division had
2454 a hearing, extensive hearing on this very issue in this acreage and determined that
2455 these these rules are protective of crowd of rice and will prevent waste.
2456 That doesn't answer my question. The question I'm asking you is how is it relevant
2457 whether he agrees with the division or not? These rules govern this acreage, and
2458 these rules govern the setbacks in place, and the division has held through an
2459 evidentiary hearing that 330 feet.
2460 Is protective of correlate rights in this acreage. This is the pool that's assigned to this
2461 acreage. So his argument that allowing us to drill our acreage is going to impair and
2462 be detrimental to their correlate rights offsetting is actually governed by the special
2463 rule which says no, actually.
2464 Those corral rights are protected by the rules in place that govern this acreage. And
2465 yet you can still you can a company can still request a non-standard spacing or
2466 location, right? Correct. And and Conoco Phillips and Marathon's proposal is to be at
2467 standard locations.
2468 Within the standard so but but this still doesn't get to my the root of my question.
2469 I've already taken administrative notice, although you didn't wait for me to do it. I've
2470 already taken administrative notice of this and and and Mr. Fordyce is well aware of
2471 this.
2472 Of this gas pool and its offsets. So I don't see how it's relevant whether this expert
2473 agrees with the division or not. So I'm going to sustain the objection. Why don't you
2474 find some other way of of proceeding? OK, so just to be clear then, Mr. Mr. Tippin, I
2475 understand that you disagree.
2476 That with that the division's rules are protective of powder horns, cruller rights,
2477 correct?

2478

2479 **BT** **Brendan Tippen** 2:53:06

2480 Can you repeat that one more time?

2481

2482 **PH** **Pecos Hall** 2:53:08

2483 You disagree that the division's special rules that govern this wolf camp acreage in
2484 this area are protective of of Powderworm's crop of rice. Agree.

2485

2486 **BT** **Brendan Tippen** 2:53:19

2487 You know, I would like to step back from this. I don't have a great understanding of
2488 what this document is saying. I believe that 330 feet refers to the distance we can
2489 drill from a lease line.

2490 I can talk to spacing and optimal spacing and development of this acreage, but I I
2491 cannot say a definitive statement regarding this document.

2492

2493 **PH Pecos Hall 2:53:44**

2494 So.

2495 Does Powderhorn have any plans to modify the division's special rules that govern
2496 this acreage as far as offsets and setbacks go?

2497

2498 **BT Brendan Tippen 2:53:55**

2499 No, not that I know of.

2500

2501 **PH Pecos Hall 2:53:56**

2502 Good.

2503 All right.

2504 So I think I I just want to ask this question of you. Mr. Tippin Powderhorn does not
2505 operate any wells in New Mexico, correct?

2506

2507 **BT Brendan Tippen 2:54:49**

2508 That is correct.

2509

2510 **PH Pecos Hall 2:54:51**

2511 And has not drilled any wells in New Mexico, correct?

2512

2513 **BT Brendan Tippen 2:54:54**

2514 Correct.

2515

2516 **PH Pecos Hall 2:54:55**

2517 And does Powderhorn have a in-house drilling team that's going to be in charge of
2518 overseeing any drilling of wells that it proposes and drills?

2519

2520 **BT Brendan Tippen 2:55:08**

2521 No, Sir, but we do have two petroleum engineers on staff.

2522

2523 **PH Pecos Hall** 2:55:15

2524 And those two drilling engineers would be yourself and Mr. Walter.

2525

2526 **BT Brendan Tippen** 2:55:18

2527 I said petroleum engineers.

2528

2529 **PH Pecos Hall** 2:55:22

2530 I'm sorry, petroleum engineer. Those two petroleum engineers would be yourself and

2531 Mr. Walter.

2532

2533 **BT Brendan Tippen** 2:55:25

2534 That is correct.

2535

2536 **PH Pecos Hall** 2:55:29

2537 And the.

2538 I think I've asked the questions I wanted to ask around dual drilling.

2539 But you don't have yet a contract in place with them to drill these wells, correct?

2540

2541 **BT Brendan Tippen** 2:55:41

2542 That is correct. We're still in the negotiation phase.

2543

2544 **PH Pecos Hall** 2:55:46

2545 Um.

2546 When you addressed your determination here that you're going to achieve certain
2547 capital efficiencies based on the longer laterals.

2548 Patterhorn is not yet drilled as a team, a single well in New Mexico or Texas or
2549 anywhere, correct? Objection. We've asked this question. Sorry, let me, let me, let me.

2550 I'm asking it. I'll withdraw it and I'll ask it in a different way.

2551 Mr. Mr. Tippen, because Powderhorn as a team has not yet drilled a single well in

2552 New Mexico or anywhere, you have no basis to state that you can achieve or execute

2553 based on these economics. Agree.

2554

2555 **BT Brendan Tippen** 2:56:36

2556 I don't believe that's correct. Our drilling AFV is based on an AFV that dual built for

2557 us for the specific unit and we expect that they would be the ones executing on the
2558 AFV.

2559

2560 **PH** Pecos Hall 2:56:39

2561 You have you.

2562

2563 **BT** Brendan Tippen 2:56:52

2564 They're currently well experienced in the Delaware to do that.

2565

2566 **PH** Pecos Hall 2:56:57

2567 You don't have a contract with them, do you?

2568

2569 **BT** Brendan Tippen 2:57:01

2570 Not currently.

2571

2572 **PH** Pecos Hall 2:57:03

2573 OK, so but Powderhorn itself has not yet executed on any AFE's anywhere in New

2574 Mexico or Texas, correct?

2575

2576 **BT** Brendan Tippen 2:57:12

2577 As a team.

2578

2579 **PH** Pecos Hall 2:57:15

2580 You agree, correct?

2581

2582 **BT** Brendan Tippen 2:57:17

2583 I agree to your statement that Powderborn as a team has not.

2584

2585 **PH** Pecos Hall 2:57:22

2586 OK. And so you have no track record to demonstrate that you can execute on these
2587 economics. Agree.

2588

2589 **BT** Brendan Tippen 2:57:30

2590 Outerhorn as a team does not have a track record. However, all the individual people
2591 on our team have extensive track records.

2592

2593 **PH Pecos Hall** 2:57:39

2594 OK, but again, this is Powderhorn's project, correct?

2595

2596 **BT Brendan Tippen** 2:57:43

2597 This is going to be a power one project, correct?

2598

2599 **PH Pecos Hall** 2:57:45

2600 OK.

2601 And on the AFES, Otterhorn has not yet executed on on an AFE to show that it can

2602 come within the estimate of costs on any wells, correct?

2603

2604 **BT Brendan Tippen** 2:58:02

2605 That is correct as to Powhorn.

2606

2607 **PH Pecos Hall** 2:58:05

2608 And because Powderhorn has not drilled any wells in New Mexico, it has no track

2609 record to establish that it can realize any greater efficiencies on a 1 1/2 mile versus

2610 A1 mile well, correct?

2611

2612 **BT Brendan Tippen** 2:58:22

2613 Repeat that question, please.

2614

2615 **PH Pecos Hall** 2:58:24

2616 Because Paddlehorn has not yet drilled any wells in New Mexico or in Texas or

2617 anywhere, you have no track record to establish that it can realize any projected

2618 efficiencies on its operations or production between a one mile well and a 1 1/2 mile

2619 well.

2620 Agree.

2621

2622 **BT Brendan Tippen** 2:58:43

2623 I'm having a hard time following how a just given that we don't as Powerhorn have a

2624 track record how I cannot make comments that a 1 1/2 miler is gonna be more

2625 capitally efficient than A1 miler.

2626

2627 **PH Pecos Hall** 2:58:56

2628 Let me ask you this, Mr. Tippin, wouldn't you agree with me that different companies
2629 have different abilities in drilling and performing on their wells?

2630

2631 **BT Brendan Tippen** 2:59:03

2632 Absolutely.

2633

2634 **PH Pecos Hall** 2:59:04

2635 And wouldn't you agree with me that some companies are better at performing on
2636 their execution between 1 1/2 mile wells?

2637

2638 **BT Brendan Tippen** 2:59:15

2639 Yes, I would say, but every well is unique.

2640

2641 **PH Pecos Hall** 2:59:21

2642 And so, I mean, you would agree with me that because every company is different
2643 and every well is unique, you'd want to understand what the company's track record
2644 is being able to execute and perform under its proposals. Agree.

2645

2646 **BT Brendan Tippen** 2:59:36

2647 I guess I'll agree with that.

2648

2649 **PH Pecos Hall** 2:59:38

2650 And and and at this time, Powderhorn has no track record and no demonstration
2651 that it can meet its performance expectancies. Agree. Objection. We've. Mr. Tippin,
2652 please. Mr. Tippin, Brandon, stop.

2653

2654 **BT Brendan Tippen** 2:59:48

2655 I think we can lean as Powderhorn as an operator. I think we can lean on dual
2656 drillings track record.

2657

2658 **PH Pecos Hall** 2:59:54

2659 Court reporter, would you strike that answer? Because Mr. Tippin doesn't seem to
2660 realize that when there's an objection, he should stop speaking.

2661

2662 **GA Gerald Aragon** 3:00:03

2663 Yes, Sir.

2664

2665 **PH Pecos Hall** 3:00:04

2666 Mr. Holiday, your objection. I believe this is also asked and answered. We've covered
2667 this sustained. Mr. Rankin, please move on, OK.

2668 I want to move to your exhibit C7.

2669 Which is your rebuttal exhibit?

2670 And this is my understanding based on your prior testimony to me that the sole basis
2671 for your analysis that there's you don't see a vertical offset impact based on
2672 sequential drilling in the two benches in this acreage, correct?

2673

2674 **BT Brendan Tippen** 3:00:46

2675 That's correct.

2676

2677 **PH Pecos Hall** 3:00:47

2678 OK. And I want to walk through these two different or three different.

2679 Uh development groups or areas that you highlight here.

2680 I believe you mentioned in your testimony that one pad is code. You found one pad
2681 that was code developed.

2682 One pad that was not co-developed but was the lower bench was drilled within six
2683 months or so, and then one pad that was not co-developed for a long period of time.
2684 Is that a fair paraphrase of your testimony?

2685

2686 **BT Brendan Tippen** 3:01:22

2687 That's a that's a fair paraphrase, yes.

2688

2689 **PH Pecos Hall** 3:01:25

2690 All right, now I got this U on the screen. I want you to tell me which is which.

2691

2692 **BT Brendan Tippen** 3:01:30

2693 OK, so if we look at figure #3, we have the ham state. This is the Co developed unit
2694 and that is in green. The green unit will refer to the green lines on the cumulograph
2695 above it, the Tony Larusa unit.

2696 Outlined in red, this is the unit that was not Co developed and developed at a much
2697 later time. So the A was drilled in 2019, the B was drilled in 2022. The Wolf Camp C
2698 wells within that unit are referred to with the red lines on my *** graph.

2699 The Black River unit was not Co developed, but they were back within six months.

2700 That is the yellow line on the Kim graph.

2701

2702 **PH Pecos Hall 3:02:16**

2703 I want to focus on the Tony La Russa. OK, now the Tony La Russa. Tell me what the
2704 development was there.

2705

2706 **BT Brendan Tippen 3:02:25**

2707 So there was Wolf Camp A development at 5000 feet and then they came back in
2708 2022 and drilled 2 Wolf Camp B wells directly underneath.

2709

2710 **PH Pecos Hall 3:02:36**

2711 How many Wolf Camp A wells were drawn initially? 2. OK, so that that is that 1/2
2712 section development? OK, so they that's the same spacing roughly, is that right?

2713

2714 **BT Brendan Tippen 3:02:38**

2715 2.

2716 That's a half section.

2717 Yes, this would be the same spacing as what we have proposed at Super Hornet as
2718 well as what Conoco has proposed.

2719

2720 **PH Pecos Hall 3:02:56**

2721 OK. And then they came back later and drilled Wolf Camp B, correct?

2722

2723 **BT Brendan Tippen 3:03:00**

2724 Correct.

2725

2726 **PH Pecos Hall 3:03:01**

2727 How many wells in the wolf camp be?

2728

2729 **BT Brendan Tippen 3:03:04**

2730 2.

2731

2732 **PH Pecos Hall** 3:03:07

2733 And now, were there any?

2734 In your opinion, that the Tony of the Bruce is analogous here.

2735

2736 **BT Brendan Tippen** 3:03:16

2737 Yes. So if you look at the red lines on my *** graph over 10 years, um, the point I'm

2738 making is I do not see evidence of clear degradation. And if you look at the ***

2739 graph, um, the two red lines are the second and third best well in the study. Those

2740 should be.

2741 The worst if you if you believe that there's degradation due to non code

2742 development.

2743

2744 **PH Pecos Hall** 3:03:38

2745 In your opinion, is are the in your opinion the Tony Louisa Wells are analogous to the

2746 Super Hornet proposal.

2747

2748 **BT Brendan Tippen** 3:03:49

2749 You know, I I think we're going to get back to the Wolfcamp B sooner on the Super

2750 Hornet development. So they are not analogous to what Powderhorn plans to do.

2751 However, it is a good example of a non co-developed unit, especially after letting a

2752 significant amount of time pass.

2753

2754 **PH Pecos Hall** 3:04:09

2755 So the Super Hornet program will have four Wolf Camp B Wells, correct?

2756

2757 **BT Brendan Tippen** 3:04:13

2758 Correct.

2759

2760 **PH Pecos Hall** 3:04:14

2761 And of those four wolf camp wells, how many of them will be will you would you

2762 term be confined wells?

2763

2764 **BT Brendan Tippen** 3:04:24

2765 Two of the four.

2766

2767 **PH Pecos Hall** 3:04:26

2768 OK. And those would be the middle 2, correct?

2769

2770 **BT Brendan Tippen** 3:04:28

2771 Correct.

2772

2773 **PH Pecos Hall** 3:04:29

2774 And in the Tony La Russo wells, those wells, would you agree with me, are only
2775 partially confined?

2776

2777 **BT Brendan Tippen** 3:04:37

2778 That's correct.

2779

2780 **PH Pecos Hall** 3:04:38

2781 So you do you still believe that based on the confinement of the wells and the
2782 compared development programs that the Tony and the Roosa is truly analogous to
2783 your Super Hornet?

2784

2785 **BT Brendan Tippen** 3:04:50

2786 I think it is the best analog that we have in reservoir engineer reservoir engineering.
2787 We have to choose the best analogs, not necessarily the perfect analogs.

2788

2789 **PH Pecos Hall** 3:05:01

2790 OK, so it's not it's not perfect analog, but you you believe it's a it's a.

2791 But how would you phrase it? Is it? Is it analogous or no?

2792

2793 **BT Brendan Tippen** 3:05:11

2794 I would phrase it. It is, uh, the best analog.

2795

2796 **PH Pecos Hall** 3:05:17

2797 Mr. Holiday was referring to this analysis as your study, but Patterhorn didn't have
2798 any oversight of the production from these wells, correct?

2799

2800 **BT** **Brendan Tippen** 3:05:30

2801 We have public data, uh, on these wells.

2802

2803 **PH** **Pecos Hall** 3:05:33

2804 I mean, you weren't able to control the variables about take away, you know, whether
2805 the whether this was a this wasn't a controlled study, right?

2806

2807 **BT** **Brendan Tippen** 3:05:42

2808 No Sir, this is using public data to study surrounding developments.

2809

2810 **PH** **Pecos Hall** 3:05:48

2811 And did you understand from Doctor Umekwe's testimony that Conco Phillips's
2812 study was a controlled study where they controlled the variables?

2813

2814 **BT** **Brendan Tippen** 3:05:59

2815 Um, I understand that now.

2816

2817 **PH** **Pecos Hall** 3:06:02

2818 OK, so is it you're still still your opinion that your uncontrolled studies in reference in
2819 Exhibit C are are analogous or comparable to the controlled study that Conco Phillips
2820 undertook?

2821

2822 **BT** **Brendan Tippen** 3:06:16

2823 I believe that Conoco Phillips study um is a uh interesting study for the area that it
2824 was in, but I don't think it is analogous to our unit for multiple reasons. I can list
2825 those if you'd like me to.

2826

2827 **PH** **Pecos Hall** 3:06:28

2828 Um.

2829 Your geologists did not identify any geologic bases for the area of not being
2830 analogous. What's what's your opinion for on an engineering basis for why they're
2831 not analogous?

2832

2833 **BT** **Brendan Tippen** 3:06:47

2834 So I have several things. The in the study area they targeted the Wolf Camp A shale
2835 rather than the Wolf Camp sand. So the upper bench was a slightly different target.
2836 Secondly, they drilled the A at higher density than we're drilling at Super Hornet. It
2837 was.
2838 Six wells per section compared to four. In addition, when they came in to develop the
2839 B, rather than drilling a single B horizon, they did a Wolfcamp BC stagger at higher
2840 density than we're going to drill in Super Hornet. Finally, I would say it's 20 miles
2841 away and it's in a different part of the basin than Super Hornet.

2842

2843 **PH Pecos Hall 3:07:28**

2844 Explain to me how the distance has any impact on your determination.
2845 8.

2846

2847 **BT Brendan Tippen 3:07:33**

2848 Different regional settings in the basin.

2849

2850 **PH Pecos Hall 3:07:35**

2851 That's a geologic basis.

2852

2853 **BT Brendan Tippen 3:07:39**

2854 I'll, I'll refer to yes, that's that is a geologics.

2855 Statement, but I don't think it's a geologic statement that I can't state as as a
2856 reservoir engineer. I won't go any further into geology though.

2857

2858 **PH Pecos Hall 3:07:58**

2859 OK, so.

2860 It.

2861 You have no, you can't tell me any geologic basis for for why that acreage is different
2862 or not analogous, right? Objection. This is not our geology witness. Well, he's
2863 testifying that, if I may respond, he's testifying that it's not analogous based on the
2864 geology reason, and I'm asking him what the geology reason is.

2865 Mr. Tippen, if you know the answer, you can give the answer. If you don't know the
2866 answer, just say you don't know. So I'm going to overrule the objection based on his
2867 prior testimony.

2868

2869 **BT** **Brendan Tippen** 3:08:38

2870 As a reservoir engineer, I I will say that I I don't know and I will let our geologists, um,
2871 talk about that.

2872

2873 **PH** **Pecos Hall** 3:08:48

2874 So then the the basis for your your opinion that they're not analogous is that they're
2875 different targets and the density is different between.

2876 Marathons test project area and and the Super Hornet, correct. OK.

2877

2878 **BT** **Brendan Tippen** 3:09:02

2879 That's correct.

2880

2881 **PH** **Pecos Hall** 3:09:15

2882 Um.

2883 I think I may, I may be very close to down. Maybe have two minutes just to confer

2884 with my client to make sure I've covered everything that I need to cover. Mr.

2885 Hearinghouse. That's fine. Thank you very much. One moment.

2886 Thank you, Mr. Officer. I think I just have a couple one small area of questioning for

2887 Mr. Tippin before I am done. Please, Mr. Tippin, are you you hear me there?

2888

2889 **BT** **Brendan Tippen** 3:10:47

2890 Ideal.

2891

2892 **PH** **Pecos Hall** 3:10:49

2893 I just want to follow up on a on a line of questioning. I understand we we discussed

2894 in your testimony that Paderhorn's intention is to is to drill the the Wolfcamp A first.

2895 And OK. And then later to come back and do the B as soon as possible, correct?

2896

2897 **BT** **Brendan Tippen** 3:11:01

2898 That is correct.

2899

2900 **PH** **Pecos Hall** 3:11:08

2901 And in the inner interim, Powderhorn will be producing the initial bench, correct?

2902

2903 **BT** **Brendan Tippen** 3:11:14

2904 Correct.

2905

2906 **PH** **Pecos Hall** 3:11:15

2907 So based on general physics and engineering principles, there will be some depletion
2908 occurring as a result of the production of the Wolfcamp A in the interim before you
2909 come back to drill the Wolfcamp B, correct?

2910

2911 **BT** **Brendan Tippen** 3:11:30

2912 Correct.

2913

2914 **PH** **Pecos Hall** 3:11:30

2915 Based on general engineering and physics principles, there will be depletion as a
2916 result of that production in the upper bench, correct?

2917

2918 **BT** **Brendan Tippen** 3:11:38

2919 Correct.

2920

2921 **PH** **Pecos Hall** 3:11:39

2922 And based on those general engineering principles, when you come back to
2923 complete the Wolfcamp B, the Wolfcamp B completions will preferentially grow
2924 towards the areas of lower lower pressure, correct?

2925

2926 **BT** **Brendan Tippen** 3:11:52

2927 Correct.

2928

2929 **PH** **Pecos Hall** 3:11:54

2930 OK.

2931 No further questions, Mr. Hearing Officer, Mr. Four days.

2932

2933 **FE** **Fordyce, Andrew, EMNRD** 3:12:16

2934 I don't have any questions for Mr. Tipton, Mr. Mr. Hearing Chandler.

2935

2936 **PH** **Pecos Hall** 3:12:20

2937 Thanks.

2938 Just have a few, very brief. I'll be brief. There's questions on how you guys settled on
2939 dual as your preferred drilling contractor. Can you provide a little more context for
2940 that decision?

2941

2942 **BT** **Brendan Tippen** 3:12:35

2943 Yes. So we've talked to several drilling contractors and Dual is in our opinion, the
2944 most experienced contractor for Delaware Basin, specifically New Mexico, Delaware
2945 Lenny Wood actually worked with.

2946 Robert Brosig at Dual while they were at EOG together. We have a contact and
2947 relationship there. It feels like it felt like the correct decision for Powderhorn.

2948

2949 **PH** **Pecos Hall** 3:13:03

2950 OK. So did I understand your testimony that the Powderhorn team in prior
2951 professional experiences has worked with the dual control team, is that correct?
2952 Or dual.

2953

2954 **BT** **Brendan Tippen** 3:13:13

2955 Yes, Lenny has worked with Robert at EOG.

2956

2957 **PH** **Pecos Hall** 3:13:16

2958 OK.

2959 We talked about degradation. I've just got one question, one follow up. Has
2960 Marathon presented any economics on degradation that shows that their claims of
2961 degradation will have a larger impact on well performance than the negative impact
2962 of a shorter lateral length?

2963

2964 **BT** **Brendan Tippen** 3:13:38

2965 No, they have shown none of that.

2966

2967 **PH** **Pecos Hall** 3:13:40

2968 OK. Um.

2969 And is it your understanding that it's a fairly common administrative procedure to
2970 obtain an exception to the Purple Sage Wolf Camp rules to allow for 100 foot heel to
2971 toe spacing?

2972

2973 **BT** **Brendan Tippen** 3:13:58

2974 I'm gonna leave that to land.

2975 I guess I another way to say that I'm not familiar.

2976

2977 **PH** **Pecos Hall** 3:14:03

2978 OK.

2979 You're not familiar, OK?

2980 Last question, does Mr. Rankin brought up the fact that Marathon or Conoco's study
2981 was, to use his words, controlled? Does the fact that their study was controlled versus
2982 your review or the public data, does that make any material difference in your
2983 analysis?

2984

2985 **BT** **Brendan Tippen** 3:14:28

2986 I I don't think you can discredit a study because it's based on um non controlled
2987 public data. Um that is the vast majority of data that we have to work with in this
2988 basin.

2989

2990 **PH** **Pecos Hall** 3:14:39

2991 No further questions. Thank you.

2992 May this witness be excused?

2993 Yes. Does that rest your case in chief? Yes, Sir. All right. Thank you. Mr. Rankin, have
2994 you thought about what we spoke about around 10:00? I have and I think our
2995 purpose would be to do the 12 to two so that we can come back earlier. Fine. That's
2996 fine with me. So you have it to my understanding.

2997 Two witnesses, right. Correct. Mr. Hearing Officer, we do. If I may make take this
2998 opportunity to make my brief opening statement to help Orient the division and
2999 everybody to our case. Thank you very much, Mr. Hearing Officer. In this contested
3000 case, both parties proposed competing drilling plans.

3001 That seek to develop similar acreage. The competing plans fall into a particular
3002 category of contested case involving A partial overlap of proposed space units that
3003 the Commission and division have previously analyzed in several prior cases,
3004 specifically Paddle Horn's proposed development under its case.

3005 Competes with and partially overlaps the spacing unit as we've been discussing in
3006 the north half of Section 2. Powderhorn proposes in its case a single enlarged

3007 spacing unit comprising the east half of Section 3 and all of Section 2 to drill its 1 1/2
3008 mile proposed wells.

3009 In contrast, Marathon proposes one mile Wolf Camp developments comprised of the
3010 north half of Section 2. That means that the only overlapping contested acreage is
3011 Marathon's proposed development in the north half of Section 2. This is acreage that
3012 Conoco Phillips bought.

3013 From Marathon at last, slightly more than a year ago, with the intent purpose of
3014 developing it on its own. Now there are some key similarities in the development
3015 plans, as you've heard in testimony, but most significantly, both parties proposed to
3016 develop essentially the same two target intervals, the upper wolf camp XY essentially,
3017 and the lower wolf camp B.

3018 E or C interface depending on which party is discussing. That means in terms of the
3019 primary factor used to evaluate between 2 competing plans, the geologic factor,
3020 there is no difference. What they disagree over is how to best develop this acreage.

3021 Now there are two main differences. One is lateral length and the other is sequential
3022 development of the two benches and you've heard a lot of testimony.

3023 On that, and you'll hear some more shortly. But before I give you an overview of that
3024 testimony, there's one dispositive issue that is determinative in this case, and that is
3025 the working interest control in the particular category of contested cases involving A
3026 partial overlap of proposed base units, the working interest control.

3027 Analysis focuses on that overlapping acreage. As the division has already recognized,
3028 who owns or controls the largest share of that overlapping acreage is the key here.

3029 The disputed acreage is the north half of two, and in that acreage, Marathon owns
3030 itself 55% of the working interest.

3031 And controls through a JOA that's active and valid and there's no dispute that it is
3032 100% working interest is committed to it, that it controls 100% of the working
3033 interest in that acreage. That fact is determinative of the outcome of this case.

3034 Case under the division and Commission precedent that we've cited in our pre
3035 hearing statement. Now Powderhorn has done what they can to obtain working
3036 interest in the north half recently and they have obtained approximately 4% working
3037 interest or fewer than three net acres out of more than 320 that are fully committed
3038 themselves to Marathon's JOA.

3039 You also heard that they recently gained the working interest support of Kaiser
3040 Francis, who recently agreed to commit their interest to Powderhorn's proposed
3041 overlapping JOA. But there's a substantial catch to that commitment, as you heard.

3042 Not only is Kaiser Francis still fully committed to Marathon's JOA.
3043 They have not revoked or rescinded their commitment to it, but their commitment to
3044 Powderhorn's JOE is linked to an agreement to trade Kaiser Francis's acreage out of
3045 the contested acreage that is contingent on Powderhorn winning this contested
3046 hearing. That's not a full commitment.
3047 That is a contingent commitment at best. Powderhorn has done its best to
3048 undermine Marathon's established JOA in order to get its first drilling project off the
3049 ground. But what it can't change is that Marathon is the 55% working interest in the
3050 north half of Section 2.
3051 And controls 100% of the working interest in its disputed acreage in the north half of
3052 Section 2. All those working interests remain validly committed to Marathon's
3053 existing JOA. Now the technical case that relates to the other contested issues, we've
3054 been hearing about that already and we'll continue to hear about it, but we believe.
3055 Those factors still favor Marathon as well. Marathon has drilled and operates
3056 hundreds of wells in the state and seeks to drill 4 proposed one mile laterals entirely
3057 within its controlled acreage. It does not require a pooling order. It has approved
3058 APDs and a preliminary approval from the State Land Office for a communalized
3059 area, and it has already commitments.
3060 In place for oil, gas and water take away, Marathon is ready, willing and able to drill
3061 its acreage and develop its JOA. The reason it's purchased this acreage in the 1st
3062 place. Unlike the development plan in a single division case that Paddle Horn relies
3063 on, Marathon's proposed development is not hypothetical.
3064 They're ready to go. They intend to drill it. It's simply waiting to be slotted into their
3065 development plans. So to avoid the top-down degradation that we know is going to
3066 occur based on simple engineering principles that will be caused by Powderhorn's
3067 proposed sequential development.
3068 Where they target first the Wolfcamp XY and then the lower target, Marathon will do
3069 both targets at the same time. In contrast, Powderhorn is a new operator. They've
3070 never drilled the well as a team. They've never drilled the well as a team with their
3071 proposed newly potential drilling operator.
3072 Now, while they propose to drill 1 1/2 miles as opposed to 1 miles, they're going to
3073 do it through a phased approach. And they claim that the efficiencies that they
3074 believe they can get through the lower longer laterals justify confiscating Marathon's
3075 55% working interests through the police powers of the state.
3076 And overriding their 100% working interest control JOA for a team that has never

3077 worked together to drill or operate a well to actually achieve those efficiencies in its
3078 first drilling program with its first drilling.

3079 Contractor is, in our view, speculation. To bolster its argument, Powderhorn initially
3080 claimed Marathon's proposed N half development will strand Powderhorn's acreage
3081 in the northeast quarter of Section 3. But that argument, in our view, is without
3082 technical merit.

3083 They didn't address it on rebuttal. In our view, they discarded it. Now that leaves
3084 Powderhorn with their argument that Marathon is just trying to defend its position
3085 through an old JOA. It's true that the JOA is old, but it's still a binding contract and it
3086 still has 100% commitment that governs the acreage.

3087 It's also true that Marathon is vigorously defending its majority working interest
3088 position and operatorship in the north half of Section 2, but it was forced into that
3089 position of having to defend its valuable minimal interests and its position with a
3090 competing development plan when the agreement it thought it had negotiated or
3091 was close to completing with Powderhorn.

3092 Turned out to be a mirage. Instead of disclosing at the outset that its proposed trade
3093 with Marathon was contingent on a deal with an undisclosed third party, so
3094 Marathon could appropriately discount the risk of that third party transaction falling
3095 apart, Parathon.

3096 Allowed Marathon to believe Powderhorn allowed Marathon to believe that it owned
3097 and controlled that acreage, even providing Marathon a letter of intent outlining the
3098 trade with the acreage it did not even own, leading Marathon and its management
3099 team down a primrose path.

3100 That ended up being a dead end. Now that's how it all trade deals with Patterhorn.
3101 Nevertheless, they continue to try to make a commercial resolution through other
3102 options. But in the end, none of the options that were provided to Marathon were
3103 economic.

3104 And it was better for Marathon to just drill its own wells.

3105 So, unable to show that Marathon's development will result in substantial waste, the
3106 division should deny Powderhorn's application as filed and allow Marathon to
3107 develop its own JOA acreage, having reached agreement with the majority of the
3108 working interests in the remainder of its acreage in the east half of Section 3.

3109 And in the South half of Section 2, Powderhorn can and should file new pooling
3110 applications for the east half of Section 3 and the South half of Section 2 to drill its
3111 acreage, and the division should allow Marathon to drill its own acreage where it

3112 retains 100% working interest control.

3113 Appreciate the opportunity to make that opening statement. We have two witnesses
3114 remaining. First will be a land witness who will testify about negotiations in the
3115 overview of the of the proposed development and the second will be our geology
3116 witness who will testify about the appropriateness of the orientation of the wells and
3117 the proposed development that.

3118 Marathon seeks to do.

3119 Would you come and sit at the witness and turn on the microphone please?

3120 Good morning. I remind you, you're still under oath. Yes, Mr. Rankin. Thank you
3121 very much. Miss Klingler, will you please state your full name for the record? Shelly
3122 Klingler.

3123 And by whom are you employed and in what capacity? I'm employed with Conoco
3124 Phillips, who owns Marathon Oil Permian as a staff land negotiator in the Delaware
3125 Basin. And Marathon is a wholly owned subsidiary of Conoco Phillips. Is that correct?
3126 Yes, Sir. And you previously testified for the division and had your credentials
3127 accepted. Yes, Sir.

3128 Now, you provided a written direct testimony that's marked as Marathon Exhibit BB,
3129 correct? Yes. And you've conducted a study of the lands in the subject area. Yes, Sir.
3130 And you prepared your exhibits that are marked as Exhibit A, your statement and
3131 Exhibits A.

3132 A1 through A8, Yes, Sir. And you've also prepared rebuttal exhibits one through 4
3133 and eight, correct? Yes, Sir. And those exhibits were prepared by you or compiled
3134 under your direction and supervision. Yes, Sir. Any corrections or changes to the
3135 testimony or exhibits?

3136 No, Sir. Do you adopt the testimony marked as Exhibit A as your sworn testimony
3137 today? Yes, Sir. Having already admitted these exhibits, Mr. Examiner, I'll go right into
3138 my questions. Miss Klinger, I want to first address the claims by Patterhorn that the
3139 northeast quarter of section.

3140 Three will be stranded and the topics around that point.

3141 I'm gonna share my screen as soon as I get to it. One moment.

3142 Paragraph 10 of Powderhorn's landman statement. Mr. Mockus states that it was
3143 newly communicated the intention of stranding the northeast quarter of Section 3.
3144 Did Marathon ever communicate to Powderhorn at any time that it intended to
3145 strand the northeast quarter of Section 3? No, Sir.

3146 Does Marathon in fact intend to strand the Northeast Quarter Section 3? Marathon

3147 does not plan to strand it. There are options available to Powderhorn.
3148 Um.
3149 And in your and in your opinion, with those options, marathons developed will not
3150 actually strand that acreage. That's correct.
3151 In fact, if I look at Patron's own exhibit A8, there's a variety of stand up and lay down
3152 orientations that are have been drilled and are proposed to be drilled and
3153 immediately offsetting anchorage, correct? Yes.
3154 I'm gonna go to your rebuttal slides one through 4.
3155 And.
3156 Just explain if you would at a high level what this slide shows and how, in your
3157 opinion, based on your discussions with your engineers and geologists, Powderhorn
3158 would be able to go forward with this development plan. This slide shows that there
3159 is an option to drill the E tap of Section 3 and they sell.
3160 Tap of Section 2 from one single pad to the fully develop those spacing units. And
3161 you heard Meredith Powderhorn's geologist testify that it would be possible for
3162 them to do this, correct? OK and.
3163 Next slide here, Exhibit Rebuttal Exhibit 2 just shows that same orientation in the
3164 context of offsetting development. In your opinion, as a land man, does that have
3165 any, is there any concerns or does it fit within the pattern of development existing
3166 within the offsetting acreage? Yes.
3167 Yes, multiple companies have drilled north-south Wales and oftentimes is it that that
3168 orient or the orientations that a company choose? Is it often in this acreage based on
3169 their land position? Often, yes. OK. And and they're able to do that because it based
3170 on your understanding from your discussions with your geologist, that's because.
3171 Because there's no strong preferential for well orientation here, correct? That is
3172 correct. And you'll hear more of that Mister Dupree at that point. OK. Next slide here
3173 is your rebuttal slide #3. Explain what this additional alternative option may be that
3174 Pat Horn could consider.
3175 As a preference for a powder horn is to drill longer laterals, as many companies
3176 prefer to do. There is an option to do 2 mile U-turn wells and the 320 spacing units
3177 are approximate 320 spacing units in which they have majority interest.
3178 We haven't heard much about U-turn wells yet, but Miss Klingler, are U-turn wells a
3179 common development plan that operators are drilling these days? Yes, they are
3180 becoming more and more common and Conoco is currently involved in some now.
3181 The wells that Conoco are involved in now are some of those offsetting this acreage,

3182 yes.

3183 In the section 31 in the South half of section 30 of 23 S 27 E Miss Klinger, you've
3184 heard testimony that Paddlehorn prefers longer laterals when it can develop them,
3185 and that's why they prefer the 1 1/2 approach.

3186 Is that your understanding of their testimony? That is. What would be the benefit of
3187 this approach given Powderhorn's preference for longer laterals? They would get two
3188 mile efficiencies with U-turn wells. So with two mile wells, they would get an extra
3189 mile of lateral.

3190 Just between these two wells, correct? Yes.

3191 Um.

3192 Going back to Mr. Maka's direct testimony in paragraph 10.

3193 Sorry, paragraph 11. You reviewed Mr. Marker's testimony, correct? Yes, Sir. And this
3194 statement seems to indicate that it was never communicated to Powderhorn that
3195 Marathon ever contemplated drilling its own acreage. Is that your understanding of
3196 his testimony?

3197 That is what I'm reading in his testimony. OK, but in fact, were there discussions had
3198 between Powderhorn and Marathon indicating that Powderhorn was contemplating
3199 its own development pattern?

3200 I'm sorry, can you repeat that? I said pattern. I meant to say plan. And in fact, were
3201 there communications between Marathon and Paddlehorn where Marathon stated
3202 that it was, it was actually contemplating drilling this acreage itself? Yes, we were very
3203 upfront about that.

3204 So I'm looking at at Orange Exhibit 815, the communications log in the bottom left
3205 corner where it references the October 2025 time frame. In fact, here it references on
3206 October 29th that Conoco Phillips discussed potentially developing this acreage
3207 itself, correct? Correct. And was that the earliest time frame that Conoco?
3208 Phillips had discussed potentially developing the acreage itself.

3209 That may have been the earliest with Powderhorn, but I believe we spoke on the
3210 phone with Mr. Maka earlier when he was first communicating their desire to drill our
3211 acreage.

3212 And Miss Miss Klingler.

3213 You testified earlier that Marathon is a wholly owned subsidiary of Conoco Phillips,
3214 correct? Yes, Sir. When did Conoco Phillips acquire Marathon? November 22nd of
3215 2024. And that acquisition of Marathon, did it include this acreage? It did. Did it
3216 include this JOA? It did and also the operating rights of that JOA.

3217 Correct. And as part of that purchase, did Marathon intend to or rather did Conoco
3218 Phillips intend to buy this acreage with the intent of developing it? Yes. And what tell
3219 me what the benefit is of buying acreage that's 100% committed under a JOA. You
3220 have the opportunity to execute on a.

3221 A sooner timeline, earlier timeline than if you don't have a voluntary agreement in
3222 place. And why is that?

3223 But you don't need a pooling, we've already got everybody committed and we can
3224 just get our APDS and drill. So under New Mexico law, you have two options. If you
3225 want to be an operator drill, well, you either have to get voluntary agreement or you
3226 have to go get forced pooling, correct? Correct. And is it your understanding that the
3227 division generally favors when operators can come to 100% agreement?

3228 Yes. And that's because they don't have to come use the police powers of the state
3229 to force mineral owners to combine their interest, right? That's correct. And so in this
3230 instance, Marathon purchased or Conoco Fellows purchased this Marathon interest
3231 with the express purpose of being able to develop it without having to go to pooling,
3232 correct? That's correct.

3233 Um.

3234 I want to talk a little bit about working interest control. Whoops. Oh, Mr. Hearing is
3235 off. One moment. I didn't have my computer plugged in. One moment.

3236 Are you, Miss Vance, not able to drive the exhibits?

3237 I'm gonna get some water. Let's take a 2 minute break.

3238 Mr. Rankin, please proceed. Thank you very much, Miss Klingler. Before my computer
3239 died for lack of battery, I was going to ask you. We're going to start talking about
3240 some working interest control issues, referring back to paragraph.

3241 11 of Powderhorn's land statement. Mr. Maca states that they own or have a
3242 committed interest in each tract of their proposed basing unit. You agree with that? I
3243 agree with qualifications. OK, what what I want to get to the basis for your
3244 qualifications. So to do that, I'm going to.

3245 Walk through with you your understanding of where things stand on ownership and
3246 working interest control in the north half of Section 2. So I think probably the best
3247 way to do that is to pull up your your rebuttal exhibit #8.

3248 I'm gonna try to make it a little bit bigger. I'd like for you to explain, if you would, the
3249 parties with the working interest in the north half of Section 2 and their commitment,
3250 the nature of their commitment to the working interest to the JOA that you operate.

3251 I'm sorry, are you sharing this slide? Oh, I'm not sharing it. There we go. The rookie

3252 mistake. One moment.

3253 Thank you.

3254 So yeah, just again, I'd like you just to walk through where things stand on the
3255 working interest ownership and control under and how they're committed to your
3256 JOA.

3257 In the north half of Section 2, the Marathon operated joint operating agreement
3258 includes interest from Marathon as to 55.5% of the north half of Section 2. Kaiser is
3259 at 43.74% of the north half of two.

3260 And we have Powderhorn listed with 3.125 of the tract in Lot 2 in Section 2, Lot 1 SW
3261 and Northwest for a total of .78%, which is committed. And when they purchased it,
3262 they knew that OK.

3263 So just kind of taking each working interest owner in in turn, you agree with the
3264 working interest represented on Powderhorn's chart for the Kaiser Francis interest?
3265 Yes, Sir. OK. And one party here that you show is having 0% as a bond.

3266 On Mr. Maka's chart, I believe they had some interest 14 acres or so in one of their
3267 tracks. You don't show the mowing in the north half of Section 2. That is correct.
3268 They do not and.

3269 You've had discussions with Avon as part of this development project, correct? Yes,
3270 on February 5th in person. And based on your discussions with Avon, you understand
3271 from them that they don't own any interest N half of Section 2. That is what they
3272 confirmed to me in person, OK.

3273 Now um.

3274 And then you agree with Paderon that PBX does not own any interest in the north
3275 half of Section 2, correct? That's correct. OK, nor does Permian, correct. That's
3276 correct. OK, now I'd like to just.

3277 I think it you heard that testimony from Mr. Maca yesterday. Yes, Sir. And he went
3278 through. I asked him some questions about the the working interests and the nature
3279 of their interests. Powderhorn's interest in the north half of Section 2, how would
3280 they acquired it? Did you hear that testimony? Yes, Sir. Do you have any comments
3281 or disagreements with Mr. Maca's testimony?

3282 The money about how they obtain their interest.

3283 I don't disagree with the conveyance documents that have been followed of record.
3284 We just have an issue with.

3285 A particular clause in the joint operating agreement. We were never informed. OK, so
3286 at no point during the communications negotiations over this acreage did

3287 Powderhorn inform you or anybody at Marathon that they had acquired an interest
3288 in north half of Section 2, not until February 27th.

3289 And how did that notification come to to come to pass? I received a phone call from
3290 their Co CEO, Jack Gates, and he was the one who informed me at that time that they
3291 did have an interest in the north half of two, which I immediately looked into and
3292 subsequently immediately filed.

3293 Sent them proposals. OK. And so and that that's why they got their well proposals a
3294 little bit after the other parties under the JOA, correct? That's correct. But to this day,
3295 Powderhorn has not yet provided the formal notification of its ownership in the
3296 north half under the JOA, correct? They did not, nor did they text.

3297 But those interests, you agree, are fully committed to the JOA. Yes, Sir.
3298 Um.

3299 And you agree that there's no dispute that Powderhorn itself is fully committed to
3300 Marathon's JOA? That's correct.

3301 You heard some testimony from Mr. Maca that the that Marathon's JOA is an old
3302 JOA and didn't contemplate horizontal loss. Do you recall that testimony? I do recall.
3303 Is there any dispute, however, that Marathon's JOA is still valid and applies?
3304 To the acreage and would govern Marathon's proposed horizontal wells. There is no
3305 dispute. And is it common for operators to continue to rely on and operate under
3306 JOA S that predate horizontal well drilling? Absolutely.

3307 Is your understanding that the division? Well, I think I've already asked you this
3308 question, so I can skip that. It's good.

3309 You heard Mr. You were present for Mr. Maca's testimony yesterday regarding Kaiser
3310 Francis's interests and its agreements with Powderhorn. Yes, based on your
3311 understanding. Now you had discussions with Kaiser Francis as well, correct? Yes,
3312 based on your understanding and you had discussions with Powderhorn's Co CEO,
3313 Mr. Jack Yates.

3314 Regarding that agreement with Kaiser Francis and Powderhorn, correct? Yes. Based
3315 on those discussions and what you know, do you have any any differences of opinion
3316 or or or comments regarding Mr. Marcus testimony? I don't disagree that it's
3317 contingent.

3318 When you say it's contingent, you mean meaning what that Kaiser Francis entered
3319 into a letter agreement with Powderhorn for a trade and if there was interest left
3320 then they would receive a 32% carry from Powderhorn and that was confirmed by
3321 Jack Yates.

3322 And you understand that as part of that agreement, Kaiser Francis signed
3323 Powderhorn JO proposed JOA, correct? That is correct. And tell me what you're
3324 understanding. Will you tell me your opinion about that commitment to Chatto
3325 Kaiser Francis commitment to Powderhorns JOA based on my conversations with
3326 Kaiser.
3327 Francis' Land manager and with Powderhorn's Co CEO, it did not sound like a true
3328 commitment. Why do you say that? Because Kaiser Francis made a deal to trade out
3329 of the acreage if Powderhorn wins operations.
3330 So they won't be a part. It won't matter.
3331 Did you and based on your based on that, do you have an understanding of whether
3332 Kaiser, whether Kaiser Francis would want to be an acreage where Paddlehorn is
3333 drilling its first wells? I was on several teams meetings with the land manager at
3334 Kaiser Francis and he expressed on multiple times.
3335 Multiple occasions that Kaiser Francis did not want to be in the quote UN quote
3336 practice wells with Powderhorn.
3337 Now I'm gonna turn back to the.
3338 Land statement of Mr. Maca. He identifies here that in paragraph 14 that they own or
3339 control 159.12 net acres.
3340 Subject to the marathon JOA in the north half of Section 2. Do you see that? I see
3341 that based on your calculations, just based on the total net acres or the total acreage
3342 in the unit, is that is that even possible? No. Why is that?
3343 In the north half of Section 2, there are 320.32 acres. Marathon owns 177.7. The
3344 remainder would be approximately I think 143, which includes the Kaiser Francis
3345 numbers and the numbers we have for Powderhorn.
3346 And they would be around 45% between those two and Marathon has over 55. So if I
3347 were to add up or you were to add up or the division would add up all the interest in
3348 Powderhorn's working interest chart, would that exceed 100%? Yes.
3349 Um.
3350 Alright.
3351 In fact.
3352 Does Paddlehorn show itself having a greater interest than than they than you show
3353 in their acreage? Yes, on their slide they showed more than we have in our certified
3354 title opinion and they show Marathon as having less than you show, correct? That's
3355 correct.
3356 OK. So part of that disconnect is because some of that acreage that belongs to

3357 Marathon has been accounted for under under Paderhorn's interest. That's what it
3358 looks like and why they put a volant in the north half of two.
3359 Going back to Paddlehorn's exhibits in their direct case, exhibit A8, there's a
3360 comment in the top left corner under the first bullet that states that Marathon is
3361 relying on existing JOA one mile that has been superseded by Paddlehorn.
3362 Kaiser Francis, do you see that? I see that. And you heard Mr. Maka testify along
3363 those same lines that there's a superseding JOA, correct? I heard him say that, yes.
3364 Do you agree that Marathon's JOA has been superseded by Powderhorn's proposed
3365 JOA? No.
3366 Why? Why do you disagree? The Marathon operated JOA is an active JOA that covers
3367 the north half of Section 2 and has not been rescinded or expired, and the major
3368 party in the north half of 2 Marathon has not executed the Powderhorn JOA.
3369 Has any party to Marathon's JOA rescinded or revoked its commitment to that? No,
3370 they have. No, they have not.
3371 And to be clear, Marathon still owns the majority working interest in the north half
3372 Section 2 with over 55% interest. Yes, Sir.
3373 I want to talk a little bit about Pat Oren's comments regarding Marathon's activity in
3374 the area.
3375 Paragraph #18 in the statement from the Landman says that Conco Phillips has been
3376 an active for the last eight years in this acres. What do you have a response to that?
3377 Conoco Phillips did not own the acreage in the north half of Section 2 until
3378 November 22nd of 2024. In fact, did did Conoco Phillips own acreage in the
3379 immediate offsetting area? Conoco does own acreage in the immediate offsetting
3380 area and has been very active.
3381 But as to this acreage, Conoco Phillips wasn't active because it didn't own it, correct?
3382 That's correct. But Marathon was active. Tell me a little bit about the timeline as soon
3383 as reminding us when Marathon was acquired by Conoco Phillips and what steps
3384 Conoco Phillips took to begin operations in this acreage.
3385 So Conoco closed on the acquisition of Marathon, as I said, November 22nd of 2024.
3386 Prior to that, Marathon had updated its title and planned the Campana N have.
3387 Mile unit to be drilled, which we picked up from them and activity started within 10
3388 months when we first disclosed to Powderhorn that we planned self development.
3389 And if I go back to that communications log where we talked previously about the
3390 entry on October 29th, approximately how many months was that from the time that
3391 the acquisition closed? It's about 10 months.

3392 11 months. Yeah, about 10 months. We started activity and we aren't, we currently
3393 operate a well, sorry, in that same acreage, correct. Yes. And where is that well
3394 completed in the north half of two and what zone is it in the Morrow? OK. And so
3395 there's an active communization agreement in place with the.
3396 State land office for that? Well, yes.
3397 On the same topic about activity, I'm going to move into the question of
3398 divestments.
3399 I think going to the point that that perhaps this acreage is not as important to
3400 Marathon as it is to Powderhorn, Powderhorn's testimony was that Marathon had or
3401 Conoco Phillips had been actively divesting his interest in this acreage. Do you recall
3402 that testimony?
3403 And what is your response to that? We did not divest. OK, what does divestment
3404 mean to you? To sell, get rid of? Did kind of a Phillips from Marathon sell or divest or
3405 trade out any of its acreage identified on this exhibit?
3406 No, we entered into strategic development agreements to make sure our acreage
3407 was developed properly. Just at a high level, so we get the color did explain what
3408 kind of folks in Marathon their engagement was.
3409 As part of that development plan, so B&C are referring to Bat Bomb, which is B&C is
3410 War Pigeon, which has been referred to by Powderhorn. A is prior to the Conoco
3411 Phillips acquisition of Marathon, so I don't have.
3412 Any history with that one, but I was the sole land man involved with BNC. We
3413 marketed these projects because we wanted to get them drilled at a certain time and
3414 we had a federal obligation to meet. And so we marketed and we vetted companies
3415 and it took over a year.
3416 To get a formal vetting process done and agreed to, and then we went forward with
3417 development agreements and a full collaboration so that these units were developed
3418 according to Conoco Phillips's best case scenario.
3419 And just so I understand, when you say the coordination best case scenario, were
3420 Conoco Phillips engineers and geologists and land men intimately involved with the
3421 planning and the development of that acreage? Yes, Sir. OK.
3422 And did Conoco Phillips maintain its engagement and oversight of those that those
3423 development projects? Yes, I did the majority of the land work. And as to the
3424 engineering and geology, were the Conoco Phillips engineers and geologists
3425 continuing to be engaged with the development of that project? There was full
3426 collaboration between the company that we allowed to operate and Conoco Phillips.

3427 OS.
3428 Uh.
3429 Did any of these agreements happen under a term assignment? No.
3430 Any of them under a farm out. I do not call them a farm out because we were so
3431 heavily involved in the planning and execution.
3432 Um.
3433 Paragraph 18 of the land statement goes into some detail addressing Conoco Phillips
3434 general preference for longer laterals developing longer laterals.
3435 What's your reaction or response to that statement under that paragraph? My
3436 reaction is that most companies try really hard to extend their laterals where
3437 possible, but that doesn't mean one mile is bad.
3438 And is that part of the reason that Conoco Phillips and Marathon were interested in
3439 engaging with Powderhorn over the negotiations that were presented to it? Yes, they
3440 made an attractive trade offer to us to extend our laterals in another Conoco
3441 operated project.
3442 Which we were excited about.
3443 So tell me, without getting into specifics, Marathon's and it's Marathon's
3444 management, Konica Pill's management's initial response to Pat Orange's trade
3445 proposal. They were the management team was happy to hear about it. They
3446 thought that it might be more value accretive for the
3447 Shareholders if we were able to extend laterals in the other area.
3448 We still believe that the one-mile wells in Campana will be good wells and will create
3449 value. However, like most companies wanting to extend laterals, we thought it'd be a
3450 way for us to get out of Powderhorn's hair and they get out of ours.
3451 And so because of that, the attractive nature of it and the ability to extend laterals
3452 elsewhere, that was the the, the, the reason that Marathon undertook a due
3453 diligence, due diligence effort to evaluate that trade, right? Yes, and we did quite a
3454 bit of work.
3455 Vetting that trade, did did Marathon or Coco Phillips accelerate that trade
3456 evaluation? Yes, we did. Did you communicate that to Pat Horn? I did. I told him we
3457 were scrambling to make sure that we.
3458 Got to it in a timely manner as quickly as possible given the timing of the hearing.
3459 Ultimately, Marathon did not accept that trade, right and ended negotiations,
3460 correct. That's correct. As to the trade deals, correct to the trade. OK. Explain if you
3461 would just just from your perspective why that why the trade deal negotiations

3462 ended.

3463 I asked multiple times after doing my due diligence if Powderhorn could show me
3464 conveyance documents or some type of letter authorizing them to market the
3465 interest to us. And I finally asked the CEO, Co CEO Jack Yates, who called me and said
3466 that they didn't own it and that.

3467 They wouldn't be able to do the trade after all. That was over a period of what, like a
3468 day and a half, two days? Yes. And given the nature of negotiations and the timing,
3469 would you agree that that timing was of the essence? Yes. OK. And it wasn't
3470 that they weren't responding to you, correct? Correct. They just weren't answering
3471 your question.

3472 Correct. OK. And so you didn't find out until you got that note from Mr. Yates,
3473 correct? That's correct. OK.

3474 How many years, Miss Klingler, have you been a landman? About 35. Have you ever
3475 had the occasion occur where a trade was proposed by a counterparty, a letter of
3476 intent was drafted by that counterparty and sent over?

3477 With proposed acreage trade, only to find out later that the counterpart is not
3478 actually on that acreage. I've never had an instance where they did not own the
3479 interest at all.

3480 What was Marathon's management's response about continuing negotiations with
3481 Powderhorn and the Shakerage on a trade deal?

3482 They were extremely disappointed and said then let's continue with our self
3483 development.

3484 Um.

3485 Now on OK.

3486 So that was the determination from management, but did in fact discussions
3487 continue with Powderhorn over a potential resolution? Yes, we continue to evaluate
3488 carry offers that were offered to us by Powderhorn. We went through many iterations
3489 of evaluations and reviews to.

3490 To try to resolve this prior to hearing. So notwithstanding the disappointment or the,
3491 you know, concern over the the trade deal, Marathon continued to engage with
3492 powder one over potential resolution, correct. At the same time was Marathon
3493 preparing a plan to develop a sacred on its own then that was a plan that had early
3494 earlier.

3495 Correct, correct. Prior to the acquisition, OK now.

3496 Did anything that Powderhorn offered to Marathon match what Marathon could

3497 achieve through its own development of One Mile Wells? All the evaluations
3498 numbers that were sent to me by Doctor Amakwe showed that we would.
3499 Create more value by drilling the north half ourselves. Now this has come up in in
3500 this hearing that Marathon had actually originally proposed 1 1/2 mile later. Is that
3501 true? That's correct. And subsequent to that, during the fallout of these negotiations,
3502 Marathon then decided that it was going to revert.
3503 To one mile once, correct, correct.
3504 Miss Klingler, just if you would explain a little bit about Marathon's thinking and why
3505 it chose to to pursue the one mile well instead of 1 1/2 mile well prior to I believe the
3506 week before or when exhibits were due is when we found out that Avant.
3507 Was dismissing their case at the wolf camp. So everything we did was also with
3508 keeping in mind that they were also trying to execute on the South half of Section 2
3509 and the SE of three. And given that Coterra and Powderhorn were doing a trade for
3510 Powderhorn to gain interest in the east half of 2.
3511 Konica was trying to be reasonable and allow each party to develop their own
3512 acreage. You said E half of two. Did you mean E half of three? Yes, thank you. Sorry.
3513 So essentially what I hear you're saying is that observing all the negotiations that
3514 were happening at a rapid pace.
3515 You saw that Quoterra made a deal with Powderhorn in the east half of Section 3.
3516 Yes, Sir. And then you understood that Avant was continuing to want to develop its
3517 acreage that it owned in the South half of 2, correct? That is what Avant told me. OK.
3518 And so then based on all that.
3519 And based on the inability to trade out in an equitable manner, and based on Pat
3520 Horn's inability to make an offer to Conoco Phillips and Marathon that matched at
3521 least what it could achieve through its own development.
3522 Marathon then decided to proceed to develop this acres on its own. That's correct
3523 and and and retracting to a one mile plan of development. What did that allow the
3524 other operators to do? It would allow them to build to develop their own 320. So in
3525 each case then operators with the majority working interest.
3526 And majority working interest control in their own acreage can could then proceed
3527 to develop their own acreage, correct? Absolutely, with higher working interest.
3528 On that point, Miss Klingler, how does the percentage of working interests factor in
3529 sometimes to an operator's determination about whether to drill longer laterals or
3530 shorter laterals?
3531 At this particular case, we prefer to have our 55.5% over being diluted throughout

3532 the 959, almost 1000 acre spacing unit that creates more value for our shareholders.
3533 And allows us to develop the acres that we purchased under the JOA that we have.
3534 Would you agree that it would allow Marathon to?
3535 Determine its own destiny with its own resources. Absolutely. And it would allow
3536 Marathon to develop its acreage in the manner it deems best fit for the acreage. Yes,
3537 that would include Co development, vertical Co development between the upper and
3538 lower benches. Yes Sir.
3539 OK.
3540 I want to talk about the term assignment issue that came up during Powderhorn's
3541 testimony. You're aware that Powderhorn has concerns that they've acquired their
3542 interest in the north half of Section 2 through a term assignment, yes, and.

3543

3544 **OCD Special Docket March 10, 2026-**
3545 **20260311_173352UTC-Meeting Recording**

3546 March 11, 2026, 5:33PM

3547 4h 0m 0s

3548

3549 **PH Pecos Hall 0:20**

3550 That term assignment was an assignment from Vaytex, is that correct? That's correct.
3551 So just at a high level, explain what? What is a term assignment? What does it
3552 require? Term assignments usually have a obligation attached to them in order to.
3553 Continue to own or operate the interests or have the working interest. So as I
3554 understand Mr. and tell me if I'm wrong, if you disagree, but Mr. Maka's testimony
3555 was that based on this term assignment they acquired from Vatex, they have an
3556 obligation to drill within a certain deadline, correct? That is correct.
3557 And based on the publicly filed records, is there is your understanding that a single
3558 well could satisfy the terms of that term assignment? That is my understanding from
3559 the recorded document. And so based on that then any operator, it doesn't need to
3560 be powder horn, correct? Correct.
3561 Be any operator drilling any well within the term assignment acreage outlined in
3562 dash blue lines in Patter Orange Exhibit 812. That is correct. So if Marathon were to
3563 drill its one mile wells in the north half of Section 2, would that preserve?
3564 Based on the publicly filed documents, Paddlehorn's full interest in that term
3565 assignment, yes. And if Marathon were to go ahead and develop the north half
3566 acreage on its own, would that prohibit Paddlehorn from drilling itself the South half

3567 of Section 2?

3568 No. And if Powderhorn were to do that, would it preserve its interest and earn its
3569 interest on the term assignment? Yes. So there's numerous potential manners in
3570 which ways in which Powderhorn's interest could be preserved.

3571 Under any of these scenarios, yes. And in fact, Powderhorn could continue to control
3572 its own destiny here by drilling in the South half of Section 2, correct? Correct.

3573 I do want to ask you just real quick about the NSL issue. You're aware that
3574 Powderhorn intends to see, or it had sought administrative approval for a non-
3575 standard location for each of its horizontal wells, yes.

3576 And Marathon objected to that, correct? Yes. And that objection is marked as exhibit
3577 rebuttal exhibit #9, correct? Yes. And I've highlighted here the four wells that are at
3578 issue in Powderhorn's initial well.

3579 Proposal under its application, correct? Yes.

3580 And at the bottom of this page, it states that the application will be cancelled if
3581 Powderhorn doesn't either resolve the objection from Marathon or bring the case to
3582 hearing, correct? Correct. And Powderhorn has done neither of those things, correct?
3583 Correct.

3584 And Marathon still opposes Powderhorn's proposed non standard locations, yes.
3585 Miss Klingler.

3586 What does Marathon ask the division to do? We ask that Powderhorn's application
3587 be rejected and allow Marathon to develop its acreage under the current joint
3588 operating agreement.

3589 And based on that, would Powderhorn still have the ability to develop his acreage?
3590 Yes.

3591 Mr. Hearing Officer, I have no further questions of Miss Klingler and make her
3592 available for cross examination, Mr. Holiday.

3593 I know we're in a bit of a time crunch. I think I'm gonna go kind of long with this
3594 breaking. I mean, that's breaking. Then we can either break now and you can do it all
3595 at once after we come back at 2:00, or you can start now and we can break at 12.

3596 What do you prefer? Yeah, I'd prefer to just start after lunch. I thought so. OK, that's
3597 good.

3598 Is there any? Let's let's use this time now then to talk about post hearing submission
3599 since we have a few minutes.

3600 Does either party anticipate requesting an expedited transcript?

3601 No, I see both. OK, so there won't be an expedited transcript. OK, so Mr. Aragon, do I
3602 assume 2 weeks?

3603

3604 **GA Gerald Aragon** 4:52

3605 That's about correct. Yes, Sir.

3606

3607 **PH Pecos Hall** 4:54

3608 Sounds good. Will the transcript be sent to directly to the OCD law clerk?

3609 OK, very good. So at that point Freya will notify the the parties. How long do the
3610 parties want for post hearing submissions?

3611

3612 **GA Gerald Aragon** 5:00

3613 Yes.

3614

3615 **PH Pecos Hall** 5:14

3616 I think 30 days from the date of the transcript received probably would be standard
3617 and acceptable given all the other obligations I have out there and Miss Vance does
3618 too. 30 days seems a bit long to me. Typical is 2 weeks.

3619 That I understand, but I'll go with Mr. Holiday. It's your case that we're here to hear.

3620 What do you want? Well, I'm insulted to hear Mr. Rankin thinks I don't have
3621 obligations. No, I think, and given this case, there's a there's a lot here. It seems like a
3622 simple case, but I think 30 days in this case would be wanted.

3623 Then we have an agreement on 30 days, so 30 days from the 25th of March will be.

3624 The 22nd of April. So I'm going to set a deadline for post hearing submissions for the
3625 22nd of April. Now that'll be at 5:00 PM. Now Mr. Fordyce, do you?

3626 Prefer just written closing arguments, or do you prefer written closing arguments
3627 with proposed findings and conclusions?

3628

3629 **FE Fordyce, Andrew, EMNRD** 6:33

3630 I like Mr. Hearing Examiner. I just would like to request a a brief no more than 10
3631 page closing argument. I don't think it's necessary to rehash everything that that
3632 we've covered at at the hearing.

3633

3634 **PH Pecos Hall** 6:48

3635 OK. Um.

3636 And so no proposed findings or conclusions, just a 10 page maximum written
3637 closing.

3638

3639 **FE Fordyce, Andrew, EMNRD 6:59**

3640 That's correct.

3641

3642 **PH Pecos Hall 7:01**

3643 All right. Um, how do the parties feel about that? I'll start with you, Mr. Holiday.

3644 It's kind of like when my wife expresses her preferences. I think it's better just go

3645 along with it. I think I will accept his his wishes and you still think you need 30 days

3646 for a 10 page closing argument.

3647 I don't think I need 30 days to do a ten-page closing argument with no proposed

3648 findings of fact, but I'll defer to Mr. Rankin. It's not material to Powderhorn. Yeah, if

3649 we don't need to do the findings and conclusions, then I don't think we probably

3650 need the 30 days either.

3651 Two weeks, two weeks I think would do. So we'll say the 8th of April, 5:00 PM, close

3652 of business. Why don't we say the 10th? Let's say Friday. We'll give you guys an extra

3653 2 days. So let's say the 10th of April, close of business, 5:00 PM. I will remind the

3654 parties that.

3655 Arguments that are not cited to the record won't be considered.

3656 OK. That being said, is there anything else to discuss when it comes to post hearing

3657 procedure before we break on your comment about arguments that aren't cited to

3658 the record, I I presume that excludes legal arguments.

3659 That doesn't include legal arguments. Well, I mean legal arguments have to be based

3660 on facts.

3661 OK, so yes, it does include legal arguments. Um.

3662 Uh.

3663 Anything else that we haven't gone over, that's a good time now to go over.

3664 We're still, we still have not admitted A18. Your case is closed so that that exhibit

3665 won't be admitted. We did talk about A9 revising it to remove that that piece.

3666 to the NSL. Umm

3667 Mr. Rankin withdrew his objection to a 19 and A9.

3668 All of.

3669 Marathons exhibits are admitted, so Mr. Palladay, I want you to submit a revised

3670 exhibit packet with those changes and a cover letter specifying why you did what you

3671 did. Please pass it by Mr. Rankin or Miss Vance.
3672 Before you submit it. Yes, Sir. And we've already conferred about that, so I don't think
3673 that'll take long. I'm not giving you a deadline for that. I suspect you want your
3674 exhibits to be reviewed by Mr. Fordyce, so.
3675 I would think you would want that in by the 10th of April at the very latest.
3676 Oh.
3677 Anything else?
3678 Nothing I can think of. OK, well, you'll have more opportunity later at 2:00 when we
3679 restart. Miss Klingler, thank you and we'll see you at 2:00.
3680 We're off the record.

3681

3682 **BT** **Brendan Tippen** 2:19:15

3683 Yes.

3684

3685 **JA** **Jet Akin** 2:24:07

3686 changes.

3687 Get right.

3688 That one is.

3689

3690 **PH** **Pecos Hall** 2:40:21

3691 I'm ready. I don't know if Andy's on yet.

3692 Oh, thanks Chris.

3693 Mr. Aragon, Are you ready?

3694 Sorry, what?

3695 Mr. Aragon, are you with us?

3696

3697 **GA** **Gerald Aragon** 2:40:54

3698 Yes, double muted. My apologies. I am here and ready when you are.

3699

3700 **PH** **Pecos Hall** 2:40:56

3701 And.

3702 OK, we're we're going to start back up. Thank you, Sir. It's 2:15. We're back on the
3703 record. Mr. Holiday, you were about to cross-examine Miss Klingler.

3704 Yeah, so I'm trying to get on the team so I can share my exhibits. One second.

3705 This is a new problem for me. I haven't had this problem yet, so if you will just bear

3706 with me just a second.

3707 OK, now I'm in.

3708 OK, before I start.

3709

3710 **BH Benjamin Holliday** 2:42:51

3711 OK, of course. OK, of course.

3712 Oh.

3713

3714 **PH Pecos Hall** 2:42:59

3715 Testing. OK, good. All right. Before we start, I apologize in advance. I have a lot to
3716 talk to you about, but I promise I have a very little to talk about for the next witness.
3717 So it'll balance out. Before we get started there, I wanted to address.

3718 Some of the statements that were made by Mr. Rankin in his opening, and I'm
3719 paraphrasing, but his statement was something to the fact that Mr. Holiday, it's not
3720 evidence his opening statement, so I prefer you don't address.

3721 I mean, you can ask questions to the witness, but let's not bring up his opening
3722 statement. OK, thank you. OK, then I can do this really quickly. Was it Marathon? Was
3723 it Conoco's express intent to acquire this acreage so that it could self develop it?
3724 Conoco acquired Marathon for multiple reasons, including locations to drill, right?
3725 But it's fair to say that this specific acreage was not under consideration in the scope
3726 of the entire acquisition.

3727 I was not part of the A&D team.

3728 Yeah, we'll skip all that. I want to start with the JOA, the 76 JOA. And I guess before I
3729 go further, I'm gonna do my best to ask clear questions. If you if you for whatever
3730 reason, I'm not trying to trip you up. If you need me to clarify or restate it, just let me
3731 know, OK?

3732 Um.

3733 This JOA, it's dated January 1st, 76, is that right? Yes. And it's a form 610. And given
3734 your long experience, I assume you're familiar with that form, is that correct? I'm
3735 familiar with this JOA and this was not designed for.

3736 Excuse me, it was designed for vertical well operations, is that correct?

3737 Yes, as many of them are these days. And for this JOA that we're talking about today,
3738 are there any provisions that contemplate horizontal development? There are no
3739 provisions that don't allow it.

3740 Right. But that wasn't my question. Are there provisions? Some of the later forms

3741 have provisions for horizontal wells. This one does not. Is that fair? Silent. Silent. OK.
3742 And how many wells have been drilled under this JOA since it was executed? One.
3743 And is that the initial well that was?
3744 Drilled almost 50 years ago, yes. OK. And the only operations today are the ones that
3745 are maintaining that vertical well. Is that accurate? That's correct. OK.
3746 When did Conoco become aware? And when I say Conoco, I mean Conoco
3747 Marathon. I use those terms interchangeably, but I'll try to use Marathon. When did
3748 Marathon first become aware of Powderhorn's pooling application in this case?
3749 I don't know when Marathon became aware of it. I do know that I was told by other
3750 people that Powder Horn had reached out to.
3751 Other individuals within Conoco Marathon about this project, but I'm the land man
3752 over the area and I didn't receive it until later. OK, and I know there's been some
3753 turnover and I don't know the answer to this question, but were you the land man?
3754 Were you the land man in charge of this project as of July 25?
3755 Yes, OK.
3756 In charge of that area, in charge of that area. But you weren't the person that was
3757 notified of the applications. I was not the person who was initially notified about
3758 Powderhorn's proposal. OK, so at any time to your knowledge between July of 25
3759 and December of 25, so the second-half of 25.
3760 Did Marathon file any APDS or C 102 S for the Campana state wills?
3761 No, not during that time frame.
3762 And as we talked earlier, Marathon initially proposed a mile and a half development.
3763 Is that correct? We did. OK. But then you rescinded that. We did. Yeah. And when you
3764 rescinded it, when do you remember when you communicated that to Powderhorn?
3765 I believe it was the beginning of February. We explained that we thought it'd be best
3766 if everybody stays in their own sandbox and it'd be fair if each company developed
3767 their interest, OK.
3768 And we heard testimony from Doctor Mweke yesterday that 1 1/2 mile laterals are
3769 quote generally recognized as favorable compared to one mile wells. So if
3770 Marathon's confident that it controls 100% of the north half of Section 2.
3771 And that it's JOA protects it from Powderhorn as a third party operator. Why would it
3772 not continue pursuing its own mile and a half plan into Section 3?
3773 I'm sorry, can you rephrase that? Much has been made about Marathon's working
3774 interest control in the north half and 100% committed to this old JOA and all that. So
3775 if you were confident in that, why stop? Why just why play in your own sandbox, so

3776 to speak?

3777 And not extend into three if you if your test or Marathon's testimony is that 1 1/2
3778 mile wells are preferable.

3779 In this instance, we understood from Powderhorn that they were acquiring the
3780 majority interest in the east half of three. We did not have an interest in the
3781 northeast of three. We backed off to allow them to operate their own majority
3782 owned interest in east half of 3.

3783 And Avant had the majority interest in the South of it too, and at the time they had
3784 their own proposals and own case pending in the wolf camp. And so we thought it'd
3785 be reasonable and fair for each company to play in their own sandbox in this area.
3786 And so then you reverted to this one mile development plan and the one we're that
3787 you've been talking about, when were those well proposals first sent to the various
3788 working interest owners?

3789 One of my proposals were sent February 12th, February 12th, yeah, to the parties we
3790 believed owned in our J way. Sure. And when did you eventually file your C102's?
3791 That's the regulatory functions job. OK, I don't know the exact date that they filed
3792 there if I were to pull up your exhibits A3.

3793 Would you agree that is?

3794 Um.

3795 You're exhibit A3. Would you agree that it's it is signed February 19, 2026? May I see?
3796 I hope you can.

3797 I don't have a whole lot of.

3798 Well, we have a three. This is a.

3799 An anti-climatic question, but if you go to the bottom of a three there, fair to say
3800 these that was signed by Representative Conoco Phillips on February 19, 2026, yes.
3801 And do you happen to know what the date for the A BDS for the?
3802 State Campana State Wells. Do you know what date those were filed?
3803 I don't have the date that the permits were filed, the APDs.
3804 I can guess it's the 219 here.

3805 OK. Approximately end of eight in February, is that fair when you would expect the A
3806 PDS to have been filed? That's fair. OK, so the A PDS and C102, they were all filed
3807 within three weeks of the hearing.

3808 Well, we knew we had to show that we actually, we had an executable plan. So
3809 absolutely, OK, but you didn't for any reason file them before that, before in advance
3810 of this hearing.

3811 We did fall in in advance to the hearing. Never mind. Strike that. I'm a little flustered
3812 by my computer here. Let's move on. Has Conoco, have you has Conoco committed
3813 capital budget in its 2026 program for the four Campana State wells?
3814 We have a drilling completion budget in which we will allocate funds to this projects.
3815 You will allocate, but it has not been allocated as of today. Well, A fees haven't
3816 routed through our approval system, but you have proposed the wells to your
3817 working interest owners. That is correct and we'll talk about how you're now on a.
3818 Block under the GOA to execute on that plan. Is that correct? Yes. OK.
3819 So in the if the April 23rd is the deadline and we'll get to why that is, are you going
3820 to be able to allocate capital within Conoco Phillips by that time? We actually have
3821 allocated capital because we have commenced work according to paragraph 12 of
3822 the JOAI thought.
3823 And I'm not trying to be cued. Is your testimony that you have allocated capital or
3824 that you have not? We have not run the AFE for the drilling completion portion, but
3825 we have started spending money on this project. OK. And thank you, Mr. Rankin
3826 stated earlier that.
3827 Conoco was waiting, and I'm going to paraphrase, waiting to slot the Campana Wells
3828 into their development plan. Is that a fair summary?
3829 It is a. It's a pretty fair summary if I can add to it.
3830 Well, maybe maybe in response to this next question, have they been allocated a rig
3831 in the drilling program? We have a 15 rate hot rig program. We have 15 hot rigs
3832 running in the Permian right now and the drill schedules are notoriously fluid and we
3833 are working them in.
3834 To an appropriate reg. OK and so, but if I ever to ask you.
3835 That wasn't really answering my question. Have the Campana wells been allocated a
3836 rig amongst those 15 hot rigs? We are scheduling them.
3837 To a rig. You will schedule them to rig, but they have not been scheduled to a rig.
3838 No, but I have many projects that haven't been scheduled to a rig yet that we're
3839 drilling this year.
3840 Have you identified a specific spud date for the wells?
3841 I do not have a specific spot date. However, we are planning to spot them in a timely
3842 manner according to the language of the JOA. What does timely mean to you?
3843 According to the language of the JOA. So by April 23rd, that's not what the JOA says.
3844 Well, OK.
3845 Fair. We'll get to that in a second.

3846 You guys built a pad for the wells. We haven't built the trap pad yet.
3847 Have you run pipeline and take away to the wells?
3848 We're 750 feet away from finishing that. OK, so you're close. How about water take
3849 away? Has that been built out for these wells? Yes, it has. OK.
3850 OK. So let's talk about that timeline under Section 12 after Marathon sends a well
3851 proposal, which you your testimony was that was February 12th to Kaiser Francis, is
3852 that correct? Correct. OK. The responding parties had then had 30 days from that
3853 timeline to elect.
3854 Right. Would you mind bringing up the paragraph 12?
3855 Oh.
3856 This Internet's a really good break for you.
3857 Oh, it looks like I'm on.
3858 OK.
3859 Now I'm in.

3860

3861 **BH** Benjamin Holliday 2:58:01

3862 No.

3863

3864 **PH** Pecos Hall 2:58:08

3865 OK.

3866 I'm gonna go to your exhibit.

3867

3868 **BH** Benjamin Holliday 2:58:12

3869 You go to your.

3870 Mhm.

3871 Mhm.

3872

3873 **PH** Pecos Hall 2:58:29

3874 OK, I believe you've marked this exhibit A.

3875 This app.

3876 Yeah.

3877 Adam, can you pull up your own exhibit the AFE? I mean the JOA and go to Section

3878 12.

3879 I don't know why my computer's Internet's not working.

3880 OK, so if we're to focus on that middle part of the first paragraph, it says parties

3881 receiving notice shall have 30 days.

3882 After receipt of notice to notify parties wishing to do the work, whether they elect to
3883 participate in the cost of the proposed operation, is that right? Yes. OK, so if we were
3884 to Scroll down to that next paragraph, it says.

3885 That shall operator shall within 30 days actually commence work on the proposed
3886 operation and complete it to due diligence. Is that fair? Yes. So if the wells proposals
3887 was were sent on February 12th, your deadline would be mid-april to commence
3888 drilling for the wells. Is that correct?

3889 To commence work, to commence work on. So how would you define work?
3890 Anything related to the project readiness and execution? OK, so doing title work,
3891 would that count? Yes. OK, I.

3892 Would push back on that, but OK, that's your definition. Given that our post hearing
3893 briefs are due on April 10th, then the division should be able to determine
3894 independently whether you're going to meet this obligation, this spud date
3895 obligation.

3896 Correct. Was there? I'm sorry, what was the question? Our briefs are going to be due
3897 on April 10th, right? OK. So by that time, the division should be able to ascertain on
3898 its own whether you are moving to meet this April 23rd obligation.

3899 We've met the obligation under the JOA to commence work. There's not a spud date
3900 obligation date in here.

3901 All right, you know, let's move on to that.

3902 So for the division, you've you've proposed an alternative to Powderhorn's plan,
3903 which is the only plan being applied for in this hearing. And for the division to rely on
3904 that alternative, the division would need to be satisfied that Marathon has a credible,
3905 actionable plan, right? Yes.

3906 And as we've discussed, if if Marathon is allowed to self develop under the JOA,
3907 there's no division order or mechanism of any kind that's going to require Marathon
3908 to spud within a certain time frame.

3909 Correct. And you don't intend to spud before the April 23rd date. That was not my
3910 answer. I didn't say that. Do you intend to spud before the April 23rd date? We are
3911 working on the drilling schedule to slot it in. I don't have an exact date yet.

3912 Well, my question was, do you intend to is your answer you don't know?
3913 Do you intend to spud on April 23rd? That's not the required spud date. Well, that's
3914 not my question. Are you asking me arbitrarily for a spud date? I'm asking if you
3915 intend because I think that's a legal arguments outside of what we're talking about

3916 now, but.

3917 Is your testimony whether you intend to spud on the April 23rd date or not? I don't
3918 have the answer to that, you know.

3919 And so under the JO, is there also there's no mechanism requiring marathon when to
3920 drill?

3921 Is there any requirement in there for the Wolf Camp B Wells that Marathon claims
3922 will be necessary? Is there anything requiring them to drill those wells? Most JOAS
3923 don't have requirements like that, and this one doesn't either, right? It doesn't want.
3924 Now we talked about the Bat Bomb and the War Pigeon projects earlier, recall that
3925 and you mentioned that I think you said the soul Landman, but I think you meant
3926 lead Landman and for Conoco on that project.

3927 I was the land man on the project. You're the land man. OK, for Conoco Conoco
3928 Phillips. OK, that's all I need to know. So you had intimate knowledge of those deal
3929 terms, correct? OK. And you say that you did not consider the Bat Bomb and War
3930 Pigeon a farm out because Conoco is maintaining technical control, is that correct?
3931 I said I didn't consider it a farm out because there was a lot of collaboration and
3932 control, OK.

3933 I'm gonna.

3934 I'm gonna try to share my screen again. Is it sharing? It's not sharing.
3935 It's unbelievable.

3936 It was appointment.

3937 Mr. Examiner, can we take a 3 minute recess to restart the computer and see if we
3938 can get this going? We don't have to take a recess for that, just go ahead and do it.
3939 Brea, are you able to help him?

3940 I can't get in the team.

3941 OK.

3942 Yep.

3943 Yeah, throw it out.

3944 Okay. Take a deep breath. I want to take a deep breath and a cup of coffee.

3945 Yeah.

3946 Now let me reopen everything.

3947 It.

3948 OK.

3949 OK, Miss Klingler, I apologize for her technical difficulties. So we're going to carry
3950 start back with this discussion of the bat bomb and war pigeon units and.

3951 You mentioned that you were the sole land man. You're the COP land man. You have
3952 intimate knowledge of these documents. And I thought I heard you say that you did
3953 not consider this a farm out. Is that correct? That's correct. There are development
3954 agreements.

3955 And the purpose of these development agreements, and again, I'm paraphrasing
3956 your prior testimony, is to ensure that CO PS acreage was properly developed. Do I
3957 have that right? Yes. And you mentioned that you guys were intimately involved.
3958 So CIP was intimately involved in all aspects of this code project with Admiral. Is that
3959 what I heard you and Doctor Mweke testify to? Yes, OK.

3960 So if you guys were intimately involved in the planning, and these are approximately
3961 1 mile to the east of the Super Hornet, and the purpose was to properly develop the
3962 acreage, why do you think that Wolf Camp A was developed?

3963 Not go alongside the Wolfcamp be.

3964 Why was only the first Wolf Camp bench developed by itself? When Bat Bomb and
3965 War Pigeon were planned, it was prior to the learnings of Potato Baby Cake Show.
3966 OK, but you didn't require Admiral to Co develop the the B with the A, is that right?
3967 I would prefer not to speak to the confidential terms of our development agreement.
3968 I think it says enough that they didn't drill it. I'm gone. So if I also we've gotten, I
3969 think into a little bit of semantics. I think we're all going to give Travis a hard time for
3970 using the word bequeath. You talked about the word divest.

3971 But you mentioned that COP had not divested any interest in this unit, is that
3972 correct? I don't consider our agreement to be a divestiture. OK, well, I want to look at
3973 a Admiral, excuse me, Powderhorn Exhibit 822.

3974 So this is a copy of the memorandum that was filed of record. Is that am I not
3975 sharing my screen?

3976 I thought I was there. There we go. OK, is that?

3977 I thought it kicked me off again. I was about to lose my mind. Is this is this an
3978 accurate representation of the memorandum agreement that you guys filed of
3979 record with concerning your deals with Admiral? That looks like the front page of the
3980 memorandum. OK. And what's the purpose of a of a memorandum filed of record
3981 constructive?

3982 Notice to third parties, right? So they would know if you've bought or sold an
3983 interest. Is that fair?

3984 So they would know the division of interest. OK, same thing. And so if we go to that
3985 second paragraph, could you just read that second paragraph for me?

3986 The parties desire to place third parties on notice at Conoco Phillips and Admiral
3987 executed a development agreement on August 1st, 2025, under which Admiral may
3988 earn an assignment of an undivided 71% of Conoco Phillips is right title and interest
3989 in the leases.

3990 Set out in schedule A and that'.

3991 Oh, sorry, I that last part is unnecessary. So under this agreement, Admiral could be
3992 entitled to an assignment of 71% of Conoco's interest in these leases. Is that correct?

3993 Excuse me, this one is as to the wellbores.

3994 OK. But that's an interest in the lease, correct? Yes. All right. And that would be a
3995 divestment, correct? I don't consider that a divestment. If Marathon transfers 71% of
3996 its interest to a third party, you don't consider that a divestment. I consider this a
3997 development agreement that was mutually beneficial.

3998 OK, I think we have what I need there.

3999 Well, let me ask one more question.

4000 Is it possible for Marathon to assign an interest while also not divesting itself of that
4001 interest?

4002 I don't really understand that question. Can you assign an interest without having
4003 divested it? What's your definition of divestment? Well, divestment was the word you
4004 used. That's why we're talking about it. What is your definition? I did not use that
4005 word. You did not use the word divest. I was asked a question about.

4006 Divestment and what it means to me, but I did not talk about diversity.

4007 OK. I I think we're going down. That's enough. Thanks.

4008 Um.

4009 So at the time this development agreement was signed.

4010 It provided the Admiral may earn an assignment based on certain future outcomes.

4011 That would be a contingent agreement. Is that correct?

4012 Same as the term assignment and letter agreements with Powderhorn, right? And we
4013 talked about Powderhorn's agreement with Kaiser Francis and the JOA being
4014 contingent on them winning the case. And your testimony, if I remember it, was that
4015 you considered that to be less binding or less important than an outright
4016 conveyance. Is that correct? I did not say less binding.

4017 What was your testimony? I said that I did not consider it a true commitment. OK, so
4018 then in that word, would you consider this a true development project with Admiral
4019 Permian? I'm sorry, say that again. Under that same reasoning, would you consider
4020 this a true development project?

4021 They have drilled the wells and earned their. They have met their obligation. So it's
4022 not contingent. Well, it's no longer contingent. It was contingent when it was signed,
4023 right? It was contingent on obligations being met.

4024 And you guys had, did you have JOAS with Admiral Permian? Yes. And were those
4025 limited to the Wolf Camp only a only? Yes. So it would not have been possible for
4026 them to drill co-develop the A and the B for Conoco's.

4027 Deal there, No.

4028 OK, so we talked about what Marathon has done to prepare to drill these wells.
4029 Just to summarize real quick, no pad, correct. I'm sorry, you haven't developed a pad,
4030 is that correct?

4031 We haven't built the pad, built a pad, sorry, but you do have some take away
4032 infrastructure or at least you're 700 feet away, so that's a non issue, is that right? OK,
4033 correct. But you haven't allocated a rig, not yet. It's not you're working in the drill
4034 schedule, but it's not on the drill schedule as we stand here today, is that right?

4035 Correct.

4036 OK, I wanna look at.

4037 Our rebuttal exhibit.

4038 Excuse me, our.

4039 Regular exhibit.

4040 A17.

4041 OK. Can you see that on the screen? No, Sir. OK. Is that one of the Campana AP DS? I
4042 don't see that on the screen.

4043 What's on my screen? Hang on one second.

4044 This is has to be the greatest test of mindfulness that I've ever faced. Is this the
4045 Campana APD?

4046 It looks like the APD for the 701H come on a state come 701. So if we go to entry
4047 #20, what does that say?

4048 I'm sorry the it's very small on the screen it looks like.

4049 Does that say spud date 3/2/2026 correct?

4050 Right. Were you aware that this APD had been filed with a SPUD date of March 2nd,
4051 2026? No. But you're the land man in charge of the acreage, right? But I'm not
4052 regulatory. You're not regulatory.

4053 And does a separate who handles? Who would it be responsible, based on your
4054 knowledge for filing APDs and such inside Marathon, the regulatory department?

4055 Are you familiar with marathons? And I gosh, I hope I'm saying this right. A treaties. A

4056 treaties, yes. OK. And that's also mile, mile and a half to the east, is that right?
4057 I'm sorry, Malahev E Yeah, of of the Super Hornet.
4058 Yes, approximately.
4059 Is it correct to say that Marathon recently pulled these wells else to the entirety of
4060 the Wolf camp and that order or potential order, it's currently under advisement with
4061 the Commission. I believe it's case 25877, is that right? Yes. And you testified in that
4062 case, correct? Yes.
4063 And in that case, Marathon is only proposing to drill the Wolfcamp A in that case, is
4064 that right for that particular project at this time? OK. And your application didn't
4065 include any Wolfcamp B wells, it did not.
4066 And so.
4067 We've talked about the Atreides.
4068 The Bat POM and the War Pigeon, do you feel that all or any of these units, do they
4069 protect Karel of rights and prevent waste?
4070 I believe our plan does protect correlative rights.
4071 We've talked about Powderhorn's March 27 expiration in the N half Section 2. You're
4072 familiar with that March 27th in March 2027. OK, yes, if Powderhorn's plan is denied.
4073 And Marathon were to develop the north half of Section 2 under the JOA as you
4074 proposed. If Conoco were to delay for whatever reason the drilling of that Conoco
4075 would have the unilateral ability to allow that lease to expire, is that correct?
4076 The leasers are not going to expire.
4077 Right. But we've talked about a lot of hypotheticals today on both sides. So
4078 hypothetically speaking, if you were granted the right to develop under the JOA as
4079 you proposed, there's a scenario in which that development wouldn't occur until
4080 April of 2027.
4081 And Powderhorn's interest would be lost and there's nothing they can do about it. Is
4082 that correct? You mean the term assignment expires? Yes, ma'am.
4083 In theory, yes. However, Conoco Marathon has traditionally met third-party
4084 obligations for leases as in the Magellan project right now where we had no lease
4085 obligation, but our non-op partners did.
4086 And so we accelerated the program to make sure that their leases were spot in time.
4087 So it looks like you're and you may not be able to testify because you're not familiar.
4088 It looks like your APDs were approved. If we go back and look at that APD.
4089 It looks like it was approved in two days. It looks like it was filed on the 23rd and
4090 approved on the 25th. Is that accurate?

4091 I believe so, according to these states. So do you feel that APD approval is that a
4092 time constraint for any party in this case?
4093 Yes, only valid for two years.
4094 Right. Yeah, they're valid for two years. But would it the process of obtaining the ABD
4095 itself, the application and time you have to wait, is that a time constraint for any of
4096 the parties? That is not a time constraint for any of us, including pedal horn.
4097 And we talked about the March 2nd, 2026.
4098 Spot date.
4099 Those wells have not been spud, just to be clear, right? That's correct. I can't testify as
4100 to why this says that.
4101 But you can't explain the discrepancy. I cannot because I'm not regulatory.
4102 OK, OK, let's move on to that. So before you joined Conoco Phillips, you served as
4103 planning supervisor at Devon from 2019, 2013 to 2019. Is that correct? I was a land
4104 man and the planning supervisor, land man and a planning supervisor.
4105 So in that role you managed or at least worked in the integrated planning and
4106 execution teams for drilling completion capital budget for the Delaware Basin team.
4107 Is that correct? I oversaw the drawing completion program, OK.
4108 And you developed what you refer to as a stage-gate process and I I don't know
4109 what that is for program reviews with the SVPS and COO as it related to capital, is
4110 that right? That's correct. Can you tell me a little bit more about what that stage-gate
4111 process is?
4112 At that particular company, we came up with a process to help the SV PS and the ELT
4113 understand what projects were available and the readiness of them so that we could
4114 move up projects when we needed them. If we got more rigs, we'd be able to fill
4115 them and get them to.
4116 The locations in a timely manner, execute with capital efficiency and what was best
4117 for the beneficiaries of the leases and the shareholders.
4118 So it helped you evaluate which of the wells could be drilled sooner rather than later
4119 based on their readiness. Is that fair based on readiness?
4120 And your resume states that you're well-versed in capital budget planning and
4121 tracking explanation of variance and quarterly refresh of dynamic capital reallocation.
4122 What does that mean? That means when you have to reallocate to a different
4123 program like Campana.
4124 Fair. Um.
4125 So fair to say that you understand then from your experience both at Devon and now

4126 at Conoco, you understand the process by which a major operator moves a well from
4127 concept to funded capital program to SPUD, right, the life cycle of a project. I believe
4128 I am well acquainted with it.

4129 OK. And are you involved in a similar planning and role at Marathon? No, I'm a staff
4130 landman.

4131 Yeah, OK.

4132 If we sort of, I'm going to use stage gate approval as just kind of a umbrella term for
4133 approval. OK. Based on your experience with the capital budget processes, when a
4134 well's on the operator's active drilling schedule, it's been through some process of a
4135 stage gate process, right?

4136 I guess it depends on the operator. What about at Conoco Phillips?

4137 There are multiple departments that coordinate, plan and get execute on programs
4138 on development. So it usually starts with planning. So fair to fair to say they have
4139 their own version of a stage gate process. I believe so.

4140 Um.

4141 Have the Campana wells been through that stage gate approval process?

4142 They have been through part of it, yes, part of it. So they're in the and they're in the
4143 stage gate approval, but they have not been approved. Is that accurate? I don't have
4144 approved AFP's to finish spending the \$8 million per well.

4145 When you look at generally the project you're you're developing in New Mexico,
4146 would you say that Marathon generally prioritizes higher working interest units on
4147 the drill schedule?

4148 Sometimes, you know, we have lots of factors that go into rojects that we put on our
4149 rig schedule. Working interest is a big driver.

4150 Do you generally, so generally, do you generally prioritize units that have a longer
4151 than a one mile lateral for the drill schedule? It depends on the obligations, timing,
4152 partners, if we have a voluntary agreement in place already or if we need to pool, OK.
4153 More often than not, the wells are going to be longer than a mile there.

4154 Well, as you stated that Mister Lance talked about 90%, but he talked of course
4155 globally. But it doesn't mean that we can't have shorter laterals one-milers. Sure. But
4156 yeah, and so that was my next question under that advisement from Mr. from the
4157 CEO.

4158 90% of those wells are gonna be longer than one mile. Is that correct? That was that
4159 his guidance? He was speaking globally that that was a goal.

4160 Is that consistent with your understanding from the land perspective?

4161 Yes.

4162 And part of that statement was that moving from the one mile, I believe they they
4163 they looked at one mile to two mile, but I believe the same would apply from 1 to 1
4164 1/2 that moving to that longer lateral length improves the cost of what they call cost
4165 of supply.

4166 By approximately 25%. Are you aware of that representation? I heard y'all speak
4167 about that.

4168 OK. And so given your experience with capital planning and budgets, a 25%
4169 reduction in supply costs, would that, would that reflect what you would refer to as
4170 economies of scale?

4171 I'm a Landman. Your test. Well, yeah. The reason I use that phrase is your direct
4172 testimony reference that Marathon would be better able to execute on this acreage
4173 because it could bring economies of scale efficiencies to bear. Is that accurate?
4174 That's in my testimony, yes, that I could bring economies that marathon, that
4175 marathon could. I think that has to do with being able to drill the A and the C at the
4176 same time.

4177 That we can pop all four wells in at the same time because we have the capital to do
4178 so and the rigs to do so. OK. So it would be the economies of scale you're referring
4179 to then would be not that you're taking advantage of a larger organization to spread
4180 out costs. It's that you would have the capital firepower essentially to go drill all the
4181 wells at the same time.

4182 We do have the capital 5 power to draw all four at the same time and we receive
4183 efficiencies from that from being able to draw all four at the same time.

4184 Has it been discussed internally at Marathon, given these public statements?
4185 How you're going to meet that guidance while moving to one mile laterals as
4186 opposed to your original mile and a half plan?

4187 I'm sorry, can you restate that? Yes, let me try. Let me think about it. We talked about
4188 public statements from the CEO, right? OK. And Marathon is proposing wells that fall
4189 within that 10% that are a mile.

4190 Correct. OK. Um.

4191 Can you explain why that is? Why are you moving away from what Marathon is
4192 identifying as a more efficient development plan? I don't believe we're moving away
4193 from a more efficient development plan. OK, but.

4194 More efficient as the CEO defined it, but we're not moving away from it. We're still
4195 within the guidance in order to develop our acreage as best we can and when we can

4196 execute on our acreage, we should.

4197 That's fair. If we look, if we were to draw like a six mile radius to this unit.

4198 Has anyone on on Conoco, the team today that exists, has anyone drilled any one

4199 mile laterals?

4200 Can you pull up the map?

4201 Just well, from your personal knowledge, I can't recall off the top of my You can't

4202 recall. OK, that's fair. That's all I need.

4203 So Tom tie this sort of tie a bow on this and move on.

4204 We've mentioned that there we are close to take away. There is no rig. It's not on the

4205 drill schedule. It hasn't been at least all the way through the gate stage process and

4206 these proposed wells fall within the 10% discussed in the guidance. Is that a fair

4207 characterization?

4208 It's fair of what we have discussed. It's.

4209 I'll stay right there. So based on your experience, if we look back, probably more

4210 applicable if we look to the Devon experience, would you say a development plan in

4211 this current stage, you know, without those elements, is that a near-term executable

4212 plan?

4213 Campana is a near term executable plan despite not falling within those parameters,

4214 yes.

4215 So let's, I want to stay with your experience with Conoco for just a second. We've

4216 talked a lot about teams and efficiencies from teams and how well teams work

4217 together and where they've executed and maybe that makes an operator better or

4218 worse. Fair summary, yeah, OK.

4219 So if we looked at that your time with the team that's gonna that you want to drill

4220 the wells with, at most you would have had four years with that team, is that correct?

4221 Me personally, yes. Has your team at Marathon or Conoco?

4222 Has it changed over the past four years? Have people come and gone from the team

4223 as with most companies?

4224 Has that team, I know you guys had a reduction in force recently. Has the team

4225 changed due to that? Which team? The the the team within Conoco Phillips that's

4226 going to work together to drill the Campana wells if you're allowed to? No, it hasn't

4227 changed. I still have my same reservoir engineer.

4228 All right, let's talk about the Kaiser Francis JOA. You're you're familiar that Kaiser

4229 Francis signed at 76. They're part of the JOA, the 76 JOA, correct. And they're.

4230 The largest non-op owner in that acreage, is that correct? That's correct in the north

4231 half of two, yes. And you're aware that they signed a superseding JOA or a another
4232 JOA with Powderhorn for the full 960, is that correct? That's what Mr. Marker said.
4233 And that would be what people commonly refer to as a superseding JOA. Is that
4234 right? I think that's what people would call it. I don't necessarily recognize because
4235 ours is still valid. Sure. Why would a party, in your experience, sign a superseding
4236 JOA?
4237 Multitude of reasons.
4238 OK, uh, can you give me a couple?
4239 It's a condition of signing a letter agreement.
4240 Have you or has Conoco in your time there? Have you guys ever signed a
4241 superseding GOA? Yes.
4242 Have you ever, to your knowledge, rescinded a JOA when Conoco was a non-op
4243 party? I don't. I personally have not had a project where I rescinded a JOA.
4244 Are you aware of that as a practice within Conoco Phillips? I'm not aware of that as a
4245 practice.
4246 Typically they terminate.
4247 So if we'll just stipulate that the parties wanted this to be a superseding JOA, they
4248 they argue it's a superseding JOA. Is it fair to say then it's intended to supersede and
4249 replace the 76 JOA as to Kaiser Francis's interest in the Wolf Camp Objection. Miss
4250 Klingler has no idea what the parties intended and she was not a party to that.
4251 Mr. Holiday, I will. I'll read for it. I'll withdraw and ask a question.
4252 The largest non-op owner under your JOA, the 76 JOA, it has also chosen to
4253 participate in Powderhorn's Wolf Camp development rather than marathons. Is that
4254 correct? Objection. Miss Klingler has no knowledge and there's nothing in the no
4255 foundation of the record whether Kaiser Francis agreed to participate or not.
4256 Or not.
4257 In in the in the actual wells that are being proposed, Mr. Holiday.
4258 It's a holiday. Hello. We're dealing with an objection, but I don't like it. No. Yeah, I'll
4259 withdraw and I'll ask again. Maybe I can make Mr. Rankin happy. What is it? What is
4260 it? What is it you're trying to find out?
4261 I'm trying to establish that Kaiser Francis signaled their intent to participate with
4262 Powderhorn versus Marathon. OK, why don't you just ask that? OK.
4263 I was getting there.
4264 Do you believe that Kaiser Francis, having signed what they would argue as a
4265 superseding JOA or what Powderhorn would argue as a superseding JOA, is that a

4266 signal of their intent to participate in the 960 acre development under the JOA?
4267 I haven't seen the GOA language.
4268 Sure, but they've signed a JOA, correct? I have not seen their signature pages.
4269 Are OK. Is it your testimony that you don't believe they have signed the JOA? It's my
4270 testimony that I don't know that they have signed it. I have not seen it, OK.
4271 Do you think they've signed it? I don't know what else I can tell you. I haven't seen it.
4272 That's fair. All right, fine. In your testimony, if we go to your self-affirmed statement,
4273 paragraph 11, you state that Marathon owns or controls 100% of the working
4274 interest that can.
4275 Control. That's a function of the 76 JOA terms, not a reflection of the stated
4276 preferences of the working interest owners. Is that correct?

4277

4278 **VD** **Viilo, Nikki D** 3:39:25

4279 Yeah.

4280

4281 **PH** **Pecos Hall** 3:39:26

4282 Sorry, say that again.

4283 When you say you have 100% working interest control in the north half, that's owed
4284 solely to the terms of the 76 JOA, is that correct?

4285 That's what all the parties signed on for. OK, but they haven't issued any letters of
4286 support or any signal their desire to remain bound by that as opposed to the
4287 broader 960 acres. Is that correct? Who hasn't? Any party?

4288 Has anyone signaled support for Marathon's plan?

4289 Yes, in conversations there was support for our plan. However, we don't typically ask
4290 for letters of support once a company has already voluntarily committed themselves
4291 to our JOA. But that wasn't in your testimony, was it?

4292 That you have support and based on informal conversations, I didn't bring that up
4293 because we have a JOA, OK.

4294 So we talked about the superseding JOA and I understand there's differences of
4295 opinion on how applicable those are, but you state in your testimony at 12 that
4296 Powderhorn is seeking to pool acreage in which it owns.

4297 Less than 1% and and I'm quoting here has obtained no additional working interest
4298 support. Is that was that your testimony? They have no other working interest.

4299 But you use the word working interest support. Can you pull that up please? Yeah.

4300 That was a parent.

4301 Of you. Can you see mine?

4302 There we go. Has obtained no additional working interest support. Is that correct?

4303 When this was filed, I did not know a Powderhorn that Powderhorn was going to

4304 testify to otherwise.

4305 And this testimony we filed March 4th, is that right?

4306 Yeah. Kaiser Francis informed you on April 27th that they had committed their plan

4307 to a superseding JOA. Is that correct? On what date? February 27th, February 27th.

4308 They told me that they had signed a letter agreement that would trade out their

4309 acreage and as a condition they were going to have to sign the JOA, but they would

4310 be out of the wells. OK, so you're but you're aware of the JOA.

4311 Well, we're all aware of the JOA that they sent out, they proposed.

4312 I'm you're you were aware on March 4th that Kaiser Francis had signed another JOA

4313 with Powderhorn that they were signing. I have not seen the JOA. I have not seen

4314 evidence that they have signed the JOA. OK, that's fine.

4315 Uh.

4316 So do you still then you haven't seen the JOA there? Do you still stand by the

4317 statement that there's no additional working interest support?

4318 I understand what you're getting to, but Kaiser Francis is committed to our active

4319 JOA and has not rescinded their support of our proposals.

4320 Fair. But do you still stand by this written testimony? I think as you're presenting it, it

4321 has changed, OK.

4322 Powderhorn. OK, let's yeah, we move on. Thank you. Powderhorn's the only party

4323 seeking to pull anyone in this case. Is that right?

4324 Marathon is not seeking to pull anyone, is that correct? That's correct, because with

4325 the voluntary agreement and you're the sole objecting party to Powderhorn's plan. Is

4326 that fair? From what I understand, yes.

4327 And we talked about.

4328 No, I'll skip that so.

4329 I really wish we didn't have to talk about this, but there were there are bad faith

4330 allegations in your testimony, correct? Yes. OK, so in your testimony, you allege that

4331 Powderhorn negotiated in bad faith. That's a pretty heavy allegation.

4332 What standard are you relying on for your assertion that Powderhorn acted in bad

4333 faith?

4334 They'd offered us a trade deal that they couldn't go through with. They didn't

4335 disclose that they didn't have the acreage.

4336 We acted on their offer.

4337 Based on what they told us, which we believed, and you did hear Mr. Maka's text,
4338 and I'm going a little bit out over here. You heard his testimony that they were
4339 authorized to offer that to you by the third party as trade consideration. Is that
4340 correct? I heard him say that here, and it's it's common for parties to.
4341 Work contingent trade deals and sometimes they work, sometimes they fall apart. Is
4342 that accurate in your your experience? In my experience, I have never not disclosed
4343 when it was a contingent deal.

4344 Your experience is mostly limited to large public. Fair.

4345 To large public companies, Yes, ma'am. I've worked for large public and
4346 independence and on the broker side. OK. So in your experience on the broker side,
4347 did you guys ever look to acquire acreage that might be of value to an eventual
4348 seller?

4349 Yes, but we never presented to the seller until we had everything in place or we
4350 always disclose when we didn't have things in place. OK. So then your issue with
4351 this trade is that not that it's not a standard practice to do that, you're concerned
4352 that.

4353 It wasn't disclosed that they had the authority, but they didn't own it. Is that fair?
4354 Objection is characterization every prior testimony. Mr. Holiday withdrawn. I'll ask a
4355 different question. What is your concern about the way they characterize this trade?
4356 They didn't disclose that they didn't own this acreage and that there was a chance
4357 that it wouldn't go through. We acted in good faith with the work that we did to
4358 negotiate that trade.

4359 So when when that when that conceptual deal was sent over.

4360 Powderhorn noted the timeliness of that deal, and they requested feedback in a
4361 week, right?

4362 Do you have the e-mail? We didn't. No, I have the e-mail in front of me. I can pull it
4363 up from my computer, but it's not been admitted into evidence. Oh.

4364 You don't have recollection of that. I have recollection of them proposing the trade
4365 to us. I don't recall all the words on the e-mail. Do you recall your testimony earlier
4366 that you considered this for this trade that time was of the essence?

4367 I believe that's the phrase used that you've used. Yes. OK. So based on Mr. Maka's
4368 testimony, Konica only responded 2 weeks later and that was only saying we may
4369 evaluate it. Is that correct? I'd have to see the e-mail.

4370 Do you contest that that is accurate statement that you made? What statement that

4371 you responded 2 weeks later and your statement was you may evaluate. I'd like to
4372 see the emails that you're referencing to see the dates.

4373 OK.

4374 Um.

4375 I'll come back to it. So we're talking about bad faith, a little bit of timeline. They
4376 contacted you guys on July 23rd about or someone at Conoco, is that correct? If that
4377 is what they're saying, OK. And then they requested a meeting on the 30th, so about
4378 a week later.

4379 A day later, on the 31st, they sent their first carry offer in JOA, and then they followed
4380 up again in September to try to discuss this. Did Conoco, to your knowledge,
4381 ever respond to any of these entreaties from Powderhorn?

4382 To my knowledge, there were responses from what I was told by my supervisors. OK,
4383 but you don't have any personal knowledge. It was just told to you by the supervisor
4384 that someone responded. I don't have all their emails when they first contacted
4385 Konica.

4386 But you did. There was a meeting in September 23rd, correct? A meeting on
4387 September 23rd between Powderhorn and Marathon with who involved Powderhorn
4388 and Marathon.

4389 Were you part of that meeting? I would have to look at the calendar. OK. Do you
4390 remember meeting with them in that approximate time period? I've had several
4391 teams meetings and meetings with them.

4392 Just broadly, I know you don't have personal knowledge of the emails. Could you
4393 explain why it would take Marathon until September to finally start communicating
4394 about Powderhorn's offers?

4395 I I don't know. I don't know what was sent in the emails, who the emails were sent to
4396 in the beginning. OK, so and I think that will be the answer to your next question, but
4397 I'm going to ask it for the record. OK, your testimony in paragraphs 2026 and 27. I'm
4398 just going to go down so you can see it.

4399 Because now my computer works.

4400 OK, perhaps the most troubling is powderface bad faith negotiations. And then you
4401 go on to list why you believe that's the case. But I didn't see in there any reference to
4402 this July 30th meeting request. I didn't see any reference to a July 31st carry offer.

4403 I didn't see any reference to a September 5th follow up. Was there any? Were those
4404 omitted for any particular reason?

4405 The same dates that you said that I wasn't aware of, right?

4406 Because I wasn't aware of them. OK, but they were made to Conoco. I'm sorry,
4407 Powderhorn was attempting to communicate and negotiate with Conoco Phillips,
4408 correct? Just not you.

4409 Correct. OK, fair to say. You mentioned Mr. Kuchnerick, I believe Mr. Kuchnerick, the
4410 Kaiser Francis land manager. Yes, Sir.

4411 And I'm sure he's going to get some grief for this, but he mentioned in your words
4412 that he didn't want to participate in what he called practice wells. Unfortunately, that
4413 was a team's conversation. So if we go back to the September meeting in or around
4414 September 23rd that you participated in.

4415 You also expressed Conoco's disinterest in drilling this area, and you indicated that a
4416 carry option would at least at least be preferable to developing the acreage. Is that
4417 correct? I ask for carry offers every time somebody proposes on us.

4418 Did you express disinterest in drilling in this area? I'm sorry, say that again. Did you
4419 express disinterest in drilling in the Super Hornet unit? Did I express disinterest in
4420 drilling? Yes, ma'am.

4421 I may have talked about like we weren't ready for this in the beginning and that we
4422 weren't planning to in the beginning, OK.

4423 I apologize. I'm gonna ask one more time, OK?

4424 Did you express disinterest to the Powderhorn team in drilling this acreage? I just
4425 expressed disinterest in being in their wells.

4426 Um.

4427 So on November 18th, Powderhorn sent this letter of intent. Is that about the right
4428 time frame? November 18th? Yes, ma'am.

4429 On November 18th, they sent it.

4430 I was in Ireland. We'd say approximately mid November. OK, the date, the specific
4431 date doesn't matter. And we've heard testimony that your response was, I'll read this
4432 and get back to you.

4433 Now I understand e-mail gets built up when you're on vacation, but did you, would
4434 you consider your response to that in February, so three months? Would you
4435 consider that a timely response to a formal carry proposal?

4436 I had spoken to them prior to February. I've spoken to them quite often between
4437 January, February. So then is it your testimony that you did respond sooner than
4438 that? I must have if you have the e-mail saying that I responded while I was on
4439 vacation on PTO.

4440 Well, I think you said you were on vacation in November and that November 18th,

4441 yeah. And that the test, the testimony from Mr. Maca was that you responded in
4442 February.
4443 But we had spoken prior to that.
4444 OK.
4445 And and you're speaking to them, was that a response to the formal carry proposal?
4446 Yes. OK. So you disagree with Mr. Maka's testimony that we waited until February?
4447 Yes, yes. OK. But you guys have accepted other carry. You expressed your preference
4448 for a carry.
4449 You said that's commonly what you do when people come to you and you've
4450 accepted other carry offers in this area, is that right?
4451 In which area? In the area that within 5 miles approximately of the Super Hornet, Yes,
4452 that would include the Bat Bomb, War Pigeon, all as well. And those carry offers that
4453 you accepted, those were on terms that were substantially similar to what
4454 Powderhorn offered. Is that accurate?
4455 It's not accurate. Oh, it's not accurate. How are they different? I can't tell you because
4456 it's a confidential development agreement.
4457 So how's the division going to evaluate your statement that they're not accurate if
4458 you can't disclose the terms?
4459 I don't know how Powderhorn claims it's substantially dissimilar because they don't
4460 know the terms.
4461 So you're not going to answer the question? No, Sir. OK.
4462 Are you aware that as Mr. Maca testified yesterday for this application, they originally
4463 intended to apply for the October docket, but they kicked it to the November docket
4464 specifically to give Conoco Marathon.
4465 Additional time for negotiations. Do you remember that testimony? Yes. Is that ring
4466 true with your recollection as far as I know?
4467 Going back to that trade offer, did Powderhorn ever represent to you that the trade
4468 offer was finalized on their end?
4469 They never disclosed that they were in negotiations for the acreage.
4470 So they didn't disclose. They never made a statement that this trade was finalized on
4471 their end. No, but we would not have expected them to because we took them on
4472 good faith that they owned it.
4473 So.
4474 On February 2nd.
4475 If I have my timeline correct, Conoco formally proposed a trade structure about this

4476 acreage, is that correct? It was based on the trade offer from Powderhorn. OK, but
4477 you made a formal offer based on your prior conversations.
4478 I made an offer based on their offer. OK, that's fair. And in response to the offer on
4479 the offer, did Powderhorn send you a draft agreement that had an exhibit of the
4480 leases that they intended to convey? Do you have that?
4481 I'm I'm asking you if you saw it when when this deal came up.
4482 I don't recall seeing the leases.
4483 OK. So you wouldn't. So you didn't see it. You didn't see any sort of schedule of
4484 leases or um?
4485 Anything attached to that offer or response from Powderhorn? There was an LOILOI
4486 and that had a to it, correct? I'd have to review the LOI, right? And but we don't want
4487 to disclose that because it's probably got confidential terms fair.
4488 The letter of intent, yes.
4489 Once it's executed, OK.
4490 Well, ordeal proposals anyway, but you don't. You never saw an exhibit, a lease
4491 exhibit, and not to your recollection. I can't recall seeing the exhibit, OK.
4492 Do you think in your experience, the Laman, it's reasonable to think that Powderhorn
4493 was looking for acreage that would incentivize COP to Conoco to reach a voluntary
4494 agreement on the Super Hornet?
4495 I don't know their intents. I don't know what they were intending to do. Would it be
4496 reasonable for a party to search out acreage to incentivize a counterparty to trade?
4497 Sure, that would be reasonable. And that roughly tracks with what Powderhorn did, is
4498 that right?
4499 They sought out acreage to incentivize Conoco to enter agreement. I don't know. I
4500 don't know that they sought out the snap back acreage for that.
4501 If we go back to February 2nd, we talked a lot about Powderhorn's relative
4502 experience as a team. You guys had a technical meeting scheduled, but you canceled
4503 it, is that right?
4504 We had a meeting scheduled with Powderhorn's team and all our management team
4505 and subsurface experts and it it was canceled, correct? That is correct and Conoco
4506 canceled it. That is correct. And then so that was on the second, two days later and
4507 some communication that you had.
4508 With Mr. Maka.
4509 You stated to the fact that you'd gotten pushback on the trade idea. You asked them
4510 to give it a go and go ahead and see how it shook out, that you guys are moving it

4511 forward, but you had to overcome management hurdles. Does that sound consistent
4512 with what you communicated? Yes. So is it fair to say that?
4513 Conoco proposed a trade that it had not yet obtained an internal proof approval for
4514 and that it wasn't authorized to make.
4515 That is not accurate. I was authorized to discuss that trade.
4516 And to work that trade, but you weren't authorized to close the trade, is that correct?
4517 We hadn't gotten to that part yet because we were doing due diligence to make sure
4518 they owned the acreage that they offered to us. If Powderhorn accepted
4519 immediately, could you have consummated that transaction? Yes.
4520 Without approval, I would have gotten approval.
4521 So then your testimony is you didn't have approval, but if you needed it, you could
4522 have got it. Is that right? I talked to the management team and got self consents
4523 from them to move forward with that trade once we did our work and due diligence
4524 on the title and with the commercial and other departments required.
4525 To do a trade. And So what were then? And you may have just listed them. What
4526 were these management hurdles that were standing in the way? Typically that
4527 includes commercial, the dedication agreements that we have, plus making sure that
4528 everybody signs off.
4529 So it's got to go through a similar, I mean, let's call it state gate process or people
4530 have to review it. Lots of hands got to touch it. I don't know about lots of hands. I
4531 wouldn't portray it that way. But I mean there is an approval, we are a public
4532 company, so approvals are necessary to meet SOX compliance and you had soft
4533 approval to shop the deal, but you didn't have.
4534 Approval to consummate the transaction. Is that fair?
4535 At the time, I was given approval to move forward with the trade and bring it to
4536 fruition if everything worked out.
4537 And he alleged that Powderhorn by.
4538 Offering acreage that it did not own, but which it had consent to shop to you. You
4539 like that was bad faith. How are these two different?
4540 How are which two different? So Powderhorn, you attempted to make a deal. You
4541 had soft consent, but you you didn't have authority to transact on, correct? I did have
4542 authority to transact. You could have closed the deal. I could have gotten. I would
4543 have gotten an executed document, yes.
4544 We would have moved right, but you're testing on. I'm sorry, go ahead.

4545 **OCD Special Docket March 10, 2026-**
4546 **20260311_213350UTC-Meeting Recording**

4547 March 11, 2026, 9:33PM

4548 1h 10m 43s

4549

4550 **PH Pecos Hall 0:05**

4551 So your testimony is that you did have authority to conduct the deal, or you think
4552 you could have gotten authority to transact the deal when you offered it. The
4553 development manager told me to move forward with the trade. Did you tell that to
4554 Powderhorn that it was a soft offer?

4555 I told them that I could move forward and we were, I think I said, scrambling.
4556 OK.

4557 And in your opinion, does this these? And I know it's hard to make deals and you got
4558 to convince a lot of people, but I'm I guess what I'm struggling to understand is how
4559 is that substantially different than the behavior you complain of for Powderhorn? We
4560 own the acreage.

4561 Yeah, we were gonna trade. Sorry. I did. My temptation is to engage like it's a
4562 conversation, so I apologize to the reporter.

4563 I think we can make the point.

4564 So if we go on, so we talked about the second, there was a meeting, it's canceled the
4565 4th, there's a soft offer and then on the 6th, so we're like 4 days.

4566 The day that the deal was pulled from Powderhorn, they informed you that the deal
4567 was off the table. Is that correct?

4568 After I asked them about the ownership, but they contacted you or at least
4569 communicated to you four days later from this whole transaction that the the deal
4570 was no longer available. Fair after they admitted they didn't own the anchorage,
4571 correct?

4572 And I'm just, I I apologize that this is repetitive. Did you convey that you had soft
4573 consent authority only and not actual authority to make the offer? I did not
4574 misrepresent our authority or approvals. Sure. And you didn't misrepresent it,
4575 correct?

4576 But did you represent that it was only a soft offer? I don't think I used the word soft.
4577 It wasn't a soft offer.

4578 It wasn't a soft offer. I thought you characterized it. I said soft consent.

4579 I think we're getting into semantics is OK, but then you go on and say so you find

4580 out on the 6th they don't own it deals off the table and in your testimony this
4581 terminated your negotiations.

4582 But you did continue to negotiate after that time. Is that fair? That terminated the
4583 trade negotiations, OK.

4584 Let's go to paragraph 27. That revelation terminated our negotiations. Is that your
4585 testimony? That is my testimony as it relates to the trade, as it relates to the trade,
4586 OK.

4587 So then.

4588 Time goes on. You represent you're having a meeting on February 18th to decide on
4589 carry offers and go forward plans. Is that right? Yes. Did that meeting ever actually
4590 happen? That meeting did not happen. I met with the development manager
4591 separately and my manager, but you didn't tell Powderhorn until the 20th that you
4592 were.

4593 No longer interested in a mutual agreement, is that correct? That's the date.

4594 That's a yes.

4595 That's the date of the e-mail. OK, is it? Yes, that's the date of the e-mail. Or that's the
4596 date that the test Powderhorn's testimony states that they were informed that you
4597 were no longer pursuing A mutual deal.

4598 So what's your question and has there been an answer? Because I haven't heard the
4599 answer.

4600 I think we're getting bogged down. I'll just withdraw the questions.

4601 So up until that February 20th timeline, it would have been reasonable for
4602 Powderhorn to conclude that negotiations were still in progress. Is that correct?
4603 What type of negotiations? Hold on a second. Please don't ask his. If you don't
4604 understand the question, just say you don't understand. But please don't ask him
4605 questions. Yes, Sir. Would you? Would you clarify your question? Because the witness
4606 doesn't understand.

4607 Let me see if this is more succinct. So you guys sent your one mile well proposals to
4608 Casa Francis on February 12th, is that right? Yes, eight days before you told
4609 Powderhorn the deal was off.

4610 If you say so. And that would have been six days before the scheduled meeting. I'm
4611 sorry, hold on, Mr. Holiday. Miss Klingler, please just answer the question. If you say
4612 so is not an answer. OK, yes. So ask your question again, Mr. Holiday.

4613 I want a clear answer to the question.

4614 Kaiser You sent Kaiser Francis their one mile proposal on February 12th. Is that

4615 correct? That's correct. That was eight days before you told Powderhorn you were no
4616 longer seeking a mutual agreement. Is that correct?
4617 I believe that is accurate. I don't know the exact dates off the top of my head. And
4618 then that was at least some days before the meeting that was supposed to happen
4619 on the 18th, is that correct?
4620 I'm sorry, what are you referring? You sent your one mile proposal a week before you
4621 had this meeting to discuss Powderhorn's offer, is that correct? OK, but you didn't
4622 send the proposals to Powderhorn until March 2nd, 8 days before the hearing, is that
4623 correct?
4624 That's correct.
4625 So you were pursuing A2 track negotiation, is that fair?
4626 I didn't send the Powderhorn proposals until March 2nd because I didn't find out
4627 until February 27th that there was an interest that they owned in the north half of to
4628 subject to our operating agreement.
4629 But you were you were making proposals to Kaiser while while also talking to
4630 Powderhorn. Is that fair? Yes. OK. But did you communicate that that offer had been
4631 made or excuse me, the proposal had been made to Kaiser Francis?
4632 I'm sorry, can you be more clear?
4633 No, it's wrong. I think I have. I asked that question already.
4634 So part of the part of the objection that you voiced to the plan was that Powderhorn
4635 had informed Marathon it would need to rely on Marathon's take away. Is that a fair
4636 summary of your conversation? That was in an e-mail. That was in an e-mail. So that
4637 was in the midst of trade negotiations. Is that accurate? I'm sorry, say that again.
4638 That was in the midst of trade negotiations. Is that accurate? Yes.
4639 And did Powderhorn respond to your questions about dedications that it would be
4640 open to reviewing your contracts as part of an agreement? Yes. Do you have any
4641 direct or personal knowledge of Powderhorn's conversations with third party
4642 midstream providers?
4643 It's only what they told me in the emails.
4644 So, yes or no, do you have any direct knowledge of Powderhorn's conversations with
4645 third party midstream providers? Yes, you do have personal knowledge of their
4646 discussions with third party providers because they told me. What did they tell you?
4647 That they had water and that they were working on crude and gas. OK, but you don't
4648 know how those you you don't know the substance of those conversations. Fair. No.
4649 OK.

4650 And so they told you that they had entered into a water disposal agreement, is that
4651 right? Yes. OK.

4652 And in your role as the land man in charge of this area or the N half of Section 2, are
4653 you responsible for managing take away commitments as referenced in your
4654 testimony?

4655 I'm sorry, can you restate that? Are you responsible for managing the take away
4656 commitments from a land perspective in this area?

4657 There's a commercial department that's in charge of take away commitments. So I, as
4658 the land man, am not in charge of take away commitments. OK, so you wouldn't be
4659 the right person to talk to about Conoco's take away commitments.

4660 Our capabilities, is that fair? I would need to talk to somebody else.

4661 I'm aware as to this area because I communicate with the commercial department.

4662 OK, can you Who are your midstream counterparties under your commitments for
4663 this acreage?

4664 We are not allowed to discuss that. We have to sign confidentiality agreements. OK,
4665 that's fair because we've, I think both sides withheld confidential information.

4666 You testified in March 4th that Powderhorn does not have a pre approved state
4667 communization agreement. Is that correct in paragraph 24?

4668 When I stated that, I was not aware that they had submitted for pre-approval. OK, so
4669 fair to say that.

4670 Is no longer an accurate statement, correct? If we talk about the bat bomb a little bit,
4671 just I want to talk about the from an experience angle.

4672 Had you ever had? So we had that canceled meeting. Did you ever meet with the
4673 technical staff at Powderhorn?

4674 Can you define the technical staff? Did you meet with anyone other than Travis Maca
4675 and Mason Maxwell? Yes, Sir. Who? Who was that? Their Co CEO? Jack Yates. Jack
4676 Yates. OK. Did you meet with any of the engineers at Powderhorn? No, Sir. You
4677 didn't. OK.

4678 So at the time you guys signed the bat bomb and were were pigeon units, I think we
4679 can agree powder and Admiral Permian had never drilled a well. Is that right in New
4680 Mexico?

4681 They had not driven New Mexico, OK. And that's the same criticism you're leveling
4682 today at Powderhorn, is that correct? Not entirely. How is it different?

4683 We were familiar with Admiral already because of a project in Texas that they were
4684 drilling.

4685 And do you contest that the members of Powderhorn, they drilled wells in Texas also
4686 in their prior experience?
4687 From what I've seen, yes.
4688 OK, let me repeat that. In paragraph 19, you criticize Powderhorn for not having an
4689 in-house drilling team. Does Conoco use third-party drilling contractors?
4690 We do use several contractors. We have an in-house drilling team and so we don't
4691 have to pull up the exhibit or we can if we need to. But if we were to look at the AF
4692 ES for the Campana wells, we would find multiple entries for drilling contractors. Is
4693 that right? Yes.
4694 So is it?
4695 Fair to say the Powderhorn's use plan, excuse me, stated plan to use a contract
4696 drilling operator or contractor. Is that consistent with standard industry practice,
4697 including CFE's own practice?
4698 I don't believe that's entirely accurate.
4699 You Do you believe that Powderhorn's plan to use a contract drilling contractor is
4700 consistent with standard industry practice?
4701 To use contractors, yes.
4702 Is it? Do you understand that Powderhorn seeks to acquire from Mr. Maka's
4703 testimony? Do you understand that Powderhorn seeks to acquire non-standard
4704 locations prior to SPUD if it's granted an order?
4705 From what I've read, yes.
4706 But you guys are not seeking any sort of non standard location. Is that accurate?
4707 We're staying in the setbacks.
4708 So if you're staying within the setbacks, given the the difference between 100 and
4709 three 130 feet, is it fair to say that then at a minimum 460 feet of perforated lateral as
4710 to each well will be for for forfeited under Marathon's plan?
4711 Objection. How do our needs to get that approved from the division and there's a
4712 pending objection. So I can try to compare the difference between their laterals and
4713 as proposed and and.
4714 Marathons is subject to administrative approval, likely to go to hearing that hasn't
4715 been been done yet.
4716 OK. I I don't disagree with what you've said, but what's the objection based on? Well,
4717 the question is I guess going to a hypothetical. So I guess if Mr. Mr. Honda could
4718 phrase it as a hypothetical, that would be more appropriate approach to asking the
4719 question.

4720 Mr. Holiday.
4721 Let me try it this way. Yeah, I'll rephrase. Go right ahead. So not talking about
4722 Powderhorn, talking only about Marathon.
4723 Given that 330 foot set back rule that you intend to stay within, is it fair to say that at
4724 a minimum 460 feet of perf to lateral as to each well will be forfeited?
4725 No, I don't think that's fair to say.
4726 Since we're staying within the pool rules, you're not forfeiting anything because
4727 we're following the rules. There would be 460 feet less lateral length per well than if
4728 you did obtain non standard locations. Is that fair?
4729 I believe so.
4730 So in a hypothetical situation in which Powderhorn did obtain nonstandard locations,
4731 that's gonna add.
4732 An additional 100 feet, making it a total. Well, that's a question for your geologists.
4733 OK, last last thing.
4734 I think we've heard some testimony from you earlier that Powderhorn has various
4735 options to develop its acreage. Is that fair? Yes. OK. And you're testifying here as a
4736 land man today, is that correct? Yes.
4737 And you're not a reservoir engineer or a geologist, is that right? Correct. OK. And you
4738 don't have any educational background in either of those disciplines? That's correct.
4739 You haven't been qualified by the division as a geologist or engineer. I have not.
4740 Fair to say that Marathon doesn't ask you to perform those functions. That's correct.
4741 Maybe some closology.
4742 So if you're not an engineer, you're not qualified to testify for the division.
4743 Other than the literal physical possibility that they could go north-south, what is your
4744 basis for stating that Powderhorn has multiple viable or economic options to develop
4745 its acreage? I consulted with the subsurface and drilling teams.
4746 OK, so paragraph 17, you testify about parent-child degradation effects within the
4747 wolf camp formation. You wrote that testimony, is that correct?
4748 Yes, that was based on my conversation with geology and reservoir engineering.
4749 Does paragraph 17 reference a conversation with a geologist or reservoir engineer?
4750 I'm sorry, what are you asking? Did you reference in paragraph 17 that you had
4751 consulted with a reservoir engineer or geologist? No. You testified that parent child
4752 degradation occurs and you talked about it in your own testimony. Fair. Yes.
4753 In the same paragraph you state that I'll highlight the the language.
4754 We're almost done. You state that incremental reserves are going to be left behind

4755 by not co-developing the Wolf Camp A on the South half of Section 2 and the east
4756 half of Section 3 with the north half of Section 2. Do I have that right?
4757 I'm sorry, can you repeat that?
4758 Yeah, let me just read from the exhibit.
4759 Your testimony is that unlike Marathon, Powderhorn's approach will result in
4760 parachild degradation effects within the Wolf Camp formation, causing waste and
4761 impairing Marathon's correlative rights by preventing Marathon from capturing these
4762 incremental reserves. Is that an accurate statement summary? OK.
4763 OK. Given that you're not an engineer, geologist, you haven't been qualified. What's
4764 your basis then for making the statement that incremental reserves are going to be
4765 left behind by not co-developing the A and the B? All of my conversations with the
4766 subsurface team, OK, but that wasn't referenced in this paragraph, right? Correct.
4767 So if we just continue on, Powderhorn's proposal will forfeit cost savings achieved
4768 through economies of scale that favor Marathon's development and.
4769 Did you provide Powderhorn or the division with any documentation of these cost
4770 savings that are going to be achieved through what you refer to as economies of
4771 scale? I don't believe so. Did you conduct any sort of comparative analysis?
4772 I did not personally.
4773 OK. So then what would you say is the basis for your statement there in paragraph
4774 17, all of my collaboration with the subsurface teams, OK?
4775 So Mr. Rankin stated for the first time that I'm aware of, and I do think this is relevant
4776 to the case, that none of the proposals made to Conoco were economic. Do you
4777 remember that statement?
4778 I'm sorry, where is that? Hold on. There's going to be an objection. I sense it coming.
4779 Well, I think you know what he's trying to get at, but I don't think it's exactly what I
4780 said. I'll say I believe what I said was that none of the carry offers made by
4781 Powderhorn reached.
4782 Or met the level that Marathon would achieve by drilling its own acreage. And that
4783 was made during your opening statement. Correct. Yeah. Yeah. OK. So, Mr. Holiday,
4784 please don't use, I mean, use evidence, but don't use opening statement.
4785 Verbiage to base a question on, so find some other way to ask it.
4786 If you can, I'll try this. Do you broadly agree with that statement? I'm sorry, what's
4787 this? Do you agree with Mr. Rankin's statement?
4788 The opening statement, yes, yes, but did you provide any analysis or data that the
4789 division could rely upon to verify that statement?

4790 Thought we provided testimony. Well, the reservoir engineer provided testimony, but
4791 you didn't provide any. I did not personally provide to support your testimony.
4792 I do not have an exhibit to support.

4793 Yes.

4794 Guys got three more questions, I think. Is it possible for a carry that requires no
4795 capital exposure on behalf of Conoco? Is it possible for that to be uneconomic?
4796 I don't know. I'm not a reservoir engineer.

4797 If you were to receive a non cost bearing interest like an override and a well was
4798 drilled, is it possible for that to be non economic?

4799 Well, an override's different from just a straight carry, so I'm sorry I can't answer that.

4800 OK. And last, I'm just talking about your testimony here. You stated that Conoco
4801 determined that drilling one mile wells was better than Powderhorn's development
4802 plans, but you didn't support any sort of, I mean, excuse me, submit any sort of
4803 economic analysis or data to support this, did you?

4804 I did not.

4805 That's all my question, Mr. Fordyce.

4806

4807 **FE Fordyce, Andrew, EMNRD 21:52**

4808 Miss. Good afternoon, Miss Klingler. I just had a couple of follow up questions if.

4809 If we could look at, I'm gonna have refer to exhibit A8 on page 60 for a moment.

4810 So Powderhorn engaged Marathon about this 960 acre unit they were trying to put
4811 together in July of 2025. Is that accurate?

4812

4813 **PH Pecos Hall 22:37**

4814 I believe so.

4815

4816 **FE Fordyce, Andrew, EMNRD 22:42**

4817 Do you recall if or when?

4818 The, you know, this particular split, the baby option might have ever been proposed
4819 or discussed with Powderhorn.

4820

4821 **PH Pecos Hall 22:56**

4822 Yes, I discussed it with the Co CEO and I did mention it to Mr. Maka.

4823

4824 **FE Fordyce, Andrew, EMNRD 23:09**

4825 And as we've touched on, there were some initial proposals from Marathon for 1 1/2
4826 mile wells and and in the north half of this proposed powder horn unit.
4827 That would have required a pooling powder horn, is that correct?

4828

4829 **PH Pecos Hall 23:31**

4830 That's correct.

4831

4832 **FE Fordyce, Andrew, EMNRD 23:34**

4833 I believe that you said earlier that at some point Marathon had felt that it, you know,
4834 was just a better option for each majority interest owner to develop their own
4835 separate acreage depicted here in like we'll say 320 acres.
4836 Tracks Marathon just decided it would be, like I said, better for each majority interest
4837 owner to to develop their own acreage. Is that fair to say?

4838

4839 **PH Pecos Hall 24:04**

4840 Yes, Sir, I said. We thought it'd be fair and reasonable to allow each party to develop
4841 their acreage.

4842

4843 **FE Fordyce, Andrew, EMNRD 24:12**

4844 So.

4845 Would it also then be fair to say that this option and and well marathons final
4846 basically proposals or?

4847 The AP DS that were approved for the one mile wells in the north half that would it
4848 be fair to say that that had more to do with how the interest was broken up in this
4849 acreage and maybe a little less to do with some of the other topics that we've
4850 discussed in this hearing?

4851 Like parent child effects or development sequencing.

4852

4853 **PH Pecos Hall 24:56**

4854 The one mile option was.

4855 Considered to provide more value to us and it included being able to develop the
4856 ANC at the same time because we knew that was executable here.

4857

4858 **FE Fordyce, Andrew, EMNRD 25:17**

4859 OK. Thank you, Miss Klingler. I have no further questions.

4860

4861 **PH Pecos Hall** 25:20

4862 Yes, Sir.

4863 Mr. Rankin, is there any redirect? Just a little, just a little.

4864 Mr. Holiday asked you some questions, Miss Ringler, about whether or not.

4865 Marathon would be under any time constraints if it were to drill its wells under the
4866 the marathon JOA. Do you recall that testimony? Yes Sir. And I think you you give an
4867 answer, but I want to make sure it's clear for the record and I've highlighted here the
4868 language I think that governs your obligations under the.

4869

4870 **FE Fordyce, Andrew, EMNRD** 25:48

4871 It.

4872

4873 **PH Pecos Hall** 25:57

4874 The Marathon JOA and would require you to, as it states here, complete with due
4875 diligence. Is that your understanding as well? Yes, Sir. So while there's not a hard
4876 deadline, there's nevertheless an obligation to complete the project with due
4877 diligence, correct? Yes, Sir. And it was your testimony that Marathon had commenced
4878 that work already, correct? Yes, Sir. OK.

4879 And and in terms of enforcement holding Marathon accountable, while it's not
4880 subject to the division, would you agree that the parties to the JOA would have the
4881 ability to hold Marathon accountable to this time, to the reasonable time frame
4882 under this JOA?

4883 Yes. And that would include Powderhorn now as well, correct? Yes. OK.

4884 You were asked some questions about some of the wells that were drilled nearby, I
4885 think by Admiral and maybe others, but I can't recall the just and again for
4886 clarification of the record.

4887 I want to be make sure it's clear that were those wells planned before Marathon had
4888 acquired the pilot test data that's been referenced in this case. I'm sorry, which wells?
4889 Well, I'm not sure exactly were they the wells that Mister Holiday was asking about. It
4890 may have been the.

4891 The war pigeon and maybe the bat bomb. Were those wells planned before you
4892 Marathon had received the data and the learnings from the pilot tests? That is
4893 correct. They were planned prior to that.

4894 Are there also other considerations in in those cases or wells that either required or

4895 or marathon to drill only the Wolf Camp Bay in those circumstances?
4896 We had timing constraints, we had obligations, we had to meet our obligations that
4897 had to be met.
4898 Mr. Holiday asked if you McFarathon was the sole objecting party to.
4899 Patterhorn's proposal. Do you recall that? Yes, Sir. And in fact, while you're the sole
4900 objecting party, Marathon is the 55% working interest owner in the north half of
4901 Section 2. So it owns the majority interest in some of the tracks that Marathon
4902 Patterhorn is seeking to develop, correct? That's correct.
4903 There are some discussion or questions from Mr. Holiday about delays from when
4904 the Powderhorn well proposals initially went over to Marathon and and you you
4905 advise that you are the one in charge of this acreage but.
4906 When Powderhorn initially reached out, did they initially reach out to you? No, Sir.
4907 And is it your opinion that because they didn't, there was a bit of a delay in the in the
4908 ultimate response from your company to Powderhorn? Yes.
4909 And once you got the package in the proposal, then things started kicking off,
4910 correct? Yes.
4911 Mr. Holiday asked you about Mr. Maka's testimony that Powderhorn had delayed
4912 filing its application for hearing on the October hearing date to the November
4913 hearing date.
4914 And he suggested it was due to negotiations with or in consideration of a of a
4915 marathon. You recall that question? Yes, Sir. But there are other parties that
4916 Powderhorn was actively.
4917 Negotiating with including Coterra and Avant, correct? That's correct. And at that
4918 time they had not yet reached agreement with those parties, correct? Correct. And
4919 they hadn't reached agreement. In fact, didn't end up reaching agreement with those
4920 parties until right before the date for this contested hearing in which those parties
4921 were also going to be contesting Powderhorn's proposed development, correct?
4922 That's correct.
4923 So, I mean, it seems like they would have continued the case not just for
4924 consideration of Marathon, but for those other parties as well, yes, which was the
4925 basis of setting up the three-way split the baby option.
4926 I think this came through in in the dialogue, but it was a little bit messy in the record,
4927 and so I want to just take an opportunity to try to clean it up. I think I understood
4928 your testimony during the discourse with Mr. Holiday about the difference between
4929 what Powderhorn was doing by not initially disclosing that they didn't.

4930 Own the acreage offered for trade and what? And you're still working through the
4931 approval process and I think I just want to make sure I understood and you can tell
4932 me if I'm wrong, but I understood that that your your point was that.
4933 Powderhorn didn't disclose that they didn't own the acreage, but you had disclosed
4934 that you were working through the management hurdles. Is that fair to say? Yes, OK.
4935 And and finally, that marathon actually did on the anchorage that it was proposing to
4936 train, correct? Yes, Sir.
4937 Um.
4938 You asked some questions about the fact that you you partnered with Admiral to
4939 drill a well in New Mexico where Admiral had never drilled a well before and that's
4940 and asked whether that was any different than what Powderhorn's proposing to do.
4941 Do you recall those questions? Yes, Sir. Now, in fact, you mentioned that Admiral was
4942 working with Marathon or Cackle Phillips in Texas.
4943 Yes, Sir. And and tell me just a little bit about that process. In fact, Conoco Phillips
4944 has been working with Admiral for some time, correct? Yes, Sir. And explain to me
4945 just real quickly the process that Marathon and Conoco Phillips goes through in
4946 order to.
4947 Retain a contractor as a partner for drilling Marathon or Conoco Phillips wells. We
4948 have a multi layered vetting process. We have to market our projects. We're not
4949 allowed to just pick.
4950 A designated operator, we have to market it, evaluate all of the offers that we receive
4951 or bids, sometimes called bids, you know the offers are called bids and then when we
4952 determine that an offer is going to.
4953 Add value to the company and the beneficiaries of the state lands or the federal
4954 lands or the fee lands. We then start our vetting process as to a deep dive on the
4955 company that we're working with.
4956 Admiral in particular brought in their entire technical team, but it was several months
4957 after we did other due diligence and deep dives into them and their executive team
4958 and and also understanding how they were working with us in Texas.
4959 And watching those results.
4960 And just so I'm clear that the drilling that goes on when you use contractors like
4961 Admiral, is it according to Admiral's dictates or is it according to Conco Phillips
4962 dictates about how the well's going to be drilled in the case of Bat Bomb and Moore
4963 Pigeon?
4964 It was collaborative. So they did present their plan. We presented our plan. We asked

4965 for tweaks to be made. Tweaks were made to their plan to satisfy our subsurface
4966 team and our managers. And if Admiral didn't agree to us, this is redirect and I feel
4967 like the scope of the.

4968 Fair enough. I'll leave it there. Well, I mean, I'll leave it there. I understand we're
4969 short of time, so I'll. We do have one witness left. He's been very patient. Yeah, he
4970 has been.

4971 In fact, I think that was my last set of questions anyway.

4972 I have no further questions for Miss. May this witness be excused?

4973 Chime. Thank you. Thank you, Miss Klinglin. Please call your last witness. Thank you,
4974 Mr. Young Officer. Last witness is Mr. Preston Dupree.

4975 Mr. Dupree, would you turn the microphone on?

4976 Thank you. And I remind you that you're still underoath from yesterday. Yes, Sir.

4977 Mr. Dupree, will you please state your name for the record, Preston Dupree. And by
4978 whom are you employed and in what capacity? I'm employed by Conoco Phillips,
4979 which is a subsidiary of.

4980 Marathon Oil and I'm a petroleum geologist. Might it be the other way around?
4981 Other way around? My apologies. OK, so you're Puerto Coco Phobes, which owns
4982 Marathon as a wholly owned subsidiary.

4983 Is your testimony in this case marked as Exhibit B? Yes, it is. And have you conducted
4984 a study of the geology and the subject lands at issue in this case? I have, and you
4985 prepared your testimony marked as Exhibit B along with exhibits B1 through B5, yes.
4986 And you also prepared rebuttal exhibits that include Exhibit B5 and B6, I'm sorry,
4987 Exhibit 5 and six, yes. And were those exhibits in your testimony compiled prepared
4988 by you or compiled under direction and supervision? Yes. Any corrections or changes
4989 to the testimony exhibits that were filed? No.

4990 Do you adopt the testimony in the self-affirmed statement marked as Exhibit B as
4991 your own sworn testimony today? Yes, Mr. Dupree, I'm going to 1st ask you to
4992 address the vertical degradation arguments. Now you're not an engineer, you're a
4993 geologist, and so I'm going to ask you to review what's marked as Exhibit 5 and
4994 share on the screen.

4995 Doctor Umekwe reviewed this yesterday as an engineer and so I want you to just
4996 restrict your your discussions to the geology. But if you would just start off and
4997 review for us the elements of the exhibit and focusing on the on the geology aspects.
4998 Yes. So taking a look at this exhibit, starting off in the top left, it is a locator map of
4999 two different project areas. Starting off in the top left, northwest of that locator map,

5000 it's the Compana project, which also consists of the Super Hornet project from
5001 Powder Horn.

5002 And then moving to the southeast of the locator map is the internal Conoco Phillips
5003 pilot project of Potato Baby Tech Shell.

5004 Moving to the right of the screen, that is the Powderhorn proposed development
5005 plan that's showing the gun barrel. Again, they're targeting the four Wolf Camp XY
5006 sandwells and also sometime in a later date they say they're going to come back for
5007 the Wolf Camp B. They call it the Wolf Camp B lower. However, for Conoco Phillips
5008 nomenclature, that is the Wolf Camp BC.

5009 The interface.

5010 Moving to the top right of the screen, that is the potato baby keg shell gun barrel
5011 showing the top down versus Co development. So looking at the potato baby, that's
5012 the top down development or sequential development, however you may want to
5013 say that. And then looking at the keg shell project, that is the Co dev where you're
5014 doing the wolf camp A and the wolf camp C together.

5015 Moving to the lower left portion of the screen, that is the two well cross-section that
5016 can be seen in the locator map from A to a prime. The first thing to note here, the
5017 stratigraphy of the area is similar enough to compare degradation concerns between
5018 the two areas.

5019 And from the geology witness from Powderhorn, he did not have any rejections to
5020 that. Starting off by looking at the a well or the first well, you can see that from the
5021 Powderhorn proposed well proposal that they sent us.

5022 There's a 610 foot vertical separation between the the XY sand and what they call the
5023 wolf can be lower. And then when you move to the right well or the a prime well
5024 where it's in potato baby cad shell area, there's a 724 foot vertical separation
5025 between those two landings.

5026 And again, when there's no significant geological variance between those upper and
5027 lower landings, you can compare those degradation concerns to look at production.
5028 And my counterpart, Doctor Emekwe, he mentioned this degradation plot yesterday
5029 seeing.

5030 That when you do do the sequential development, you see that 19% degradation
5031 when you look at code development.

5032 Yeah. So just to be clear, the orange line would be the pilot tests portion that was
5033 done sequentially, yes, the orange line would be the sequential potato baby and then
5034 the orange and then the blue line above that would be the Co development Keg

5035 Shell project.

5036 Mr. Dupree, there's some discussion about whether the distance between this pilot
5037 project location to the southeast of the Campana and Super Hornet project
5038 disqualifies this as a analogous project or test. What's your response to that?
5039 When looking at the potato baby keg shell, I think this is a very well confined, well
5040 controlled project that is should be considered as a basis of looking at this top down
5041 verse code of development plan. And then when you look at the lithology in the
5042 strict geography of the area, there is no geological.

5043 Geological concerns between the two targets that show any hindrance in the
5044 subsurface that may cause any kind of interference from fracture propagation.
5045 So based on the geology, just to be clear and summarize, it's your opinion that
5046 there's no factor in the in the geology that would prohibit this test from being
5047 applicable to the Super Hornet or Compania acreage, correct? That's correct.
5048 Now there you heard some testimony about the landing zones were different than
5049 the well densities were different, but your your response is the same. Is that fair to
5050 say? Yes, the the matter of problem here is not the landing zones that we're looking
5051 at. We're looking at depletion within the Wolf Camp Bay.

5052 And with that depletion in the Wolfcamp Bay, fracture propagation is going to want
5053 to move upwards from that Wolfcamp C development.

5054 You mentioned something about a well controlled project. There are questions from
5055 Mr. Ford, Examiner Fordyce and others in this hearing about this particular project,
5056 about whether there could be other factors at play that might influence that
5057 degradation that's being observed between.

5058 The portion of the project that was sequentially developed and the portion that was
5059 co-developed. Can you explain a little bit about why, why, I mean why that isn't the
5060 case and the whole purpose of this test that Conoco Phillips undertook? Yes, the
5061 whole purpose of this test was so we could develop our acreage in Eddy County to
5062 decide.

5063 If we want to do top down or sequential development versus Co development and
5064 with this we took out many outliers that went into the project. So I heard yesterday
5065 or I think maybe it was earlier today there were no shut in wells that would have
5066 caused production differences. There is no as far as I'm aware completion sizes were
5067 modeled to.

5068 Replicate similar performance across the project areas. There is no outside of normal
5069 anomalies that would have affected any kind of production between these two

5070 projects. So in other words, while it wasn't a laboratory experiment for every every
5071 single item could be controlled, the large one.

5072 Were governed here and controlled by Conco Phillips, correct? That's correct. OK.
5073 And again, the purpose was so that you had a test that you could rely on in
5074 developing your acreage in this area. That's correct. OK. I want to move on to
5075 Powderhorn's allegations or claim about stranded acreage on a
5076 Basis and I think this was discussed a fair bit even part before you getting up on the
5077 stand today. But I just would like for you to just review. You know you you're familiar
5078 with the claim in Padorn's direct testimony that the Northeast Corridor Section 3
5079 would be stranded if Marathon were to develop its.

5080 One mile wells in the north half of Section 2, that's correct. Based on that and your
5081 analysis, is there any technical reason, geologic reason that Patterhorn's acreage in
5082 the northeast quarter of Section 3 would be stranded geologically? No, that would
5083 be on their own doing if you would just review.

5084 The slide here, Math on Rebuttal Exhibit 6, just explain to us why in your opinion,
5085 there's no preferential well orientation in this area. Yeah, I'll just quickly rerun
5086 through this slide. I'm sure most of you are burnt out of it at this point, but this is a
5087 well published paper by Mark Zovak. He's very.

5088 Well known across the industry, this is just the maximum stress orientation map that
5089 you can see in the black line shown on the map. And then I tried to do my best to
5090 put their approximate AOI on there as well to show the reference that we're looking
5091 at. Then looking at the images to the right, the first one, it's the producing wells pre
5092 2017 that's showing.

5093 On all the landing zones and then the one on the farthest to the right is the
5094 producing wells 2017 and onward. And when you look at well orientation by vintage
5095 of years pre 2017 and post 2017, there is no preference to stand up or lay down well
5096 orientation.

5097 And in fact, patterns on exhibits reflect the same phenomenon, correct? Yes.
5098 And just to be clear, what is it? What does it mean that there's no preference for well
5099 orientation in this acreage? You can either drill a stand up well or a lay down well.
5100 And if.

5101 Marathon's acreage happened to be positioned in in in Section 2 happened to be the
5102 West half of Section 2 rather than the north half of Section 2. Would Marathon be
5103 proposing stand up wells in that acreage? Yes, it's the best way to develop our
5104 acreage. Yeah, depending on your land position, correct. Yes. OK.

5105 In this particularly good string.
5106 You did you also review Miss Klingler's rebuttal exhibits one through 4? I did. And do
5107 you see any problems with on a geologic basis with Powderhorn being able to
5108 develop the West E half of Section 3 and the South half of Section 2?
5109 Following any one of these proposed development plans, no concerns.
5110 In your opinion.
5111 Mr. Dupree, what's the best way to prevent waste and protect crowd rights in this
5112 contested case to let Marathon Oil develop, develop their own acreage, and that
5113 wouldn't prevent Powderhorn from developing its acreage, would it? No.
5114 Mr. Examiner, I have no further questions of Mr. Dupree at this time.
5115 If we turn to paragraph 5, yourself firm statement, you state, in my opinion, there's
5116 no substantial geological difference between the development plan proposed by
5117 Powderhorn and the development plan proposed by Marathon. Do you stand by that
5118 statement? Can you show that to me on the screen?
5119 Oh, I can if I share my screen.
5120 Are you having trouble sharing your screen? Oh, it's back up. Would you share your
5121 screen? I mean, it is your exhibit and it's his own statement, so I'm not sure why we
5122 need to see it, but there it is. But that's your statement, correct? Yes. So the geology
5123 does not favour Marathon's plan over powder horns, is that correct?
5124 We are targeting the same intervals within the Wolfgang. That's thank you. That's the
5125 answer to question answer to my next question. But geology doesn't favor one plan
5126 over the other. Is that correct? Based on the landing zones, it is not. And both
5127 Marathon and Powderhorn, they're proposing the same orientation, right?
5128 Right.
5129 East to West, yes. Similar spacing, correct. Roughly. And the only difference that you
5130 can identify or that you do identify between the Wolfcamp XY Wells is lateral length
5131 and that's 1 1/2 versus 1 mile. Is that fair say?
5132 That's correct. So is there any geological impediment to drilling a mile and a half
5133 wells in this area?
5134 Can you rephrase that? Is there any geologic impediment to drilling 1 1/2 miles in
5135 the acreage? We're discussing sections 2 and three. Any geological reasons? No.
5136 And the Wolf Camp formation, you think it's continuous across both sections, is that
5137 correct? Correct.
5138 So in a hypothetical, I know that Marathon wants to drill the N half Section 2 only,
5139 but would the geology support a single spacing unit then covering both sections?

5140 North half and South half, is that what you're referencing? Yeah, the full 960 or or
5141 yes, the full 960 in Powderhorn's plan.

5142 Can you rephrase that? Sorry, sure. Does the geology? And yeah, same thing I told
5143 Miss Klingler if I not trying to trip you up. Just ask for clarification. Does the geology
5144 support a single space unit covering the 960 acres proposed by Powderhorn?
5145 Think it matters based off acreage off your own own acreage.

5146 I don't think that's a geology question. OK, so there may be economic reasons
5147 working interest wise that your answer would different. But if we're just looking at
5148 geology, the geology would support a single spacing unit covering both sections,
5149 correct?

5150 It could cover both spacing units as well, right?

5151 OK, so you well, we don't need to recite your testimony. What do you estimate is the
5152 stress orientation within the 960 acres proposed for the Super Hornet?

5153 It's hard to give an exact measurement there since it's such a wide based off that
5154 image. It is a wide view at the Permian Basin, but it's roughly NE 40, I would say NE
5155 40, yes Sir.

5156 2.

5157 If you could drill a well or this well at any orientation, what would your preferred
5158 orientation be?

5159 Be based off the acreage that I own. If you were to, if you could drill a well within the
5160 proposed 960 acre Super Hornet spacing unit, what would be your preferred
5161 orientation?

5162 Since our acreage is east to West, I would do east to West. Would that be a geologic
5163 reason or a working interest reason?

5164 I don't think either of those apply. So you mentioned because your your interest is in
5165 the north half of Section 2, is that the basis for your preferred orientation or is it a
5166 geological basis for your preferred orientation? It's the best way to develop our
5167 acreage geologically.

5168 Sure.

5169 If we go to Marathon Exhibit 6.

5170 Please, that's contested.

5171 And these wells, these these wells in the bottom right corner.

5172 How are these wells selected? Which image are you referring to? To the top right of
5173 the screen, the right of the screen?

5174 How are they? Yes. How are the wells on the far right graph or excuse me picture,

5175 how are they selected selected based off a public data database and various they
5176 were chosen by producing wells 2017 and onwards and filtered by all the landing.
5177 Formations in the area. To your knowledge, is there a reason why 2017 was used as a
5178 cutoff for this exhibit? It's usually common practice to use 2017 and onward as a
5179 modern, modern well.

5180 Can stress orientation change over a 20 to 25 mile space within the Delaware Basin?
5181 To what degree? Can you clarify to agree? Just can it change? It can rotate and I
5182 don't want to do a full deep dive on this. I don't think anybody wants me to. Are
5183 wells always oriented due to maximum stress or do operations and ownerships?
5184 Sometimes influence orientation as we've discussed previously, mostly primarily due
5185 to the acreage that you own. So it would be ownership more than maximum stress, is
5186 that correct? It goes both ways. You can't just choose one or the other. Sometimes
5187 there is preferential based off maximum stress.

5188 US.

5189 But the leading driver is based off the acreage position that you have.

5190 Is.

5191 Counting the wells drilled over a 400 square mile area in two separate time periods,
5192 is that a key part of how Conoco determines the optimal stress, or do you typically
5193 and primarily rely on other data?

5194 Gives a good representation of the area and how reputable operators have drilled
5195 their wells. OK, we go up to this is exhibit 5.

5196 Did you select and review the logs that are exhibited exhibited here comparing the
5197 Super Hornet to the potato baby? I did.

5198 And um, do you know approximately how far apart the two logs are?

5199 202 1/2 townships, give or give or take 20 miles approximately. Let's just go with
5200 that.

5201 And the potato baby Wolf Camp A is targeting the same landing plan for the Wolf
5202 Camp A and the Super Hornet, right? Say that again. Are the potato baby Wolf Camp
5203 A wells represented here? Are they all targeting the same landing planned for the
5204 Wolf Camp A?

5205 In the Super Hornet.

5206 Super Hornets targeting the XY. We're targeting the Wolf Camp Bay and Potato
5207 Baby.

5208 OK.

5209 Is the difference between the Wolfcamp A and what you're calling the Wolfcamp XY?

5210 Is that is that just a phrase or do you think there's some material difference? There's
5211 a material difference between faces.

5212 Are the potato baby deep wolf camps? So now we're moving to the BNC. Are they all
5213 targeting the same landing that's planned for landing the deep Deep Wolf Camp
5214 Wells and the Super Hornet?

5215 I would say half of them are.

5216 Looking still at the potato baby, it was developed at a similar well spacing to the
5217 Super Hornet. Is that right? Or the plans for the Super Hornet? Approximately,
5218 approximately?

5219 In your opinion as a geologist, as well landing in proximity to other wells, does that
5220 have an influence on the production of an individual well and how it interacts with
5221 other wells?

5222 Can you rephrase that?

5223 So the two factors, well landing, where you will land, land the well and then its
5224 proximity to other wells. Does that have an influence on production for an individual
5225 well? I can speak to the landing part first.

5226 The landings that we're talking about here and Potato Baby versus Campana or
5227 Super Hornet, as you may reference. I do not think that the argument in that
5228 question is the landings of the wells. It's more about the depressurizing the wolf
5229 camp while you're doing top-down degradation. That's the that's what this learning
5230 is about.

5231 Does the proximity to other wells? Does that influence how it interacts with other
5232 wells?

5233 The proximity we just just agreed on is similar to what you're doing in Super Hornet.
5234 So would you agree that parent child effects, those are interactions between wells? Is
5235 that accurate?

5236 That's part of it.

5237 Now it looks on here like you show a gamma ray log, a resistivity log, density
5238 porosity and then neutron porosity for each well, is that right? That is correct. And
5239 would you state that the potato baby and the Super Hornet logs that you've
5240 reviewed?

5241 Do they have similar or very similar readings for each of these logs within the interval
5242 by the red arrows on this slide? I would say so. So no substantial differences. That's
5243 correct. Do you believe the lithology in the potato baby and the Super Hornet? Do
5244 you believe those to be substantially similar?

5245 There may be slight variations, but nothing to denote the degradation concerns
5246 between those two landings.

5247 So based on the geologic data that you presented and the research you've done, do
5248 you believe that reservoir properties such as porosity, permeability, pressure,
5249 hydrocarbons in place, are they substantially similar in the area identified by the red
5250 arrows within the Super Hornet and within the potato baby?

5251 I would say so.

5252 So that.

5253 These same factors, porosity, permeability, pressure, hydrocarbon in place, does that
5254 have an influence also on the interaction between wells?

5255 Terrifying question can I ask?

5256 I would say some of those parameters that you mentioned.

5257 Some of the. So is there one of the is if we look at porosity, permeability, reservoir
5258 pressure and hydrocarbon in place, do those four things have an influence on
5259 interactions between the wells? I would say so, yes.

5260 So then would you again agree that parent child effects, these are interactions
5261 between wells?

5262 Between wells in the same unit do not apply to wells and separate spacing units.

5263 So you would not agree. Depends on how you ask.

5264 So we talked about, I think it was your testimony that those four factors do have an
5265 influence on the interactions between wells. Is that accurate?

5266 Let's say specific some of the specific parameters that you mentioned, yes. Which of
5267 them do not? I would say the porosity and permeability of permeability are the main
5268 factors there.

5269 Um, I just wanted two more questions real quick.

5270 If we go to paragraph eight of your statement.

5271 And I want to talk about this sentence.

5272 OK. So you say here that Powderhorn's development sequence, it presents a risk of
5273 degradation to the B&C targets, is that correct? That's correct. We're drilling the two
5274 wolf camp, excuse me, we're drilling the northern two wolf camp a wells.

5275 In Powderhorn's proposed 960. Are you with me? Would it?

5276 Let me let me rephrase that with drilling the two northern Wolf camp a wells and
5277 Powderhorn's proposed 960 acre spacing unit separately from the southern two Wolf
5278 camp a wells, would that present a risk of degradation?

5279 I would say that's not your acreage yet, so you can't. That's a hypothetical, right? OK.

5280 So in a in a hypothetical situation, if you were to drill two Wolfkamp wells in the
5281 northern half and then come back separately and drill two Wolfkamp wells in the
5282 southern half.
5283 Would that present a risk of degradation? Depends.
5284 Depends on what?
5285 You talk about operators, different operators drill wells differently. How and zone is
5286 this when you do drill it with your third party contractor? What? What's your
5287 completion? I I have no I can't answer this because there are so many variables that
5288 go into it.
5289 Fair to say you don't know based off the hypothetical that you gave yes.
5290 So then is it your test? And this is the last question.
5291 Based on what we just said about the north half, S half, are you testifying that there is
5292 no risk of parent child effects on two wells space 13120 feet apart in the same
5293 landing?
5294 That would be a reservoir engineering question.
5295 OK. And why were we talking about that here in paragraph 8?
5296 This is top down degradation. We're not talking about horizontal degradation.
5297 But OK, I'll just leave it there. No more questions.
5298 Mr. Fortas.
5299

5300 **FE** **Fordyce, Andrew, EMNRD** 1:01:17

5301 Mr. Hearing Examiner, I have no further questions for Mr. Dupree.

5302

5303 **PH** **Pecos Hall** 1:01:22

5304 All right, Mr. Rank, can we stop sharing the screen now?

5305 Mr. Holiday.

5306 Mr. Rankin Um.

5307 I just have one question for Mr. Dupree and this goes to the general questions from
5308 Mr. Holiday about preferences for one mile, one mile, 1 1/2 mile, whether you know
5309 how he would prefer to drill.

5310 Mr. Dupree, to your knowledge, if Powderhorn reached voluntary agreement with
5311 Marathon under a JOA where Marathon would operate the north half of Section 2
5312 and the northeast quarter of Section 3.

5313 Would Marathon be willing to drill 1 1/2 mile laterals in that instance? We would. No

5314 other questions. Does that raise any?

5315 No, Mr. Fordyce, did that question raise anything for you?

5316

5317 **FE Fordyce, Andrew, EMNRD** 1:02:21

5318 No, Mr. Hearing Examiner.

5319

5320 **PH Pecos Hall** 1:02:25

5321 All right. OK. Do that. Do you rest your case in chief? Thank you very much, Mayor.

5322 Yes. All right. So both parties have rested the case in chief. Mr. Holiday, do you have
5323 any Sir rebuttal?

5324 For this witness, do you have a Sir rebuttal case? Oh, no, we stand on our Mr. Rankin,
5325 do you have a Sir rebuttal case? I do not. OK, excellent. Then the evidentiary record is
5326 closed. I'm I'm going to reiterate that Mister Holiday is going to submit an amended
5327 exhibit packet.

5328 With a cover letter by.

5329 April 10 is the deadline for closing arguments. When will you submit the amended
5330 exhibit packet?

5331 The and that's the amended exhibit packet specifically that's removing the NSL
5332 references that we talked about. It's removing the NSL reference in exhibit A9. It's
5333 removing A18 completely, I believe.

5334 Mr. Rankin, am I missing anything? I think that's. I believe that was it. I thought so
5335 too. I think we have that already prepared. So I would say within the week, fine. So
5336 we'll say a week from today is your deadline for that. Please pass it by Mr. Rankin.

5337 Yes, Sir. OK, so we talked about that. That includes a cover letter. We're gonna
5338 remove your old exhibit packages so that exhibit and then the exhibit package
5339 should have your rebuttal exhibits of a table of contents and a cover letter.

5340 OK. You don't need to amend anything. We'll leave yours as it is. I believe you have
5341 one exhibit packet and one rebuttal exhibit packet. That's correct. So there's nothing
5342 to amend there or change. We've talked about the transcript 2 weeks from today.

5343 Based on that date, we came up with two weeks plus.

5344 Just two days for April 10 for a closing argument. That's a 10 page limit. That does
5345 not include the caption page or the certificate of service page. Everything must be
5346 cited to the record or won't be considered in your closing argument. Is there
5347 anything else that I've missed?

5348 No. All right. No. OK. Both parties have said no. Mr. Dupree, thank you for hanging

5349 around for two days to testify. I hope everyone has a good trip home. We're off the
5350 record. Thank you.

5351

5352 ● **Tschantz, Freya, EMNRD** stopped transcription

5353