1	STATE OF NEW MEXICO
2	ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3	OIL CONSERVATION DIVISION
4	
5	APPLICATIONS OF FRANKLIN
6	MOUNTAIN ENERGY 3, LLC FOR
7	COMPULSORY POOLING AND NOTICE OF Case Nos.
8	OVERLAPPING SPACING UNIT, LEA 23833-23840
9	COUNTY, NEW MEXICO
10	
11	APPLICATIONS OF MRC PERMIAN
12	COMPANY FOR COMPULSORY POOLING Case Nos.
13	LEA COUNTY, NEW MEXICO 24142-24145
14	
15	APPLICATIONS OF MRC PERMIAN
16	COMPANY FOR APPROVAL OF AN
17	OVERLAPPING HORIZONTAL WELL Case No.
18	SPACING UNIT AND COMPULSORY 23961-23964
19	POOLING, LEA COUNTY, NEW MEXICO
20	
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22	
23	
24	
25	
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1		HEARING
2	DATE:	Thursday, February 8, 2024
3	TIME:	8:59 a.m.
4	BEFORE:	Hearing Examiner Gregory A. Chakalian
5	LOCATION:	New Mexico Energy, Minerals and Natural
6		Resources Department
7		Wendell Chino Building, Pecos Hall
8		1220 South St. Francis Drive, 1st Floor
9		Santa Fe, NM 87505
10	REPORTED BY:	James Cogswell
11	JOB NO.:	6385283
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1	APPEARANCES
2	List of Attendees:
3	Sheila Apodaca, Law Clerk - Oil Conservation Division
4	Deana M. Bennett, Modrall Sperling for Franklin
5	Mountain Energy
6	Gregory A. Chakalian, Hearing Examiner - Oil
7	Conservation Division
8	Earl E. DeBrine, Jr Modrall Sperling for Franklin
9	Mountain Energy
10	Michael H. Feldewert, Holland & Hart LLP for MRC
11	Permian
12	John Garcia, Technical Examiner - Oil Conservation
13	Division (by videoconference)
14	Ben Kessel, Geologist - Franklin Mountain Energy
15	Cory McCoy, Reservoir Engineer - Franklin Mountain
16	Energy
17	Jaclyn M. McLean, Hinkle Shanor LLP for Armstrong
18	Energy Corporation and Slash
19	Elizabeth Ryan, ConocoPhillips for COG Operating, LLC
20	(by videoconference)
21	Tanner Schulz, Petroleum Engineer - MRC Permian (by
22	videoconference)
23	Lee Zink, Landman - Franklin Mountain Energy
24	
25	

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2	NO.	DESCRIPTION	ID/EVD
3	Franklin Mount	ain Energy:	
4	Exhibit A	Compulsory Pooling Checklists	39/ 39
5	Exhibit B	Affidavit of Lee Zink	41/ 41
6	Exhibit C	Affidavit of Ben Kessel	42/ 42
7	Exhibit D	Affidavit of Cory McCoy	43/ 43
8	Exhibit E	Self-Affirmed Declaration of	
9		Deana Bennett	44/ 44
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11	NO.	DESCRIPTION	ID/EVD
12	MRC Permian:		
13	Exhibit C-1	Application for Permit to	
14		Drill	184/184
15	Exhibit C-2	Field Development Overview	184/184
16	Exhibit C	Self-Affirmed Statement of	
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1	PROCEEDINGS
2	THE HEARING EXAMINER: It is 8:59 a.m.
3	
3	on February the 8th. Let's go on the record in case
4	numbers 23833, '35, '38, '39; 24110, '111, '112, '115;
5	and case numbers 23961 through '64; 24142 through
6	24145. I am intentionally calling cases that were
7	dismissed Monday to clarify the record in those cases.
8	But first, I want to do a sound check
9	with our technical examiner, who's in Aztec, John
10	Garcia. Mr. Garcia, can you hear me?
11	MR. GARCIA: I can hear you perfectly.
12	THE HEARING EXAMINER: Okay, great. I
13	can hear you perfectly as well.
14	Okay. Mr. Court Reporter, are you
15	ready?
16	THE REPORTER: Yes.
17	THE HEARING EXAMINER: Okay, sounds
18	good.
19	Sheila, are you ready?
20	MS. APODACA: Yes, ready.
21	THE HEARING EXAMINER: Let's begin with
22	this notice of dismissal. I have a notice of
23	dismissal filed on February 5th at 5 p.m.
24	Mr. Feldewert, are you representing MRC
25	this morning?

1	MR. FELDEWERT: Yes, sir.
2	THE HEARING EXAMINER: Okay, thanks.
3	Do you have any pro counsel with you?
4	MR. FELDEWERT: I do not.
5	THE HEARING EXAMINER: Okay.
6	All right. And Ms. Bennett, are you
7	representing Franklin Mountain?
8	MS. BENNETT: I am from the Modrall
9	Sperling office as well.
10	THE HEARING EXAMINER: Good morning.
11	MR. FELDEWERT: Good morning.
12	MS. MCLEAN: Good morning,
13	Mr. Examiner. Jaclyn McLean on behalf of Armstrong
14	and Slash, and I don't anticipate that we'll have any
15	questions today.
16	THE HEARING EXAMINER: Thank you.
17	Morning.
18	Mr. Feldewert, I was looking at your
19	pre-hearing statement filed on Friday, where you
20	discuss your competing applications, that you will be
21	dismissing the Wolfcamp competing applications, but
22	that the Bone Spring competing applications would move
23	forward, and then you dismissed the Bone Spring
24	competing applications. Would you like to explain
25	why?

1	MR. FELDEWERT: Yes, I can. It's going
2	to be part of my opening statement.
3	THE HEARING EXAMINER: Oh, you have an
4	opening statement?
5	MR. FELDEWERT: I do, yeah, to help
6	explain all this.
7	THE HEARING EXAMINER: Okay, very good.
8	Ms. Bennett, we'd start with your opening statement,
9	but because Mr. Feldewert needs to clarify to me why
10	there were these late-minute changes, and how that
11	might affect your cases, I'm going to start with his
12	opening statement; okay?
13	So Mr. Feldewert, would you
14	begin oh, wait. I'm sorry, hold on a second. It
15	looks like we have Ms. Ryan.
16	MS. RYAN: Thank you. Yes. Can y'all
17	hear me?
18	THE HEARING EXAMINER: Perfectly.
19	MS. RYAN: Okay, thank you. Yes. I'm
20	just needing to make an entry of appearance for COG
21	Operating.
22	THE HEARING EXAMINER: Okay, wonderful.
23	Now, Sheila, I can't see Ms. Ryan. Is there a reason
24	why?
25	MR. FELDEWERT: She shows up on our
	Page 8

1	screen.
2	THE HEARING EXAMINER: She is?
3	MR. FELDEWERT: Yeah. At least on
4	mine.
5	MR. GARCIA: It might be a setting on
6	your personal screen. I have mine on the layout, as
7	stack, and so whoever's talking shows up as they're
8	talking.
9	THE HEARING EXAMINER: Thank you,
10	Mr. Garcia. I think Sheila is trying to set the
11	layout, because that's the screen I'm looking at. So
12	anyway, I'll let Sheila do that while we hear from
13	Mr. Feldewert. Sorry for the interruption.
14	MR. FELDEWERT: No problem.
15	So, explanation is that the
16	recent so when we filed the pre-hearing statement,
17	we didn't have their filings yet; okay? Call that.
18	And with those filings, they demonstrated that
19	Franklin Mountain had actually increased its working
20	interest in the proposed units, to the point where it
21	justified dismissal of MRC's competing pooling cases,
22	which is what we did early this week.
23	Because MRC agrees with Franklin
24	Mountain that, under precedent established by the
25	Division and the Commission, unless you've got

1	compelling evidence that one development plan is
2	better than the other; okay? Working interest in the
3	disputed acreage is a controlling factor in awarding
4	operations.
5	And here, Franklin Mountain clearly has
6	the most interest in these spacing units. And there's
7	really no dispute between the well spacing, the target
8	intervals, or similar technical evidence. The only
9	issue, the only issue is what we recently discovered;
LO	okay? And that is that it appears that they intend to
L1	overlap their cross-state units going south with their
L2	360-acreage units for satellite wells going north.
L3	And that overlap is going to occur
L4	along the entirety of the north half, the north half
L5	of section 36. Which raises concerns about the impact
L6	on the correlative rights of MRC and other working
L7	interest owners, that they seek to pool into these
L8	cross-state units.
L9	Because by statute, Mr. Examiner,
20	production from wells in pooled spacing units must be
21	shared on a straight-acreage basis, meaning that if
22	you pool eight 40-acre tracts to create a 320-acre
23	horizontal well-spacing unit, the production from
24	wells within that spacing unit is allocated one-eighth
25	to each of those 40-acre tracts. That's how it's

1 required to be done under the pooling statute. 2 That's why, for example, operators come 3 in, and they always show that each tract in the proposed spacing unit will contribute proportionately 4 5 to the well bore. That's why they do it. case, the proposed overlap here and its impact on 6 correlative rights remains a mystery to me; okay? And 8 let me show you why, if I may share. 9 So when I first learned this overlap, I reviewed the division's files for the satellite wells, 10 11 because they had gotten pooling orders. And they were 12 under cases 23829 through 23832. And the case files 13 are basically the same, so I just pulled up case file 14 23829; okay? That's what you have up here in front of 15 you. 16 And when you go to page 23 of the PDF 17 that they filed in the case, you'll see that the 18 satellite wells seek to essentially target the same 19 intervals that they seek to target with the 20 cross-state wells. In this case, being a Wolfcamp 21 spacing unit, the Wolfcamp A and the Wolfcamp B. 22 That's the starting point -- same interval, same 23 reservoir. 2.4 Then you go to their PDF page 17, and you see what they filed, and indicated to the division 25

1	in that case. Of course, MRC was not a party, nor
2	were the other working interest owners in the
3	cross-state units.
4	And they indicated in that hearing that
5	they intend to overlap their satellite spacing units
6	going north, with their cross-state spacing units
7	going south, in the north half of the north half of
8	section 36. That's this area right here.
9	And this indicates, according to their
10	diagram and I know it's just a diagram indicates
11	that well, that satellite wells are going to go
12	about halfway into each 40-acre tracts, in the north
13	half of the north half. And the cross-state wells are
14	going to go about halfway into that tract in the north
15	half of the north half.
16	It was a little confusing, because then
17	when I went to their PDF page 18 this is their
18	Wolfcamp spacing units. The way they have it drawn,
19	it doesn't show them going into the north half of the
20	north half. Now, I'm assuming that was a mistake, but
21	it does raise some confusion.
22	So, I said, "Well, let's take a look at
23	the C-102s for the satellite wells that they filed in
24	that case"; okay?
25	MS. BENNETT: Mr. Examiner, I feel like
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1	this is going a little bit beyond an opening
2	statement. And none of these well, these exhibits
3	were submitted to the Division. We did not have any
4	indication that Mr. Feldewert was going to be delving
5	into the satellite cases in such detail.
6	I'm happy to answer, and our witnesses
7	are happy to answer, any questions about these
8	exhibits, because it's very straightforward and
9	there's really no dispute about it. But I would just
10	like to raise an objection for the record.
11	MR. FELDEWERT: All I'm doing is just
12	explaining why we're confused.
13	THE HEARING EXAMINER: I understand.
14	I'm going to sustain the objection. This is not in
15	evidence. Let's just keep your opening statement a
16	little bit more general. This isn't helping me
17	either, seeing this it's not helping your point
18	right now.
19	So can you just keep your opening
20	statement very general, and tell me why did you
21	withdraw, why did you dismiss, all of your cases that
22	were going to hearing today, and what you intend to
23	either show, or because I are you presenting any
24	evidence today?
25	MR. FELDEWERT: Yes.

1	THE HEARING EXAMINER: Good. Okay. Do
2	you have any witnesses today?
3	MR. FELDEWERT: Yes.
4	THE HEARING EXAMINER: You do? Are
5	your witnesses here today?
6	MR. FELDEWERT: No; he's going to
7	appear by video.
8	THE HEARING EXAMINER: That's fine.
9	And Ms. Bennett, your witnesses are
10	here today?
11	MS. BENNETT: Yes.
12	THE HEARING EXAMINER: Okay. All
13	right. We're here at an administrative hearing. The
14	standard of evidence is preponderance of evidence.
15	What do you propose to show?
16	MR. FELDEWERT: Your pooling
17	statute or pooling applications, as I understand
18	it and I was going to tell you why I'm confused,
19	and remain confused, but we can deal with that another
20	time; okay? My point is, as I read their pooling
21	applications, they cannot meet the standard under the
22	statute.
23	THE HEARING EXAMINER: Okay.
24	MR. FELDEWERT: 70-2-17, which I can
25	talk about, if you'd like. Or we can wait.

1	THE HEARING EXAMINER: Very simply, in
2	plain English, why can they not meet their burden of
3	persuasion?
4	MR. FELDEWERT: Because under their
5	plan, the tracts in the north half of the north half
6	of section 36 will not contribute proportionately to
7	the wells that they intend to drill in their
8	cross-state spacing units. Either because they're not
9	going to have any perforations in the cross-state
10	wells into the north half of the north half of 36, or
11	the north half of the north half of 36 is going to
12	have both satellite unit wells and cross-state unit
13	wells in the spacing unit, thereby having two straws
14	in the same reservoir.
15	And what's important here, and realize
16	this this is why I got the diagram; okay? And
17	actually, this one we did have in evidence; okay?
18	THE HEARING EXAMINER: I'm sorry. What
19	did you say about evidence?
20	MR. FELDEWERT: This one is this is
21	our Exhibit C-1.
22	THE HEARING EXAMINER: This is your
23	Exhibit C-1?
24	MR. FELDEWERT: Yeah, this is our
25	Exhibit C-1. So it's not like I'm going into
	Page 15

everything that we didn't have, but I was trying to
explain but anyway.
The owners in the cross-state units
down here in the south don't share in the production
from the satellite wells. They don't. It's not part
of their spacing unit. So whatever the satellite
wells are going to suck out of the north half of the
north half of 36 go directly to the benefit of the
satellite owners, to the detriment to the correlative
rights detriment of the owners in section one, and
the owners in the south half of 36.
And the pooling statute does not let
you do that. That's my point, and I could explain it
further later.
THE HEARING EXAMINER: Okay. I
understand the point.
MR. FELDEWERT: Thank you.
THE HEARING EXAMINER: Thank you.
Ms. Bennett?
MS. BENNETT: Good morning, and thank
you, Mr. Examiner.
Mr. Feldewert agrees that, under the
Division's well, let me start fresh. The Division
has seven factors, more or less, to determine how to
evaluate competing proposals, competing applications,
Page 16

1	and contested cases.
2	And all things being equal, one of the
3	factors is working interest control. And the Division
4	has said, when everything else is equal, working
5	interest control is the compelling the most
6	controlling factor.
7	THE HEARING EXAMINER: But let me stop
8	you there for just a moment. We don't have competing
9	applications anymore.
LO	MS. BENNETT: No, we don't. No, we
L1	don't.
L2	THE HEARING EXAMINER: So one of the
L3	things I'd like you to address in your opening
L4	statement is, how does the dismissal of the competing
L5	applications affect your case, if at all? So please
L6	keep that in mind as you're giving me your opening
L7	statement. Want to take a moment?
L8	MS. BENNETT: No, thank you. So in
L9	fact, the dismissal does not affect our case
20	whatsoever.
21	THE HEARING EXAMINER: Okay.
22	MS. BENNET: We would have filed
23	different exhibits, obviously, that didn't compare and
24	contrast Franklin Mountain Energy's plan with MRC's
25	plan, had we known. It's a little unfortunate, I'd

1	say, or prejudicial, that MRC waited until the
2	eleventh hour to dismiss its applications, after we'd
3	already filed, and the parties had spent a good amount
4	of time preparing the exhibits.
5	So our exhibits would have looked
6	different, because it would have been, essentially, a
7	non-contested case, except for, apparently, this issue
8	about the overlap in section 36. And with all due
9	respect to Mr. Feldewert, he is not a reservoir
10	engineer. He does not have any experience on whether
11	codeveloping these four sections will negatively
12	impact correlative rights.
13	That's a fact issue that we'll be
14	talking about today, and we have witnesses here who
15	will be addressing that, and who will demonstrate that
16	this is not going to negatively impact the correlative
17	rights of the section 1 or section 36 owners, because
18	the cross wells and the satellite wells will be
19	accessing reserves that neither of those wells could
20	ordinarily access, due to setbacks and drilling
21	curves. And so our witnesses will be testifying to
22	that.
23	But I did want to just reiterate,
24	though, that Franklin Mountain Energy 3 does have the
25	majority working interest here. MRC has three

1	percent, approximately, in the Wolfcamp, and
2	like let's say I don't have it memorized, but 12
3	percent in the Wolfcamp. I may have that
4	backwards 12 percent in the Bone Spring; 3 percent
5	in the Wolfcamp.
6	And so, you know, their complaint about
7	the overlap sort of falls on deaf ears, because of the
8	low amount of working interest they have. Certainly,
9	the statute is designed to protect working interest
L O	owners, no matter what percentage they have.
L1	But Franklin Mountain Energy 3, as
L2	you've seen or will see from the testimony today, has
L3	been working diligently with third-party non-operators
L4	in this area, and has been explaining its development
L 5	plan, has been getting those folks committed, and has
L6	been working to develop this acreage as it intends to.
L7	And so that's Franklin Mountain Energy 3's plan, is to
L8	codevelop these four sections, using a single set of
L9	surface facilities which will allow Franklin Mountain
20	Energy 3 to access more reserves, while at the same
21	time minimizing surface impacts and costs, which is
22	beneficial to everyone, including MRC.
23	THE HEARING EXAMINER: Ms. Bennett?
24	MS. BENNETT: Yes?
25	THE HEARING EXAMINER: Cases 23833,
	Page 19

1	'35, '38, and '39 deal with the cross-state wells,
2	which Mr. Feldewert is objecting to. But I wonder, do
3	you understand if there is an objection to 24110,
4	'111, '112, and '115?
5	MS. BENNETT: That's my understanding,
6	based on the notice of dismissal that Mr. Feldewert
7	filed in the Bone Spring cases. That it's the same
8	basis of an objection as the Wolfcamp cases.
9	THE HEARING EXAMINER: Okay. So do you
10	want to give me a roadmap to the evidence that you're
11	going to present today?
12	MS. BENNETT: Yes, thank you. Our
13	first witness will be Lee Zink, who's a
14	landman Director of Land, actually, at Franklin
15	Mountain Energy 3. And our intent had been to go
16	through some of the basic land questions, but we may
17	just want to skip to the chase.
18	But he is going to give some
19	information about the spacing units, the ownership in
20	the spacing units, as well as some information about
21	the overlapping units, and the work that Franklin
22	Mountain Energy has done to date to develop this
23	acreage.
24	THE HEARING EXAMINER: I'm going to
25	interrupt you for a moment. To keep this hearing

1	efficient for everyone, it seems to me that we have a
2	very discrete issue here today that Mr. Feldewert is
3	raising. So I'm going to ask him to put that discrete
4	issue on the record.
5	And if there are witnesses and evidence
6	that he is not objecting to, then we'll get them
7	admitted through stipulation. But I need to clarify
8	with him so when you're done, I'm going to ask him
9	to clarify his issue, and what he is objecting to in
10	your evidence. So please continue.
11	MS. BENNETT: Thank you. The next
12	witness we'll be calling is Ben Kessel. He's a
13	geologist with Franklin Mountain Energy 3, and he's
14	previously testified before the Division. And his
15	credentials have been accepted as a matter of record,
16	and I believe his testimony is likely undisputed. But
17	he will be testifying about the geologic formations in
18	the Wolfcamp and Bone Spring here.
19	THE HEARING EXAMINER: How do you
20	have is there an index to your exhibits? I don't
21	have one in this book you gave me. Is there one
22	online I would find?
23	MS. BENNETT: No, Mr. Chakalian or
24	Mr. Hearing Examiner, I apologize. Our table of
25	contents was inadvertently omitted, but his exhibits

1	are behind tab C in the notebook.
2	THE HEARING EXAMINER: So I have
3	Mr. Zink behind tab B?
4	MS. BENNETT: Yes.
5	THE HEARING EXAMINER: Then I have tab
6	A?
7	MS. BENNETT: Yes.
8	THE HEARING EXAMINER: Okay. And
9	what's behind tab A?
10	MS. BENNETT: Tab A is the compulsory
11	pooling checklists.
12	THE HEARING EXAMINER: What's behind
13	tab C?
14	MS. BENNETT: Mr. Kessel's geology
15	studies.
16	THE HEARING EXAMINER: Fantastic. D?
17	MS. BENNETT: D is Mr. Cory McCoy's
18	reservoir engineer studies.
19	THE HEARING EXAMINER: And it looks
20	like the last tab I have is C
21	MS. BENNETT: E.
22	THE HEARING EXAMINER: But it says C.
23	That's supposed to be an E?
24	MS. BENNETT: E, yeah.
25	THE HEARING EXAMINER: Hold on a
	Page 22

1	second.
2	MS. BENNETT: Sorry about that.
3	THE HEARING EXAMINER: And what's
4	behind door number E?
5	MS. BENNETT: E is our notice
6	materials. That's my declarations and the proof of
7	notice.
8	THE HEARING EXAMINER: Are all of your
9	witnesses have they all been previously qualified
10	as experts here?
11	MS. BENNETT: No, Mr. Hearing Examiner.
12	Mr. McCoy has not previously testified before the
13	Division, but he did include a copy of his resume with
14	his testimony. But Mr. Zink and Mr. Kessel have both
15	been qualified by the Division in their respective
16	fields.
17	THE HEARING EXAMINER: So Mr. McCoy is
18	which tab?
19	MS. BENNETT: D.
20	THE HEARING EXAMINER: D? Okay. Are
21	you done with your roadmap?
22	MS. BENNETT: Well yes.
23	THE HEARING EXAMINER: Okay. What do
24	you believe this evidence will show the Division?
25	MS. BENNETT: The evidence from
	Page 23

1	Mr. Zink and Mr. McCoy will show the Division, with
2	respect to the limited question that Mr. Feldewert is
3	raising, that FME 3's development plan is not going to
4	lead to the dilution or diminution of correlative
5	rights that Mr. Feldewert is suggesting; that in fact,
6	this is a thoughtful approach to codeveloping four
7	sections that will actually benefit all of the owners.
8	THE HEARING EXAMINER: And I'll get to
9	Mr. Feldewert in a minute, but do you understand that
10	he is that MRC is proposing an alternative
11	development? Or is he just objecting to your
12	development?
13	MS. BENNETT: It's my understanding
14	that MRC is only objecting to our excuse me. To
15	Franklin Mountain Energy 3's development, and is not
16	proposing an alternative.
17	THE HEARING EXAMINER: But he was. He
18	was proposing an alternative.
19	MS. BENNETT: MRC was proposing an
20	alternative.
21	THE HEARING EXAMINER: And in your
22	understanding, why is he not?
23	MS. BENNETT: Because of the majority
24	working interest control factor. It would be futile,
25	basically. I'm sort of putting words in

1	Mr. Feldewert's mouth, but
2	THE HEARING EXAMINER: I am asking for
3	your understanding.
4	MS. BENNETT: That would be my
5	understanding. And that's based on his representation
6	earlier today, that MRC has seen the amount of the
7	working interest control that Franklin Mountain Energy
8	3 has amassed in these units, and that justified
9	dismissal. And he noted that under precedent, unless
10	there's compelling other arguments, which we would
11	argue would also weigh in favor of Franklin Mountain
12	Energy 3, working interest is controlling.
13	THE HEARING EXAMINER: So
14	Mr. Feldewert are you finished?
15	MS. BENNETT: I am; thank you.
16	THE HEARING EXAMINER: Okay.
17	So Mr. Feldewert, in your prehearing
18	statement, on page four no. In your prehearing
19	statement, on page six, you end with the following
20	sentence: "MRC contends that the applications filed
21	by Franklin Mountain under cases" the ones we're
22	here today "seeking to pool the Wolfcamp formation
23	for the proposed cross-state wells must likely be
24	dismissed."
25	Now, by my understanding of today's
	Page 25

1	cases, we also have the cases for the well named
2	Butter Cup. Why did you not include
3	MR. FELDEWERT: No, not Butter Cup.
4	Cross-state, but it'd be the Bone Spring.
5	THE HEARING EXAMINER: Well, I'm going
6	by the docket that was published.
7	MR. FELDEWERT: Oh. Yeah, I think the
8	docket had a mistake. Well, it's their cases; right?
9	I think they said Butter Cup instead of cross-state;
10	is that right? Or is it vice versa?
11	THE HEARING EXAMINER: So during this
12	entire hearing today, so please just address me, and
13	then I'll find out from Ms. Bennett what's going on.
14	But are you saying, then, that your statement here,
15	"The proposed cross-state wells must likely be
16	dismissed," applies to all eight of today's cases that
17	we're hearing?
18	MR. FELDEWERT: Yes, because what we
19	learned after that prehearing statement was filed,
20	based on what they filed, is that they also intend to
21	overlap the Bone Spring spacing units, in a fashion
22	either identical or similar to what they were doing
23	for the Wolfcamp cases. We didn't know that until
24	after they filed their materials.
25	THE HEARING EXAMINER: So then your

1	assertion is that all of the cases we're hearing today
2	should be dismissed by the division because of the
3	fundamental error that you're pointing out?
4	MR. FELDEWERT: Yes. Yes.
5	THE HEARING EXAMINER: Okay. All
6	right. Now, I asked Ms. Bennett to verbalize her
7	understanding of the issue that you're raising here
8	today, and I would like to hear it from you.
9	MR. FELDEWERT: Okay. All right. So
10	the MRC, and the other working interest owners they
11	seek to pool; okay? They have not agreed to any
12	proposed overlap. They didn't know anything about it,
13	had not been informed until these materials were filed
14	that they intend to overlap their Wolfcamp spacing
15	units and their cross-state spacing units with the
16	satellite spacing units; okay?
17	There's no information available in
18	their applications, in the public notice, or anything
19	else, to inform about the nature of this proposed
20	overlap, even after it was recently discovered. If
21	they were seeking to pool the cross-state spacing
22	units, and develop them with standard setbacks that
23	fully develop all the included tracks, we wouldn't be
24	here today.
25	But because and that's because they

1	own most of the interests, and there was no real
2	dispute over the development needs spacing unit,
3	target intervals, et cetera. But because they
4	apparently have previously undisclosed plans to
5	overlap these cross-state units going south with the
6	satellite units going north, and those satellite units
7	will be draining from the staying target zone as
8	cross-state units, that impacts correlative rights
9	negatively, for MRC and the working interest owners in
10	the other tracts that they seek to include: the south
11	half of section 36 and section 31.
12	And under the pooling statute, all
13	orders and I have it
14	THE HEARING EXAMINER: Can you make
15	that bigger, so I can see it?
16	MR. FELDEWERT: Yeah. Thank you. I
17	ought to be able to make it bigger.
18	THE HEARING EXAMINER: Are you wanting
19	me to read the yellow highlighted parts?
20	MR. FELDEWERT: Yes. Yeah.
21	THE HEARING EXAMINER: Okay. Can you
22	go to the top of this for a moment, so I can see the
23	top?
24	MR. FELDEWERT: Sure.
25	THE HEARING EXAMINER: Okay. Give me a
	Page 28

1	moment.
2	MR. FELDEWERT: Certainly. Want me to
3	scroll down?
4	THE HEARING EXAMINER: Not yet. It's
5	fine where it is.
6	And Ms. Bennett, I'll give you a chance
7	to argue, because this is sort of a legal argument
8	we're dealing with now, not an evidentiary argument.
9	Okay. Would you scroll down to the
10	highlighted areas now?
11	MR. FELDEWERT: And I figured out how
12	to blow it up, if you need me to. Want me to blow it
13	up?
14	THE HEARING EXAMINER: No, that's okay.
15	And Mr. Feldewert, you filed a motion regarding the
16	alleged defective notice in this case; right?
17	MR. FELDEWERT: Filed a motion to
18	continue the case so that we could uncover a little
19	bit more about this, yes. On the grounds that we
20	didn't know and I still don't know what they
21	intend to do here. I was going to show you why I
22	don't know.
23	THE HEARING EXAMINER: Okay. So you
24	highlighted this first section here. Why did you
25	highlight this first section?
I	

1	MR. FELDEWERT: So the first section is
2	the correlative rights; okay? Which basically says
3	that, whatever pooling orders you issue, you have to
4	ensure that they are upon such terms and conditions as
5	are just and reasonable, and will afford to the owner
6	or owners of each tract or interest in the unit the
7	opportunity to recover or receive without unnecessary
8	expense his just and fair share of the oil and gas.
9	That's the correlative rights issue. The second
10	highlighting
11	THE HEARING EXAMINER: But I'm asking
12	you, why did you highlight what point are you
13	making by highlighting this part of seven?
14	MR. FELDEWERT: The point I'm making is
15	that under this if this is what they're doing, if
16	they're doing a spacing unit where they're going to
17	have part of the cross-state wells in the north half
18	of the north half of 36, and part of the satellite
19	wells in the north half of the north half of 36,
20	draining the same reservoir, that 40-acre tract is not
21	going to contribute proportionately to the production
22	from the cross-state wells. It's going to contribute
23	less, because it's not going to be the cross-state
24	wells aren't going to develop that 40-acre tract.
25	Unlike all the other tracts, which are

1	going to be fully developed with perforated intervals,
2	apparently the cross-state wells going into the north
3	half of the north half are only going to perforate
4	maybe, according to this diagram, half of that 40-acre
5	tract. So it's not going to contribute
6	proportionately to the production from the well bores.
7	Yet, under the statute, the production
8	from that well bore is allocated proportionately on a
9	straight-acreage basis: one-eighth to each 40-acre
10	tract. Which means that the owners in those lower
11	tracts are getting their production's getting taken
12	away from them; okay?
13	They're not getting their just and
14	equitable share of the production, because one-eighth
15	of that production is going to a 40-acre tract that's
16	not proportionately contributing to the well bore.
17	That is the infringement on correlative rights. I
18	highlighted the second
19	THE HEARING EXAMINER: I haven't read
20	the second. Okay.
21	MR. FELDEWERT: That's the provision
22	that requires under pooling orders to be shared on a
23	straight-acreage basis. So if I got eight 40-acre
24	tracts, making a 320-acre spacing unit, one-eighth of
25	the production is allocated to each 40-acre tract.

1	That's why they all have to proportionately contribute
2	to the well bore.
3	THE HEARING EXAMINER: Okay. So for
4	the record, your issues here today, in your own words,
5	are what?
6	MR. FELDEWERT: Is that first off, it
7	is unclear to the owners, including MRC; okay? What
8	they intend to do here with their overlap. It's not
9	clear. Secondly, if they are proposing to pool into
10	the cross-state unit a 40-acre tract that will be
11	subject to drainage by the satellite wells, then that
12	40-acre tract is not going to contribute
13	proportionately to the production from the well bores.
14	THE HEARING EXAMINER: And who owns the
15	satellite wells?
16	MR. FELDEWERT: Good question. Don't
17	know. We're not in that spacing unit. It's someone
18	else, but it's not any of the owners in the or not
19	all of the owners, certainly, in the south half of
20	section 36, or in section one. It's the owners in
21	sections 24, 25, and the north half of the north half
22	of 36. That's their spacing unit for the satellite
23	wells.
24	THE HEARING EXAMINER: I have one and
25	two. Is there a three? Your points.

1	MR. FELDEWERT: Yeah. My point being,
2	again, I don't know what they're doing; okay? But if
3	they're not putting any perforations in that 40-acre
4	tract; okay? That they seek to include in its
5	cross-state unit, then it certainly cannot contribute
6	proportionately to the production from the well bores.
7	THE HEARING EXAMINER: Okay. Is there
8	a number four?
9	MR. FELDEWERT: That's it.
10	THE HEARING EXAMINER: Numbered one
11	through three?
12	MR. FELDEWERT: I think that's it,
13	yeah.
14	THE HEARING EXAMINER: Very good.
15	All right, Ms. Bennett. You have your
16	work cut out for you, but you do understand the three
17	issues that they are raising here. Are there any
18	preliminary matters we need to deal with before we
19	start?
20	MS. BENNETT: Would you like me to
21	respond briefly to
22	THE HEARING EXAMINER: No.
23	MS. BENNETT: Okay. And the
24	only well, I did think you were going to give me an
25	opportunity to respond to the statutory text argument.
	Da 22

1	THE HEARING EXAMINER: I'm not asked to
2	make a ruling based on that argument, so no, you don't
3	need to respond to it. That's just for my
4	informational purposes, to understand what the issues
5	that are in contention today. Because if they're not
6	in contention, we don't need to make this difficult.
7	MS. BENNETT: I would like to make one
8	clarifying point, though.
9	THE HEARING EXAMINER: Go ahead.
10	MS. BENNETT: About the statute, which
11	is that nowhere does it say that each tract has to
12	contribute proportionately. And also, where it does
13	say each owner is entitled to his or her fair
14	share and I'm paraphrasing here it's important,
15	I think, to recall that MRC does not have any
16	ownership interest in section 36 at all.
17	THE HEARING EXAMINER: Okay.
18	MS. BENNETT: And so MRC's fair share
19	will be pooled from section one, and there's no
20	dispute about that.
21	THE HEARING EXAMINER: Okay. And there
22	was the allegation that cases 24110, '11, '12, '15 are
23	mislabeled as Butter Cup?
24	MS. BENNETT: That is we submitted
25	those cases as cross-applications. The wells in those
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1	cases excuse me. There are existing Bone Spring
2	wells called Butter Cup, and I think that's where the
3	confusion came from.
4	Our applications are actually seeking
5	to dedicate a spacing unit to cross wells. I think
6	THE HEARING EXAMINER: Cross-state, or
7	cross wells?
8	MS. BENNETT: Cross-state, yeah.
9	Cross-state.
10	THE HEARING EXAMINER: So these should
11	all have been listed as cross-state, you're saying?
12	MS. BENNETT: That's correct.
13	THE HEARING EXAMINER: Okay. That's
14	important for me. Okay. And do you know who owns
15	these satellite wells?
16	MS. BENNETT: Yes.
17	THE HEARING EXAMINER: Oh. Who?
18	MS. BENNETT: Well, it's Franklin
19	Mountain Energy 3 and its partners. And Franklin
20	Mountain Energy 3 has done a similar amount of work in
21	the satellite units to acquire voluntary joinder. And
22	so it has worked diligently with the owners in the
23	satellite wells to get voluntary joinder in those
24	wells.
25	THE HEARING EXAMINER: So then you're
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1	saying that you have a working interest in the
2	satellite wells, or you are the owner of the satellite
3	wells?
4	MS. BENNETT: Well, they're the
5	operator of Franklin Mountain Energy 3 is the
6	operator of the satellite wells, which I assume makes
7	them the owner. But everyone contributes to the cost
8	of the well.
9	THE HEARING EXAMINER: Okay. Let's
10	begin with your case-in-chief, if there are no other
11	preliminary matters but it looks like there is.
12	MR. FELDEWERT: Sure. Mr. Examiner, my
13	whole purpose here was to try to make this hearing
14	short; okay? That's why I did what I did this week.
15	We don't have any objection to their evidence or their
16	witnesses; okay?
17	I've seen what they filed in their
18	case-in-chief. So my intent is to focus my
19	examination on the issue that I have raised, along
20	with what I would consider issues relevant to that.
21	THE HEARING EXAMINER: Perfect. Thank
22	you, sir.
23	So why don't we start with admitting
24	your exhibits into evidence? Go right ahead.
25	MS. BENNETT: Thank you. So

1	Mr. Examiner, Franklin Mountain Energy filed exhibits
2	on last Thursday, and our exhibit packet did end up a
3	little bit out of order, unfortunately, and I
4	apologize for that. And so what we would like to do
5	is admit the exhibits today, and then I can submit a
6	non-substantive revision, or packet, that corrects the
7	order.
8	THE HEARING EXAMINER: And has an
9	index?
10	MS. BENNETT: And has an index, yes.
11	THE HEARING EXAMINER: Okay. Go right
12	ahead.
13	MS. BENNETT: And so it's tab A, which
14	is the second tab
15	THE HEARING EXAMINER: I see it.
16	MS. BENNETT: compulsory pooling
17	checklists. Tab B is the
18	THE HEARING EXAMINER: Wait. Hold on.
19	Since we don't have an index, basically what is
20	contained in tab A?
21	MS. BENNETT: Tab A are the compulsory
22	pooling checklists for each case. So when we do a
23	pooling case, we have to submit a compulsory pooling
24	checklist.
25	THE HEARING EXAMINER: So there are
	Do ~ 2.7
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1	eight checklists in here, in A?
2	MS. BENNETT: There are.
3	THE HEARING EXAMINER: Okay, very good.
4	MS. BENNETT: Tab B is the affidavit
5	THE HEARING EXAMINER: Well, can we do
6	them one at a time?
7	MS. BENNETT: Certainly, yes. I
8	apologize.
9	THE HEARING EXAMINER: So are you
10	asking to admit what is in tab A, which are eight
11	compulsory pooling checklists?
12	MS. BENNETT: Yes, in all of the cases.
13	THE HEARING EXAMINER: Okay, good.
14	And Mr. Feldewert, is there an
15	objection to tab A?
16	MR. FELDEWERT: Checklists? I mean,
17	it's not really evidence.
18	THE HEARING EXAMINER: Oh, it's not?
19	MR. FELDEWERT: They're forms that the
20	Division requires. It's like the applications. So I
21	wouldn't be able to object to them anyway.
22	THE HEARING EXAMINER: Didn't know
23	that, but thank you for that explanation. So they're
24	admitted tab A is admitted into evidence.
25	//
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1	(Exhibit A was marked for
2	identification and received into
3	evidence.)
4	MS. BENNETT: Thank you. Tab B is the
5	affidavit of Lee Zink, the director of land. And
6	behind his affidavit are about I don't know, 30, 35
7	exhibits, which relate to the first set of his
8	exhibits are overview exhibits that relate to all
9	cases. And then the next set of his exhibits are
10	separate exhibits for each case.
11	So the Division has us, you know, as we
12	do compulsory pooling cases, we submit the
13	application, the lease tract map, parties to be
14	pooled, proposal letter and AFEs, summary of contacts.
15	So that's in the materials for each case.
16	I will note that we in the
17	intervening days between when we submitted our packet
18	and today, Franklin Mountain Energy 3 has actually
19	acquired more interests in this acreage. And so we
20	would need to file amended pooled party lists, because
21	we need to remove unleased mineral interests or
22	working interest owners, I can't remember which one it
23	is, from the pooled party lists, because they have
24	entered into an agreement since we filed our
25	materials.

1	So I guess when I said non-substantive,
2	there will be some minor substantive changes, because
3	of the changes to the pooled parties.
4	THE HEARING EXAMINER: Okay.
5	Mr. Feldewert?
6	MR. FELDEWERT: Oh, I have no objection
7	to what they filed.
8	THE HEARING EXAMINER: Okay, to what
9	they filed. But you are reserving objection to what
10	they may amend?
11	MR. FELDEWERT: I haven't seen it yet,
12	so I would have to, yes.
13	THE HEARING EXAMINER: Okay. I'm not
14	sure how we will do that. Let me think.
15	When would you be able to file the
16	amended exhibit?
17	MS. BENNETT: I think we can file them
18	by Monday at the latest, maybe even tomorrow. But I
19	like to give myself just a little time.
20	THE HEARING EXAMINER: Monday at the
21	latest? All right. So we would need to leave the
22	evidentiary record open?
23	MS. BENNETT: Yes. And we could
24	consult with Mr. Feldewert in advance of submitting
25	the exhibits, to make sure they're not objected to.

1	THE HEARING EXAMINER: Okay. Then I
2	will make the decision now to leave the evidentiary
3	record open until the close of business on Monday. If
4	there's no objection, I would like you to file an
5	amended packet with the amended information in tab B
6	that we are now admitting into evidence, with the
7	index and any other changes we discuss today. But so
8	far, there's no objection to tab B, so tab B is
9	admitted into evidence. Go ahead.
10	(Exhibit B was marked for
11	identification and received into
12	evidence.)
13	MS. BENNETT: Thank you. Tab C is the
14	affidavit of Ben Kessel, the geologist. And behind
15	his affidavit are the usual suite of geology exhibits:
16	locator map, regional stress orientation, and then a
17	geology study for the Bone Spring and for the
18	Wolfcamp.
19	THE HEARING EXAMINER: Okay.
20	Mr. Feldewert?
21	MR. FELDEWERT: No objection.
22	THE HEARING EXAMINER: They're admitted
23	into evidence. D?
24	//
25	//
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1	(Exhibit C was marked for
2	identification and received into
3	evidence.)
4	MS. BENNETT: D is the affidavit of
5	Cory McCoy.
6	THE HEARING EXAMINER: Who?
7	MS. BENNETT: Cory McCoy, M-C-C-O-Y.
8	THE HEARING EXAMINER: Okay.
9	MS. BENNETT: And Mr. McCoy has not
10	previously testified before the Division, but we've
11	included his resume as an exhibit. And his resume
12	shows over 10 or 15 years of experience in drilling,
13	reservoir engineering. He has worked in the Delaware
14	and Permian basins. He's
15	THE HEARING EXAMINER: Why don't you
16	let me review the CV, and we can see if there's an
17	objection to admitting him as an expert after I look
18	at it? So you're seeking to qualify him as an expert
19	in what?
20	MS. BENNETT: In petroleum and
21	production engineering.
22	THE HEARING EXAMINER: As a petroleum
23	engineer; right?
24	MS. BENNETT: Yes, and production
25	engineering.

1	THE HEARING EXAMINER: And production
2	engineering.
3	Okay. Mr. Feldewert, is there any
4	objection to admitting him as an expert?
5	MR. FELDEWERT: In petroleum and
6	production engineering?
7	THE HEARING EXAMINER: Specifically.
8	MR. FELDEWERT: No.
9	THE HEARING EXAMINER: Okay. Mr. McCoy
10	is recognized as such.
11	So, you were talking about tab D?
12	MS. BENNETT: Mm-hmm. Tab D is his
13	affidavit, and then behind his affidavit is his resume
14	comparison between based on MRC's offsetting
15	acreage, the exhibits showing the FME development
16	plan, and a comparison of the AFEs the costs under
17	the AFEs.
18	THE HEARING EXAMINER: Okay. Is there
19	any objection to admitting the evidence in tab D?
20	MR. FELDEWERT: No.
21	THE HEARING EXAMINER: Okay. Tab D is
22	admitted into evidence.
23	(Exhibit D was marked for
24	identification and received into
25	evidence.)
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1	Let's proceed to E.
2	MS. BENNETT: Tab E is the
3	self-affirmed declaration of myself, several of them,
4	where I affirm that I we provided notice to the
5	working interest owners and overriding royalty
6	interest owners that we're seeking to pool, and we
7	also provide a notice of the overlap. And so that's
8	in the there's, I think, 150 pages of notice.
9	THE HEARING EXAMINER: Okay.
10	Mr. Feldewert?
11	MR. FELDEWERT: Do I object to the
12	entry of the exhibits? No. Characterization, yes.
13	My point being, I don't think you provided anybody
14	notice of the overlap.
15	THE HEARING EXAMINER: I know that.
16	But do you object to the admission into evidence of
17	tab E?
18	MR. FELDEWERT: No, sir.
19	THE HEARING EXAMINER: Okay. Tab E is
20	admitted into evidence.
21	(Exhibit E was marked for
22	identification and received into
23	evidence.)
24	Are there any other exhibits that we
25	need to deal with? Okay. Let's begin with your
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	i age 11

1	case-in-chief.
2	MS. BENNETT: Thank you very much. At
3	this time, I'd like to call my first witness, Mr. Lee
4	Zink. Mr. Zink is here in person.
5	THE HEARING EXAMINER: And Mr. Zink,
6	I'll ask the court reporter to swear you in. And then
7	you want to turn on your microphone; it's the button
8	on the right, and if it's green, it means it's good.
9	THE REPORTER: Please raise your right
10	hand.
11	WHEREUPON,
12	LEE ZINK,
13	called as a witness and having been first duly sworn
14	to tell the truth, the whole truth, and nothing but
15	the truth, was examined and testified as follows:
16	DIRECT EXAMINATION
17	BY MS. BENNETT:
18	Q Good morning, Mr. Zink.
19	A Morning.
20	Q Thanks for being here. Would you please
21	state your name for the record?
22	A Lee Zink.
23	Q And for whom do you work?
24	A I work for Franklin Mountain Energy.
25	Q And in what capacity?
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1	A I'm the director of land.
2	Q And how long have you worked for Franklin
3	Mountain Energy 3?
4	A Two years. Just over two years.
5	Q Thank you. And you previously testified
6	before the Division, and your credentials have been
7	accepted as a matter of record?
8	A Yes.
9	Q You're familiar with the status of the lands
10	that are the subject of these cases; right?
11	A Yes.
12	Q And are you familiar with the applications
13	that FME 3 filed in these cases?
14	A Yes.
15	Q You submitted an affidavit for your direct
16	testimony; right?
17	A Correct.
18	Q And you prepared exhibits as well?
19	A Correct.
20	Q Do you have any changes to your exhibits
21	other than what we've discussed today, which are the
22	pooled party lists, the C-102s, and the organizational
23	issues?
24	A Nope. Those are the three issues.
25	Q At this time, I would ask that you adopt
	Page 46

1 your testimony and exhibits. 2. Α Yes. As you've heard today, the only issue that 0 is contested in these cases is whether Franklin 4 Mountain Energy 3's overlap or co-development of these 5 6 four sections will negatively impact the owners, MRC Permian. Could you briefly state for the examiners 8 why Franklin Mountain Energy 3's co-development will 9 not negatively impact the other interest owners in the cross-units? 10 11 So we've kind of thoughtfully and Α 12 efficiently kind of developed these units, these four 13 sections being, you know, stand-up sections above each other, using the acreage that we own, the offset 14 15 acreage that we have in the area. And since 16 acquisition -- initial acquisition back in 2022 to 17 now, we have thought about a kind of holistic approach to development of this area, and with having these 18 19 two -- these stacked units right next to each other. 20 And to effectively develop the resource, 2.1 creating an overlapping unit, to reduce the setbacks 22 of those wells, to efficiently drain the resource 23 across those 40-acre laterals that each well bore contributes to. 2.4 25 And we have this exhibit, which is Exhibit 0 Page 47

1	B-6. Does this show what you were talking about, the
2	holistic approach that Franklin Mountain Energy 3 is
3	taking?
4	A That's correct.
5	Q And so is it your understanding that what
6	we're talking about here today are the cross-units?
7	A The cross-unit, yes. Correct.
8	Q And the satellite wells that are being
9	proposed, or that will codevelop with the cross, are
10	immediately to the north?
11	A Immediately to the north. Correct.
12	Q Does this slide depict where the cross, or
13	the satellite surface facilities will be?
14	A That's correct. The the satellite and
15	cross-surface facilities will be consolidated on
16	the in the north half, north half of section 36.
17	Q And so it's Franklin Mountain Energy 3's
18	proposal, basically, to develop the satellite and the
19	cross, codevelop those from a single set of surface
20	facilities?
21	A Correct.
22	Q I want to talk about this slide just a
23	moment. This is part of Exhibit B-8, and this is a
24	slide that you prepared to discuss the methodology by
25	which Franklin Mountain Energy 3 intends to target the

1 cross and the satellite reservoirs; is that right? 2 Δ That's correct. Can you just walk through this slide, just 0 quickly for us, to help address some of the questions 4 5 or issues that have been raised today? 6 Yeah. So when we took kind of a holistic 7 approach to kind of maximize recovery and economically 8 develop this area, a standard kind of 1280 unit, 9 as -- as the cross and satellite were originally in -- in four sections. You know, we noticed that 10 11 when you -- on the heel side, which is where the 12 vertical turns to a horizontal in the laterals, that 13 your first take point of -- of when you turn horizontal is significantly inside of that section. 14 15 So by the example here of the standard 16 spacing unit heel to heel, it's showing the -- the 17 unrecovered reserves by drilling the heel. So if we look at -- if we look at reserves left behind, the 18 19 heel is not contributing equally as any part of the 20 other part of the lateral, across the -- those full 40-acre units -- blocks that are in there. 2.1 22 So by doing -- by creating -- and then these -- the map, I guess, on the right side, is -- by 23 24 creating these overlapping units, the wells to the north can capture the reserves that the wells to the 25 Page 49

south cannot, and vice versa. The wells to the south
are capturing those reserves that the the wells
to to the north cannot.
So by creating this overlapping unit,
we we are increasing the the recovery of the
resource in the formations.
Q Thank you. And so this here where you're
showing a standard spacing unit heel to heel, this
would occur in any spacing unit? This isn't something
that only happens to Franklin Mountain Energy 3; is
that right?
A Yeah. Every every company drilling
a a well would have the same problem.
Q So if this were the center line
between if this was the cross, or the satellite
unit to the north and by "this," I'm pointing to
the right-hand side of this drawing. And if this were
the cross-unit to the south, then what you're saying
is, if these weren't codeveloped, there would be
reserves left behind?
A That's correct.
Q And the diagram to the right, though, shows
your proposal for the cross and the satellite wells;
is that right?
A That's correct.

1	Q And so is FME's position that it's
2	effectively reducing the amount of reserves that are
3	left behind?
4	A That's correct. Yes. We are able to
5	capture more reservoir, and recover more resource, by
6	creating this overlapping unit.
7	Q And does that also impact costs of the
8	cost associated with developing these wells?
9	A No, it would not.
10	Q Won't it reduce the overall cost, though?
11	Because you'll have a single set of
12	MR. FELDEWERT: Objection. Leading.
13	THE HEARING EXAMINER: Sustained. Find
14	another way to ask the question.
15	MR. FELDEWERT: I think he already
16	answered it.
17	BY MS. BENNETT:
18	Q In the bullets in your slide, it says, "No
19	additional capex required to access the additional
20	reserves." Can you expand on that a bit?
21	A Yeah. By creating this our consolidated
22	well well pads and corridors, we can effectively
23	use those existing pads to drill both units from the
24	same surface disturbance.
25	Q And so does that reduce the costs of the
	Page 51

1	development?
2	A Yeah. Each each unit would share in the
3	costs of those of the surface building the
4	surface, and any surface facility costs.
5	THE HEARING EXAMINER: Ms. Bennett,
6	before you read this slide here, which direction is
7	north?
8	MS. BENNETT: Unfortunately
9	THE HEARING EXAMINER: To the right is
10	north?
11	MS. BENNETT: Yes. Let's do you see
12	where my hand is on that?
13	THE HEARING EXAMINER: I do.
14	MS. BENNETT: That would if we could
15	have oriented it this way, that would have been north.
16	THE HEARING EXAMINER: Sure. I think
17	it would be helpful to put a direction, and say north
18	with an arrow, or something. Because normally, north
19	is up. Okay, thank you.
20	MS. BENNETT: Yes. And this was
21	intended to be more of a demonstrative than a diagram
22	of the cross and satellite wells, but we could
23	certainly reorient it
24	THE HEARING EXAMINER: No, no. I
25	understand how it is now. I wanted to make sure I was

1	correct in my understanding. Thank you.
2	MS. BENNETT: Yes. Definitely.
3	BY MS. BENNETT:
4	Q Let's see. So this slide B-7 talks a bit
5	more, or discusses a bit more, about the benefits of
6	the overlapping, or the codeveloping, of these units
7	together; is that right?
8	A That's correct. Yep. The efficiencies that
9	we can create by creating overlapping units and a
10	consolidated surface.
11	Q One thing I meant to ask you about is, who
12	owns the surface here in the north half of the north
13	half of section 36?
14	A I believe that is the State of New Mexico,
15	the state land office.
16	Q And so will your proposal of codeveloping
17	the satellite and the cross units lead to less surface
18	disturbance on state lands?
19	A That's correct.
20	THE HEARING EXAMINER: Is north up in
21	this?
22	MS. BENNETT: Yes.
23	THE HEARING EXAMINER: If it's not,
24	will you tell me, when you show a slide? Thank you.
25	MS. BENNETT: I will, for sure. Thank
	Page 53

1	you.
2	BY MS. BENNETT:
3	Q Just kind of skipping around here, because I
4	had additional questions I was going to ask, but let's
5	see if I appreciate your patience with me while I
6	reorient myself here a bit. Mr. Zink, when did you
7	propose the cross wells to Matador, and the other
8	working interest owners in this area?
9	A We sent out well proposals back in July,
10	2023.
11	Q And does your proposal letter could you
12	read the last line of your proposal letter?
13	A "Should you have any questions, please do
14	not hesitate to contact the undersigned at
15	720" phone number.
16	Q And did anyone from Matador call you about
17	the cross spacing units?
18	A No, they did not.
19	Q Have you been having ongoing discussions
20	with Matador about potential trades?
21	A We have, yes.
22	Q And have those trade discussions been
23	fruitful?
24	A We have traded emails and chatted about it,
25	but nothing material has come to fruition here.

1	Q In those trade discussions, has Matador ever
2	raised the question about the first take points or
3	last take points of the cross wells?
4	A No, they have not.
5	Q Is there anything else again, just
6	limiting my questions only to the question that's been
7	raised by MRC. Is there anything else that you would
8	like the Division to know about Franklin Mountain
9	Energy 3's development plans in this area?
10	A No, I think we've I think I've covered
11	it. Just we looked at kind of a whole approach,
12	holistic approach, how to maximize the development and
13	recovery of of this area. And we believe that
14	creating these overlapping units will do that, will
15	increase the recoverable reserves, and by and also
16	limit our surface disturbance in the area.
17	MS. BENNETT: Thank you.
18	THE HEARING EXAMINER: So before we
19	turn to our technical examiner, John Garcia, who's
20	appearing virtually, we'll go to Mr. Feldewert for any
21	cross-examination?
22	MR. FELDEWERT: Yes, sir.
23	THE HEARING EXAMINER: Please.
24	//
25	//
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	1 4 5 5 5 5

1	CROSS-EXAMINATION
2	BY MR. FELDEWERT:
3	Q Mr. Zink, I have your affidavit or
4	statement I shouldn't say is it an
5	affidavit or an affidavit. I have that up. I want
6	you to I'm going to go to paragraph 45. If you
7	want to do you have the exhibit book in front of
8	you? You can
9	A I do, yes.
10	Q What's that?
11	A I do.
12	Q Okay. Let me ask you something. Do you
13	have any other notes in front of you, or do you just
14	have the exhibit book?
15	A I have the exhibit book and some pen notes,
16	yeah.
17	Q Pen notes that I saw you referring to during
18	the testimony?
19	A Sure.
20	Q Okay. Could I see those?
21	A Sure.
22	MR. FELDEWERT: Okay. May I take a
23	look at those at the break? It may prompt some more
24	questions.
25	THE HEARING EXAMINER: Why don't we
	Page 56

1	take a five-minute break now, so you can look at the
2	notes? And we'll get back on the record. It is
3	now let's say that it is 10 a.m., even though it is
4	not oh, thank you, John. We're going to go off the
5	record for seven minutes, and we will come back at
6	10:05 a.m. Thank you.
7	MS. BENNETT: Mr. Examiner, before we
8	go off the record, I'd like to object to
9	Mr. Feldewert's request to review Mr. Zink's notes.
10	THE HEARING EXAMINER: What is the
11	objection?
12	MS. BENNETT: Basically, that those
13	notes may have been made during the course of our
14	conversations, and so they could have confidential
15	information in them.
16	THE HEARING EXAMINER: Why don't you
17	review them first, make sure there's no
18	attorney-client privilege in there. And then do we
19	need more time, then? Do you want to take ten minutes
20	so that you have time to review them, and then we can
21	have Mr. Feldewert review whatever you deem is
22	acceptable?
23	MS. BENNETT: Yes.
24	THE HEARING EXAMINER: If there's an
25	argument about that, we'll come back and deal with it.

1	Is that fair?
2	MR. FELDEWERT: That's fair. Yeah. I
3	mean, I reserve my right to
4	THE HEARING EXAMINER: Of course,
5	obviously.
6	MR. FELDEWERT: consider it, but
7	yes.
8	THE HEARING EXAMINER: We'll be back on
9	the record at 10:10 a.m. Thank you.
10	(Off the record.)
11	THE HEARING EXAMINER: It is 10:13 a.m.
12	on February 8. We are back on the record.
13	Mr. Feldewert had asked the witness to some notes.
14	There was an objection. How did that pan out?
15	MS. BENNETT: Thank you, Mr. Hearing
16	Examiner. We reviewed the notes and we provided
17	Mr. Feldewert with a smaller portion of the notes that
18	we felt was a good-faith and eliminated anything that
19	Mr. Zink had not testified about, as well as anything
20	that was irrelevant or subject to attorney-client
21	confidentiality.
22	THE HEARING EXAMINER: Mr. Feldewert?
23	MR. FELDEWERT: So if I may
24	MS. BENNETT: I can hold it.
25	MR. FELDEWERT: You hold it.
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1	So I did not see Mr. Zink turn the page
2	over, so that's fine. I don't care what's on the
3	back. He did have the entirety of the front in front
4	of him, and I did see him look down, as you did, to
5	his notes during his testimony.
6	They folded up the bottom portion of
7	the notes. I don't know what's in there. They claim
8	that's attorney-client privilege. I don't have
9	anything to go on. My suggestion is, maybe you can
10	take a quick look at it, and see if there's any if
11	you agree. But that's where we're at.
12	THE HEARING EXAMINER: But from what
13	you did see, are you ready to continue
14	cross-examination?
15	MR. FELDEWERT: Yes. Yes.
16	THE HEARING EXAMINER: Ms. Bennett,
17	would you show me the bottom part of the note?
18	MS. BENNETT: Yes, Mr. Hearing
19	Examiner.
20	THE HEARING EXAMINER: Thank you.
21	MS. BENNETT: And also, it's based on
22	attorney-client privilege, but also the fact that he
23	did not testify to this material at all. It's outside
24	the scope of his direct.
25	THE HEARING EXAMINER: Okay. Whose
	Page 59

1	writing is it?
2	MS. BENNETT: That's Mr. Zink's, taken
3	during a meeting.
4	THE HEARING EXAMINER: Okay. Thank
5	you.
6	MS. BENNETT: Thank you.
7	THE HEARING EXAMINER: Okay. So
8	Mr. Feldewert, we did an in-camera review of the part
9	of the note that you were not provided, and I agree it
10	is attorney-client privileged, so please proceed with
11	your examination.
12	MR. FELDEWERT: Thank you.
13	THE HEARING EXAMINER: Thank you.
14	BY MR. FELDEWERT:
15	Q Mr. Zink, I have your statement affidavit
16	in front of you. I'm at paragraph 45; okay?
17	A Okay.
18	Q It says that Franklin Mountain Energy
19	negotiated with the uncommitted interest owners in
20	good faith?
21	A Correct.
22	Q What does that mean to you? What does the
23	company have to do if they're negotiating in good
24	faith with each of the uncommitted owners?
25	A It's reaching out, answering questions that
	Page 60

1	they may have, seeing if there's any way to come
2	forward in resolution, but probably providing
3	information at their request.
4	Q Anything else?
5	A No.
6	Q Okay. So you would agree with me that you
7	have to do more than just send your well proposal
8	there?
9	A Agreed.
LO	Q And as you put you said you have to reach
L1	out?
L2	A Yeah.
L3	Q Okay. And that would be
L4	MS. BENNETT: I have to object to this
L5	line of questioning, because it's beyond the scope of
L6	the limited issue that Mr. Feldewert has identified.
L7	THE HEARING EXAMINER: I'm going to
L8	overrule that objection. And Ms. Bennett, please make
L9	your objections a little quicker in the future.
20	Mr. Feldewert is pointing out an exhibit here that is
21	admitted into evidence. He is the author of this
22	affidavit. It specifically says that he negotiated in
23	good faith, and Mr. Feldewert is basically exploring
24	that statement. So I don't am I missing why this
25	is outside the scope?

1	MS. BENNETT: Mr. Feldewert's sole
2	objection is whether the overlap is going to impact
3	correlative rights, which is not related to
4	negotiations.
5	THE HEARING EXAMINER: I'm going to
6	give him I realize that those are the three issues
7	that he stated, but I'm going to give him some
8	latitude here, because I feel like I'm going to
9	give him some latitude here. So I've overruled the
10	objection. Please proceed.
11	BY MR. FELDEWERT:
12	Q So just to finish that up, you made
13	reference to the last sentence in the well proposal,
14	that if anybody has questions, to give I guess it
15	was Don Johnson. Is that who wrote the letter?
16	A That was the landman, yes.
17	Q Give him a call. Okay. But you agree with
18	me that you just don't stop there; you got to reach
19	out to each of the owners that you seek to pool?
20	A Yeah. We reach out; we see if there's
21	voluntary pooling. Obviously, the first first
22	stage is to try to get voluntary pooling, versus
23	seeking compulsory pooling.
24	Q Okay. Good. I want you to take a look at
25	Exhibit B-18-C. Let me know when you have

1	that maybe in the book in front of you. I'm going
2	to try to bring it up on the screen. There we go.
3	THE HEARING EXAMINER: Can you turn it?
4	MR. FELDEWERT: I am yes. Yes. Is
5	that better?
6	THE HEARING EXAMINER: Yeah.
7	MR. FELDEWERT: Let me know when you
8	get there, Mr. Zink.
9	THE HEARING EXAMINER: Mr. Feldewert, I
10	don't see this mark as B-18-C. Where do you see
11	B-18-C?
12	MR. FELDEWERT: I think it's on the
13	prior slide. There's B-18-B.
14	THE HEARING EXAMINER: Okay.
15	MR. FELDEWERT: There's B-18-C-1. I
16	think it's supposed to be B-18-C. Let me put it this
17	way. I'm on page 60 of the 385-page PDF.
18	BY MR. FELDEWERT:
19	Q Are you there, Mr. Zink?
20	A Yes, I am now.
21	Q Okay. Do you have a pen with you?
22	A Yeah, I do.
23	Q Okay. If I look at that exhibit now,
24	does this accurately represent the parties that you
25	seek to pool, down there under the line "uncommitted
	Page 63

1	working interests"?
2	A Yes, with the addition of the unleased
3	mineral owners, that there's 34 of them.
4	Q Thirty-four of them. So there hasn't been
5	any change in parties that you seek to pool?
6	A That's not correct. We have received
7	voluntary pooling from from at least one of those
8	parties.
9	Q Do you know who?
10	A Yeah, I do.
11	Q Which one?
12	A VPD New Mexico has executed a JOA.
13	Q That's listed on here, second from the
14	bottom?
15	A Correct.
16	Q Okay. Anyone else?
17	A No.
18	Q So these are then aside from VPD New
19	Mexico, these represent all the parties that you seek
20	to pool here today?
21	A Correct.
22	Q Okay. Would you do me a favor; okay?
23	MS. BENNETT: Objection, Mr. Hearing
24	Examiner. This is not the pooled party slide. This
25	is a unit recap slide, which does not identify all of
	Page 64

1	the parties that Franklin Mountain Energy 3 is seeking
2	to pool today, number. And
3	THE HEARING EXAMINER: So what is the
4	objection based on?
5	MS. BENNETT: That he's
6	mischaracterizing the exhibit.
7	THE HEARING EXAMINER: Okay.
8	MS. BENNETT: Excuse me for standing
9	up. And my second objection is that this is not at
10	all related to the correlative rights issue that he
11	raised. The parties that Franklin Mountain Energy is
12	seeking to pool is not related to the correlative
13	rights issue.
14	THE HEARING EXAMINER: All right.
15	Let's take this in two parts. Mr. Feldewert, the
16	first part?
17	MR. FELDEWERT: I asked him I said,
18	"Are these the parties that you still seek to pool?"
19	And he said, "Yes."
20	THE HEARING EXAMINER: Okay. And the
21	second part?
22	MR. FELDEWERT: The second part is, it
23	goes to the information that's been disclosed with
24	respect to the correlative rights issue.
25	THE HEARING EXAMINER: Ms. Bennett?
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1	MS. BENNETT: Mr. Hearing Examiner,
2	this is a unit recap of the working interests and
3	uncommitted interests that Franklin Mountain Energy is
4	seeking to pool, so Mr. Zink was correct in saying
5	that this is the list of the parties of the
6	uncommitted and working interest owners that Franklin
7	Mountain Energy 3 is seeking to pool. But there are
8	overriding royalty interest owners as well, and
9	that those are listed in the compulsory
10	pooling or excuse me, the parties to be pooled
11	lists.
12	THE HEARING EXAMINER: Is there an
13	exhibit number for that?
14	MS. BENNETT: Yes, there is. It is
15	MR. FELDEWERT: I can keep this short.
16	I'm not interested in the overrides.
17	THE HEARING EXAMINER: Okay. So
18	Ms. Bennett, I'm going to overrule your objections.
19	But thank you for pointing out that this exhibit may
20	or may not speak to what Mr. Feldewert is
21	cross-examining.
22	BY MR. FELDEWERT:
23	Q Mr. Zink, with your pen, would you put a dot
24	on Exhibit B-18-C, next to Devon Energy? Okay. And
25	then go down, and put a dot next to Charles D. Ray.

1	And put a dot next to Stillwater Investments. Put a
2	dot next to Tarpon Industry Corporation, and put a dot
3	next to Jon Brickey. All right?
4	A I don't see Devon Energy on this slide.
5	Q B-18?
6	A You're saying page 60, and what you have
7	pulled up here.
8	Q Okay, hold on a second. Maybe I got the
9	wrong one. This'll be for the west-half-east-half
10	unit. Would you go to maybe PDF 72? This is what was
11	filed?
12	A Correct.
13	Q Okay. Are you there?
14	A I am there.
15	Q That one has Devon; right?
16	A Correct.
17	Q Okay. You okay with the dots?
18	A Yeah.
19	Q Okay. You got to keep it in front of you,
20	and just know that Devon's included.
21	A All right.
22	Q Would you then turn for me to
23	Exhibit what you marked as B-16?
24	THE HEARING EXAMINER: Can we have a
25	page number, Mr. Feldewert?
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1	MR. FELDEWERT: Yeah. Trying to get
2	there, sorry.
3	BY MR. FELDEWERT:
4	Q This would be your summary of
5	communications, Mr. Zink?
6	A Correct.
7	Q Did you put this together?
8	A Under my direction, yes.
9	Q Somebody else put it together, but it was
10	under your direction?
11	A Yes.
12	Q Okay. And does it accurately represent the
13	communications that the companies had with the
14	parties?
15	A With specific parties, yes. We did
16	not we did not add anyone that we did not have any
17	contact with, or or phone calls with. Didn't mean
18	we didn't reach out; just means we didn't have active
19	negotiations with.
20	Q So as I look at this exhibit, there's no
21	entry for Devon to indicate that there was some kind
22	of communication or effort to communicate with them?
23	A Devon is not listed on the slide. Correct.
24	Q Neither is Charles D. Ray?
25	A Correct.

Q Neither is Stillwater Investments?
A Correct.
Q And neither is Tarpon Industries?
A Correct. They are not on the slide.
Q And neither is Jon Brickey?
A That's correct.
Q Okay.
A But since these slides were prepared, we
have had talks with Devon, and with Charles D. Ray.
And that interest, I think, has actually has been
assigned to a new entity. And we we spoke with
them, I think yesterday or two days ago.
Q What about the unleased mineral interest
owners that you list there as with 34? I don't see
any kind of entry with any of them indicating on
Exhibit B-16 A, that you reached out; B, who you
reached out to, and what was discussed. Nothing.
A Correct. They are not on on this slide.
Q Okay. Now, in your affidavit at paragraph
25 are you there?
A Yes.
Q Okay. If I go to the next page, you
reference the fact that you have orders for the
satellite Wolfcamp units, which overlap the
cross-state units?

1	A Correct.
2	Q That would be in the Wolfcamp, as you know?
3	A Yes.
4	Q Okay. And am I correct that Franklin
5	Mountain plans to likewise overlap the Bone Spring
6	cross-state units with the satellite Bone Spring
7	units?
8	A That's correct.
9	Q Okay. You mentioned in your testimony, and
10	you reference on Exhibit B-7, as you say, the benefits
11	of your suggested overlap. Let me get to B-7. You
12	there, Mr. Zink?
13	A I am, yes.
14	Q Okay. And you know that this overlap, you
15	state, will allow you to consolidate to a single tank
16	battery?
17	A Correct.
18	Q Okay. Isn't it true that you can't
19	consolidate to a single tank battery without proposing
20	overlapping spacing units?
21	A That is a possibility. Correct.
22	Q And how would that be done?
23	A Can you please re-ask your question?
24	Q How would you be able to consolidate into a
25	single tank battery without creating overlapping
	Page 70

1	spacing units? How would you do it?
2	A Surface commingling.
3	Q There you go. Surface commingling. Okay.
4	So you could create standard spacing units that don't
5	overlap, and then get approval to commingle between
6	the two standard spacing units, and that would allow
7	you to consolidate tank batteries?
8	A That's correct.
9	Q So, circle that up. You don't have to have
10	overlapping spacing units to accomplish what you seek
11	to do here in Exhibit B-7?
12	A That's correct.
13	Q Okay.
14	A However, that doesn't as we look at a
15	larger development plan in recovering the maximum
16	amount of resource, creating the overlapping spacing
17	units allows us to do that.
18	Q Now, the overlap that you are proposing is
19	going to be similar to what is shown here, what was
20	marked as Exhibit C-1; is that what you're suggesting?
21	A Yes.
22	Q So this would represent the proposed overlap
23	to both the Wolfcamp and the cross-state I'm sorry.
24	Both the Wolfcamp and Bone Spring cross-state units
25	and satellite units?

A Correct.
Q Okay. Which should mean that all of the
40-acre tracts along the north half of the north half
of section 36 would be dedicated to two different
spacing units?
A That's correct.
Q And each of those the wells dedicated to
those two spacing units will produce from basically
the same interval?
A Correct.
Q Okay. And thereby both be producing from
the both the satellite wells and the Bone
Spring and the cross-state wells will be producing
from the north half of the north half of section 36?
A That's correct.
Q All right. And are you aware, Mr. Zink,
that production from oil wells on a proposed spacing
unit is shared on a straight-acreage basis?
A That is correct. But it's also
THE HEARING EXAMINER: Excuse me,
witness. Where is this exhibit? I cannot find this
in the package.
MR. FELDEWERT: It would be our
exhibit, C-1.
THE HEARING EXAMINER: Maybe
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1	we well, you're just using it for demonstrative.
2	MR. FELDEWERT: Yeah, I am. And it's
3	also I can also say this is from the Division's
4	public record.
5	THE HEARING EXAMINER: I understand.
6	Is there any objection to using this as a
7	demonstrative exhibit?
8	MS. BENNETT: No, Your Honor or no,
9	Mr. Hearing Examiner.
10	THE HEARING EXAMINER: All right. But
11	we don't but I want the record to be clear. So can
12	you tell me, and put on the record, exactly where you
13	have found this, and what you've labeled it in
14	your you're going to submit this as evidence?
15	MR. FELDEWERT: We have submitted it as
16	part of our Exhibit C package, yes.
17	THE HEARING EXAMINER: Okay, great. So
18	C package do we have an exhibit number on this?
19	MR. FELDEWERT: Should be C-1, as I
20	recall.
21	THE HEARING EXAMINER: So right now,
22	you're looking at C-1, and
23	MR. FELDEWERT: And I can also say that
24	this was an exhibit in
25	THE HEARING EXAMINER: That's okay. I
	Page 73
	rage 73

1	know, another case.
2	MR. FELDEWERT: Yes.
3	THE HEARING EXAMINER: But I just want
4	to know because you're going to seek to admit this
5	later? Is that your plan?
6	MR. FELDEWERT: Yes.
7	THE HEARING EXAMINER: Okay. So this
8	is C-1. Thank you.
9	BY MR. FELDEWERT:
10	Q So while we're on this, Mr. Zink, this is a
11	diagram that your company put together?
12	A Yes, we did.
13	Q Okay. And does this, in your opinion,
14	accurately represent what the company intends to do,
15	both with respect to the satellite spacing units and
16	the cross-state spacing units?
17	A Yes.
18	Q Okay. And does it accurately represent the
19	fact that the cross-state well will be roughly
20	completed halfway into those north-half, north-half
21	tracts?
22	A That's correct. And I think the
23	understanding is that every single well, horizontal
24	well, leaves hundreds of acres behind, both in the
25	heel and in the toe, because

1	Q We'll talk about that. My question is, I
2	just want to make sure I'm accurate I'm
3	understanding here. And which means then that the
4	satellite wells devoted to the satellite spacing units
5	are going to have completed intervals roughly halfway
6	into the north half of the north half of section 36?
7	A That's correct.
8	Q Both targeting the same reservoir?
9	A Yes.
10	Q Okay. Now, when you talk about setbacks;
11	okay? Looking at this exhibit. Let's use this one.
12	What setbacks are you talking about that are being
13	produced, that would otherwise not be produced if you
14	complied with the Division's standard statewide
15	setbacks?
16	A The standard setbacks are 100 feet
17	from from the lease line. However, when you
18	account for the drilling the curve of a horizontal
19	well, you're effectively 5 to 600 feet into
20	the into the quarter-quarter of the 40-acre
21	spacing, which is exactly almost half of that that
22	40 acres.
23	So what this is showing is that the well
24	that is so the cross well's going south. Their
25	first take point is exactly half after you build

1	the curve is, you know, midway through that quarter
2	line.
3	And by creating this overlap, you're
4	allowing the satellite, which would be drilled with
5	the standard curve. And coming back, and they would
6	effectively capture the reserves that that the
7	cross wells could not, because of that that curve
8	that has to be built.
9	Q Now, that would I just want to talk
10	about you talked about the standard setbacks. I'm
11	not talking about the development plan that you guys
12	had decided; okay? I'm talking about the setbacks
13	that you referenced. You're talking about the
14	100-foot setbacks that are required by the Division's
15	statewide rules that are required for the location of
16	the first take point and the last take point?
17	A Correct.
18	Q Okay. When I look at this map, am I correct
19	that, if we look at that line between section 25 and
20	36, the first hundred-foot setback would be just south
21	of that section line?
22	A It would be, if it's 100 feet off the line.
23	Yes.
24	Q Hundred feet off the line. And the other
25	setback that would occur if you were developing
	Page 76

1	section 25 and 26 using standard setbacks would be on
2	the other side of that section line, in the south half
3	of the south half of 25?
4	A Correct.
5	Q Okay. Which then means that, if we took the
6	cross-state wells and we took those green lines and
7	went a little more north to that 100-foot setback,
8	that's where the first take point would be, under the
9	normal rules?
10	A That is yes.
11	Q Okay. And then across state wells would be
12	perforated from that 100-foot setback from the section
13	line, all the way down through section one, to the
14	100-foot setback at the bottom of the last take point?
15	A Yes.
16	Q Okay.
17	MS. BENNETT: Objection, Your
18	Honor I'm sorry. Objection, Mr. Hearing Examiner.
19	That mischaracterizes Mr. Zink's testimony.
20	Mr. Zink's testimony was not that there's a
21	perforation at 100 feet; his testimony was that that
22	is the setback, but not that that's where the
23	perforation occurs.
24	THE HEARING EXAMINER: Mr. Feldewert?
25	MR. FELDEWERT: I said under the

1	normal if you align with the normal setback rules,
2	that's where they would be.
3	THE HEARING EXAMINER: Isn't that it?
4	MS. BENNETT: Mr. Examiner, Mr. Zink's
5	testimony was that, even with the normal setbacks of
6	100 feet, that does not mean that your first "perf" is
7	at 100 feet, because of the design build of the curve.
8	That's what his testimony was, not that the standard
9	setbacks automatically allow a 100-foot perf.
10	THE HEARING EXAMINER: I'm going to
11	sustain the objection. Would you rephrase the do
12	we need to strike something from the record, then?
13	Was there an answer given?
14	MS. BENNETT: No, Your Honor no,
15	sir.
16	THE HEARING EXAMINER: Okay. So
17	you with just the question before the answer?
18	MS. BENNETT: Yes.
19	THE HEARING EXAMINER: Mr. Feldewert,
20	would you rephrase the question?
21	MR. FELDEWERT: Sure.
22	BY MR. FELDEWERT:
23	Q When you say, Mr. Zink, that the benefit of
24	this plan is that it's going to capture reserves that
25	would not be otherwise captured, what are you talking
	Page 78

1	about?
2	A So as you build a curve, you know, it
3	takes a steel pipe bends over time. And to get
4	from from vertical to horizontal, you're
5	effectively 5, 6, 700 feet, depending on the surface
6	hole location, where you can effectively in the
7	specific target or in the zone. And by doing this,
8	and creating I'm taking this holistic approach of
9	how to recover the maximum amount of reserves, that by
10	creating this overlapping unit, we are
11	recovering recovering the reserves that would
12	effectively be left by by building that curve on
13	each other's spacing unit.
14	Now, every well every well on the base
15	end leaves, you know, hundreds of feet of
16	unrecoverable, based off of these setbacks, and basing
17	off of current drilling technology. So by creating
18	this overlapping unit, we are capturing those
1.0	chib overlapping anic, we are capturing those
19	reserves.
20	
	reserves.
20	reserves. Q Are you aware, Mr. Zink, that a majority of
20 21	reserves. Q Are you aware, Mr. Zink, that a majority of the wells in the basin meet the 100-foot setback for
20 21 22	reserves. Q Are you aware, Mr. Zink, that a majority of the wells in the basin meet the 100-foot setback for the first and last take?
20212223	reserves. Q Are you aware, Mr. Zink, that a majority of the wells in the basin meet the 100-foot setback for the first and last take? A I'm aware that our development in the area

1	100-foot setback for our first perf. We are 5 to 600
2	on average for every well that we have drilled, to
3	date.
4	Q Are you aware that a number of other
5	operators are able to build their curve and produce
6	meeting the 100-foot setbacks for the first and last
7	take point?
8	MS. BENNETT: Objection, Mr. Hearing
9	Examiner. There's no evidence in the record of these
10	other operators meeting the setbacks.
11	MR. FELDEWERT: I'm asking if you're
12	aware.
13	THE HEARING EXAMINER: Sorry?
14	MR. FELDEWERT: I'm asking him if he's
15	aware.
16	THE HEARING EXAMINER: Right, but
17	there's an objection, so are you going to address the
18	objection?
19	MR. FELDEWERT: Sure. I mean, it's a
20	legitimate question. I want to know what his
21	knowledge is in this area as the land manager, with
22	respect to how wells are customarily developed in this
23	area, using the commission setbacks.
24	THE HEARING EXAMINER: I'm not sure how
25	that's relevant.

1	MR. FELDEWERT: Because he's claiming
2	that they cannot meet those requirements.
3	THE HEARING EXAMINER: Ms. Bennett?
4	MS. BENNETT: If Mr. Zink understands
5	the question, I think he can answer it. But I do
6	think it's an unsubstantiated question, because it
7	presumes that there are other operators who are
8	meeting the 100-foot setback, and we don't have any
9	evidence in the record of that.
10	THE HEARING EXAMINER: So are you
11	withdrawing your objection, or are you maintaining it?
12	MS. BENNETT: I'm maintaining it. I'm
13	maintaining my objection.
14	THE HEARING EXAMINER: So it doesn't
15	matter whether he understands what you said a minute
16	ago; you're just maintaining the objection?
17	MS. BENNETT: I am, yes.
18	THE HEARING EXAMINER: I'm going to
19	sustain the objection.
20	MR. FELDEWERT: May I offer, then,
21	Mr. Examiner, if you look at the division's pooling
22	cases, and you look at most of those pooling cases,
23	you will see C-102s that are filed with the Division,
24	that show development plans where the first take point
25	is 100 feet off one line, and the last take point is
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1	100 feet off the other line. It is commonly done. He
2	knows that. So that's I will say that for the
3	record, and I will go on. Mr. Zink
4	MS. BENNETT: Mr. Examiner, I have an
5	objection. There's nothing in any of the exhibits
6	that MRC filed that alerted us to these issues. In
7	addition, the fact that operators identify the
8	setback, the legal setback on their C-102s, does not
9	make a well. That is not a representation of an
10	as-built well, an as-drilled well.
11	So Mr. Feldewert's representation it
12	may be accurate that what's in the Division's records
13	represents a 100-foot setback, but that's because what
14	the Division's roles require. That does not reflect
15	operationally the reality of the operational issues,
16	which is what Mr. Zink is testifying about.
17	THE HEARING EXAMINER: Mr. Feldewert is
18	not a witness, so what he said is not evidence. We
19	all know that. I don't know that a clarification is
20	neither helpful nor hinders. I sustained your
21	objection before, so Mr. Feldewert is going to ask his
22	next question.
23	BY MR. FELDEWERT:
24	Q So Mr. Zink, the back-build that you're
25	talking about is based upon where you decided to put

1	your surface hole locations; correct?
2	A It is based off of where we put our surface
3	hole location.
4	Q All right. Now, when I look at the mineral
5	interests out here in the north half of the north half
6	of section 36; okay? How much does Franklin Mountain
7	own in the north half of the north half of 36?
8	A There is a slide on that. In the north half
9	of the north half of section 36, we own approximately
10	55 percent of working interest.
11	Q Both the Bone Spring and the Wolfcamp?
12	A I believe that's correct. Yes, that's
13	correct.
14	Q Okay. And you would agree with me, then,
15	that under your plan, the owners of the north half of
16	the north half of 36 are going to get their
17	proportionate share of the production from the
18	satellite wells, based on a straight-acreage basis?
19	A That is correct.
20	Q Okay. And that those same owners in the
21	north half of the north half of section 36 are going
22	to get their proportionate share of the cross-state
23	wells on a straight-acreage basis?
24	A That's correct.
25	Q Okay. And to the extent that that
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1	production does not proportionately come from the
2	north half of the north half of section 36, it then
3	comes out of the portion that would otherwise go to
4	the owners in the remaining tracts; correct?
5	A Correct. But that's also under the
6	assumption that every single piece every single
7	40-acre is equally equally contributes across that
8	lateral. And in case of the toe and the heel, that
9	they cannot equally contribute the same amount of
10	production that the center of the section would
11	contribute. So the well bore is not effectively
12	draining the each part of the lateral, each part of
13	the 40 equally.
14	Q Under your development plan?
15	A Yes.
16	Q Okay.
17	A Or under every every typical development
18	plan. There's always 100 feet anyone who drills a
19	horizontal well, there's effectively a resource that
20	is unrecoverable by by the drilling technology
21	today. At a legal location.
22	Q That's your opinion as a landman?
23	A My opinion as a landman.
24	Q Okay. All right. But one of the things
25	that companies demonstrate in seeking pooling is they
	Page 84

1	represent that the 40-acre tract will be
2	proportionate proportionately contribute to the
3	spacing unit; correct?
4	A From an ownership perspective? Correct.
5	Q From a production perspective.
6	A From an ownership perspective, they each
7	have a in this case, if it's eight eight 40s,
8	they each would have one-eighth share of the
9	production across the lateral.
10	Q Correct
11	A But that doesn't mean that production is
12	coming equally from each part of that well bore across
13	the lateral.
14	Q But that's what companies represent in these
15	pooling cases; correct?
16	A Correct.
17	Q Okay. They represent that it's going to be
18	shared on an equal on a straight-acreage basis, and
19	that each 40-acre tract will proportionately
20	contribute to the production from the well bore;
21	correct?
22	A Yeah.
23	Q Okay. How many working interest owners are
24	in the satellite spacing units to the north?
25	A There are three total.

1	Q Three total?
2	A Yes.
3	Q You?
4	A Yes.
5	Q Mackle Main [ph]? Who else?
6	A No.
7	Q No? Okay.
8	A Us.
9	Q Who else?
10	A Company called Opus, and a company called
11	Slash.
12	Q Slash? Okay. What percentage interest does
13	Franklin Mountain own for each of these satellite
14	spacing units to the north?
15	A Depending on the specific unit we own,
16	anywhere from 100 percent to 75 percent,
17	approximately. Maybe a little less, depending on
18	the the stand-up units.
19	Q Okay. I want to then turn to what your
20	Exhibit B-8.
21	THE HEARING EXAMINER: What page number
22	is that?
23	MR. FELDEWERT: I'm going to get to
24	that, sorry. Page 32 of the PDF.
25	THE HEARING EXAMINER:
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1	Mr. Feldewert not to break your stride, but I was
2	looking at the filed documents in this case from you,
3	your exhibits admitted with your pre-hearing
4	statement, and I could not find that Exhibit C that
5	you were showing before, the one with the yellow.
6	Where is that?
7	MR. FELDEWERT: I'm sorry. Exhibit
8	C-2.
9	THE HEARING EXAMINER: That's fine.
10	But where is this document that you are when was
11	this filed?
12	MR. FELDEWERT: With our pre-hearing
13	statement.
14	THE HEARING EXAMINER: Right. I found
15	the pre-hearing statement, and I did not see anything
16	past Exhibit B. So when did you file this pre-hearing
17	statement?
18	MR. FELDEWERT: With on the day that
19	they were due. Yeah.
20	THE HEARING EXAMINER: Which case
21	number did you file this in?
22	MR. FELDEWERT: In all of the cases.
23	THE HEARING EXAMINER: Okay. I'm
24	looking at 23833. Is that a fair case to look at?
25	MR. FELDEWERT: I think it should be;
	Daga 07
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1	right?
2	THE HEARING EXAMINER: It's one of the
3	cases that we're here today for.
4	MR. FELDEWERT: Yes.
5	THE HEARING EXAMINER: And I'm looking
6	at the documents filed in this case, and I see your
7	filing on February 2nd. And it says at the top of
8	it let me get to it. It says, "MRC's Pre-hearing
9	Statement." Is that accurate?
10	MR. FELDEWERT: It should be this
11	document that I have up here, now.
12	THE HEARING EXAMINER: I have my
13	document is 119 pages, and so is this.
14	MR. FELDEWERT: Okay. All right.
15	THE HEARING EXAMINER: Okay. What page
16	of this document is C-2 on?
17	MR. FELDEWERT: It would be page 98.
18	THE HEARING EXAMINER: Okay, let me get
19	to it, because I could not find it. My page 98 says
20	"Exhibit B-2." That's why I'm confused, because I'm
21	looking at the exhibit number on the left, and your
22	exhibit numbers are on the right. So now I see C-2.
23	But mine is not yellow either, so that's why I'm
24	confused.
25	MR. FELDEWERT: Copy. Sorry.

1	THE HEARING EXAMINER: Okay. So the
2	B-2 was what? The original exhibit from another case?
3	MR. FELDEWERT: Yes. That's my
4	understanding.
5	THE HEARING EXAMINER: Okay. And this
6	is
7	MR. FELDEWERT: Oh, and if you look at
8	"OCD hearing, 10/5/23" you see that there?
9	THE HEARING EXAMINER: I do now. I do
10	now.
11	MR. FELDEWERT: Yeah. That's
12	what so I just took it from and I apologize.
13	THE HEARING EXAMINER: I understand why
14	I'm confused now, but I'm not confused anymore.
15	MR. FELDEWERT: Okay.
16	THE HEARING EXAMINER: So now where are
17	we, now?
18	MR. FELDEWERT: I don't know. Now I'm
19	confused.
20	BY MR. FELDEWERT:
21	Q If I go to let me get back to where I
22	was. I would be on what I think is part of your
23	Exhibit B-8, Mr. Zink, which is page 32 of your
24	exhibits. PDF, I'm sorry.
25	A Yep. I'm there.
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	i age of

1	Q Are you there? Okay.
2	A Yes.
3	Q Now, I think you helped orient us earlier.
4	But just so it's clear, if I looked at the two
5	triangles, those represent first take points?
	_
6	A Correct. They do not represent setbacks.
7	Q They represent first take points?
8	A First take points, correct. Not setbacks.
9	Q Got you. Okay. And if I look at the
10	diamond to the left, is that supposed to represent the
11	cross-state well, or the satellite well?
12	A This slide is a generic slide, just to
13	illustrate how we do or how we are looking at an
14	overlapping spacing unit. But if you would like me to
15	assign spacing unit names for how we would use this in
16	the cross and satellite cases, the left side I guess
17	would be the south would be the cross, and the
18	right side would be the would be the satellite.
19	Q Okay. So then the line between the right
20	diamond in the diagram on the right-hand side I'm
21	sorry. The line to the right of the right diamond on
22	the right-hand side would be the section line between
23	25 and 36?
24	A That would be yeah. A lease line, yes.
25	Q Okay.
	Z Onay.

1	A A lease line of a spacing unit, correct.
2	Q Okay. And that rectangle box in the middle
3	would represent the north half of the north half of
4	36?
5	A On yes. On the right map, that would be
6	an example yeah. A heel-to-heel in an overlapping
7	spacing unit, in this instance, yes.
8	Q Okay. So then
9	A That would be the north half, north half of
LO	section 36.
L1	Q Okay. So the first take point for the
L2	satellite well would be the one on the right, and the
L3	first take point for the cross-state well is the one
L4	on the left?
L5	A As an illustration to show how each one of
L6	those units is recovering those reserves, yes. As an
L7	illustration, yes.
L8	Q Okay. And that's based on your decision to
L9	have a surface hole location in the north half of the
20	north half of 36 roughly what, halfway in the middle
21	of that section?
22	A Correct.
23	Q Okay. All right. It doesn't show footages
24	on here; do you see that?
25	A Yes.

1	Q How close is the first take point for the
2	cross-state well going to be to the quarter-quarter
3	line between the north half of the north half and the
4	south half of the south half?
5	A If I understand correctly from the review
6	with our drilling department, and our engineers, our
7	first take points are approximately six 600 feet
8	off of from the section line.
9	Q From the quarter-quarter line?
LO	A From the I guess either-or. From
L1	the if you went 600 feet south of the of the
L2	northern section line, or 600 feet north of the
L3	southern north-half/north-half lease line.
L 4	Q Okay. So let's go this line on the left,
L5	that would be the line between the north half of the
L6	north half and the south half of the north half;
L7	right?
L8	A Sure. I think I understand what you're
L9	talking about.
20	Q And that first take point there with a
21	triangle would be the cross-state; right?
22	A If we're assigning this illustration to what
23	actually is going to happen at the at the cross and
24	satellite, how we operationally plan to develop it,
25	then those would probably be even closer together.

1	But this was just an illustration to to show how
2	our approach, and how overlapping spacing units,
3	maximizes reserves and effectively develops the
4	resource.
5	Q But this is all I have to go on, in looking
6	at your file at this point; okay?
7	A Okay.
8	Q All right. So, can you tell me if that left
9	first take point is for the cross-state wells?
10	MS. BENNETT: Objection, Mr. Hearing
11	Examiner, that it's asked and answered about whether
12	this is actually representative of the cross-state
13	wells or not. Mr. Zink has said this is for
14	illustrative purposes only.
15	THE HEARING EXAMINER: Mr. Feldewert?
16	MR. FELDEWERT: My question's going to
17	be, where at what footage is the cross-state well?
18	Where's the first take point going to be, from the
19	north line?
20	THE WITNESS: My
21	THE HEARING EXAMINER: Hold on. Hold
22	on.
23	So Mr. Feldewert, have you addressed
24	the objection?
25	MR. FELDEWERT: Well, I that's the
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1	question I was going to ask him. Where is
2	that this triangle, left triangle? My question
3	was, what's the footage? And I got interrupted.
4	THE HEARING EXAMINER: Okay.
5	So Ms. Bennett, you've heard the
6	question that's going to be asked. Do you still
7	maintain the objection to that question?
8	MS. BENNETT: Yes, I do. Mr. Zink
9	previously testified about the footage for each of the
10	wells, noting that they would be approximately 600
11	feet off the quarter-quarter section line, and the
12	section line.
13	THE HEARING EXAMINER: And
14	Mr. Feldewert, why does that not answer your question?
15	MR. FELDEWERT: Because I want to know
16	which one's going to be which.
17	THE HEARING EXAMINER: And would you
18	ask it that way?
19	MR. FELDEWERT: I will. Okay.
20	THE HEARING EXAMINER: Okay. So I'm
21	sustaining the objection, so please rephrase your
22	question.
23	BY MR. FELDEWERT:
24	Q Mr. Zink, Exhibit B-8, the triangle we see
25	to the left, which is going to the cross-state unit;
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1	correct? As you told me?
2	A Correct.
3	Q Okay. That triangle, how far is that going
4	to be from the section line between 25 and 36?
5	A From my understanding of reviewing with the
6	drilling department and engineering department, we
7	would likely be about approximately 600 feet off
8	the section line.
9	Q Six hundred feet off the section line?
10	A Off the section line.
11	Q That would be the north line of the unit?
12	A Correct.
13	Q Okay. And then the first take point for the
14	satellite well, how far will that be off of the
15	section line between 25 and 36?
16	A My understanding that they would be also 600
17	feet.
18	Q Six hundred feet from the north line, the
19	section line?
20	A From the from the 600 from the south
21	of the quarter-quarter line.
22	Q Quarter-quarter line. Okay, so thank you.
23	So that would be 600 feet from the quarter-quarter
24	line. If that's the case, then wouldn't the triangle
25	on the right represent the cross-state first take

1	point?
2	A Again, this is an illustration of our plans,
3	of kind of our approach to an overlapping spacing
4	unit. This is not the exact drilling plans for any
5	cross or satellite well.
6	Q But that satellite well is going to have its
7	first perf 600 feet from the quarter-quarter line
8	between the north half of the north half and the south
9	half of the north half of section 36?
LO	A Sounds about right.
L1	Q Okay. And it'll be perforated from that
L2	point on?
L3	A Yeah, that's my understanding.
L4	Q All right. Okay. And the production from
L5	that satellite well will go entirely to the owners in
L6	the satellite spacing unit?
L7	A That's correct.
L8	Q Okay. What's going to be the completed
L9	interval overlap between the cross-state and the
20	satellite well, based on your drilling plan?
21	A If it's my understanding, there'd be zero
22	overlap. But again, I have not reviewed those plans.
23	Q Zero overlap? How can that be?
24	A Because the well to the north is capturing
25	the reserves left behind on the well to the south, and
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1	the well to the south is capturing reserves left
2	behind on the well to the north.
3	Q Okay. So what you told me, though, is that
4	the first take point from the for the satellite, or
5	for the cross-state well, is going to be roughly 600
6	feet from the section line, first take point; correct?
7	A Correct.
8	Q And that'll be thereafter perforated and
9	completed. And from 600 feet from that section line
10	down to the remaining of the spacing unit. That's
11	right?
12	A Sounds sounds right.
13	Q Okay. And the satellite unit its first
14	take point is going to be 600 feet from the
15	quarter-quarter line between the north half of the
16	north half and the south half of the north half; is
17	that right?
18	A That is my understanding of how this is
19	going to work.
20	Q All right. So if that's the case, wouldn't
21	they overlap between those two points, in terms of
22	their completed interval?
23	A I mean, if you're using those numbers, it's
24	possible, yes.
25	Q Okay. All right. That would be the plan?
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1	A I would obviously defer to the operation
2	team on how they complete those intervals and how they
3	drill those wells, but that's my understanding.
4	Q Okay. All right. Okay. Both draining from
5	the same reservoir?
6	A Correct.
7	Q Now, when I look at the are you aware
8	that your company filed C-102s for the satellite
9	wells?
10	A Yes, I am aware.
11	Q Okay. And have you looked at those?
12	A The C-102s that are part of the exhibit?
13	Yes, I have.
14	Q The ones you filed for the satellite wells?
15	A Oh, for the satellite wells?
16	Q Yeah.
17	A Yes. C-102s for the satellite wells for
18	the Wolfcamp wells. Yeah, we filed.
19	Q Okay. All right. I'm going to pull that up
20	on the screen. That's been filed with the Division;
21	right?
22	A Yeah.
23	Q And it was approved by the Division on
24	December 14, 2023?
25	A Yeah. As you yep.
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1	Q Okay. All right. And when I look at the
2	C-102 for the satellite wells, is the 701-H that
3	would be for the west-half, west-half spacing unit?
4	A Yeah.
5	Q Okay. Does it identify anywhere a first and
6	last take point for that well?
7	A No, it does not.
8	Q Okay. And
9	A It's my understanding that the OCD does not
10	require first take points on their
11	Q Oh. Okay. It identifies
12	A Not not until your as-drills have been
13	filed. And right now, we have not drilled those
14	wells.
15	Q It identifies your surface hole location as
16	being in the south half of the north half of section
17	36?
18	A That it does.
19	Q Correct?
20	A Yep.
21	Q Is that still where it's going to be?
22	A I believe so, yes.
23	Q Okay. Then you've also filed with the
24	Division your C-102 for the cross-state well; correct?
25	The ones that you're seeking to pool?

1	A Yes.
2	Q And if I look at the Division's file for
3	that well, again in the west half, west half,
4	Wolfcamp, same spacing unit, it was also approved on
5	December 14, 2023; is that right?
6	A That's correct.
7	Q Okay. And it likewise does not show a first
8	or last take point?
9	A Correct.
LO	Q Okay. And it shows the cross-state well as
L1	being drilled from that same surface hole location as
L2	the satellite well?
L3	A That is correct.
L4	Q Okay.
L5	A And based off of surface constraints I
L6	believe for that quarter, that quarter-quarter, yes.
L7	Our well our well pad had to be south.
L8	Q Okay.
L9	A I think there's existing wells well pads
20	out there, and there's some existing surface
21	constraints and power lines up in that
22	northwest-northwest quarter.
23	Q Okay. And if I used this as an exhibit;
24	okay? To try to understand this. Your cross-state
25	well is going to back-build and then be perforated 600

1	feet from that section line?
2	A That is my understanding of how we're going
3	to develop these units. Correct.
4	Q First take point being 600 feet?
5	A Approximately.
6	Q Not 100 feet?
7	A Not 100 feet, no.
8	Q Okay. And the cross-state well's going to
9	come down from the north and be roughly 600 feet from
L O	that quarter-quarter line above that surface hole
L1	location. That would be the first take point?
L2	A Correct.
L3	Q Okay. And then the completed interval would
L 4	overlap between that the cross-state first take
L5	point and the satellite first take point?
L6	A Correct.
L7	Q Okay. All right. Now, when I look at your
L8	C-102 filed in this case have you looked at that?
L9	A Yes. That's part of the exhibits? Yes, I
20	have.
21	Q Okay. Let's go to sorry. This would be
22	for one of your cross-state wells?
23	A Yes.
24	Q Looks like it's page 80 of the PDF?
25	A Yeah.
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1	Q Okay. If I blow it up, and I look at it, it
2	doesn't reflect what you just explained to me, does
3	it?
4	A Correct.
5	Q It shows the first take point at standard
6	setbacks 100 feet from the north line?
7	A That's what that says.
8	Q So it represents that's where your first
9	take point's going to be, and then it's going to go
10	south through the remainder of the spacing unit?
11	A Correct.
12	Q Okay. Which is different from what you just
13	told me; right?
14	A Correct.
15	Q Okay. Now, when I look at your well
16	proposal letters that you sent out to the working
17	interest owners let's go to page 49 of the PDF.
18	Now, I understand you didn't draft this and you didn't
19	send it out. It was someone under your supervision;
20	is that right?
21	A Correct.
22	Q Okay. Is there when those were sent out
23	in July of 2023, that was before any of the satellite
24	wells were permitted on the Division's website;
25	correct?

1	A Correct.
2	Q All right. Does it identify anywhere in
3	these well proposal letters where your first and last
4	take point are going to be?
5	A No. There's no requirement from the OCD to
6	make a valid well proposal have first take points.
7	Q Okay. Is there any mention in here of your
8	plan to overlap the spacing unit with the spacing unit
9	for the satellite wells?
LO	A No, but our applications for pooling do
L1	include overlapping spacing units.
L2	Q And we've already looked at the filed
L3	C-102s. They didn't reflect where the first and last
L 4	take points are going to be; correct?
L5	A Correct.
L6	Q Okay. Let's look at the public notice on
L7	page 45 for this hearing. Does this public notice
L8	identify where your proposed first take points and
L9	last take points are going to be for the cross-state
20	wells?
21	A No.
22	Q Is there any mention in here of the
23	satellite spacing units?
24	A No. It mentions notice of overlapping unit.
25	Q What's it say?

1	A It says "compulsory pooling and notice of
2	overlapping unit in Lea County."
3	Q Say anything else? Let me help you out. It
4	says, "The spacing unit proposed in this application
5	will partially overlap a spacing unit in section 26."
6	Do you see that?
7	THE HEARING EXAMINER: Mr. Feldewert,
8	you said 26. Did you mean 36?
9	MR. FELDEWERT: Thirty-six. Thank you.
10	THE HEARING EXAMINER: Just thought I'd
11	make it clear.
12	THE WITNESS: Yes. I see that.
13	BY MR. FELDEWERT:
14	Q All right. It doesn't say anything about
15	what spacing unit?
16	A No.
17	Q Doesn't say satellite wells?
18	A No.
19	Q Doesn't say north half of the north half of
20	36?
21	A Does not.
22	Q Doesn't say who the operator's going to be?
23	A Nope.
24	Q Nothing?
25	A Nope.
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1	Q Okay. If I look at the and when I look
2	at the application
3	MS. BENNETT: Mr. Hearing Examiner, I
4	object to this line of questioning. It's basically a
5	thinly veiled attempt to reopen the motion to vacate,
6	which the hearing examiner already ruled that MRC had
7	actual notice, and denied the motion to vacate on the
8	notice issue. And so there's no need to rehash that,
9	because it's already been ruled on.
LO	THE HEARING EXAMINER: Mr. Feldewert?
L1	MR. FELDEWERT: Denied the motion to
L2	vacate, but certainly has not denied the information.
L3	And that reflects on whether on the impact on
L4	correlative rights, and more importantly, whether
L5	anybody was aware that they were going to overlap
L6	these spacing units, and thereby infringe on their
L7	correlative rights.
L8	THE HEARING EXAMINER: So
L9	Mr. Feldewert, where is this questioning going?
20	MR. FELDEWERT: What's our application
21	say? It says, "Compulsory pooling and notice of
22	overlapping spacing unit." Okay. They seem to be
23	saying, "Well, we're going to give you all notice of
24	overlapping spacing unit by way of our application,"
25	and then ask the Division to pool the spacing unit and

1	the overlap. That's what they seem to be requesting;
2	okay?
3	My point being here, is that A, they
4	can't do that, because it impacts correlative rights.
5	You can decide that. I'll let your experts decide
6	whether there's an impact on correlative rights.
7	Secondly, there is no way that anybody got sufficient
8	notice to understand that they were seeking approval
9	of an overlapping spacing unit.
10	They couldn't look at anything. There
11	weren't any permits filed until mid-December, which
12	means
13	THE HEARING EXAMINER: Thank you.
14	Ms. Bennett, I did deny the motion to
15	vacate, because I felt in part this issue was better
16	resolved through evidence here at the hearing. So I'm
17	going to override the objection, because I feel like
18	Mr. Feldewert has a right to ask questions about
19	notice.
20	Please go ahead.
21	BY MR. FELDEWERT:
22	Q Mr. Zink and maybe I've already previewed
23	it. If we look at your application that went out with
24	the notice, it doesn't identify if the affected
25	working interest owners were your first take point or

1	your last take points are going to be for the wells?
2	A No, it does not.
3	Q Okay. And all it says with respect to the
4	notice of overlapping spacing unit is that it's going
5	to be overlap some spacing unit somewhere in section
6	36, operated by someone. But you don't tell
7	A Correct.
8	Q Even though it was your plan, and you had
9	the knowledge; correct?
10	A We there's no mention of of the
11	overlapping spacing unit, on where it is, on the
12	application.
13	Q Or even who's going to operate?
14	A Nope.
15	Q Okay. All right. When you say in your
16	notes that you had up there in the stand, that you had
17	notes that C-102s you said "minor oversight." What
18	did you mean by that?
19	A I believe that the when we applied for or
20	submitted the C-102s, they were signed by our
21	regulatory department, and certified that that
22	based on her understanding, that we had ownership
23	across the 100 percent of the lateral.
24	Q Why was that important?
25	A It's except at that point, we did not
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1	have ownership across 100 percent of the lateral. It
2	was a it was a minor oversight.
3	Q These are the C-102s that you filed with the
4	Division that didn't identify the first take point and
5	the last take point?
6	A Agreed, yeah.
7	Q Okay. And you're saying that the
8	certification on those C-102s that you filed with the
9	Division was false?
LO	A There was a minor oversight at as of her
L1	understanding of when she filed, that we had 100
L2	percent of or either had joinder of 100 percent, or
L3	we effectively owned 100 percent of it.
L4	Q Which you represented that you did, when it
L5	wasn't true, as a company?
L6	A As a company, in that submittal, yes. It
L7	was a minor oversight.
L8	Q And in fact, isn't there a Division rule
L9	that requires you to either have a pooling order or
20	have an interest in each spacing unit before you can
21	file C-102s?
22	A That is correct. But also, in in several
23	of our Bone Spring applications, we do have ownership
24	in 100 percent of those laterals. So yes. For
25	certain certain units in the Wolfcamp,

1	there's yes, there was a misrepresentation, and a
2	minor oversight on that on that certification.
3	Q Violation of the Division rule?
4	A Minor oversight.
5	
6	ones what you're talking about is, not only were
7	they filed with the Division, but didn't show a first
8	take point or last take?
9	A Correct.
10	Q Okay. Is there anything that's in your
11	filed hearing packet, or anything that we can look at
12	in the Division's files, that would identify how you
13	intend to overlap these spacing units and the footages
14	involved with your first take points? Anything?
15	A In the exhibits, specifically? No.
16	Q Anything that's been filed with the
17	Division?
18	A Not that I'm aware of.
19	Q Anything that was provided to the affected
20	working interest owners?
21	A Nope.
22	Q And sitting here today, there's nothing that
23	shows the Division where your first take point is
24	going to be for your cross-state wells, and where your
25	first take point is going to be for your satellite
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1	wells?
2	A That's correct.
3	Q And nothing identifies to the Division, or
4	to anybody that's looked at the record, how much
5	perforated overlap there's going to be in the north
6	half of the north half of section 36?
7	A There's nothing in the application that
8	mentions that.
9	Q Is there anything anywhere?
10	A No.
11	Q Okay.
12	A As a as a prudent operator in the basin,
13	if if I were to read the application, and my assets
14	were a part of that overlap, and I had questions, I
15	would reach out to that company and ask.
16	Q You don't feel like
17	A And that's a standard practice that we do in
18	our office. If we receive something that doesn't make
19	sense, that we go get answers.
20	Q So in your opinion, you sent out something
21	that doesn't make sense, and you expect somebody to
22	call you?
23	A I didn't necessarily say what we sent out
24	didn't make sense. I said if I was reviewing
25	something that I had questions on, I would reach out.

1	MR. FELDEWERT: That's all the
2	questions I have, Mr. Zink.
3	THE HEARING EXAMINER: Thank you. I'm
4	going to turn to Mr. John Garcia, our technical
5	examiner.
6	MR. GARCIA: Good morning, Mr. Zink.
7	THE WITNESS: Good morning.
8	MR. GARCIA: Mr. Hearing Examiner, I
9	also have questions for Mr. Feldewert. So I don't
10	know if he has witnesses later, or if I'm allowed to
11	ask Mr. Feldewert questions.
12	THE HEARING EXAMINER: Mr. Feldewert is
13	not a witness, so I don't believe that you can ask him
14	evidentiary questions. If you have a legal question,
15	that might be proper, but
16	MR. GARCIA: The first one's a legal
17	question, for sure.
18	THE HEARING EXAMINER: I think it'd be
19	best if we just this is an evidentiary hearing. I
20	think it would be better not to ask legal questions at
21	this point. I think if our attorneys have questions
22	for Mr. Feldewert, they can pose them, you know, from
23	the Division. But let's just
24	MR. GARCIA: Oh, well that's no fun.
25	THE HEARING EXAMINER: That's too bad.

1	So Mr. Garcia, would you ask your questions of
2	Mr. Zink, please?
3	MR. GARCIA: I will.
4	CROSS-EXAMINATION
5	BY MR. GARCIA:
6	Q Morning, Mr. Zink. Few questions; not too
7	many. Mr. Feldewert touched on some of them. And I
8	believe Mr. Feldewert is screen-sharing, so I'm
9	looking at this exhibit real quick.
LO	MR. GARCIA: Mr. Feldewert, I guess
L1	since you're screen-sharing, do you mind looking at
L 2	page 32 of FME's exhibit packet for me?
L3	MR. FELDEWERT: Page 32 of the PDF?
L 4	MR. GARCIA: Yes, please.
L5	MR. FELDEWERT: Okay.
L6	BY MR. GARCIA:
L 7	Q Fully understand, this is just, you know, to
L8	display thoughts. This is no technical merits here;
L9	there's no numbers to this. Has MRC, who I believe
20	Mr. Feldewert is representing MRC ever approached
21	you, asking you not to do basically the example on the
22	right side of this, but letting you know they prefer
23	the example on the left side? Have they ever reached
24	out to you, saying like, "Hey, can you do the example
25	on the left side?"

1	A No, they have not reached out at all about
2	this example.
3	Q And it might not be this example directly,
4	just like the overall process of like, "Hey, there's
5	overlap. We prefer you not to have overlap. We
6	prefer you to do two standards that kind of butt up
7	against each other," like what we see depicted here on
8	the left? And bear with my speed; I'm going to take
9	notes.
LO	A We have not received any questions from MRC
L1	regarding the overlap, or any questions regarding the
L2	overlap from them.
L3	Q And so they haven't, therefore, pitched any
L4	alternative development plan for you guys to complete?
L 5	A For us? No.
L6	Q Sorry, just taking some notes. Okay. And
L7	then quick question I think Mr. Feldewert, two
L8	pages above, it shows the color sorry, let me see.
L9	PDF page 29, which is the color of the satellite and
20	the cross, and the rest of the spacing units?
21	A Mm-hmm.
22	Q On your Mr. Zink, I'm assuming these
23	light blue certain squares are central tank batteries;
24	is that correct? I'm assuming they're tank batteries.
25	A Those are those are in fact well pads,
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1	location of existing or of well pads, where we plan
2	to those wells from.
3	Q Okay. And you said this plan will help ease
4	surface disturbance. Are your well pads and
5	facilities going to be on the same pad, or are they
6	going to be separate pads?
7	A So we will have a it will be separate
8	pads. We have a off-well-site central tank
9	battery.
LO	Q Okay. But all of that
L1	A Separate facility, yes. Yes.
L2	Q Okay. But these well pads and the tank
L3	battery are already there?
L 4	A Yep. Well, they are they are not
L5	existing at this moment. We are currently building
L6	surface for our satellite wells.
L7	Q Okay. So those blue squares technically
L8	could be moved, if needed?
L9	A No. I think that we've already started.
20	Either we have the approvals to execute on that,
21	and I I know the field is working on either
22	obtaining an appointment to start building those as we
23	speak.
24	Q Okay. But high-level, they're not locked in
25	stone, because there's no equipment there?

1	A Okay.
2	MR. GARCIA: Sorry. I'm trying to see
3	what Mr. Feldewert asked, so I don't re-ask it.
4	Mr. Feldewert, sorry for going back,
5	but can we go back to page 32? It's the diagram that
6	you've been on for a while. This one right here.
7	MR. FELDEWERT: This one?
8	MR. GARCIA: Yes, please.
9	BY MR. GARCIA:
10	Q Mr. Zink, so if we did do the left option
11	for your well pads again, you know, I understand
12	this is theory example here. You know, they're saying
13	there's a 4-to-600-foot build period, makes it hard to
14	do the 100-foot setbacks. Have you guys at FME ever
15	considered pursuing an NSL to put these perforations
16	closer than 600 feet, if you did the left-hand-side
17	option?
18	A Well, I think that becomes a a question
19	of where are you in the formation, as you're drilling
20	the curve. You know, with with standard build
21	rates, you know, if you're if you're, you know,
22	perforated is 100 feet, you know, you could be in a
23	totally different zone, depending on the on the
24	decks.
25	Q Okay. Correct. Have you guys ever explored

1	putting the build-back outside the spacing units?
2	Therefore, you could perf inside the spacing unit
3	still.
4	A That would require some additional
5	documentation, some surface easements and
6	notifications to go off-lease, to do that back-build.
7	Q Okay. So therefore, it's easier just to
8	build inside spacing unit for you guys?
9	A Yeah, typically. Yeah, on-lease, being a
10	legal location, correct.
11	MR. GARCIA: I think that's all my
12	questions for now, Mr. Hearing Examiner.
13	THE HEARING EXAMINER: Okay. Thank
14	you, Mr. Garcia.
15	Ms. Bennett, what follow-up do you
16	have?
17	MS. BENNETT: Thank you, Mr. Examiner.
18	REDIRECT EXAMINATION
19	BY MS. BENNETT:
20	Q Mr. Zink, you were asked by Mr. Feldewert
21	whether about each quarter-quarter section
22	contributing proportionately to a unit. Do you recall
23	that?
24	A Yes.
25	Q And in your opinion, is it that each
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1	quarter-quarter section contributes exactly
2	proportionately? Or is it more or less
3	proportionately?
4	A It's more or less proportionate.
5	Q On the question about
6	back-builds Mr. Garcia just asked you a question
7	about back-builds, and Mr. Feldewert mentioned
8	back-builds. Back-builds are not would you say
9	that back-builds are unusual in New Mexico?
10	MR. FELDEWERT: I would object to the
11	form of the question. She objected to my question
12	when I asked him about what their operators are doing,
13	and it was sustained, so I don't think he can testify
14	to that.
15	THE HEARING EXAMINER: Would you
16	restate your objection?
17	MR. FELDEWERT: Yes. I think it goes
18	outside the scope of his expertise and knowledge. And
19	it would be unfair, because you didn't let me ask him
20	a question when I asked him what other operators were
21	doing, and his knowledge of that.
22	THE HEARING EXAMINER: Okay.
23	Ms. Bennett?
24	MS. BENNETT: I'll rephrase the
25	question.

1	THE HEARING EXAMINER: Okay, so
2	sustained.
3	BY MS. BENNETT:
4	Q Mr. Zink, you mentioned a moment ago that a
5	back-build in this particular area would not be
6	feasible; is that right?
7	A Correct.
8	Q And why was that?
9	A I'd been given where the surface was, and
LO	going off off-lease, that would have required some
L1	additional documentation that we have not secured, and
L2	would be outside of the normal scope.
L 3	Q And by "additional" what do you mean by
L 4	"additional documentation"? Can you expand on that a
L5	little?
L6	A Yeah. You'd have to acquire some sort of
L 7	subsurface easements or something from both a mineral
L8	owner and a surface owner in the offsetting unit.
L9	Q Mr. Feldewert asked you if there was
20	anything in the record that identified the overlap.
21	Do you remember that question?
22	A Yes.
23	Q I'm looking at Exhibit C-1 in the MRC
24	exhibits, which I'm using only as a demonstrative.
25	This has not yet been admitted, and we would have some

1	objections to the admission of MRC's exhibits, but I'm
2	using this as a demonstrative for the moment. Do you
3	see at the bottom, where it says "OCD examiner
4	hearing, 10/5/2023"?
5	THE HEARING EXAMINER: What page?
6	MS. BENNETT: I'm sorry. I'm on
7	page sorry. I thought I was sharing my screen.
8	But it's do you mind either letting me share my
9	screen, or pulling it up?
10	MR. FELDEWERT: Yeah, I can pull it up.
11	Hold on. Sorry. There we go.
12	THE HEARING EXAMINER: Is that it?
13	MS. BENNETT: Yes, thank you. So if
14	you could scroll down to the bottom, please?
15	BY MS. BENNETT:
16	Q Do you see at the bottom, it says "OCD
17	examiner hearing, 10/5/2023"?
18	A Yes.
19	Q So was this based on that time, or that
20	stamp, what's your impression of where this came from?
21	A This came this was an exhibit, I'm
22	assuming, from our satellite cases.
23	Q And this was done on October 5, 2023; is
24	that right?
25	A Correct.
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1	Q At any time after October 5, 2023, did you
2	hear from Matador?
3	A No.
4	Q Does this map depict more or less FME's
5	proposed satellite and cross overlap?
6	A Yes, it does.
7	Q And do you I'm just asking you if you
8	know this. Do you know if the satellite cases were
9	published on the OCD's docket?
10	A Yes.
11	Q Do you know if the satellite cases
12	identified that they would be targeting section 36?
13	A Yes.
14	Q If the situation were reversed, and you were
15	MRC, would you have seen on the docket that the
16	satellite cases were targeting section 36?
17	MR. FELDEWERT: Objection. Calls for
18	speculation.
19	THE HEARING EXAMINER: I'm going to
20	overrule that objection, because this witness is
21	qualified as an expert, and I from my own experience
22	clearly remember that experts have the ability to form
23	an opinion in their field. Are you suggesting this is
24	outside his field that he's qualified as an expert?
25	MR. FELDEWERT: Well, she's asking him

1	to speculate as to what MRC would have been observing
2	and noticed.
3	THE HEARING EXAMINER: And how is that
4	outside his field of expertise?
5	MR. FELDEWERT: Because he's
6	speculating.
7	THE HEARING EXAMINER: Well, I've
8	overruled that objection, based on what I've already
9	said.
10	So please, answer the question are
11	you done asking the question?
12	MS. BENNETT: I am.
13	But do you need me to restate it?
14	THE WITNESS: Yeah, please restate it.
15	BY MS. BENNETT:
16	Q If the situation were reversed, and I'm
17	asking you as Franklin Mountain Energy, would you have
18	seen that section 36 was involved in the satellite
19	development?
20	A In my job, in my role, I do monitor the OCD
21	docket, and I do look at to where these cases are,
22	and where they and do they affect any of our
23	company assets. And so I would review that, and it
24	would I would pick up on this, that it would it
25	would interfere potentially interfere with our

1	company assets, and I would reach out. Or file an
2	objection, or contact our attorney, to enter the
3	appearance on our behalf.
4	Q Thank you. This slide was prepared by
5	Franklin Mountain Energy; is that right?
6	A Yes, it was.
7	Q And was this slide prepared for the
8	satellite hearings?
9	A Yes, it was.
10	Q Was there any so this and I
11	guess yeah. Never mind. Mr. Feldewert asked you
12	some questions about the overlap in the
13	completed in the lateral length between satellite
14	and cross. Does Franklin Mountain Energy plan to
15	address the overlap, or any purported overlap, in its
16	development plans?
17	A Yes.
18	Q And is it your intention to develop this
19	acreage responsibly?
20	A Yes.
21	Q Is Franklin Mountain Energy proposing any
22	upgrades to the infrastructure in this area?
23	A We are, yes.
24	Q Will that inure to the benefit of MRC?
25	A It would, yes. We are we are aware that
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1	this area has been historically developed vertically,
2	and that the current infrastructure in place is just
3	not adequate to to handle horizontal development.
4	And part of our budget for 2024 will be spending
5	significant capital to upgrade and build our own
6	pipelines, to support our development plans in this
7	area and across this asset.
8	Q And Mr. Zink, earlier Mr. Feldewert asked
9	you and again, I'm going back to the question he
10	asked you about whether there's anything in the
11	record anything in the public records that would
12	identify the overlap. And I believe your answer to
13	that was no. But having seen the slide, and having
14	this recalling that FME prepared this for the
15	Division's hearing that day, does that change your
16	answer to that question?
17	A This this slide does show the
18	relationship between satellite and cross, and the
19	potential overlapping unit.
20	Q Mr. Zink, do the satellite applications
21	identify or contain approximately the same language as
22	the cross applications regarding an overlap?
23	A Yes, they do.
24	Q So the satellite applications say that
25	they'll be overlapping in section 36?

1	A Yes.
2	Q And then the cross applications say they'll
3	be overlapping in section 36?
4	A Yes.
5	Q Were you asking to be designated operator of
6	the satellite units?
7	A Yes.
8	Q Were you asking to be designated operator of
9	the cross units?
10	A Yes.
11	Q In your opinion, is there any question as to
12	who was going to be operating the satellite units?
13	A No, there's no question.
14	MS. BENNETT: Thank you. Those are all
15	the questions I have. Thank you.
16	THE HEARING EXAMINER: Mr. Feldewert,
17	cross-examination on the redirect?
18	MR. FELDEWERT: Certainly.
19	RECROSS-EXAMINATION
20	BY MR. FELDEWERT:
21	Q You mentioned so let me ask you this,
22	Mr. Zink. Was MRC a party to case 23829, which we see
23	up, and from which this exhibit was admitted?
24	A MRC does not have a working interest in
25	that in that unit, no. So they are not a party.
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1	Q They were not an affected party?
2	A They were not notified.
3	Q Okay. Because they don't have an ownership
4	in the satellite units?
5	A That's correct.
6	Q And they don't have an ownership in the
7	north half of the north half of 36?
8	A Correct.
9	Q Okay. The applications for the satellite
10	unit that Ms. Bennett just referenced were they
11	provided to MRC?
12	A They were made public to the OCD.
13	Q Okay. But they were not sent to MRC,
14	because it didn't impact them; correct?
15	A They were not yeah. They were not sent
16	any notices of that, because they were not a party to
17	that those cases.
18	Q Those unleased mineral interest owners down
19	there in section one, in the south end of the cross
20	units; okay? Were they involved in the satellite
21	cases?
22	A No.
23	Q Did they receive notice of the satellite
24	cases?
25	A They're they were not a party to the
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1	satellite cases.
2	Q So they didn't notice?
3	A They did not receive notice, yes.
4	Q And they would not have received the
5	applications for the satellite unit?
6	A That's correct.
7	Q They would have only received the
8	application for the cross-state unit?
9	A That's correct.
10	Q Okay. And all it told them was that it was
11	going to overlap some spacing unit somewhere in
12	section 36?
13	A Correct.
14	MR. FELDEWERT: Okay. That's all the
15	questions.
16	THE HEARING EXAMINER: Mr. Garcia, is
17	there any cross-examination on the redirect that
18	Ms. Bennett conducted?
19	MR. GARCIA: I believe I am okay.
20	THE HEARING EXAMINER: Okay.
21	Ms. Bennett, do you have anything
22	further for this witness?
23	MS. BENNETT: No I do not. I do
24	reserve the right to recall him?
25	THE HEARING EXAMINER: Okay. So may
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1	this witness be excused, subject to that? Okay.
2	MS. BENNETT: Thank you.
3	THE HEARING EXAMINER: Thank you.
4	You're excused.
5	It is 11:30. Who is your next witness?
6	MS. BENNETT: Mr. Hearing Examiner, our
7	next witness is Ben Kessel, the geologist.
8	THE HEARING EXAMINER: Do you feel like
9	we can get through his direct examination in the next
10	half-hour or so?
11	MS. BENNETT: I think that, if it
12	pleases the hearing examiner, I would like to discuss
13	with Mr. Feldewert whether we can just stipulate to
14	his testimony, and not do any direct or cross, except
15	for him to adopt his affidavit.
16	THE HEARING EXAMINER: Okay.
17	Mr. Feldewert?
18	MR. FELDEWERT: I just have very few
19	questions for him.
20	THE HEARING EXAMINER: Okay.
21	MR. FELDEWERT: I mean, we've I've
22	already stipulated to his testimony.
23	THE HEARING EXAMINER: Right.
24	MS. BENNETT: Well, in that case then,
25	I understood Mr. Feldewert is wanting to streamline
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1	the cases, but we will move forward with Mr. Kessel.
2	Mr. Kessel, if you please
3	approach and I do believe at least my part will be
4	done very briefly.
5	THE HEARING EXAMINER: Okay.
6	MS. BENNETT: Thank you.
7	WHEREUPON,
8	BEN KESSEL,
9	called as a witness and having been first duly sworn
10	to tell the truth, the whole truth, and nothing but
11	the truth, was examined and testified as follows:
12	DIRECT EXAMINATION
13	BY MS. BENNETT:
14	Q Good morning, Mr. Kessel. Would you please
15	state your name for the record?
16	A Ben Kessel.
17	Q And for whom do you work?
18	A Franklin Mountain Energy.
19	Q And in what capacity?
20	A I'm the director of geology.
21	Q And you've previously testified before the
22	Division, and your credentials were accepted as a
23	matter of record; is that correct?
24	A Yes, that's correct.
25	Q And are you familiar with the applications
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1	that FME 3 filed in these cases?
2	A Yes, I am.
3	Q And did you submit an affidavit for your
4	direct testimony?
5	A Yes, I did.
6	THE HEARING EXAMINER: Ms. Bennett,
7	would you direct the witness to bring the microphone a
8	little closer, because it's hard for me to hear him?
9	Thank you.
L O	THE WITNESS: My apologies.
L1	MS. BENNETT: Thank you.
L2	THE HEARING EXAMINER: Thanks.
L3	BY MS. BENNETT:
L 4	Q And you've prepared exhibits as well to
L5	support your affidavit?
L6	A Yes, I did.
L 7	Q Do you have any changes to your affidavit?
L8	A No, I do not.
L9	Q Do you have any changes to your exhibits?
20	A No, I do not.
21	Q At this time, I'd like to ask if you will
22	adopt your testimony.
23	A Yes, I will.
24	MS. BENNETT: Thank you. I have no
25	questions for Mr. Kessel.
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1	THE HEARING EXAMINER: Thank you.
2	Cross-examination?
3	MR. FELDEWERT: Certainly.
4	CROSS-EXAMINATION
5	BY MR. FELDEWERT:
6	Q Mr. Kessel, would you I'm looking at your
7	affidavit, and I believe I'm going to first go to page
8	184 of the 385-page PDF.
9	A Yes, I'm there.
10	Q And it would be your affidavit, paragraph
11	14-C. Are you there?
12	A Yes.
13	Q And you testify that "each quarter-quarter
14	section" that would be each 40-acre tract; right?
15	A Yes.
16	Q "in the proposed units" you're talking
17	about the cross-state units; right?
18	A Yes.
19	Q "will contribute more or less equally to
20	production"?
21	A Yes.
22	Q Okay. And then you make the same statement
23	in paragraph 22-C, with respect to the Wolfcamp?
24	A That's correct.
25	Q Okay. So the first paragraph 14 related to
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1	the Bone Spring units, and paragraph 22-C related to
2	the Wolfcamp units; right?
3	A Yes.
4	Q Okay. Why did you provide that opinion?
5	What's the purpose?
6	A The purpose is to show the contribution
7	along the lateral.
8	Q Why is that important?
9	A It's important to just to show that more
10	or less, that we expect equal contribution along the
11	lateral.
12	Q Along the lateral. Okay. And is that
13	because you don't want to adversely impact the
14	correlative rights of the parties that you were
15	pooling into your spacing unit?
16	A It's more from an opinion of a reservoir, a
17	subsurface opinion.
18	Q Okay. Why is that opinion important?
19	A Because it's
20	MS. BENNETT: Objection, Mr. Hearing
21	Examiner. He's already answered that question.
22	THE HEARING EXAMINER: Mr. Feldewert?
23	MR. FELDEWERT: What was your answer?
24	THE HEARING EXAMINER: Mr. Feldewert?
25	MR. FELDEWERT: Well, I'm not sure he
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1	answered it.
2	THE HEARING EXAMINER: Well, then we
3	have a court reporter who can find the answer to the
4	question. And what was the question that you were
5	objecting to?
6	MS. BENNETT: What's the importance
7	of or why did he include this language in his
8	affidavit?
9	THE HEARING EXAMINER: Okay. Let's
10	see.
11	(The reporter read the record as
12	requested.)
13	THE HEARING EXAMINER: Did you hear
14	that, Mr. Feldewert?
15	MR. FELDEWERT: Yes.
16	THE HEARING EXAMINER: Okay.
17	MR. FELDEWERT: Why is that important?
18	THE HEARING EXAMINER: So hold on,
19	don't answer the question yet. So I'm sustaining the
20	objection, so now please rephrase the question.
21	MR. FELDEWERT: Certainly.
22	BY MR. FELDEWERT:
23	Q Why is that important?
24	A It's important for us to show that we are
25	contacting the reservoir along the lateral, and that
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1	we are intending on completing along that entirety of
2	the reservoir or of the lateral.
3	Q Are you aware that production is shared from
4	that well bore on a straight-acreage basis?
5	A I am aware.
6	Q Okay. And that's required by the pooling
7	statute?
8	A I am aware.
9	Q And are you aware that the pooling statute
10	requires the Division to ensure that the correlative
11	rights of the working interest owners being
12	affected
13	A Yes, I am.
14	Q are not impacted by a development plan?
15	MS. BENNETT: Objection, Mr. Hearing
16	Examiner. That's a legal question, not a geology
17	question.
18	THE HEARING EXAMINER: Objection is
19	sustained. You don't have to answer that question.
20	Mr. Feldewert, please continue.
21	BY MR. FELDEWERT:
22	Q If a 40-acre tract is not meeting that
23	standard; okay? Is that a problem?
24	MS. BENNETT: Objection. Calls for
25	speculation. And there is no indication that there is
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1	a 40-acre tract that is not meeting that standard.
2	THE HEARING EXAMINER: Mr. Feldewert,
3	is that based on the evidence, that question?
4	MR. FELDEWERT: It's based on his
5	opinion. It says, "will contribute more or less
6	equally."
7	THE HEARING EXAMINER: I'm going to
8	allow the question.
9	BY MR. FELDEWERT:
10	Q What happens if it doesn't?
11	A I'm not sure how we would know that,
12	from without significant expense in testing, to
13	understand what the contribution is. And I think even
14	at that point, it would be speculative and maybe a bit
15	unclear.
16	Q So does it concern you at all, with respect
17	to the rights of the owners in the proposed
18	cross-state unit
19	A Was that the end of the question?
20	Q No, I'm trying to get the exhibit. Sorry
21	about that. Give me a minute. So owners in the
22	cross-state unit let's take those unleased mineral
23	interest owners down there in section one, which I
24	think is roughly where MRC owns its interest as well;
25	okay? They're going to have included in your proposed

1	spacing unit 40-acre tracts that are essentially going
2	to have two straws in the same reservoir; correct?
3	A That is incorrect.
4	Q Wasn't the satellite state wells going to
5	drain from the same reservoir in the north half of the
6	north half as the cross-state wells?
7	A The satellite wells will capture reserves
8	that the cross wells do not. Therefore, that's a net
9	benefit.
10	Q Aren't their completed intervals going to
11	overlap?
12	A Minimally.
13	Q How much what do you consider to be
14	"minimally"?
15	A On average, we're 600 feet from the north
16	line on our first take points.
17	Q Okay. How much of overlap is there going to
18	be in the completed interval between the cross-state
19	wells and the satellite wells in the north half of the
20	north half of section 36?
21	MS. BENNETT: Objection, Mr. Hearing
22	Examiner. This is a geology witness, not a drilling
23	or production engineer, and so I think this is outside
24	of the scope of his testimony.
25	THE HEARING EXAMINER: Mr. Feldewert?
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1	MR. FELDEWERT: He offered his opinion
2	that they're going to contribute more or less equally.
3	It would seem that he would have to have knowledge of
4	this of their development plan, and what they
5	intend to do, to make offer that opinion.
6	THE HEARING EXAMINER: Ms. Bennett?
7	MS. BENNETT: Mr. Hearing Examiner,
8	Mr. Kessel's opinion is based on the geology, and
9	whether there are any geologic impediments that would
10	impair each quarter-quarter section from contributing
11	more or less equally. That's the focus of his study,
12	is to understand the geology in the area, and whether
13	each quarter-quarter section has the potential to be
14	productive.
15	THE HEARING EXAMINER: Mr. Feldewert,
16	I'm going to sustain the objection. Can you rephrase
17	your question to keep it within the scope of his
18	expertise?
19	MR. FELDEWERT: Well, my question is
20	whether he can answer the question of how much the
21	perforated intervals are going to overlap, and
22	therefore drain the same reservoir; okay? And the
23	answer to that question.
24	THE HEARING EXAMINER: Ms. Bennett?
25	MS. BENNETT: That is the question I
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1	was objecting to, based on the fact that that's
2	outside of his expertise.
3	THE HEARING EXAMINER: So
4	Mr. Feldewert, there's no way for you to rephrase that
5	question to ask it based on his expertise?
6	MR. FELDEWERT: My understanding is
7	that he believes that, based on the geology in their
8	development plan, that the tracts are going to
9	contribute more or less equally. It's what he's
10	testified to. So if he's going to offer that opinion,
11	then he needs to understand what their proposed
12	drilling plan is going to be.
13	THE HEARING EXAMINER: Mr. Feldewert, I
14	understand Ms. Bennett's objection that his expert
15	opinion is based solely on the geology. And so he's
16	here as an expert in geology. So if your question
17	doesn't focus on the geology aspect of his opinion,
18	then it's improper.
19	MR. FELDEWERT: Okay.
20	BY MR. FELDEWERT:
21	Q Can you give me an example, Mr. Kessel, of
22	when a 40-acre tract would not contribute more or less
23	equally to the production from the well bore?
24	MS. BENNETT: Mr. Hearing Examiner,
25	that's beyond the scope of Mr. Kessel's direct, and so

1	I object.
2	THE HEARING EXAMINER: Well,
3	Ms. Bennett, he has been qualified as an expert in
4	this field. And I believe I'm going to give the same
5	latitude I gave to you, in that experts can and we
6	can look at the rule. Even though the rules of
7	evidence are not let me pull it up.
8	Even though the rules of evidence are
9	not in effect in the same way that they would be at a
10	criminal or civil trial, 11-702 I believe is the
11	expert here it is, yes. Okay. So what the rule
12	says is, "A witness who's qualified as an expert by
13	knowledge, skill, experience, training, and education,
L4	may testify in the form of an opinion or otherwise, if
15	that expert's knowledge will help the trier of fact to
16	understand the evidence, or to determine a fact in
17	issue."
18	So Mr. Feldewert, how does that
19	question help the trier of fact not necessarily me,
20	but the Division, when they take this case under
21	advisement how does that question help the Division
22	understand the evidence, or determine a fact in issue?
23	MR. FELDEWERT: The Division will need
24	to, if it has enough information, examine their
25	proposed spacing unit and their development plan, and

1	ascertain whether it meets the standards of the
2	order of the pooling statute, which requires that
3	the proposed spacing unit and development plan does
4	not negatively impact correlative rights; okay? My
5	question to him is to provide an example of when a
6	40-acre tract would not meet the standard necessary
7	for pooling, since he offered an opinion that it does.
8	THE HEARING EXAMINER: And Ms. Bennett,
9	I'm looking at the rest of the expert opinion. This
10	is rule 11-703. "An expert may base an opinion on
11	facts or data in the case that the expert has been
12	made aware or personally observed. If experts in the
13	particular field would reasonably rely on those kinds
14	of facts or data in forming an opinion on the subject,
15	they need not be admissible for the opinion to be
16	admitted.
17	"But if the facts or data would
18	otherwise be inadmissible, the proponent of the
19	opinion may disclose them to the jury only if the
20	probative value" and it goes on. So hearing the
21	rule, do you still maintain your objection?
22	MS. BENNETT: I agree that Mr. Kessel
23	is if he understands the question, then he can
24	answer it, and I will withdraw the objection.
25	THE HEARING EXAMINER: Okay.

1	And Mr. Kessel, I'm just going to
2	advise you that, when you answer this question, it
3	must be based on your expertise.
4	THE WITNESS: Okay.
5	THE HEARING EXAMINER: So do you
6	understand the question?
7	THE WITNESS: Maybe like a rephrase, or
8	a
9	THE HEARING EXAMINER: Yes. Would you
10	restate the question?
11	MR. FELDEWERT: Can you read it back?
12	THE HEARING EXAMINER: Sure.
13	Mr. Court Reporter, can you read the
14	question that Mr. Feldewert asked about three or four
15	minutes ago, before there was an objection?
16	(The reporter read the record as
17	requested.)
18	THE WITNESS: Yes. If there are
19	some issues that we could have done whole, like if a
20	stage was screened down in completion, because of the
21	geologic factors. Sometimes that does happen, where
22	you have to skip stages. So
23	BY MR. FELDEWERT:
24	Q Let me stop you there, on that first
25	example. So then you'd have less perforations in that
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1	40-acre tract than in others?
2	A You would have a less effective frack.
3	Q Less effective frack. Okay, go ahead.
4	A There could be other mechanical issues down
5	a hole, where you have to skip a stage.
6	Q Skip a frack stage?
7	A Correct.
8	Q That means that we'd have less perforations?
9	A Correct.
10	Q In a 40-acre tract versus other tracts?
11	A It just would be a stage-by-stage basis.
12	Q Okay. But in your example, you would have,
13	for example, a particular 40-acre tract, you may have
14	a problem with your perforations such that that
15	40-acre tract is not perforated similar to the 40-acre
16	tracts?
17	A That could happen.
18	Q Okay. And that would be an example where it
19	wouldn't contribute more or less equally?
20	A That could that could be a factor.
21	Q Okay. What else?
22	A There could also be subsurface structures,
23	like faults, fractures, that make the frack less
24	effective.
25	Q And again, then, that frack would not
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1	contribute proportionately to the production from the
2	well?
3	A It might not.
4	Q Okay. Any others?
5	A That's all I can think of for now.
6	MR. FELDEWERT: Okay. That's all the
7	questions I have. Thank you.
8	THE HEARING EXAMINER: Okay.
9	Mr. Garcia, do you have any
10	cross-examination for this witness?
11	MR. GARCIA: Mr. Kessel, are you
12	comfortable talking about frack design and
13	characteristics? Or is that another witness?
14	THE WITNESS: It's it's not my
15	expertise, but I could attempt to answer the question.
16	MR. GARCIA: Ms. Bennett, do you have a
17	witness that's comfortable with frack design and
18	characteristics?
19	MS. BENNETT: Yes.
20	MR. GARCIA: Okay. I will
21	MS. BENNETT: To the extent
22	MR. GARCIA: They're very minimal
23	questions, so I'll reserve my questions for, I
24	believe, your reservoir engineer.
25	MS. BENNETT: Thank you.
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1	THE HEARING EXAMINER: Thank you,
2	Mr. Garcia.
3	Ms. Bennett, would you identify the
4	witness that Mr. Garcia was asking about?
5	MS. BENNETT: Yes. That would be
6	Mr. McCoy.
7	THE HEARING EXAMINER: McCoy? Okay, so
8	John, that's Mr. McCoy.
9	MR. GARCIA: Thank you.
10	THE HEARING EXAMINER: Will he be last?
11	MS. BENNETT: He will be.
12	THE HEARING EXAMINER: He'll be last.
13	Ms. Bennett, any redirect based on the
14	cross-examination that Mr. Feldewert asked?
15	MS. BENNETT: Yes.
16	THE HEARING EXAMINER: Go ahead.
17	REDIRECT EXAMINATION
18	BY MS. BENNETT:
19	Q Mr. Feldewert asked you about the unleased
20	mineral interest owners in section one. Do you recall
21	that?
22	A Yes.
23	Q Do you know if MRC Permian owns any interest
24	in section one? I'm sorry in section 36?
25	A I don't believe they do.

1	Q Will Franklin Mountain Energy's plan have
2	any impact on the owners in section one, in terms of
3	accessing the reserves in section one?
4	A No. Our plan is more complete, where we
5	access reserves that would have been left behind in a
6	traditional non-overlapping spacing unit.
7	Q So what you're saying, then, if I understand
8	your response, is that you're accessing additional
9	reserves in 36 that could not otherwise be accessed?
10	A Yes.
11	Q Is that a detriment to section one owners?
12	A No.
13	Q Are the owners in section one well, I
14	don't think this is within your expertise, so I won't
15	ask that question. Are you familiar with the
16	Division's proximity tract rule?
17	A Vaguely.
18	Q What's your understanding of the proximity
19	tract rule?
20	A Um
21	Q Actually, that's okay. I appreciate you
22	A Sorry.
23	Q Yeah, that's fine. I sort of threw you a
24	curveball there.
25	THE HEARING EXAMINER: Are you
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1	withdrawing the question?
2	MS. BENNETT: I'm withdrawing the
3	question.
4	I think those are all the questions I
5	have for you, Mr. Kessel. Thank you for your time.
6	THE HEARING EXAMINER: May this witness
7	be excused?
8	MS. BENNETT: Subject to recall.
9	THE HEARING EXAMINER: We'll do that
10	for all of your witnesses, subject to recall.
11	MS. BENNETT: Thank you.
12	THE HEARING EXAMINER: Okay. It is now
13	noon. I'd like to take a lunch break, but keep it
14	brief, because I don't know how this is going to go,
15	and I'd like to wrap this up in one day.
16	Mr. Feldewert, how long do you want for lunch?
17	MR. FELDEWERT: Well, we all have to go
18	out to get our lunch yeah. So an hour?
19	THE HEARING EXAMINER: Okay. Well, we
20	may be here after 5 o'clock today, but okay. We'll be
21	off the record from 12 to 1, and we will come back
22	then. Thank you.
23	(Off the record.)
24	THE HEARING EXAMINER: It's 1 o'clock
25	on February 8. We are continuing this special
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1	hearing.
2	And Ms. Bennett, do you have your next
3	witness?
4	MS. BENNETT: I do. Thank you,
5	Mr. Hearing Examiner. At this time, I'd like to call
6	Cory McCoy.
7	THE HEARING EXAMINER: Now, he was
8	going to be your last witness.
9	MS. BENNETT: That's correct.
10	THE HEARING EXAMINER: Are we
11	switching? Okay.
12	You're going to be sworn in, Mr. McCoy.
13	MR. MCCOY: Okay.
14	WHEREUPON,
15	CORY MCCOY,
16	called as a witness and having been first duly sworn
17	to tell the truth, the whole truth, and nothing but
18	the truth, was examined and testified as follows:
19	THE HEARING EXAMINER: Thank you, sir.
20	MS. BENNETT: Thank you.
21	THE HEARING EXAMINER: Ms. Bennett?
22	DIRECT EXAMINATION
23	BY MS. BENNETT:
24	Q Mr. McCoy, please state your name for the
25	record.

1	A Cory McCoy.	
2	Q Thank you. And for whom do you work?	
3	A Franklin Mountain.	
4	Q In what capacity?	
5	A As a production engineer and reservoir	
6	engineer.	
7	Q And earlier today, we went through your	
8	resume, which was attached to your affidavit as	
9	Exhibit D-1. Is that a true and accurate copy of you	r
10	resume?	
11	A Correct.	
12	Q And you were accepted as an expert in	
13	petroleum and reservoir engineering matters. Are you	
14	familiar with the applications FME 3 filed in these	
15	cases?	
16	A Yes.	
17	Q Did you prepare an affidavit in these cases	?
18	A I did.	
19	Q Did you prepare exhibits?	
20	A I did.	
21	Q Have you had a chance to review your	
22	affidavit?	
23	A Yes.	
24	Q And in reviewing your affidavit, was there	a
25	change that you wanted to make to your affidavit?	

1	A Yes. In paragraph four, change "Delaware"
2	to "Permian."
3	Q Okay. I will go ahead and get this up on
4	the screen. Here in paragraph four, where it says
5	"Delaware," you wanted to change that to
6	A Permian.
7	Q Okay. And why is that?
8	A Because I've worked in the Midland basin as
9	well, in Texas.
10	Q Okay. And with that change, do you adopt
11	your affidavit and your exhibits as your testimony?
12	A I do.
13	Q Your testimony had three primary takeaways
14	that you were going to discuss today, prior to MRC's
15	withdrawal of its applications; right?
16	A Correct.
17	Q And so of the three takeaways, takeaway
18	number the first bullet is the one that is
19	presently before the Division; is that your
20	understanding?
21	A Yes.
22	Q Okay. And if you wouldn't mind giving the
23	Division some additional background on the it's
24	paragraphs 11 and 12 in your affidavit, which I have
25	highlighted here, where you discuss the benefits and

1	the co-development between the satellite and cross
2	units. Will you provide a bit more color on that, if
3	you will?
4	A Yeah. So being able to codevelop and use
5	one corridor, we're able to develop our plan 16
б	cross, 16 satellite, so a total of 32 wells, all
7	coming to a central tank battery. As mentioned
8	previously, we're already pushing dirt on the
9	satellite, so those costs are already being dollars
10	already being spent.
11	So the cross-unit at the end of the whole
12	project will obviously be reallocated to everything.
13	But because it's over 32 wells, RFEs are going to be
14	cheaper, rather than two independent projects.
15	Q Thank you. And how about the actual
16	overlap? In your affidavit, you talked about how
17	codeveloping these units will allow oil and gas
18	reserves located in the north half of section 36 to be
19	accessed that wouldn't otherwise be accessed. Can you
20	explain a little bit more about that to the examiners?
21	A Yeah. So being able to to overlap
22	and and codevelop essentially is you're just
23	extending your completed lateral footage. And and
24	this reservoir where we're looking at be out per foot.
25	So like every foot counts in that in that well.

1	So if we're able to get an additional 500
2	feet, that's two more frack stages, times you know,
3	just easy math. A hundred, you know, a foot I
4	mean, that's substantial dollars. So that overlap is
5	impactful as regarding a recovery of resources.
6	Whereas the two independent heel-to-heel
7	curves as we've discussed in the previous testimony
8	here shows that there's a delta of about 500 feet. So
9	we've we've ran math with our drill engineers and
10	well planners.
11	If you want to build on ten degrees per
12	hundred, and that that horizontal section from the
13	section line to basically the the cartoon first
14	take point, there's going to be 500 feet. And ten
15	degrees per hundred is industry standard.
16	What we're doing here in the in the
17	overlap is we're just moving that same curve, but
18	we're we're putting them back-to-back, so we're
19	able to to access that resource that would not be
20	caught in the two independent heel-to-heel contact.
21	Q Thank you. And so I think you were talking
22	about this as the cartoon, the first cartoon you were
23	talking about; right?
24	A Correct.
25	Q By this, I mean the standard spacing unit
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1	heel-to-heel diagram.
2	A Yep.
3	Q And so when you said and I'm definitely
4	not going to remember what you said. Ten feet per
5	500, or something like that? Ten degrees per 500?
6	A Yeah. Ten degrees per per hundred.
7	Q Per hundred?
8	A Yeah. Which is we call that a build
9	rate. And that's basically, if you want to think
10	about a train, and how a train turns, you can't a
11	train can't turn at 90 degrees. It's got a lot a
12	lot of momentum behind it.
13	Similar with drill pipe and drilling, it
14	takes time to bend, and and turn those tracks,
15	and and have a train turn. So a similar kind of
16	analogy here, is that you're you're just
17	giving you're giving up footage, as the with the
18	heel-to-heel interaction there.
19	Q And so looking at the standard unit
20	heel-to-heel, what you're saying is that from the
21	top the blue line essentially represents the build
22	curve; is that what you're saying?
23	A Correct.
24	Q And that build curve is 10 degrees per
25	hundred feet?

1	A Yep.
2	Q And that's what limits the ability to get a
3	first take point at 100 feet; is that what you're
4	saying?
5	A Yes. We've ran math on hypotheticals, if
6	you want to go into that of what it takes as well.
7	Q That's okay. The next cartoon, though, the
8	overlapping spacing unit heel-to-heel. What you're
9	showing there is the same a similar build curve,
10	but that you're able to condense the distance between
11	the two take points? Is that accurate?
12	A Yeah. So the this visual shows a
13	back-build, so we're able to to back
14	behind build behind the section line and come in at
15	a at a flatter angle, rather than sitting at the
16	top of the section line, and drilling down and then
17	trying to turn. So we're we're just taking a a
18	larger angle of of approach to to hit
19	the that landing point.
20	Q What is your overall assessment of the
21	overlapping or co-development, in terms of reserves?
22	Is it your opinion what is your opinion about FME
23	3's ability to access reserves?
24	A I mean, I think it it's I mean, this
25	definitely overlapping plan is far more superior than
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1	probably the than the heel-to-heel in other basins.
2	They've they've identified this as as kind of an
3	off-lease pot, where you can drill off-lease and come
4	in at a wider wider angle and and hit that first
5	take point, to maximize lateral angle. So I mean, the
6	cross-sections here in in the state of New Mexico,
7	there's there's probably significant resources not
8	getting developed in a heel-to-heel interaction.
9	Q One of the other items that you testified to
10	in your affidavit was that you would reduce costs
11	while maximizing reserves. Can you explain a little
12	bit more about how it reduces costs?
13	A Yeah. A lot of it is from the from the
14	surface, so we're able to commingle. We're able we
15	don't have to drill, or don't have to move dirt on
16	multiple paths. So a smaller surface disruption
17	there.
18	We're bringing in one takeaway, one
19	pipeline, one waterline, around multiple coming in on
20	the pipeline corridor. So those are really the
21	dividends that we see commingling those two not
22	commingling. Codeveloping those two units.
23	Q You were here earlier today, when
24	Mr. Feldewert was asking Mr. Zink and Mr. Kessel about
25	the distance between the two take points on this

1	slide were you here then?
2	A Correct.
3	Q And this slide is illustrative only; right?
4	It's not this doesn't reflect your actual
5	development plan?
6	A Correct.
7	Q But in analyzing this option of codeveloping
8	these four sections, what do you think the overlap, or
9	the yeah, the overlap, I guess, for lack of a
LO	better word, would be there? Between the first two
L1	take points, or the overlap in their completed
L2	laterals?
L3	A Yeah, so there there would be some
L4	overlap. It's probably going to be 90 to 100 feet,
L5	but there's multiple ways to that we can mitigate
L6	that, whether it be from the when we do our
L7	completions, we can we can stage our first first
L8	perforations. So there we can minimize overlap.
L9	We've also so so that's one way to
20	mitigate overlap. But yeah, well bores will be be
21	overlapped. Whether they're going to be perfed and
22	producing in that zone is a different story, and we'll
23	have to get with our completions and drilling team,
24	and get as-drill, and see how how that plays out.
25	Q One thing you mentioned just a minute ago

1	that really resonated with me is that you'll
2	be "you," Franklin Mountain Energy, will be able to
3	control this development plan, and so you'll be able
4	to monitor the staging the perforations. Did I
5	understand that correctly?
6	A Yeah. Correct.
7	MS. BENNETT: That's all I have for the
8	moment. Thank you.
9	THE HEARING EXAMINER: Mr. Feldewert?
10	MR. FELDEWERT: I'm going to go to your
11	Exhibit B-8, Mr. McCoy.
12	THE HEARING EXAMINER: What page
13	number?
14	MR. FELDEWERT: That's what I'm trying
15	to get to. Looks like 32 of the 385 PDF.
16	CROSS-EXAMINATION
17	BY MR. FELDEWERT:
18	Q Okay. Got it up on screen. Are you there,
19	Mr. McCoy?
20	A I found it.
21	Q Okay. So now, what you show here, in terms
22	of your overlap, would you agree with me that your
23	back-build, and what you need to do, and where you can
24	first perf based on the back-build, starts with where
25	you put your well pad?

1	A That is part of it.
2	Q Okay. So for example, if your well pad
3	wasn't on, as you depict here in the north half of the
4	north half of section 36, but was either on the
5	acreage to the north of that or in the south half of
6	36, then that would impact your ability to back-build
7	and reach a 100-foot setback take point; right?
8	A Pulling up the map here. Sorry. I'm a
9	visual guy.
10	Q Sure.
11	A So again, section one 36 here. So your
12	question?
13	Q So I mean, your diagram here is based on
14	surface hole location in the north half of the north
15	half; right?
16	A Yes.
17	Q Okay. If you didn't have a surface hole
18	location there, and you did need to build let's say
19	a surface hole was over to in section to the north;
20	right? Then you would have the ability to drill down
21	into the north half of the north half and reach the
22	100-foot take point and perf there?
23	A We'd be off-lease, but as established
24	earlier in Lee's testimony, there are, I guess,
25	regulatory there's paperwork that can be approved.

1	Q Additional paperwork that could be approved,
2	but you have to do additional paperwork?
3	A But we would be also off-lease again,
4	currently.
5	Q All right. Another option is that you could
6	be on the south half of the north half, I guess
7	on-lease somewhere, and then you could back-build and
8	perhaps reach the 100-foot take point; right?
9	A I don't agree with that one.
10	Q How close could you get?
11	A As as we ran numbers with our directional
12	planners, if we have if Rix Kelly [ph] is right on
13	the section line, and we drill straight down, it
14	is it's going to take around 56 degrees per hundred
15	to lay in the curve at 90 degrees at 100 feet for the
16	first take point. Current technology, additional
17	operational risk, it's not possible.
18	Q But when I look at what you filed,
19	cross-state spacing unit, you see that? There's your
20	surface hole location in unit E; right? That'll be
21	the south half of the north half of section 36?
22	MS. BENNETT: Can you
23	MR. FELDEWERT: On the screen?
24	THE WITNESS: Yeah, I'm looking. South
25	half of the

1	MS. BENNETT: Mr. Examiner, may I ask
2	Mr. Feldewert to scroll down just a little bit, so we
3	can see which well this is, and which what we're
4	looking at here?
5	MR. FELDEWERT: So this is the C-102
6	that your company filed. Forget the operator
7	certification; we've already talked about that.
8	Here's the 701-H for the Wolfcamp.
9	MS. BENNETT: Mr. Examiner, I object to
10	the characterization about the Wolfcamp. And as
11	Mr. Zink testified earlier, Franklin Mountain Energy
12	does have an interest in every tract in the Wolfcamp.
13	THE HEARING EXAMINER: So what is your
14	objection?
15	MS. BENNETT: I object to his
16	characterization of "forget the C-102, forget the
17	certification, we've already talked about that."
18	That's a mischaracterization.
19	THE HEARING EXAMINER: Mr. Feldewert?
20	MR. FELDEWERT: That's fine. I was
21	forgetting it my question.
22	BY MR. FELDEWERT:
23	Q This is the C-102 that your company filed
24	for the 701 cross-state 701-H; right?
25	A Yes.

1	Q Okay. And it was filed in November of '23,
2	and then approved by the Division in December of '23;
3	right?
4	A Correct.
5	Q And on here, you show that your surface hole
6	location is going to be unit E of 36 would be the
7	south half of the north half; right?
8	A Correct.
9	Q And then according it doesn't show where
10	the first take point is going to be, but this is where
11	you indicated your surface hole location is going to
12	be. Is that changed now?
13	A I'm not sure.
14	Q You know that every foot counts; right?
15	A Absolutely.
16	Q Okay. And your give me a minute. And
17	according to your plan, the cross-state unit is only
18	going to have about what, 600 feet of perforated
19	interval in the north half of the north half?
20	A Yes.
21	Q That's it? Okay. And the remaining tracks,
22	for the most part, are going to have
23	A Six hundred feet.
24	Q I'm sorry?
25	A On the north.

1	Q Six hundred feet on the north?
2	A Yeah.
3	Q Okay. So that 40-acre tract, those tracts
4	are on the north half of the north half, only have
5	about 600 feet of perforated interval for the
6	cross-state?
7	A Yes.
8	Q Okay. The remaining tracts in the
9	cross-state unit are going to have what, almost
10	twice that?
11	A The remaining as in
12	Q The remaining tracts in the cross-state
13	units will have twice the perforations as you planned
14	for the north half of the north half.
15	A Not sure I understand your question.
16	Q The perforated lateral is removed to the
17	south half of the north half, and then the north
18	half or the south half of section one, and the
19	south half of the south half of section one. The
20	perforated intervals for those 40-acre tracts will be
21	twice what it is for each tract in the north half,
22	north half; right?
23	A Not necessarily.
24	Q You're not planning on perfing those tracts?
25	A We will perforate the overlap. Once once
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1	the wells are drilled, we'll we'll have the the
2	perforation from 600 feet to the north half, north
3	half.
4	Q Okay. So let's go to the maybe it's
5	easier showing on this plot that you actually filed
6	with the Division. So the
7	MS. BENNETT: Mr. Examiner, if he could
8	slide the slide down, so we could see which plot he's
9	talking about?
10	MR. FELDEWERT: I'm sorry.
11	THE HEARING EXAMINER: Is it possible
12	to zoom out a little bit
13	MR. FELDEWERT: Yeah, I could. I
14	could. All right.
15	THE HEARING EXAMINER: so that we
16	could see more of the exhibit?
17	MR. FELDEWERT: Sure.
18	THE HEARING EXAMINER: That's helpful.
19	MR. FELDEWERT: Can we still see it?
20	THE HEARING EXAMINER: I can.
21	BY MR. FELDEWERT:
22	Q So this for the record, this is for what
23	you filed for the in November, for the cross-state
24	701-H. Is that correct?
25	A Yes.
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1	Q Okay. All right. And if I'm understanding
2	you correctly, your development plan now is to
3	perforate let's just take the west half of the west
4	half. Perforate starting perforation about halfway
5	through the north half of the north half?
6	A Yes.
7	Q And then your perforations would continue
8	south, along the well bore?
9	A Yes.
10	Q Okay. And so when we get to that south
11	half of the north half unit, that would have what,
12	twice as many perforated lateral? 600 to roughly 1200
13	feet?
14	A Yes, by that math.
15	Q Okay. Same thing for the remaining tracts?
16	A Yep.
17	Q Okay. And as you pointed out, every foot
18	counts. And you calculated about 100 barrels of oil
19	per foot?
20	A Yeah, for simple math.
21	Q Okay, simple math. Let's just keep it
22	simple. So that means that the tract here in the
23	north half of the north half, since it's only going to
24	have half the perfs, it's only going to produce about
25	half of the expected production from the remaining

1	five tracts?
2	A I would argue that it's we're gaining
3	perfs compared to by doing the back back-build
4	than the typical heel-to-heel.
5	Q But taking into account where you put your
6	surface hole location. But my point is okay?
7	Let's keep it simple. If each of these tracts produce
8	ten barrels of oil; okay? And you only have half of
9	the perfs in the north half of the north half as
LO	exhibit tracts, it would only produce, simple math,
L1	about five barrels of oil.
L2	A Yeah, that would be the proportionate share.
L3	Yep.
L 4	Q And then all these well, these mineral
L 5	and interest owners would share in the production from
L6	that well bore on a straight-acreage basis; right?
L 7	A Correct.
L8	Q So they would be forced to share all these
L 9	working interest owners down here in the remainder of
20	36 and section one would be forced to share their
21	production in the well bore, as if the north half of
22	the north half was producing ten barrels of oil
23	instead of five; right?
24	MS. BENNETT: Mr. Examiner
25	THE WITNESS: Correct, but
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1	MS. BENNETT: I object to this
2	question. I don't understand I don't think that
3	this is within the idea of sharing, and how it's
4	going to impact the owners in section one, I don't
5	know that's within Mr. McCoy's expertise.
6	MR. FELDEWERT: I was going to say,
7	because he's a drilling engineer, and he offered his
8	opinion on correlative rights.
9	THE HEARING EXAMINER: Ms. Bennett?
10	MS. BENNETT: If Mr. McCoy understands
11	the question, then I'll waive my objection.
12	MR. FELDEWERT: He already answered the
13	question. He said "correct."
14	MS. BENNETT: I don't believe he
15	answered the question.
16	MR. FELDEWERT: Ask the court reporter.
17	(The reporter read the record as
18	requested.)
19	MR. FELDEWERT: All right. That's all
20	the questions I have. Thank you.
21	THE HEARING EXAMINER: Do you have any
22	redirect?
23	MS. BENNETT: I do, yes.
24	THE HEARING EXAMINER: Please.
25	MS. BENNETT: Would you like me to do
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1	my redirect before Mr. Garcia asks his questions,
2	or
3	THE HEARING EXAMINER: Mr. Garcia, do
4	you have any questions for this witness?
5	MR. GARCIA: Just a few.
6	THE HEARING EXAMINER: Please, go
7	ahead.
8	CROSS-EXAMINATION
9	BY MR. GARCIA:
10	Q Afternoon, Mr. McCoy. Did I say that
11	correctly?
12	A Yes.
13	Q Quick few questions about fracking. For
14	these two wells, the satellite and the cross-spacing
15	in the well bores, how far apart are your frack and
16	perf clusters?
17	A Between between stages or between wells?
18	Q Between stages. Sorry about that.
19	A Our stages are 220 feet.
20	Q Okay. And I guess with these being slight
21	overlap between the satellite wells, is that 220 feet
22	going to kind of be near between first take point,
23	first take point?
24	A Yeah. The stages will be adjusted as as
25	the as-drills come in.

1	Q Okay. And are you guys planning
2	on losing my word of thought here, but
3	stack-fracking these; therefore, you're not doing both
4	last frack stages at the same time as each other. Are
5	you guys expecting any frack kits from each other?
6	A We will codevelop these if we have the
7	opportunity, all 16 at a time 16 together, eight at
8	a time, sorry.
9	Q Okay. Yeah, because like when I used to
10	frack, you know, you start one well ahead of the
11	other, so their zones get farther apart while you're
12	fracking. Because you're codeveloping, no worries
13	about parent and child effects with these wells at
14	all, with the 16 cross and the 16 satellite?
15	A No. This is all virgin reservoir, so
16	there's not a parent that's been depleted in the
17	section in that that we are targeting.
18	Q Okay. And then I know you are going to
19	wine-rack your crossbow wells. Are you also
20	wine-racking your satellite, and if so, are they
21	offset wine racks with each other?
22	A Yeah, so we'll those developments are
23	wine-racked, and they'll be back-to-back, so it'll be
24	almost a continuous four-mile reservoir.
25	Q It'll be a slight horizontal deviation, so
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1	you guys don't have collision?
2	A Yes. Correct.
3	Q Okay. I guess how much buffer zone do you
4	guys looking out for that slight horizontal
5	deviation?
6	A Check with our drilling on AC, but usually
7	it's probably 30 30 feet of uncertainty. So
8	we'll we'll stagger them as as far as we can,
9	but and definitely have it be on point when we
10	start drilling with the AC.
11	Q Yeah, but once all drilled and done and
12	fracked, essentially these will be almost in line, as
13	close as you can get with modern-day technology?
14	A Can you repeat the question?
15	Q Once it's all drilled and completed,
16	basically the crossbow and the satellite wells will
17	essentially be in line with each other, as far as you
18	can get with modern-day technology?
19	A Yeah.
20	MR. GARCIA: I think that's all my
21	questions.
22	THE HEARING EXAMINER: Thank you,
23	Mr. Garcia.
24	Ms. Bennett?
25	MS. BENNETT: Thank you. I do have a
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1	few redirect questions. And if I could use the
2	screen, that would be awesome.
3	MR. FELDEWERT: Oh, yeah. Sorry.
4	REDIRECT EXAMINATION
5	BY MS. BENNETT:
6	Q I'm going to turn back to page 32 of the
7	materials, which is the overview of the the
8	illustration of the standard versus overlapping
9	spacing unit.
10	A Okay.
11	Q And so Mr. Feldewert asked you about the 600
12	feet of perforated lateral length in the north half,
13	north half. Do you remember that?
14	A I do.
15	Q And if we're looking at this standard
16	spacing unit heel-to-toe, what's the approximate
17	distance between the section line and the first take
18	point?
19	A Built on if the curve is built on tens,
20	it's around 600 feet.
21	Q And so does that mean that, even with the
22	standard spacing unit, there would be about 600 feet
23	of lost reserves?
24	A Correct.
25	Q Does your overlapping spacing unit
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1	heel-to-heel reduce that distance between the section
2	line and the first take point?
3	A Between the section line and first take
4	point?
5	Q Let me start again. I'm sorry. I withdraw
6	that question. So you're looking at the standard
7	spacing unit. There's about 600 feet between the
8	section line and the first take point?
9	A Correct.
10	Q And then in the overlapping spacing unit,
11	though, your first take points are much closer
12	together?
13	A Yes.
14	Q So when you're proposing the overlapping
15	spacing unit, are you able to get closer the first
16	take points closer to each other than in the standard
17	heel-to-heel unit?
18	A Yes. It's about half.
19	Q And so are you able to access more reserves
20	that way?
21	A Yes.
22	MS. BENNETT: Those are the only
23	questions I have redirect. Thank you.
24	THE WITNESS: Thank you.
25	THE HEARING EXAMINER: Any cross based
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1	on that?
2	MR. FELDEWERT: Sure. Yes. If I may
3	share?
4	RECROSS-EXAMINATION
5	BY MR. FELDEWERT:
6	Q Mr. McCoy, first off, again, your surface
7	hole location dictates what you can do in terms of
8	getting that first take point; right? You start with
9	a surface hole location, and you go from there; right?
10	A Yes, that's part of the equation.
11	Q Okay. All right. And in putting together
12	this exhibit package, you all attempted to represent
13	what your actual drilling plan is; correct?
14	MS. BENNETT: Mr. Hearing Examiner, if
15	I could ask Mr. Feldewert to zoom out, to see if this
16	is part of our hearing packet or not?
17	MR. FELDEWERT: Let me ask the
18	question.
19	You attempted to represent what your
20	drilling plan is; right? In this hearing packet in
21	your hearing packet?
22	MS. BENNETT: Mr. Examiner, I'm still
23	not sure if this is the C-102 from our hearing packet
24	yet.
25	MR. FELDEWERT: We'll get to that.

1	THE HEARING EXAMINER: I feel like you
2	should zoom out and then zoom back in if you want to
3	be zoomed in. I think she has a valid question, so
4	yes, zoom out.
5	MR. FELDEWERT: Okay. This is your
6	hearing packet, and I don't want to lose my page.
7	THE HEARING EXAMINER: Thank you.
8	BY MR. FELDEWERT:
9	Q So we can see this is your hearing packet;
10	right?
11	A Correct.
12	Q Okay. And did you attempt to accurately
13	demonstrate and provide the Division information on
14	what your drilling plan is in this hearing packet?
15	A That is the intent.
16	Q Okay. Then when I looked at this page 59
17	out of 385, it states your first take point is going
18	to be 100 feet from the north line; right?
19	A That is correct. It's what it says.
20	Q Okay. Which means from that surface hole
21	location, at least somebody was contemplating that you
22	would be able to drill back and be 100 feet off the
23	north line. That's what you represented to the
24	Division? The company did. I shouldn't say "you";
25	the company did.

1	A Yeah, I'm thinking here.
2	Q Okay. And somebody signed that in November
3	of 2023, and then you all put this in your hearing
4	packet; right?
5	A Yes, it is in here.
6	MR. FELDEWERT: Okay. That's all the
7	questions I have.
8	THE HEARING EXAMINER: Mr. Garcia, do
9	you have any questions based on the cross-examination?
10	MR. GARCIA: No further questions.
11	THE HEARING EXAMINER: Ms. Bennett, is
12	there any redirect on that specific question?
13	MS. BENNETT: I'm sorry,
14	Mr. Examiner
15	THE HEARING EXAMINER: The question is,
16	do you have any redirect based on Mr. Feldewert's
17	single cross-examination question?
18	MS. BENNETT: If I may confer with my
19	co-counsel, just for a moment?
20	THE HEARING EXAMINER: Sure. You might
21	want to turn your mic off.
22	MS. BENNETT: No further questions.
23	Thank you.
24	THE HEARING EXAMINER: Very good. May
25	this witness be excused?

1	MS. BENNETT: Subject to recall.
2	THE HEARING EXAMINER: Yes, they're all
3	the same.
4	MS. BENNETT: Thank you.
5	THE HEARING EXAMINER: Would you call
6	your next witness?
7	MS. BENNETT: Mr. McCoy was our final
8	witness.
9	THE HEARING EXAMINER: Okay. All
10	right. So do you rest your case-in-chief?
11	MS. BENNETT: Yes, we do.
12	THE HEARING EXAMINER: Very good.
13	Mr. Feldewert, do you have a case?
14	MR. FELDEWERT: Of course I have a
15	case. You mean, do I have a witness?
16	THE HEARING EXAMINER: I know you have
17	a witness.
18	MR. FELDEWERT: I do have a witness.
19	THE HEARING EXAMINER: Okay. Let's get
20	your witness sworn in.
21	MR. FELDEWERT: Sure. We'll call
22	Mr. Tanner Schulz, who is, I believe, on the line.
23	THE HEARING EXAMINER: Can we make him
24	bigger? Perfect. We're going to swear you in, sir.
25	//
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1	WHEREUPON,
2	TANNER SCHULZ,
3	called as a witness and having been first duly sworn
4	to tell the truth, the whole truth, and nothing but
5	the truth, was examined and testified as follows:
6	THE HEARING EXAMINER: Mr. Feldewert,
7	do you want to deal with your exhibits now?
8	MR. FELDEWERT: Sure. Yes. I would
9	move the admission of well, do you want me to have
10	him
11	DIRECT EXAMINATION
12	BY MR. FELDEWERT:
13	Q Mr. Schulz, did you submit a self-affirmed
14	statement in this case?
15	A Yes, sir. I did.
16	Q And was it marked in the hearing package
17	filed by MRC Permian as Exhibit C?
18	A Yes, I believe so.
19	Q And then it also had two additional exhibits
20	with it, C-1 and C-2?
21	A That's correct.
22	Q Okay. And do you adopt that statement as
23	your testimony here today?
24	A I do.
25	MR. FELDEWERT: Okay. I move the
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1	admission of MRC Exhibits C, C-1, and C-2.
2	THE HEARING EXAMINER: Okay. First of
3	all, I'd like to see them. And I'm looking at a
4	document with 119 pages. Is that the correct
5	document?
6	MR. FELDEWERT: Yes, sir.
7	THE HEARING EXAMINER: Okay, good.
8	What page is this Exhibit C-1?
9	MR. FELDEWERT: Ninety-two.
10	THE HEARING EXAMINER: Let me get
11	there.
12	MR. FELDEWERT: Sure.
13	THE HEARING EXAMINER: Has this witness
14	been qualified before as an expert?
15	MR. FELDEWERT: He has not. His
16	credentials are laid out in paragraph number two. So
17	after giving you an opportunity to read it, I'll move
18	to
19	THE HEARING EXAMINER: You don't need
20	to; I'm looking at it on my computer.
21	MR. FELDEWERT: Okay.
22	THE HEARING EXAMINER: So would that be
23	page 96? No. What page number is it?
24	MR. FELDEWERT: Should be page 92.
25	THE HEARING EXAMINER: Okay. I'm on
	D 175
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1	page 92, but didn't you just say that you have a CV
2	for him?
3	MR. FELDEWERT: No, his credentials are
4	in paragraph two.
5	THE HEARING EXAMINER: Thank you. I
6	see. So there's no CV; it's all in paragraph two?
7	MR. FELDEWERT: Yes, sir.
8	THE HEARING EXAMINER: Okay. In what
9	field are you seeking to admit him as an expert?
10	MR. FELDEWERT: Expert witness in
11	drilling and engineering.
12	THE HEARING EXAMINER: Ms. Bennett,
13	have you had a chance to review this?
14	MR. DEBRINE: Mr. Examiner, I'm the one
15	cross-examining this witness.
16	THE HEARING EXAMINER: Wonderful.
17	Mr. DeWine?
18	MR. DEBRINE: DeBrine.
19	THE HEARING EXAMINER: DeBrine. Have
20	you had an opportunity to review the credentials?
21	MR. DEBRINE: I have, but I have an
22	objection to this witness offering any opinions with
23	regard to petroleum engineering matters, because his
24	affidavit reflects that he did not undertake any study
25	with regard to the reservoir to excavate reserves.

1	All he did was look at two applications that are
2	attached to his affidavit.
3	He can offer opinions with regard to
4	those documents, but I think any other opinions would
5	be improper, particularly given the posture of this
6	case, where we were basically blindsided with regard
7	to this contention about impairment of correlative
8	rights. We were coming to this hearing expecting
9	competing applications for development plans with our
LO	wells going in one direction, there is another, and
L1	then they completely abandoned it.
L2	And now it's unclear what their
L3	intentions are. They filed notice of dismissals
L4	without consulting any parties. The Division has not
L 5	granted those dismissals, so we're sort of in a limbo
L6	of procedural posture.
L7	They indicated they had thrown the
L8	white flag with regard to working interest control.
L9	They cannot establish that they should be named an
20	operator for these tracts, but the concern that this
21	is just a ruse to further delay given the history
22	of delay tactics that have been perpetrated since the
23	applications were filed, that they're going to come
24	back and file new applications.

And we believe that the Division has

25

1	the authority, similar to under rule 41 of the Rules
2	of Civil Procedure, that the dismissal of adverse
3	applications should be with prejudice, so they cannot
4	file new applications with respect to the acreage
5	that's at issue in these cases.
6	THE HEARING EXAMINER: Okay. Let's
7	just start from the beginning of your objection. And
8	the way I understand your objection is that you object
9	to his being qualified as an expert in petroleum
10	engineering; is that correct?
11	MR. DEBRINE: Partially, but it's also
12	that he should not be offered he shouldn't be
13	allowed to testify with respect to opinions on
14	reservoir engineering, because he's undertaken no
15	study. He's only offering two exhibits, which are
16	applications that were filed by Franklin Mountain in
17	this case and in the satellite case.
18	So his opinion should be limited to
19	those documents. But he's undertaken no reservoir
20	engineering study, and shouldn't be allowed to express
21	opinions with regard to reserves that would be
22	developed or impairment of correlative rights that
23	aren't apparent from those documents.
24	THE HEARING EXAMINER: So Mr. Feldewert
25	is offering this witness as an expert in petroleum

1	engineering. That's what I understood. Was that
2	right, Mr. Feldewert?
3	MR. FELDEWERT: Yes. Yes, sir.
4	THE HEARING EXAMINER: Okay, fine.
5	Does petroleum engineering include reservoir
6	engineering?
7	MR. FELDEWERT: Certainly.
8	THE HEARING EXAMINER: Certainly.
9	Okay. And are you saying that it doesn't?
10	MR. DEBRINE: No, I'm not saying it
11	doesn't. And I believe, given the witness's
12	experience in the basin and his education, he would be
13	qualified to express opinion with regard to reservoir
14	engineering. But he has not given us any supporting
15	information to support those opinions. He's
16	undertaken no study. It's just a naked review of two
17	documents that he's appending to his and that's the
18	basis for his affidavit.
19	THE HEARING EXAMINER: Thank you,
20	Mr. DeBrine. I understand where you're going with
21	this, so let me see if I can phrase it in my own mind.
22	You're not objecting to his being qualified as a
23	petroleum engineer, which would include reservoir
24	engineer. Your objection is to his familiarity with
25	the specific issues that you just stated, and that his

1	opinion would not be reliable in those situations?
2	MR. DEBRINE: Right, because he had
3	undertaken no study with respect to the reservoir at
4	issue to express reservoir engineering.
5	THE HEARING EXAMINER: All right. I
6	understand. It seems to me and without going to
7	Mr. Feldewert, because I think I can deal with this
8	without going to you it seems to me that the second
9	part of your objection is premature. That he hasn't
10	testified yet. I realize that you have here a
11	statement, an affidavit from him.
12	And you can object to its admission
13	into evidence. We'll get to that. But I think your
14	objection to his familiarity with these issues is a
15	bit premature, since we haven't really got there yet.
16	We're just dealing with whether he's qualified to be a
17	petroleum engineer.
18	MR. DEBRINE: Right. And given that
19	clarification and the limitation, then we do not
20	object to him being qualified as a reservoir engineer.
21	THE HEARING EXAMINER: Okay. I still
22	need to read paragraph two; I haven't done that yet,
23	because of your objection, so just give me a minute.
24	Mr. Feldewert, what is BOPCO?
25	MR. FELDEWERT: That was a it's

1	called BopCo. That was an old oil and gas company.
2	THE HEARING EXAMINER: It's a what
3	company?
4	MR. FELDEWERT: Oil and gas.
5	THE HEARING EXAMINER: Oil and gas
6	company?
7	MR. FELDEWERT: Mm-hmm. If I was
8	thinking about it now you got me thrown here. It
9	was owned by the Bops Brothers [ph], out of Fort
10	Worth, Texas.
11	THE HEARING EXAMINER: But the bottom
12	line is, it was an oil and gas company?
13	MR. FELDEWERT: Yes. So what he's
14	saying is trying to get the context here, sorry.
15	THE HEARING EXAMINER: It's page 92.
16	MR. FELDEWERT: Yeah. He worked for
17	BopCo LP for about four years.
18	THE HEARING EXAMINER: Right, and I
19	didn't know what BopCo was. That's why I asked.
20	MR. FELDEWERT: It's the company.
21	THE HEARING EXAMINER: It wasn't
22	defined anywhere here that I could find.
23	MR. FELDEWERT: Mm-hmm.
24	THE HEARING EXAMINER: Okay. Based on
25	the information here, I just want to make sure that
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	1490 101

1	this has been okay. Based on paragraph nine, I
2	will admit Mr. Schulz as an expert witness in the
3	field of petroleum engineering.
4	MR. FELDEWERT: Thank you.
5	THE HEARING EXAMINER: We have that out
6	of the way.
7	MR. FELDEWERT: Okay, great.
8	THE HEARING EXAMINER: Dealing with
9	your exhibits.
10	MR. FELDEWERT: Yes. So I move the
11	admission of the exhibits, and his self-affirmed
12	statement.
13	THE HEARING EXAMINER: Okay. And have
14	you I just want to see how these are marked. Are
15	these marked? Because I don't see markings here.
16	Okay. I see a C-1 I see Exhibit C-1 at the end
17	with a
18	MR. FELDEWERT: So let's go back to
19	that page 92.
20	THE HEARING EXAMINER: Yes.
21	MR. FELDEWERT: Bottom right-hand
22	corner.
23	THE HEARING EXAMINER: Oh, that's C. I
24	see so you're doing the first page of each exhibit?
25	MR. FELDEWERT: Yes. Yes.

1	THE HEARING EXAMINER: Okay. So you're
2	seeking the admission of C, C-1 what other one?
3	MR. FELDEWERT: And C-2.
4	THE HEARING EXAMINER: And C-2. And
5	what page does C-2 start on?
6	MR. FELDEWERT: C-2 is comprised of
7	page 98.
8	THE HEARING EXAMINER: Starts on 98.
9	Okay. Okay, so let's go to Mr. DeBrine.
10	Mr. DeBrine, do you object to any of
11	these exhibits?
12	MR. DEBRINE: No objection to the
13	exhibits, but I think Mr. Feldewert also wanted the
14	admission of the self-affirmed statement, and we do
15	have objections with respect to that.
16	THE HEARING EXAMINER: But isn't the
17	self-affirming statement isn't that an exhibit? I
18	think that's C.
19	MR. DEBRINE: Yeah, I guess it is.
20	Yes.
21	THE HEARING EXAMINER: So then you're
22	objecting to C?
23	MR. DEBRINE: We're objecting to C, but
24	not the exhibits $C-1$, $C-2$, which are just the
25	applications.

1	THE HEARING EXAMINER: Okay, fine.
2	So Mr. Feldewert, there's an objection
3	to the admission of Exhibit C. So I will admit
4	Exhibit C-1 and C-2 into evidence, and you can proceed
5	to lay a foundation for Exhibit C, for his admission
6	into evidence.
7	(Exhibit C-1 and Exhibit C-2 were
8	marked for identification and received
9	into evidence.)
10	MR. FELDEWERT: What's the basis for
11	the objection?
12	THE HEARING EXAMINER: Mr. DeBrine?
13	MR. DEBRINE: Paragraph eight of
14	Exhibit C, for the court to offer opinions with
15	respect to reservoir engineering letters, and the
16	affidavit does not indicate that this witness
17	undertook any study whatsoever with regard to the
18	reservoir at issue. And we were not provided
19	any any calculations or data that he may have
20	prepared. And so the opinions are lacking foundation,
21	and should not be allowed, because they're not allowed
22	when they lack foundation.
23	MR. FELDEWERT: Would you read
24	paragraph eight?
25	THE HEARING EXAMINER: What is your
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1	response to the objection?
2	MR. FELDEWERT: Paragraph eight.
3	THE HEARING EXAMINER: So give me a
4	legal basis here.
5	MR. FELDEWERT: Certainly. I mean, he
6	has looked as he points out in paragraph eight, he
7	looked at the same thing I looked at, looked at their
8	filings, to try to figure out what their plan is and
9	what they are doing. Had the same kind of difficulty
10	that I had in trying to figure out what they're doing.
11	They've offered no study to support
12	what they're doing. They haven't even offered you a
13	document that shows them what their plan is, where
14	their perfs are going to be, and why that's
15	appropriate, and how it does not impact correlative
16	rights, which is their burden. That's their burden;
17	okay?
18	What he's saying in paragraph eight
19	is I looked at your stuff. Here's what I was able
20	to glean out of it. Either the north half of the
21	north half of section 36 is not being developed or
22	not being fully developed by cross-state wells, since
23	the completed lateral will either not penetrate the
24	tracts comprising the north half of the north half of
25	section 36, or will be cut short in those tracts while

all the other tracts in proposed cross-state spacing unit will have fully completed laterals.

Or Franklin Mountain is planning to complete the entirety of the north half of the north half of section 36 with its cross-state wells, but is also planning to develop the same portion of that same

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opinion.

satellite wells, thereby draining the target reservoirs for the benefit of the satellite owners.

Under either scenario, the interest owners in the cross-state spacing units who do not own in the north half of the north half of section 36 are adversely impacted, since their proportionate interest in the

north half of north half of section 36 with its

acreage, that will contribute less reserves than the cross-state spacing wells, than the remaining tracts in section 36, and one that comprised the proposed spacing unit. He is fully qualified to offer that

production from the cross-state wells is being diluted

by the inclusion of the north half of the north half

THE HEARING EXAMINER: Okay.

Mr. Feldewert, in my judgement, there is an objection to the reliability of this opinion.

Now it's up to you, by asking questions to this witness, to demonstrate to me that it's reliable. If

1	you can demonstrate it's reliable, then I'll accept
2	it, and I'll override the objection. So, you have
3	your witness.
4	BY MR. FELDEWERT:
5	Q Mr. Schulz
6	A Yes, sir.
7	Q Did you review the record that was filed by
8	Franklin Mountain in these cases?
9	A Yes, sir. I did.
10	Q Okay. And did you do that using your
11	background as a petroleum engineer?
12	A Yes, sir. I did.
13	Q And did you undertake to determine what
14	Franklin Mountain was actually planning to do under
15	their filed applications?
16	A No, sir. I could not tell what they were
17	planning on doing.
18	Q Okay. And you could not tell, even after
19	applying your expertise as a petroleum engineer?
20	A That is correct.
21	Q Okay. Did you make certain assumptions,
22	based on the information that was provided to you?
23	A Can you clarify?
24	Q Did you assume, for example, that it
25	appeared that they were planning to only complete a
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1	well in about half of the north half of the north half
2	spacing units?
3	A Yes. Yeah. Based on the the document
4	that we obtained from the satellite case hearings,
5	where it shows the the wells going north for the
6	satellite, cross-state unit going south, it appeared
7	that either they're not going to develop the north
8	half of the north half of the cross-state units, and
9	they would develop that with the satellite units, thus
LO	diluting the cross-state working interest owners; or
L1	that there would be some overlap, where the actual,
L2	you know, wells would be perforated and fracked in the
L3	same interval, thus draining reserves from two wells
L4	in kind of an inefficient use of capital.
L5	Q And did you draw that assumption or
L6	conclusion based on what they had represented in what
L7	you marked as Exhibit C-2?
L8	A Yes, sir. I did.
L9	Q Okay. When you looked at the information,
20	what other facts or assumptions did you make based on
21	what they filed? And I'm looking at Exhibit C-1.
22	A So
23	THE HEARING EXAMINER: Just give me one
24	second. Witness, one second.
25	Mr. Feldewert, it would help me greatly
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1	if your witness would define the word "record." You
2	asked him in the beginning, "Did you review the
3	record?" I don't know I'm left unclear at what
4	record he reviewed. So very specifically, would you
5	find out from your witness what documents he reviewed?
6	Because I'm not sure what he's talking about.
7	BY MR. FELDEWERT:
8	Q Mr. Schulz, I think I asked you, did you
9	look at what Franklin Mountain had filed in this case?
10	A Yes.
11	Q Okay. Did you also then look at some
12	documents that were filed in the Division's cases on
13	their public website in what was known as the
14	satellite pooling cases?
15	A Yes.
16	Q Did
17	MR. DEBRINE: Mr. Examiner, I'll
18	object. His affidavit said he only looked at the two
19	applications that he identifies. He doesn't say he
20	looked at anything beyond that. And now we're getting
21	more testimony.
22	THE HEARING EXAMINER: Would you show
23	me what sentence in here it says that?
24	MR. DEBRINE: He says "I'm familiar
25	with the applications filed by Franklin Mountain" in

1	paragraph three, but he doesn't say he reviewed any of
2	the other materials that were submitted for this case,
3	any of the exhibits, any of the affidavits of our
4	experts, or anything else. And he's not offering any
5	opinions that counter the and he doesn't reference
6	those.
7	He doesn't reference any data that he
8	looked at. He just references these two applications.
9	And so we've got some kind of an expert in English or
10	something, that is reading and interpreting the
11	applications.
12	MR. FELDEWERT: Look at paragraph five.
13	THE HEARING EXAMINER: Okay. I'm not
14	going to look at anything right now. I'm going to ask
15	you, Mr. Feldewert, to ask your witness exactly what
16	did he review. Not just filings, not record those
17	terms are not helpful to me. I'm trying to understand
18	the basis of his opinion, and I need to understand
19	from your witness what documents exactly he reviewed.
20	If he reviewed the entire exhibit
21	packet that Franklin filed in this case on was it
22	Thursday? I think it was Thursday. Not sure.
23	Thursday or Friday of last week. I need to understand
24	exactly what he reviewed. So would you please ask
25	him?

Τ	BY MR. FELDEWERT:
2	Q Mr. Schulz, I'm going to direct your
3	attention to paragraph five of your statement; okay?
4	It indicates that you reviewed the pooling application
5	materials for Franklin Mountain's cross-state and
6	satellite state wells. What were you referencing
7	there?
8	A Referencing the the drilling permits that
9	I went to the NMOCD website, looking at a number of
LO	the cross-state unit wells, as well as the satellite
L1	state unit wells, looking at the drilling permits
L2	there, looking at the the case I'm blanking on
L3	the terminology. The the case material, right,
L4	that was provided. Looked at the off of the NMOCD
L5	website, and also the exhibits that were submitted
L6	from Franklin Mountain. Reviewed those, you know,
L 7	over the course of the past week.
L8	Q And based on that review of those materials,
L9	is that why you then was the basis to offer your
20	opinions that you see, applying that you provided
21	applying your expertise as a petroleum engineer?
22	A Yes, that is correct.
23	THE HEARING EXAMINER: Still dealing
24	with the objection, so let's stop for a minute.
25	Although I would like clarification from the witness.

1	Let me find the filing.
2	Mr. Schulz, we have a 385-page document
3	that Franklin Mountain filed. It looks like you filed
4	it on the second of February?
5	MS. BENNETT: Mr. Examiner, we filed it
6	on the first of February. There's two different dates
7	that appear on documents filed with the Division.
8	There's a filing date and a released date, and we
9	filed on February 1st, at around 5 o'clock.
10	THE HEARING EXAMINER: Okay.
11	So Mr. Schulz, were you able to review
12	the Franklin Mountain Energy exhibits, which totaled
13	approximately 385 pages?
14	THE WITNESS: Yes. I can't say I read
15	every page in detail, but I did review the 385-page
16	document.
17	THE HEARING EXAMINER: Okay. In
18	addition to these, you reviewed applications made by
19	Franklin Mountain?
20	THE WITNESS: Correct.
21	THE HEARING EXAMINER: In both the
22	cross-state and the satellite wells?
23	THE WITNESS: Yes, sir. That is
24	correct.
25	THE HEARING EXAMINER: And that's what
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1	you're basing your opinion on?
2	THE WITNESS: Yes, sir.
3	THE HEARING EXAMINER: And nothing
4	else?
5	THE WITNESS: No, sir.
6	THE HEARING EXAMINER: Mr. DeBrine,
7	you've heard what he has reviewed to formulate his
8	opinion. Do you still have an objection?
9	MR. DEBRINE: Yes, the same objection,
10	Mr. Examiner. And also, I would point out what must
11	have been an inadvertent misstatement by Mr. Schulz.
12	It would have been impossible for him to review
13	Franklin Mountain's exhibits.
14	He executed his affidavit on the same
15	day, and they filed his affidavit with their exhibits
16	a few minutes after we filed ours. So unless he went
17	to the Evelyn Wood Super Speed Reader School, he could
18	not have reviewed those exhibits before he signed this
19	affidavit.
20	THE HEARING EXAMINER: Mr. Feldewert?
21	MR. FELDEWERT: Certainly when this was
22	filed, all he had available to him was what he could
23	glean from the satellite wells case file, and then
24	their pooling applications. That's correct; okay?
25	And so I asked him to take a look at that, and see

1 what you can ascertain about correlative rights, and 2 the potential impact on correlative rights. 3 Whatever weight you want to give it is fine, but there's nothing wrong with the expert 4 5 looking at what's available to him, just like any other party would be able to do, and ascertain what 6 concerns he has about correlative rights. That's what 8 he's articulating. These are the concerns. 9 THE HEARING EXAMINER: Let me take five 10 minutes. I want to confer with Mr. Garcia, and then we'll come back on the record. It is 1:58 -- let's 11 12 come back at 2:05. Thank you. 13 (Off the record.) 14 THE HEARING EXAMINER: Okay. We're 15 It is 2:05. I have taken the back on the record. 16 opportunity to confer with my technical examiner, and 17 we are going to allow this affidavit to come in, this 18 self-affirming statement to come in, and give it the 19 weight that we deem appropriate, with the 20 understanding that the amount of evidence that was 2.1 reviewed by this witness does not include 385 pages' 22 worth of Franklin Mountain exhibits. That being said, Mr. Feldewert, this is your witness, so please 23 2.4 proceed. 25 //

1	(Exhibit C was marked for
2	identification and received into
3	evidence.)
4	MR. FELDEWERT: Thank you. So I think
5	I'd asked him to adopt it, and it's now been admitted?
6	THE HEARING EXAMINER: It has been
7	admitted.
8	MR. FELDEWERT: Okay. All right.
9	BY MR. FELDEWERT:
10	Q Now Mr. Tanner, at the time that you filed
11	this, as you pointed out, the only thing you had to go
12	on in terms of what they were planning was what you
13	marked as Exhibit C-1, which was a filed C-102 for
14	their cross-state 701-H; is that right?
15	A That is correct.
16	Q And then the document that you were able to
17	pull down from the satellite case file?
18	A That is correct.
19	Q Okay. And is the the document from the
20	case file is where it would appear that they were only
21	perforating half of the north half of the north half
22	order sections for the cross-state wells?
23	A That is correct.
24	Q And Exhibit C-1, which is their filed C-102,
25	doesn't indicate where their first take point is going
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1	to be?
2	A That is correct.
3	Q Therefore, you didn't have any information
4	as to how they were going to develop the north half of
5	the north half?
6	A Correct.
7	Q Okay. Now, you've had a chance to sit here
8	and listen to the presentation by Franklin Mountain
9	today?
10	A Yes, sir. I have.
11	Q Okay. Did you see any kind of reservoir
12	study presented by Franklin Mountain that would
13	support their development, in terms of
14	THE HEARING EXAMINER: I think
15	someone's microphone on their computer might be on.
16	THE WITNESS: I don't know if you guys
17	are getting the feedback, but I'm getting some
18	feedback on my end.
19	MR. FELDEWERT: Let's try this again.
20	MR. GARCIA: Mr. Feldewert, you are
21	echoing through Ms. Bennett's microphone, it sounds
22	like.
23	MR. FELDEWERT: She's muted.
24	MS. BENNETT: I just muted, so
25	MR. FELDEWERT: Oh. Thanks. Okay.
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1	BY MR. FELDEWERT:
2	Q In the presentation by Franklin Mountain
3	today, did you see any type of reservoir study to
4	address the impact on correlative rights from their
5	proposed overlapping of the cross-state units and the
6	satellite state units?
7	A No, sir. I did not.
8	Q Did you see anything in their presentation
9	today that identified where they're actually going to
10	put their first take point and their last take points?
11	A Other than it's 100 feet from the north line
12	for the cross-state units, no.
13	Q Okay. Anything any study that you've
14	seen today to identify the impact of wherever they're
15	going to put their first take points, or the last take
16	points, on correlative rights?
17	A No.
18	Q Okay. In light of that, for the reasons
19	stated in your affidavit, do you still have concerns
20	that their plan is going to impact the correlative
21	rights of MRC's ownership and other working interest
22	owners in acreage outside of the north half of the
23	north half of 36?
24	A Yes, sir. I do.
25	Q Okay. And what is that opinion?
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1	A That opinion is that the development of the
2	state line or excuse me, the satellite state units
3	are going to be actually draining the reserves that
4	are inside of the cross-state unit development area,
5	thus diluting the the reserves of the working
6	interest owners in the cross-state unit.
7	MR. FELDEWERT: Okay. That's all the
8	questions I have.
9	THE HEARING EXAMINER: Thank you.
10	Mr. DeBrine, do you have any
11	cross-examination for this witness?
12	MR. DEBRINE: Yes, I do, Mr. Examiner.
13	Thank you.
14	CROSS-EXAMINATION
15	BY MR. DEBRINE:
	Q Have you been listening to the hearing
16	Q Have you been listening to the hearing today, when Mr. Zink testified earlier, Mr. Schulz?
16 17	
16 17 18	today, when Mr. Zink testified earlier, Mr. Schulz?
16 17 18	today, when Mr. Zink testified earlier, Mr. Schulz? A Yes, sir. I was.
16 17 18 19	today, when Mr. Zink testified earlier, Mr. Schulz? A Yes, sir. I was. Q And did you hear his testimony with regard
16 17 18 19 20	today, when Mr. Zink testified earlier, Mr. Schulz? A Yes, sir. I was. Q And did you hear his testimony with regard to the proposal letters that were sent out by Franklin
16 17 18 19 20 21	today, when Mr. Zink testified earlier, Mr. Schulz? A Yes, sir. I was. Q And did you hear his testimony with regard to the proposal letters that were sent out by Franklin Mountain back in July of 2023?
16 17 18 19 20 21 22 23	today, when Mr. Zink testified earlier, Mr. Schulz? A Yes, sir. I was. Q And did you hear his testimony with regard to the proposal letters that were sent out by Franklin Mountain back in July of 2023? A Yes, sir.
16 17 18 19 20 21 22	today, when Mr. Zink testified earlier, Mr. Schulz? A Yes, sir. I was. Q And did you hear his testimony with regard to the proposal letters that were sent out by Franklin Mountain back in July of 2023? A Yes, sir. Q And did you also review those as part of

1	submitted by Franklin Mountain?
2	A Yes, I reviewed them in July. But I did
3	review them here recently, to make sure I understood
4	the scope of this.
5	Q What work have you done for MRC with respect
6	to its development plans for this area for its
7	Mongoose wells that were the subject of its original
8	applications, that it withdrew at the eleventh hour?
9	MR. FELDEWERT: Objection. Given that
10	those have been withdrawn, I don't see what the
11	relevancy is to the issue that he has testified to,
12	and that is the correlative rights.
13	MR. DEBRINE: I'm just trying to
14	determine when he first started looking at this area,
15	is all.
16	MR. FELDEWERT: What area?
17	MR. DEBRINE: The area that's at issue
18	in the cross-applications, and then were also at issue
19	in the because Matador had its own development
20	plan. I'm trying to determine if he was involved in
21	the team that was involved in putting those together
22	when he first started looking at this.
23	THE HEARING EXAMINER: So the
24	objection the legal basis for the objection is
25	what?

1	MR. FELDEWERT: So, two things. One,
2	it's outside the scope of what he's testified to,
3	which is the impact of their plan on correlative
4	rights. Secondly, it's not relevant to anything
5	that's before the Division, because Matador's
6	applications have been dismissed.
7	THE HEARING EXAMINER: So the legal
8	objections are: outside the scope, and it's
9	irrelevant, the question. What's your response?
10	MR. DEBRINE: Our response is, I'm
11	entitled to understand what this expert has done in
12	this particular area, and and to support his
13	opinions, or may impeach his opinions. Because he's
14	just trying to thread the needle and offer a very
15	narrow opinion, but I need to know whether he's been
16	looking at this area, if he could have undertaken
17	studies but chose not to. And that's where I'm trying
18	to go with this.
19	THE HEARING EXAMINER: Mr. Feldewert, I
20	received this exhibit over the objection of counsel.
21	So I'm going to give him some latitude to
22	cross-examine your witness on the basis of the
23	opinion. So I'm overruling the objection.
24	Please proceed.
25	//

1	BY MR. DEBRINE:
2	Q Yeah. Were you part of the did you
3	assist Matador in evaluating the acreage that's the
4	subject of Franklin Mountain's cross-wells? And when
5	did you first undertake that work?
6	A I guess I'm generally aware of of our
7	proposals that are going out the door, and the
8	developments that we have planned for the company,
9	given my position in kind of the head of our reservoir
10	team and reserves team. I was not specifically part
11	of the Mongoose proposals going out the door.
12	Was aware of it, but also aware of just kind
13	of all of our operations and projects that we're
14	trying to set up around the basin, be it in this area
15	with Mongoose or further to the south, or the
16	west-east, or kind of name it.
17	Q When did you first get brought in to assist
18	in these cases?
19	A Specifically the Mongoose, probably a few
20	weeks ago, early January. With this specific hearing,
21	I suppose.
22	Q You heard Mr. Zink's testimony with regard
23	to the proposal letters, which said, "Should you have
24	any questions, please don't hesitate to contact the
25	undersigned," which was Mr. Johnson, and gave his
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1	phone number? Do you remember that testimony?
2	A Yes, sir. I do recall that.
3	Q Are you aware well, let's first with you.
4	Did you ever call Mr. Johnson and ask him for
5	information about the location of the first and last
6	take points at any time during the last six months
7	since the proposal letters were sent?
8	A No, I did not.
9	Q Do you know if anybody else at Matador
10	shared the concerns that you expressed in your
11	testimony earlier?
12	A No, I do not.
13	Q Do you know if anyone at Matador ever asked
14	Mr. Johnson, or anybody else at Franklin Mountain, for
15	information about the location of the first and last
16	take points of its cross wells at any time during the
17	last six months after the proposal letters were sent,
18	or after September when the applications were filed?
19	A No, sir. I do not know if they ever reached
20	out.
21	Q Do you know if anyone at Matador has a
22	relationship with anyone at Franklin Mountain, based
23	on past projects or past proposals, so that they could
24	just pick up the phone and ask them a question if they
25	had any?

1	A No, I'm not aware.
2	Q Are you aware that Franklin Mountain at any
3	time refused to provide any information to Matador
4	during the last six months?
5	A No, not that I'm aware of.
6	Q Did Matador request the Division to issue a
7	subpoena to Franklin Mountain to get information
8	regarding the first and last take points of the cross
9	and satellite wells, or any other information that you
10	would believe assists you in evaluating the overlap
11	between the wells?
12	A No, I do not know.
13	Q And that's something that could have been
14	done?
15	A Certainly.
16	Q Would you agree, if you're drilling a
17	horizontal well from a surface location on the spacing
18	unit, that there's drilling curve limitations that
19	prevent the first take point from being
20	located that will result in the first take point
21	being located a significant distance from the legal
22	distance required by spacing unit rules from the outer
23	unit boundary?
24	A I'm sorry. Can you clarify?
25	Q Yeah. You're aware that there's limitations
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with regard to drilling technology, so that if you're
starting your well bore on the location of the surface
unit, the first take point is going to be
substantially beyond the 100-foot line where you could
locate it, because you just can't build a curve in
order to locate that first take point within the first
100 feet without a back-build?
A Correct. Without a back-build, if you're
just going straight down, then yes, that limitation
does exist.
Q And your affidavit said you work in the
Texas Delaware basin, the Eagle Ford, and the Austin
Chalk?
A Yes, sir.
Q Are you aware of field rules adopted by the
Texas Railroad Commission which allow for off-lease
penetration points?
A Vaguely aware.
Q Would you agree that having an off-lease
penetration point allows you to build your curve so
that when the well bore turns horizontal, you can
locate your first take point at that 100-foot legal
location line and capture more resources?
A Yes, I would agree with that.
Q And would the railroad commission of Texas
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1	have determined in adopting those rules determined
2	that correlative rights would be protected, and waste
3	would be prevented?
4	MR. FELDEWERT: Objection. Calls for
5	speculation.
6	THE HEARING EXAMINER: Hold on.
7	Mr. DeBrine, are you going to answer
8	the objection?
9	MR. DEBRINE: Yes.
10	Are you familiar with the Texas
11	THE HEARING EXAMINER: He's made an
12	objection. I'm asking you, are you going to answer
13	his objection to me, so I can make a ruling?
14	MR. DEBRINE: I'll withdraw the
15	question, and try and lay a foundation.
16	THE HEARING EXAMINER: Okay.
17	Sustained.
18	MR. FELDEWERT: I know you're giving
19	him leeway here, but I have a hard time understanding
20	about how what's going on with the Texas Railroad
21	Commission has anything to do with New Mexico.
22	THE HEARING EXAMINER: You want to
23	address that?
24	MR. DEBRINE: It's just a recognition
25	that he's worked primarily in Texas, and he's familiar
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1	with how they operate out there. And it's I think
2	you can take administrative notice of the fact that
3	the railroad commission has adopted specific special
4	field rules that allow for off-lease penetration
5	points to deal with this very problem that Franklin
6	Mountain is trying to solve here, with regard to the
7	cross-development.
8	THE HEARING EXAMINER: So
9	MR. FELDEWERT: Object
10	THE HEARING EXAMINER: Hold on.
11	So how is it relevant that they have
12	the administrative rule in Texas? Are you saying that
13	we should have that rule here, or that we do? What
14	are you saying?
15	MR. DEBRINE: What I'm saying is that
16	Franklin Mountain is trying to accomplish the same
17	thing, essentially, through its development plan for
18	the satellite and cross wells, and it's something
19	that's recognized in Texas as a matter of
20	administrative practice under their rules.
21	THE HEARING EXAMINER: I'm not sure how
22	that's relevant here. I mean, I understand where
23	you're going with that. I just I don't know
24	that why is that relevant here?
25	MR. DEBRINE: I think it's relevant

1	here, because if this witness is familiar and has
2	worked in Texas for most of his career, and there's
3	the determination that correlative rights are
4	protected and waste is prevented by through those
5	rules, then it affects his credibility, where he's
6	complaining about Franklin Mountain essentially doing
7	the same thing.
8	THE HEARING EXAMINER: It's a thin
9	line.
10	Mr. Feldewert?
11	MR. FELDEWERT: So they're I'm not
12	sure where they're going with this, but first off, I
13	don't know what problem he's talking about; okay?
14	He's assuming that there's some kind of problem. The
15	only problem I can see is that they chose a surface
16	hole location that they feel has forced them to
17	infringe upon the other interest owners' correlative
18	rights. I don't know what the problem is; okay?
19	Secondly, Mr. Schulz has simply said,
20	"Look, based on what they've told us about their
21	plans, it's going to infringe upon our correlative
22	rights." What's going on in Texas has nothing to do
23	with that. Absolutely nothing to do with that.
24	You're the Division; you're the ones
25	that have to determine whether this application can go

forward, based on what they told you thus far that
they're going to do. But his line of questioning has
nothing to do with that issue.
MR. DEBRINE: I would say it just goes
to the credibility of the witness. If Matador's doing
off-lease penetration points in order to access
additional resources in Texas.
MR. FELDEWERT: Is that the question?
MR. DEBRINE: That'll be my next
question. But I was just trying to get his
familiarity with the Texas Railroad Commission rules
that allow for it.
THE HEARING EXAMINER: All right.
MR. GARCIA: Sorry to interrupt you
real quick. Mr. Hearing Examiner, Beth Ryan says
she's having a hard time hearing you, that your mic
seems like it's off.
THE HEARING EXAMINER: It is it was,
Mr. Garcia, because the feedback in the room had
gotten pretty bad, and I didn't want it to be my mic
that was the cause of it. So thank you for mentioning
it. I'll try to remember to turn on the mic.
Question is, is this relevant? Now, if
it goes to the credibility of the witness, then that
issue is always open for cross-examination,

1	Mr. Feldewert.
2	So Mr. DeBrine, I am going to ask you
3	to rephrase your question so that it's very clear that
4	you're asking this question for that reason, and that
5	reason only.
6	MR. DEBRINE: Yes. It only goes to the
7	witness's credibility with regard to his familiarity
8	with the Texas rules
9	THE HEARING EXAMINER: Right.
LO	MR. DEBRINE: that specifically
L1	allow for the off-lease penetration points.
L2	THE HEARING EXAMINER: I understand.
L3	You've made your point, so I've overruled well, in
L4	a way, I've really sustained the objection, and I'm
L 5	saying to you, if what you are asking goes to the
L6	credibility of this witness, please phrase your
L7	questions so that that's clear to me.
L8	MR. DEBRINE: Maybe I'll try from a
L9	different angle, Mr. Examiner.
20	THE HEARING EXAMINER: That's
21	your yes.
22	BY MR. DEBRINE:
23	Q Mr. Schulz, isn't it true that Matador has
24	drilled several wells in Texas with off-lease
25	penetration points, in order to take advantage of the

1	special field rules in the basin?
2	A I'm not familiar with the specifics, but I
3	believe that is true.
4	Q Is it also true that Matador or MRC has
5	drilled wells in the New Mexico Delaware basin, where
6	it had acquired an off-lease surface location, so that
7	it could capture additional resources?
8	A I didn't yeah, I'm not familiar with the
9	specifics, but yes, I believe that is true.
10	Q And have you participated in groups after
11	receiving a well proposal from another operator, where
12	the technical teams will get together so that you can
13	gain a better understanding of what the proposal
14	consists of, and what their plans are?
15	A Yes, sir. I have.
16	Q And you never requested that kind of
17	conference with regard to the proposals that were
18	submitted by Franklin Mountain in these cases; isn't
19	that true?
20	A Not that I'm aware of. It's a different
21	team that handles them internally.
22	MR. DEBRINE: No further questions.
23	THE HEARING EXAMINER:
24	Mr. Feldewert oh, wait a minute. Mr. Garcia, do
25	you have any questions for this witness?

1	MR. GARCIA: I have one question.
2	THE HEARING EXAMINER: Please.
3	CROSS-EXAMINATION
4	BY MR. GARCIA:
5	Q Mr. Schulz, do you know, I guess when was
6	Matador first notified of the overlap? Do you have a
7	date when you guys were first notified of this?
8	A Sorry, can you repeat that?
9	Q What day were you first aware that there was
10	going to be an overlap spacing unit that affected
11	your
12	A I'm not sure when Matador was notified. I
13	was notified, as I said earlier, a few weeks ago.
14	MR. GARCIA: Okay. That's all my
15	questions.
16	THE HEARING EXAMINER: I have one
17	clarification. Mr. Schulz, I know you said a few
18	weeks ago, but didn't you also say early January?
19	THE WITNESS: Yes, sir.
20	THE HEARING EXAMINER: Okay. All
21	right.
22	Mr. Feldewert?
23	MR. FELDEWERT: No questions.
24	THE HEARING EXAMINER: No redirect?
25	MR. FELDEWERT: No, sir.
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1	THE HEARING EXAMINER: Okay. May this
2	witness be excused?
3	MR. FELDEWERT: Yes.
4	THE HEARING EXAMINER: Okay.
5	Mr. Schulz, thank you for your
6	testimony.
7	THE WITNESS: Yes, sir. Thank y'all.
8	Appreciate it.
9	THE HEARING EXAMINER: Thank you.
10	What do you have next?
11	MR. FELDEWERT: That's it.
12	THE HEARING EXAMINER: That's it?
13	MR. FELDEWERT: Other than my closing.
14	MS. BENNETT: Mr. Examiner, may we take
15	a five-minute break
16	THE HEARING EXAMINER: Sure.
17	MS. BENNETT: to discuss whether
18	we'd like to recall any of our witnesses?
19	THE HEARING EXAMINER: As a rebuttal
20	case?
21	MS. BENNETT: Yes.
22	THE HEARING EXAMINER: Okay. Now you
23	know, Ms. Bennett and Mr. Debrine, I, as a criminal
24	prosecutor, understand what a rebuttal case is really
25	about, so you need to show me that you were surprised,
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1	and that you couldn't have done this in your direct
2	case-in-chief. That being said, let's take a
3	five-minute break. It is now 2:26; let's come back at
4	3:31. Thank you.
5	MS. BENNETT: Thank you.
6	(Off the record.)
7	THE HEARING EXAMINER: It is 2:31;
8	we're back on the record.
9	Does Franklin Energy have a rebuttal
10	case?
11	MS. BENNETT: No, we do not. Thank
12	you.
13	THE HEARING EXAMINER: Okay, very good.
14	And I don't think Matador has a rebuttal case.
15	MR. FELDEWERT: No, sir.
16	THE HEARING EXAMINER: Okay. When it
17	comes to closing argument, I like to get the parties'
18	take on the following. Had a discussion with the
19	technical examiner, and we are going to require
20	post-hearing submissions from the parties, proposed
21	findings of fact, and proposed conclusions of law.
22	And I wonder whether it wouldn't be more efficient to
23	have closing argument as part of the submission.
24	Let's start with Franklin Mountain.
25	MS. BENNETT: Thank you, Mr. Hearing
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1	Examiner. If we are going to do written
2	closings or written findings of fact and
3	conclusions of law, then I do think it makes sense to
4	do it as part of the written closing.
5	THE HEARING EXAMINER: Mr. Feldewert?
6	MR. FELDEWERT: I agree. I agree.
7	THE HEARING EXAMINER: Yes, I
8	understand.
9	MR. DEBRINE: And that's sort of
10	consistent with past Division precedent, too.
11	THE HEARING EXAMINER: There you go.
12	Thank you.
13	MR. FELDEWERT: Well, not in my cases.
14	I like to just not have to file the brief, and file
15	findings of fact and conclusions of law, because it's
16	just more money spent. So it's not routine for my
17	cases.
18	THE HEARING EXAMINER: Thank you,
19	Mr. Feldewert. I just want to mention that any issue
20	not in the closing argument is deemed waived. Okay.
21	Is there anything else before we go off the record?
22	MS. BENNETT: Yes, Mr. Hearing
23	Examiner. Just two items of clarification. First,
24	because the MRC Permian cases were dismissed,
25	Mr. Feldewert did not seek to admit any of the other

1	exhibits, and I just want to make sure that the
2	record's clear on that, that the other exhibits that
3	were part of their exhibit packet have not been
4	admitted.
5	THE HEARING EXAMINER: Mr. Feldewert?
6	MR. FELDEWERT: Correct.
7	THE HEARING EXAMINER: We admitted MRC
8	Permian's Exhibit C, C-1, and C-2. Those were the
9	only exhibits that were admitted.
LO	MS. BENNETT: Thank you. And the other
L1	point of clarification is timing for our closing
L2	submissions. And I would propose I would like to
L3	get this done as quickly as possible. We have been
L4	trying to diligently move these cases forward.
L5	But I also do think that the transcript
L6	of the hearing will be important, especially the
L7	admissions by Matador. So we would like to wait until
L8	the at least I think we'd like to wait. Would we
L9	like to wait until the transcript is available?
20	MR. DEBRINE: Yeah, and I think it'll
21	be helpful to refer to the transcript in the factual
22	findings.
23	THE HEARING EXAMINER: Any objection to
24	that, Mr. Feldewert?
25	MR. FELDEWERT: I was going to say we

1	need the transcript, yes.
2	THE HEARING EXAMINER: All right.
3	Mr. Court Reporter, when do you think
4	you could have this ready?
5	THE REPORTER: The standard turnaround
6	is ten days.
7	THE HEARING EXAMINER: Does Franklin
8	want to expedite this?
9	MS. BENNETT: May I take a brief moment
10	and look at my calendar?
11	THE HEARING EXAMINER: Mm-hmm.
12	MS. BENNETT: Thank you.
13	-
	Can we briefly confer?
14	THE HEARING EXAMINER: Yes. We're off
15	the record.
16	(Off the record.)
17	THE HEARING EXAMINER: We're back on
18	the record.
19	MS. BENNETT: Thank you for the
20	opportunity to confer, and we do not need an expedited
21	transcript.
22	THE HEARING EXAMINER: Okay, so ten
23	days. Okay. So what we'll do is and I don't know
24	how they do it here, but previously, there was when
25	the transcript comes in, it comes in to the OCD;
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1	right? Does it go to the parties as well, or just to
2	the OCD?
3	THE REPORTER: I believe it only comes
4	to the OCD.
5	THE HEARING EXAMINER: Are we paying
6	for it?
7	THE REPORTER: I'd have to check with
8	my office.
9	THE HEARING EXAMINER: Does anyone know
10	if OCD's paying for this transcript?
11	MS. BENNETT: Yes.
12	MR. DEBRINE: I believe we hold a
13	contract with the court reporter to provide
14	transcripts for all the cases.
15	THE HEARING EXAMINER: We do? Yes?
16	Okay.
17	MR. GARCIA: Examiner?
18	THE HEARING EXAMINER: Yes.
19	MR. GARCIA: We have a contract with
20	them that averages ten-day turnaround.
21	THE HEARING EXAMINER: Thank you.
22	MR. GARCIA: They are submitted to
23	Sheila, and then Sheila has the power to implement
24	them to all the dockets for public view.
25	THE HEARING EXAMINER: Perfect. Thank
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1	you, Mr. Garcia. So luckily, they didn't ask for
2	expedited, because it would've cost us money. So when
3	the transcript comes in, we'll issue a notice of
4	transcript filing, and then Sheila will send the
5	transcripts to the parties. And how many weeks do the
6	parties want to file their post-hearing submissions?
7	Let's start with you, Franklin.
8	MS. BENNETT: Two weeks.
9	THE HEARING EXAMINER: Two weeks.
10	Mr. Feldewert?
11	MR. FELDEWERT: We're filing
12	simultaneously, just one; right? I mean just one
13	closing statement
14	THE HEARING EXAMINER: From each party.
15	MR. FELDEWERT: From each party. Not a
16	response, not a reply?
17	THE HEARING EXAMINER: No. No.
18	MR. FELDEWERT: Great. And two weeks
19	after the transcript arrives I think makes sense.
20	THE HEARING EXAMINER: Okay, good. So
21	let's get some dates here. What date do you believe
22	the transcript will come to Sheila at the dock?
23	MR. FELDEWERT: May I suggest
24	something? And that is, not knowing when the
25	transcript is, we could just say we all agree to two
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	rage 210

1	weeks after the transcript is distributed.
2	THE HEARING EXAMINER: Right. Thank
3	you.
4	What date do you think the transcript
5	will come in?
6	THE REPORTER: Probably the 22nd of
7	February, so ten business days.
8	THE HEARING EXAMINER: Ten business
9	days?
10	THE REPORTER: Yes.
11	THE HEARING EXAMINER: Okay. So
12	basically two weeks?
13	THE REPORTER: Yes.
14	THE HEARING EXAMINER: February 22nd.
15	Okay. And then two weeks from what do you have two
16	weeks from February 22nd?
17	THE REPORTER: I have the 7th of
18	February.
19	THE HEARING EXAMINER: You mean March?
20	THE REPORTER: Sorry.
21	THE HEARING EXAMINER: March 7th, okay.
22	All right. So we're looking at approximately February
23	22nd for the transcript to be filed with the OCD, and
24	approximately March 7th, which is two weeks after.
25	Maybe the way you count, will actually be March 8th,
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1	Mr. Feldewert? You don't count the day it comes in?
2	MR. FELDEWERT: I think that's correct,
3	yeah.
4	THE HEARING EXAMINER: Okay. So it's
5	probably March 8th, then.
6	MR. FELDEWERT: And I know that this
7	fun bunch is also going to be back before the Division
8	on March 7th, so we'll adjust as needed. But I
9	understand.
10	THE HEARING EXAMINER: Right. Okay,
11	sounds good. Do we have any other matters to discuss
12	before we conclude the now, we are leaving the
13	evidentiary record for Franklin to submit an amended
14	exhibit packet, which will include what exactly,
15	again?
16	MS. BENNETT: The amendments will be to
17	include a table of contents; to revise the
18	organization; to update the pooled party lists, along
19	with the committed interest lists, because the
20	committed interest lists also identify pooled parties.
21	THE HEARING EXAMINER: Okay.
22	MS. BENNETT: And there may be we
23	have we were missing a pooled party list, and I
24	think our Wolfcamp pooled party lists may have left
25	off some of the overwrites. Sitting here right now, I
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1	can't recall that, but it will be wrapped up in the
2	pooled party list.
3	THE HEARING EXAMINER: So you'll submit
4	one document
5	MS. BENNETT: I will.
6	THE HEARING EXAMINER: to
7	Mr. Feldewert?
8	MS. BENNETT: Yes.
9	THE HEARING EXAMINER: And we'll wait
10	for him to timely make an objection before we accept
11	it. When so if that's the case, if you submit it
12	to Mr. Feldewert by Monday close of business, because
13	it's a few more things than you thought originally,
14	Mr. Feldewert, how long before we can receive an
15	objection from you or not?
16	MR. FELDEWERT: So I have a personal
17	problem, in that I have to fly to St. Louis tomorrow
18	to deal with my mother. She's not doing real well.
19	THE HEARING EXAMINER: Sorry.
20	MR. FELDEWERT: I'm hoping to fly back
21	Tuesday. Now, I'm assuming hopefully I don't know
22	what's happening I can probably look at it during
23	that period of time; it shouldn't take very long. But
24	I just don't know; okay?
25	THE HEARING EXAMINER: Okay. Well,
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1	then we'll set a deadline, understanding your flights
2	and your family we'll set a deadline for Wednesday
3	close of business, that we will leave this evidentiary
4	record open. So we're giving you two more days to be
5	able to get it to Mr. Feldewert, and if he's going to
6	make an objection, he'll make it by Wednesday, close
7	of business, because we need to close the record to
8	move this along.
9	In the meantime, the court reporting
10	agency will produce a transcript that won't be
11	affected by what we discussed today. Is there
12	anything else that we need to discuss before we're
13	finished?
14	MR. FELDEWERT: I just
15	MR. GARCIA: I just
16	THE HEARING EXAMINER: Mr. Garcia?
17	MR. GARCIA: Just a reminder, no one
18	has an approved compulsory pooling application in
19	hand. So I caution your clients to be cautious of
20	what money they're spending moving forward. In recent
21	months, we've had parties continue going forward
22	without approved quarter in hand, and it has backfired
23	on them. So I'd just keep that in mind.
24	THE HEARING EXAMINER: Parties have a
25	question about what Mr. Garcia just said?

1	MR. DEBRINE: I couldn't understand
2	what he said.
3	MR. FELDEWERT: I'm not sure I heard
4	him.
5	THE HEARING EXAMINER: Mr. Garcia,
6	would you say that again, slowly?
7	MR. GARCIA: Yeah. Just I would
8	caution your clients on what money they are spending,
9	and what operations they are spending. I believe
10	Franklin Mountain's actively moving dirt, which is
11	technically allowed without an order in hand, but
12	it further operations, you know, without an order,
13	I would be cautious of that. We have had some cases
14	move forward with field activities without an order in
15	hand, and it has backfired on those operators, because
16	their order was never issued.
17	MS. BENNETT: If I could speak briefly
18	to that?
19	THE HEARING EXAMINER: Just address
20	Mr. Garcia, then.
21	MS. BENNETT: Mr. Garcia, thank you for
22	that. I would just note that Franklin Mountain Energy
23	3 does have approved orders for its satellite wells.
24	MR. GARCIA: Yeah, I'm kind of talking
25	about the cross wells.

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1	MS. BENNETT: Oh, okay.
2	MR. GARCIA: Without getting into
3	specifics, we've had operators produce without
4	compulsory pooling orders in hand, and it has resulted
5	in issues for those operators.
6	MS. BENNETT: Thank you.
7	THE HEARING EXAMINER: I think that
8	clarification helped, Mr. Garcia. Thank you.
9	Anything else?
10	MR. FELDEWERT: So my understanding is,
11	you want an opposing brief with proposed findings and
12	conclusions, and a proposed form of order; is that
13	right?
14	THE HEARING EXAMINER: No, I didn't ask
15	for a proposed form of order.
16	MR. FELDEWERT: Okay. All right, got
17	it.
18	THE HEARING EXAMINER: Just proposed
19	findings of fact, conclusions of law, and closing
20	argument.
21	MR. FELDEWERT: Thank you.
22	THE HEARING EXAMINER: Anything else?
23	MR. FELDEWERT: No, sir.
24	THE HEARING EXAMINER: Okay, good.
25	Mr. Garcia, anything else from you?
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1	N.	MR. GARCIA: Nothing else.
2		THE HEARING EXAMINER: Okay, we are off
3	the record.	THE HEARING EXAMINER. ORay, WE are Off
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4		(Whereupon, at 2:43 p.m., the
5	Ţ	proceeding was concluded.)
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1 CERTIFICATE 2 I, JAMES COGSWELL, the officer before whom 3 the foregoing proceedings were taken, do hereby certify that any witness(es) in the foregoing 4 5 proceedings, prior to testifying, were duly sworn; 6 that the proceedings were recorded by me and thereafter reduced to typewriting by a qualified 8 transcriptionist; that said digital audio recording of 9 said proceedings are a true and accurate record to the best of my knowledge, skills, and ability; that I am 10 11 neither counsel for, related to, nor employed by any 12 of the parties to the action in which this was taken; 13 and, further, that I am not a relative or employee of any counsel or attorney employed by the parties 14 15 hereto, nor financially or otherwise interested in the 16 outcome of this action. 17 18 19 20 JAMES COGSWELL 2.1 Notary Public in and for the State of New Mexico 22 2.3 2.4 25

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