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4 hearing, which is posted to the OCD's YouTube channel, which can be viewed here: [OCD Pecos](#)
5 [Hall - YouTube](#).

6

7 **DAY 1 of March 10th Special Docket**

8

9 **OCD Special Docket March 10, 2026-** 10 **20260310_184518UTC-Meeting Recording**

11 March 10, 2026, 6:45PM

12 4h 0m 0s

13

14 **PH Pecos Hall 15:00**

15 Do we have our court reporter with us?

16

17 **GA Gerald Aragon 15:07**

18 Yes, we do.

19

20 **PH Pecos Hall 15:08**

21 OK.

22 Thank you. What is your name?

23

24 **GA Gerald Aragon 15:11**

25 This is Gerald Aragon.

26

27 **PH Pecos Hall 15:13**

28 Thank you.

29 Are you ready to begin?

30

31 **GA Gerald Aragon 15:15**

32 I am. Yes, Sir.

33

34 **PH Pecos Hall 15:16**

35 Thank you.

36 Do we have our technical examiner?

37 I think it's Mr. Fordyce with us.

38

39 **FE Fordyce, Andrew, EMNRD 15:22**

40 Yes, Mr. hearing examiner, I'm here.

41

42 **PH Pecos Hall 15:24**

43 OK, fantastic. Are you ready to begin?

44

45 **FE Fordyce, Andrew, EMNRD 15:28**

46 I am.

47

48 **PH Pecos Hall 15:29**

49 Thank you, Freya.

50 Are you ready to begin? I'm ready.

51 OK, fantastic. Let's get on the record. I'm calling case number 25610 entries of
52 appearance please.

53 Good morning, Mr. Examiner.

54 Ben Holiday for the applicant Powderhorn. A good afternoon welcome.

55 Adam Rankin and my colleague Paula Vance with the Santa Fe Office of Pollen Heart
56 appearing on behalf of Marathon Oil.

57 Permian. Thank you, Miss Vance.

58 Were you pointing to someone?

59 The case prior to us, are you before?

60 Yeah. OK. OK.

61 Then I we will be in recess.

62 But you guys were sitting back there and I didn't know you. OK, that makes sense.

63 So let's go into recess on 2561.

64 I don't have the case number.

65 Miss Hardy, what is the case number I'm calling?

66 It's a Chevron case.

67 What is it?

68 It's the Chevron case. 258-782-5878. Yes, thank you.

69 Entries of appearance please.

70 Good morning, Mr. hearing examiner Earl de Brian with the modules Berlin firm on

71 behalf of the applicant, Chevron USA Inc.
72 Thank you. And Dana Hardy with Hardy McLane on behalf of PBX and EGL Resources.
73 Thank you.
74 We are here basically to understand what are the issues going to the hearing
75 because at the last.
76 Time we got together.
77 I had ruled that Chevron had standing.
78 To proceed in its case, there was, I think we were virtual.
79 It must have been the February 26th docket and there were some claims of
80 additional discovery needed, and at that point I asked what are the issues that are
81 going to a hearing. And I I don't know that the parties had a chance to stipulate to
82 the issues.
83 Moving forward, have you done that?
84 Mr.
85 Hearing examiner, we have confer, but I don't know that we have unanimity with
86 regard to the issues to be presented.
87 But but I think if I if I may just briefly, I think the the division's order with regard to
88 the motion to dismiss pretty much to find the the issue in its order.
89 And that is, you know, it is recited that the statement that of well costs that she ever
90 received is legally deficient because it was issued by unauthorized entity contained in
91 good system well data.
92 And omitted material information regarding the rescission of phase two wells for
93 other parties.
94 So that is the the main issue in the case is the efficiency of the well statement of well
95 cost and and there's a variety of sub issues with regard to that.
96 The other is with regard to the operators obligation of good faith in order to comply
97 with the divisions.
98 Compulsory employee orders. Miss Hardy has also identified a key defense that
99 they're raising is that waiver, so that's another issue. But I think beyond those three
100 issues, I think those those are the the main ones.
101 For the division to decide if the evidentiary.
102 Before I hear from you, Miss Hardy, it was my understanding, Mr. Debrine, that you
103 were really focused on two conditions of the compulsory pooling order.
104 And those two conditions, I forgot if it's 25 or 2626 or 27, what were those two?
105 Well, the the statement of well costs with regard to one, what what it needs to

106 include, what what condition was that?
107 What number was that in the?
108 It's paragraph 24.
109 That's the order.
110 It's the one that obligates the operator to submit a statement of well costs and then
111 paragraph 25, then deals with the election and payment of of caused by the full
112 working interest donor. And Chevron's contention was, since PPEX did not comply
113 with 24.
114 Their argument that you wait, that you violated.
115 Your obligation to timely.
116 Notify them of your consent.
117 Non consent is it should not disqualify you from in the future consenting and
118 devalue and potentially devaluing your your mineral estate.
119 So really, we're focused on conditions 24 and 25. Is there anything outside those
120 conditions that you feel?
121 Is important that we hear at the at the contested hearing.
122 I know Mr. and Zemar than what I already identified because sub issues within that,
123 that's fine.
124 I'm just trying to get the broader picture here so we understand about discovery and
125 how we're gonna proceed.
126 How many witnesses do you anticipate?
127 I believe we will have probably 2 and possibly three, OK and and and what fields of
128 expertise will they be with regard to land matters and with regard to business
129 practices, OK. All right. OK, Miss Hardy.
130 Yes.
131 Thank you, Mr. Examiner. So.
132 I think there are.
133 I don't disagree that those are the issues that Sharon is raising, but here there are
134 two major issues that I think are potentially dispositive of the need for a hearing at
135 all, and one is waiver because all of Chevron's arguments relate to the post order
136 well, propos.
137 Election letter, which includes the estimated statement of wall cost.
138 That it signed.
139 Chevron signed the election letter and returned it.
140 It and they'll. So they elected to participate and then they just didn't pay their share

141 of the ball cost when they were due.
142 So I think by signing the election letter and agreeing to participate, they can't come
143 back now and argue the wrong party sent the letter.
144 The letter didn't include our share of the working interest.
145 The estimated will cost were insufficient.
146 They signed the actual AFE for every well, so.
147 It's a very clear case of waiver.
148 And we would plan to file a motion for summary judgment on that and if it's granted
149 and I think it's a very strong case of waiver, I I just think they waive their arguments.
150 There's no need to have a hearing or conduct discovery.
151 So I would request that that issue be addressed first and the other issue that I think
152 they are raising is whether there is a good faith negotiation obligation after a pooling
153 order is issued.
154 Shoot.
155 That's what they're raising, and that's never been held by the division and it's not in
156 accordance with the compulsory pulling statute, which says you have to reach a
157 voluntary agreement or try to before you pull once the parties are pulled, they are
158 pooled under the pooling order and.
159 That's what it says. Then you comply with the requirements of the pooling order
160 which are sending out that statement of estimated well cost.
161 There's not, so it's it's a novel issue.
162 It's never been adopted and so I think that's another.
163 Issue that's potentially dispositive, but I think they waive that issue as well by
164 agreeing to participate in the wells and signing the election letter, OK.
165 So you would like to brief the issue on waiver and possibly the good faith dealing
166 that condition 24 might or might not impose on PBX, correct? OK and Mr. Devine?
167 Oh yes.
168 Mr.
169 The question is how many bytes of the apple are you going to allow?
170 EGL PBX. They already filed a motion to dismiss raising what they said was the
171 threshold issue.
172 Now they've identified two other ones.
173 Both of those are fact intensive.
174 We could cite to you a half dozen cases that say waivers a question of fact precludes
175 summary judgment.

176 The same is true of good faith.
177 The division's rules don't provide for motions for summary judgment.
178 You're going to open up a box of pandoras, as our former governor once said.
179 If you're going to allow Serie A to motions practice with regard to to issues that a
180 party identifies in a compulsory pooling case or any other case and the divisions
181 rules don't provide for it, it provides a deep file, an application division sets an
182 evidentiary hearing and then.
183 You decide the merits and all these matters are fact intensive and should be
184 addressed at a merits hearing based on the.
185 Parties mutual availability to appear.
186 And the divisions.
187 Miss Hardy, specifically to the point that.
188 The defense of waiver is fact is fact based.
189 What is your answer?
190 Here there are no issues of disputed fact on that.
191 I think it's very clear they've signed the election letter.
192 Now they're raising claims about the election letter.
193 I don't think there are any facts in dispute.
194 I think it can be a factual issue if there are facts in dispute.
195 But here I don't think there are that are material.
196 So your contention is, once you sign the letter that that's the fact that matters, right?
197 Is you've signed this and and I'm not. I'm not familiar at all with these letters.
198 I don't know what they say.
199 But of course, a good attorney could always find some loophole somewhere in these
200 letters to say, well, this or well that.
201 So I'm not.
202 You know, my interpretation of the letter is, is I don't think it it has any weight here,
203 but.
204 You're saying there's no other fact that matters?
205 With respect to waiver, yes claims regarding the in your argument. Of course you
206 haven't made it yet, but simply you said. Obviously you've thought about this
207 argument.
208 Your argument is once they sign the letter.
209 Consenting because it's a letter of consent. Is that right?
210 Correct. OK.

211 They're now committed.
212 And you better pay.
213 Because if you don't pay, you're now non consenting under the pooling order,
214 correct.
215 Right. And Mr. Debrine, your your argument.
216 Well, there's a variety of factual issues with regard to that particular question. One,
217 the letter you're consenting with whom?
218 Who are you entering into an agreement with?
219 The division, designated an operator, gave rights to an operator which are
220 extraordinary powers to compulsory pull and develop somebody else's property.
221 That's not who the letter was sent by, or on behalf of.
222 That's an issue that we raised.
223 With regard to the motion for standing, you have the reshuffling of the debt. The
224 division authorized specific wells, considered them in an evidentiary hearing,
225 considered the well costs and and approved the plan.
226 Then they reshuffle.
227 The deck.
228 Is there any authority whatsoever for the additional wells that were never proposed
229 or considered by the division in the original hearing date? And then you have this
230 issue of constructive fraud where they don't even tell the pool parties?
231 That they're suspending the second phase of the drawing plan so that you don't
232 even need to make an election with regard to the phase two wells that they're telling
233 other operators, no telling other operators before the date that the time in the order
234 is for the payment of.
235 Well, cost.
236 So there are a host of factual issues that need to be considered in an evidentiary
237 hearing and waiver.
238 You can say it's it's there are no facts, but there are.
239 Numerous facts underlying the issue.
240 Waiver in addition to the ongoing dialogue and negotiations that was going on
241 between the parties that led Chevron to believe that there was no obligation to pay
242 any well cost whatsoever.
243 What I'm trying to understand here.
244 Is the argument.
245 That Chevron.

246 Signed this letter.
247 Consenting to whatever was in the letter.
248 And didn't do their due diligence before signing it.
249 So I can understand if once you sign a letter and then you have to make these other
250 determinations after you sign the letter, then I could see those facts being material.
251 But if if and Chevron is not a, it's not a mom and pop store.
252 I mean it's it's a.
253 It's a sophisticated operator in the oil field, so.
254 When that when I mean I could even understand the argument of, hey, the person
255 who signed the letter had no authority to sign the letter.
256 But if someone at Chevron signs a letter and there's agency between the the
257 employee and the company.
258 How is?
259 How is it that Chevron is not bound by that consent?
260 I understand you're saying and that's why I found that you had standing because I
261 agreed that potentially these matters.
262 Should have a hearing, but when it comes to waiver and I don't even know that
263 waiver.
264 Applies in this circumstance, so I'm I don't know yet that hasn't been briefed. And so
265 I'm just taking Miss Hardy at her word.
266 But I mean, I know waiver is a defense in many civil.
267 Forums and so maybe it applies.
268 Maybe it doesn't.
269 But how do you?
270 How do you argue what you just argued?
271 As post signing instead.
272 Of due diligence before you sign.
273 Well, there, there's two issues.
274 One just in a normal garden variety contract case, people sign contracts all the time
275 and they raise various issues as to why they're not bound by that contract, fraud,
276 constructive fraud, authority to enter into contracts. All those issues are present.
277 In this case, we've got constructive fraud with regard to the failure to disclose.
278 The suspension and rescission of the second phase drilling plant that was never
279 disclosed. We have Ultra Veris.
280 I me, but I think what you're saying is waiver, even if Miss Hardy is claiming that

281 there's a waiver, it doesn't necessarily mean that there was waiver. If you have this
282 other stuff going on that I think that's what you're saying, right?
283 Correct all those issues.
284 Vitiates any consent that may have existed just by signing the letter. OK, I hear you
285 and I don't know the facts. And and and all that, but I can understand how your
286 saying waiver doesn't apply and Miss Hardy's saying waiver does apply and that's
287 really what.
288 You're both saying here, OK.
289 Now.
290 M's Hardy.
291 I still would like some the whole point of today's Status conference was to confirm
292 the issues that may go forward. If I don't find waiver as a bar to moving forward or
293 your other issue of good faith dealing under the under the order, OK.
294 Do you agree that it's clause 24 and 25 in the ordering in the order that will be
295 controlling the evidentiary scope?
296 Of this contested hearing.
297 Yes, I believe that that is correct.
298 OK.
299 Now, was it you or Mr. Debrine who said, oh, we need more discovery?
300 Well, I had said that.
301 And Miss Venet had said that we don't need more discovery.
302 But then I received a subsequent e-mail from Miss Bennett yesterday listing a whole
303 bunch of discoveries that they want.
304 So I think that both parties want more discovery. OK, OK, fine. Significant. Really, I
305 would say OK, a full size.
306 So that being said.
307 Mr. Debrine and Miss Hardy, can you get together now that we know what the issues
308 will be if we get to a hearing?
309 If we get past the waiver defense, if that is a defense.
310 In light of your allegations of, you know, bad faith, dealing and and.
311 Bait and switch etc.
312 When do the parties want to have this hearing?
313 I mean, I know Miss Hardy. You don't want to have a hearing at all, but let's start with
314 you, Mr. Devryne.
315 When do you want to have a hearing?

316 Well, I I believe at the last hearing the division proposed two dates, one in March and
317 one in April.
318 The March date does not work for Chevron, but I believe the April 21st date will
319 work.
320 For us, fine.
321 April 21st.
322 Does that give you enough time?
323 It's already to file your brief on waiver, and I'm not telling you.
324 Has to be on waiver. You can file whatever you want to, but that does that. Give you
325 time to file your pre hearing brief.
326 That, that, or summary judgment, let's call it.
327 Let's call it a summary judgment motion.
328 It it does but.
329 I think that the ruling on that motion is gonna have a big impact on what the parties
330 do when discovering.
331 At the hearing. So I just really feel like it would be more efficient to have a ruling on
332 that motion.
333 Before we have a hearing setting, so allow for enough time.
334 So are you saying that you can't conduct discovery at the same time?
335 We can, but I think.
336 It would. I think there are going to be discovery disputes probably based on the list
337 that I've seen.
338 And so I think that more time would be.
339 Preferred.
340 To do that.
341 Well, I I I as you know, M's Hardy. I'd like to move cases along when practical.
342 And I can understand Chevron's perspective that they're now stuck in.
343 This.
344 What do you call that between?
345 That's that's a Turing.
346 Yes, I was.
347 I was thinking of purgatory.
348 Really, I don't know why I was thinking of a religious context, but there it is.
349 There's something they're probably in the 5th circle hell right now.
350 Yeah, I was going to agree.

351 It's not purgatory.
352 So I'd like to find a way to move this along to an April 21st OK hearing.
353 So we have an agreement on the issues. We have an agreement that.
354 There's going to be some pre hearing briefing.
355 Yes, briefing pleadings and that there's going to be some discovery issues here going
356 on. How soon, Mr. Debrine, can you confer with Miss Hardy and come up with a list
357 of agreed upon or not?
358 Discovery items that both parties want.
359 We could submit something to you tomorrow.
360 We've already conferred, but I I don't think there is any agreement with regard to pre
361 hearing motion practice and I would caution the division to not open that up for
362 every case for parties to file motions for summary judgment.
363 The the issues are very discreet.
364 We might have five or six witnesses, 3 on each side, 1/2 day hearing.
365 You know, let's just have the hearing and and the division might be educated by a
366 pre hearing.
367 Brief from both sides because it'll it'll help guide the the hearing examiners and
368 technical examiners questions they may have, but, but we don't need motion practice
369 with regard to dispositive issues, particularly when we've already added and the we
370 don't need to have serial motions to dismiss in in.
371 Cases, if they these were issues present when the first motion was filed and could
372 have been raised in that motion, we could have already had a hearing to address
373 them.
374 We're just wasting the parties and the.
375 Business time through the proposed motion practice, can I respond?
376 Of course, definitely.
377 But I was just.
378 I was just thinking, but before I ask for your response, I was just thinking about what
379 Mr. De Brian just said.
380 You know, Mr. Debran, the divisions here.
381 To to give the parties a meaningful opportunity to address.
382 Their concerns, issues, etc.
383 So it's not wasting our time to hear this thing, first of all.
384 Second of all, based on what M's Hardy was saying.
385 Their defensive waiver.

386 Is based on a single fact.
387 Which is not in contention.
388 I mean, I know what you said, but it's not in contention that someone at Chevron
389 signed something that said something. OK, now, you, you I know have a position, a
390 different position to take, but that seems like a legal position and I don't think we
391 need to have.
392 A hearing with five witnesses to flesh out the summary judgment. If we heard a
393 summary judgment motion.
394 So I don't.
395 I don't see that as.
396 As a problem for the division that maybe it is for Chevron, but I don't see it as a
397 problem for the division.
398 So are you saying that?
399 Are you saying, Mr. Debrine, that you would not respond to a motion for summary
400 judgment if?
401 It filed by PBX.
402 Well, we would obviously comply with any ruling that division were to make.
403 But we, we, but then we would file motions for attorney judgment 'cause we think
404 the facts are undisputed on all the issues that we raise.
405 It's just interpreting documents. So let's file 4 motions for summary judgment on the
406 issues that we raised in response to the motion to dismiss.
407 For lack of standing, it's the same thing.
408 We're gonna have all these motions. For what? When all we have to do is come here
409 for 1/2 day and consider the evidence and and the division can make the ruling that
410 it feels appropriate based on the evidence.
411 Then the peer in briefs that gets submitted.
412 So sorry, you have two things to respond to the original thing.
413 Hopefully you can remember and now this this over here.
414 Go ahead.
415 Well, I was just going to say that there's certainly no prohibition on filing motions,
416 dispositive motions before hearing. And I think it's respectable to Division's time for
417 us to do that in the event that it can narrow the issues at at hearing and our initial
418 Motion Act.
419 To dismiss.
420 Was filed in response to the divisions inquiry about standing.

421 So we certainly weren't waiving other defenses by filing that that motion. And I think
422 it will be very helpful for us to file a motion on waiver.
423 With respect to the hearing, given the issues that Chevron is raising, which seek to
424 really create new requirements on operators, particularly with respect to post order
425 negotiations.
426 I think this is going to be not a have to hearing.
427 I think it.
428 I'm not sure how many witnesses.
429 This is we will have.
430 They've raised issues on industry standards, not it's not just between these parties.
431 They're raising industry standards, which is part of the reason we're going to ask for
432 broad discovery on well proposals they've received well proposals they've sent
433 because they have injected that issue into the case.
434 And so I don't think it's a short and quick hearing I think.
435 It's.
436 Potentially a couple of days, OK.
437 All right, so OK.
438 So first of all, unless I hear a really good argument not to set this for April 21st, I'm
439 gonna set it for April 21st.
440 Freya, do we have anything else on the April 21st docket?
441 We do.
442 We do OK.
443 Well, we had five things on today's docket and there's only one left.
444 So. So we'll set it on a trailing docket.
445 This will be the last case.
446 On the trailing docket, as it sits now, how many?
447 How many do we have ahead of this?
448 Pulling up the list now, but I believe there's 40.
449 Another one of those all right.
450 M's Hardy how long do you need to file a motion for summary judgment based on
451 your waiver argument?
452 Just looking at the calendar, I think I could do that.
453 Two weeks. OK. And Mr. Debrin, your response.
454 My response is I don't know what procedure I'm to follow when I see that motion,
455 the division has no rules on motions for summary judgment. If we're going to follow

456 the New Mexico rules, Civil Procedure, the party in receiving the motion, yeah, they
457 get 15 days, they they.

458 They can file a rule 56 F affidavit saying they need additional discovery in order to
459 respond to the motion. We're just opening things up, which I think unnecessarily,
460 and so if we're going to follow those rules, then I think the division needs to have a
461 rulemaking pro.

462 And adopt those rules rather than ad hoc in connection with a single case.
463 Impose litigation style rules for this case. It's unnecessary and.
464 It might be a full day hearing.

465 I agree with Miss Harding.

466 Now that she's indicated that there might be additional witnesses, but but we don't
467 need any pre hearing motion factors.

468 But if we do, then Chevron would want the opportunity to file its own motion for
469 summary judgment.

470 And I think all of the issues that we identified in response to the motion to dismiss
471 for lack of standing, which concerned the deficiencies in the well statement and the
472 and the rescission and change in the drilling plan, those will all be raised in, in a in a.
473 Dispositive motion.

474 As well.

475 So. So, Mr. Devryne, I understood you to say a minute ago that you had certain
476 defenses to the argument of waiver.

477 And I assume those are legal defenses, right?

478 Well, it's the application of law to fact.

479 There, there, there's there's factual issues underlying them, but the but miss as there
480 isn't any any case. OK. But Miss Marty's miss Hardy's summary judgment motion
481 would be based on the single issue. The single legal issue of waiver based on the
482 single fact that someone at.

483 Chevron signed this piece of paper and therefore has no right to complain about it
484 after that.

485 So if we have this one fact.

486 That is not being contested.

487 The fact that there was a signature.

488 Are you saying your defense to waiver?

489 Would would go beyond that.

490 Well, she's she's calling it waiver, but the issue is whether there was a binding

491 agreement between the parties based on the statement of well cost and that
492 depends on what's the party who sent it authorized by the division to do it was the
493 wells that were listed in.

494 It authorized a division to do it and and was there good faith in actually providing for
495 it when they knew they weren't even going to drill those wells?

496 They were in the proposal letter and they're essentially trying to steal property from
497 Chevron and committing constructive fraud by disclosing their drilling plans, not just
498 to Chevron, but to the division.

499 It's not just a fraud upon Chevron, it's a fraud upon the division. When a operator
500 does what PBX and EGL did in this case.

501 So so haven't you just made the argument now?

502 Didn't you just make the argument that there was no waiver, even if they someone
503 signed this thing, that there was no waiver?

504 Isn't that what you're saying?

505 Yes, there was no way. OK, Miss Hardy.

506 What do you have to say about that?

507 There's no fraud, there's no constructive fraud.

508 There was absolutely waiver.

509 Well, proposals changing the the names of wells happens all the time due to BLM
510 and APD requirements. The order authorized the wells that have been proposed and
511 that were drilled.

512 The proposal was not rescinded.

513 There were adjustments made for one other operator due to their specific situation.
514 There's certainly no fraud on the division or anyone else, and so it's a very clear case
515 of waiver.

516 So now it sounds like we're getting to the underlying facts of the merits of the case.
517 Really, that's what it sounds like here.

518 So I think I think what we should do is this.

519 This is. I've changed my mind about how I want to proceed here.

520 We'll deal with the discovery issues right away.

521 Will go to a hearing at the end of the evidentiary hearing. You can make your
522 argument for waiver at that point.

523 OK, that we don't need to have this briefing to try to save us time and effort because
524 your waiver argument and his defense relies upon the underlying merits of the case.
525 I don't think it relies on the impact of their signature on the wealth proposal letter.

526 I think it does at this point from what you've said and what what he said, I think it
527 does.

528 So I'm inclined to agree with Mr. Debrine here in that having pre hearing briefings
529 and summary judgment and and all this back and forth.

530 Really. Let's hear the case and then you may hear. And then you make your legal
531 argument at that point on why, once we have the facts, their signature.
532 Prevents them from now arguing this was double dealing and and we shouldn't.
533 We shouldn't allow that.

534 That's how I see it now, based on what your argument was and and I heard your
535 argument and based on what his argument is and the idea of how waiver works in
536 this context, I agree.

537 We need to understand the facts we need.

538 We need to hear both sides before we can even make a decision, and to do that
539 before the hearing doesn't make sense, because then we're gonna have two
540 hearings.

541 Let's just have one hearing and get it done.

542 So now we're back to the issue of discovery.

543 And I understand that you haven't agreed between you on discovery, but there must
544 be some points that you do agree on.

545 There has to be some points, some points that both parties agree.

546 Yes, this would be relevant to clause 24 and 25, and then maybe parties have
547 arguments, you know, we want this extra, we want that extra.

548 So let's set something where the parties submit something to me saying here are the
549 issues that we agree.

550 Sorry, here are the discovery areas that we agree on. Here are the ones that we don't
551 agree on.

552 And here's why we don't agree on them.

553 And a simple short sentence from each party about, you know, we don't agree.
554 We agree.

555 Sorry, we don't. We find this to be relevant.

556 We don't find this to be relevant, so can you do that so I can sign some sort of
557 subpoena so that you all can exchange information and we can hear this on the 21st?
558 Yes, yes, we can do that and we can submit.

559 The draft subpoena point both ways. That way you can amend it as necessary based
560 on the ruling.

561 So based on your arguments, based on the argument about Discovery relevancy, yes,
562 and materiality, that'll make it pretty easy. When you see the speed.
563 Yeah. Now do both of you agree? While I have you here that when it comes to
564 discovery, my recollection.
565 And it's hazy 'cause. I didn't do a lot of this in Civil Procedure, that something has to.
566 Be calculated to.
567 To lead to something that is reasonable.
568 That's it.
569 That's it.
570 That's the reason to lead to the discovery of admissible evidence.
571 That's the one, OK.
572 So we agree on the standard.
573 We will apply the same standards as insole. Yes, thank you for saying. Thanks for
574 helping me.
575 I appreciate.
576 All right.
577 Is there anything further on this case?
578 I just do want to make sure that my witnesses are available on April 21st, so let you
579 know.
580 If not, yeah, we can't force you to enquire if your witnesses aren't available. We know
581 that I haven't checked with them, so I have to do that.
582 And of course, they can appear virtually like.
583 Yes, looks like. Looks like Mr. Holiday's witnesses are.
584 Are they here to hurt here?
585 OK.
586 Great. OK, perfect. So as you see, we're lenient. Yes, understand. OK, anything further.
587 No, we appreciate your time.
588 Thank you for hashing it out.
589 It was helpful.
590 Appreciate it.
591 Thank you.
592 Thank you.
593 Alright, now going back to case 25610 before the parties.
594 Before the parties begin and before we talk about preliminary because we do have a
595 preliminary matter.

596 In this case, there was a motion filed.
597 Miss Vance, are you arguing it or is Mr. Excellent?
598 And I saw you, Mr.
599 I think there's some other entries appearance there are.
600 I didn't know that.
601 Excellent. Let's hear.

602

603 **KL** **Kaitlyn Luck** 48:52

604 Good afternoon, Mr. Caitlin Locke, appearing for Avant.

605

606 **+15*****12** 48:53

607 Mr.

608

609 **PH** **Pecos Hall** 48:56

610 Good afternoon, miss luck.

611

612 **JE** **Jacob Everhart** 48:58

613 Mr. Herring examiner Jacob Eberhardt, with baiting Wozniak, New Mexico, appearing
614 on behalf of Koteri Energy operating Magnum Hunter Production Inc and Simrex
615 Energy Company of Colorado, collectively as Kotara for monitoring purposes only.

616

617 **+15*****12** 48:59

618 Mr.

619

620 **PH** **Pecos Hall** 49:12

621 Perfect. Thank you, Miss Everhart and Miss Luck. You're monitoring only.

622

623 **KL** **Kaitlyn Luck** 49:15

624 Yes, Mr. herring. Examiner, thank you.

625

626 **PH** **Pecos Hall** 49:17

627 Thank you.

628

629 **+15*****12** 49:18

630 Mr. Damner Jim Bruce, representing Kaiser Francis. Only. I'm just monitoring.

631

632 **PH** **Pecos Hall** 49:24

633 Yes, I saw you withdrew your objection. Thank you.

634

635 **YP** **Yarithza Peña** 49:28

636 Good afternoon, Mr. hearing examiner, yaditza Pena with Hardy McClain on behalf of
637 Permian Resources operating.

638 And we are also just monitoring.

639

640 **PH** **Pecos Hall** 49:35

641 Thank you, miss Pena.

642 Are there any others? I saw Miss Hatley earlier.

643 Was she involved in this case, Mr. Holiday?

644 There she is.

645 Fishing. Good morning or good afternoon, Mr. Exam.

646 So you're saying good morning.

647 Yes, I am present in Holland and heart is representing marathon.

648 In this case, thank you very much.

649 We have a preliminary matter to deal with, so I think let's let's deal with the
650 preliminary matter. I did have a chance to read the motion to exclude certain
651 evidence as immaterial because the allegation is that it was not the the issue was not
652 in your pre hearing.

653 Statement and the rules require.

654 You to have the non standard location in a request in your in your prehearing
655 statement.

656 I also read your first response.

657 I was in a Commission meeting this morning, starting at 9 when Freya sent your
658 updated. What is your what?

659 What did you change?

660 I'm a stickler for grammar, so I fixed a few things.

661 All right, good.

662 So meaningfully it didn't change your response, all right.

663 OK so.

664 Let me tell you.

665 Hold on one second.

666 I did an analysis of that.
667 So, Miss Vance.
668 I'm gonna sum up your argument, and then I'm gonna sum up Mr. Holiday's
669 argument because I didn't have a lot of time to do this.
670 This was all done this morning, so I want to make sure I basically understood your
671 position, your position before I make a ruling.
672 So your motion to exclude Powderhorn exhibits A9, A 18 and a 19, as well as
673 paragraph 30.
674 Of Travis Maca's statement are based on three.
675 Main legal arguments #1 procedural violation. You argue that.
676 Powder horn must include all requested relief in their application under 191548 A
677 and Mac powder horns application did not seek a non standard location approval
678 and explicitly stated it would seek such approval administratively instead.
679 Correct.
680 #2 irrelevance since the NSL approval is not part of the requested relief, marathon
681 contends that any related testimony or exhibits are irrelevant and material under
682 195417 a.
683 You don't have to agree with each statement I make.
684 I'll ask you at the end, #3 that powder horns, administrative NSL applications were
685 protested by marathon in October of 2025.
686 And subsequently cancelled on November 29, 2025, because Powderhorn failed to
687 resolve the objections within 30 days. OK and #4.
688 Basically, you're saying it's improper bootstrapping. Marathon is asserting here that
689 when an administrative application is rejected due to an objection, the proper
690 procedure is to file a new application for a hearing, not to bootstrap it into an
691 existing Boolean case without proper notice.
692 Correct.
693 Now the the response in opposition from Powderhorn.
694 Powderhorn argues that I should deny the motion.
695 Because the evidence is essential for the division to evaluate the proposed
696 development plan, #1 necessity for evaluation, POWDERHORN contends that the
697 division cannot meaningfully assess a compulsory pooling application without
698 understanding the engineering rationale and specific locations of the proposed wells.
699 Broad admissibility under nineteen 15417 A and Mac examiners have broad
700 discretion to admit relevant evidence.

701 Lack of prejudice. Marathon has known about the proposed NSL since August of
702 2025.

703 Carter Horn notes that of the 17 noticed parties, Marathon is the sole remaining
704 objector, suggesting the motion is a delay tactic.

705 Two more issues. Administrative efficiency.

706 Powderhorn requested the division adjudicate the NSL within the current proceeding
707 to avoid duplicative, costly, inefficient second hearing involving the same parties and
708 evidence and the last one. Even if the decision division decides the NSL's must be
709 pursued separately, Powderhorn argues the evidence remains relevant to show the.
710 Completeness, reasonable and good faith of the development plan.

711 Did I capture that? Yes, Sir.

712 Oh, good. All right.

713 You know, the way I look at administrative hearings is that their due process hearings
714 and due process is flexible, so that it gives me some way to craft some sort of middle
715 ground.

716 Here I understand the argument.

717 I understand the the the argument in opposition.

718 Seems like I have several paths forward.

719 Number one, I could conditionally admit the evidence for the limited purpose of
720 evaluating the reasonableness and good faith of the development plan.

721 The exhibits would be part of the record for the pooling case, but the division would
722 not grant the actual NSL approval in this proceeding.

723 That way, Powderhorn gets to explain their engineering logic to the Examiner now,
724 while Marathon preserves its right to a separate formal hearing on the specific NSL
725 technicality.

726 Later.

727 2 This is sort of a de facto consolidation.

728 The compromise.

729 The division could allow Powderhorn to verbally amend its application to include the
730 NSO relief, provided it can prove that all 17 effective parties receive notice. That was
731 substantially equivalent to the hearing notice.

732 If I find that this previous notice was sufficient to satisfy due process, we could hear
733 both matters.

734 And avoid a duplicative proceeding.

735 Finally, since Marathon relied on the XTO Apache precedent.

736 Which suggests a rejected administrative application requires a brand new filing for a
737 hearing.

738 I could hear the pooling evidence now, but stay the final order until Powderhorn
739 formally refiles its NSL application.

740 This at least keeps the case moving forward without violating the technical
741 requirement that the specific NSL relief must be included in the application.

742 Finally, the parties could reach a middle ground by agreeing on certain technical
743 facts while disagreeing on the procedural law. Marathon could withdraw its objection
744 to the admissibility of the evidence of Powderhorn stipulates that the evidence
745 cannot be used as a legal basis for an immediate NSL order.

746 So.

747 Let me ask you a question, Mr. Holiday.

748 When it comes to.

749 Giving me the evidence I need to show that all 17 affected parties receive notice.

750 That was substantially equivalent to the hearing notice about the NSL. What do you
751 say?

752 If I were to rank our priorities on this, the first would be to allow the evidence in so
753 that we can assess the development plan 'cause seeking these offsets in the Purple
754 Sage Wolfcamp is a common course business.

755 Every operator does it.

756 It's fully expected that Outerhorn would in its development plan by your saying
757 offset you mean non standard location.

758 Yes, the non standard locations.

759 Yes, Sir.

760 Shrinking the heel toe from 3:30 to 100 feet.

761 So that would be priority #1.

762 We would prefer rather than have a duplicate of hearing that we could hear it all at
763 one time. We have the same parties, same evidence, same notices, same Council,
764 probably. And we're already here.

765 So so is that an answer to the question I just asked?

766 If I wasn't sure, OK.

767 So yes, our our main priority would be to get the evidence in and we that's not what I
768 asked you though.

769 That's I I I don't want you to rank the options right now.

770 What I'm asking you is for number 2 to be even.

771 An option.
772 I need to hear from you on how all seventeen parties were given notice about this
773 NSL. OK, I would.
774 I believe they are 'cause. They're the same parties. In the case I would need to
775 compare the NSL notice to the hearing notice to ensure that there weren't maybe
776 some offset operators to the NSL locations.
777 That answer doesn't really say that you know so, and I need to make a decision. Sure.
778 OK.
779 So without knowing that I'm going to take option two off the table, I do find the
780 evidence relevant and material.
781 So I'm going to let the evidence in, but I'm not going to. The division will not make a
782 ruling on the NSL as part of today's contested hearing.
783 Did you have something to say, Miss Van?
784 Yes, I want to make a couple of points.
785 Number one.
786 So.
787 Powderhorn confuses the issue here.
788 The marathon is not arguing at all that Powderhorn is not entitled to present its
789 proposed and complete plan.
790 It can do that, and if they want to discuss longer lateral links, they can do that. They
791 can do that because they have their C1O twos included in their hearing packet, which
792 includes their first and last take points, which are at a non standard location.
793 There are two separate issues.
794 The longer lateral links they can discuss that through their C1O2's the NSL, the
795 cancelled administrative applications for non standard well location that is not
796 relevant and material because it's not a part of their application for hearing exhibit is
797 that it was the which one?
798 Or the C1O twos.
799 Or the cancelled administrative application.
800 So that's the.
801 A 18 and I think a 19.
802 What I included or outlined in my objection so?
803 So hold on, hold on.
804 Ms. Vance.
805 Mr. Holiday, would you please tell me what are the the exhibits that I just listed a

806 minute ago?
807 What is exhibit A9, a 19?
808 Sorry an 88.
809 Well, I'm not asking about a 19 Miss van, so please hold on. Mr. Holloway, what is
810 exhibit A9A9 is our pool party list and commitment status.
811 There's a reference to the NSL, like a like a not even complete sentence in there.
812 OK, so so so based on my ruling you can remove that reference to the NSL, right?
813 We could remove the reference to the NSL from hey 9.
814 Yes, that's what I'm asking. OK.
815 So that cures that, a nine based on my ruling that I still find some of this evidence to
816 be relevant and material.
817 So let me continue with Mr. Holiday 1st and what is a 18 Mr. holiday?
818 18 is a summary of the non standard location rationale. The powder horn would like
819 to present.
820 And a nineteen I'll skip ahead is our sample notice letter that was sent out on
821 October 22nd.
822 So. So, Mr. Holiday, if if I have ruled that since your pre hearing statement did not,
823 I'm accepting the argument made by Miss Vance, that because the pre hearing
824 statement did not contain a request for an NSL that you need to proceed on that
825 separately.
826 Do you still need a 18?
827 I think we do need a 18 to have a complete story of of the development plan, OK.
828 And Miss Vance.
829 It's included with their C10 twos.
830 It has their first and last take point. If they want to discuss that on through their
831 direct testimony, they can and and further I do want to point out that this is
832 prejudicial to marathon. This was not included in their original application. As you
833 pointed out.
834 There was a period of time that they were through the administrative process to
835 resolve this issue with marathon that ended at the end.
836 It was November 29th, 2025, and so they've had three months. If they wanted to file
837 a new application or an amended application and do new notice and include this as a
838 part of their affirmative case and requested relief, they have not done that. We got.
839 No heads up from their council that they were to include this as a part of their
840 affirmative case and also request that they have that they include the approval for

841 this as a part of their affirmative case. And so and not. And it wasn't included in their
842 pre.
843 Hearing statement.
844 So then Marathon is prejudice.
845 We are not allowed to.
846 We're not in a position where we were able to make that a part of our affirmative
847 case, so I I would request that this is removed from.
848 Their that this the the testimony.
849 And exhibits be removed and if they want to file. I know you've got some other
850 suggestions about how to keep the case moving forward, but at least for us here
851 today, this should not be a part of the case at all.
852 I've already ruled on exhibit A9 and that they're going to remove the reference to an
853 NSL in a nine, so I can't see how that would prejudice you with exhibit A9.
854 I'm I'm talking about the A18A19 and then the testimony of Mr. Maca. Testimony.
855 OK.
856 So what I'm gonna do with a 18 a 19 in paragraph 30 of Mr. Marcus a statement is
857 let's wait until you're presenting.
858 Because I'm not going to tell you how to present your case and and I don't think it's
859 right for an opposing party to say what you need and what you don't need.
860 I understand their objection I found in favor to an extent.
861 In in their favor. But I still feel like you need to be able to make a full and fair case
862 and give us the information that shows what I said before.
863 That I'm gonna go back to what I said before.
864 That I'm going to admit the evidence for the limited purpose of evaluating the
865 reasonableness and good faith of your development plan as long as it doesn't
866 prejudice the other party.
867 Because I do understand Miss Vance's argument as well that you know you had all
868 this time to do this and all of a sudden they're seeing this. That's understandable.
869 There's no way around that so.
870 So you'll make your individual when we get these exhibits, you'll make your
871 argument as to each exhibit, not a nine.
872 Because I've already ruled about a nine, but a 18 and a 19, and then that paragraph
873 of Mr. Maka's, you'll make your argument at that time when we can see it.
874 Because I have to figure out what part of those exhibits, if any, goes to the bigger
875 picture.

876 And what part is prejudicial?
877 And unfair.
878 Because I agree with that part of the argument so.
879 So that will be my ruling that I'm going to admit.
880 So we're not proceeding on the NSL today.
881 So in that respect, I'm granting the motion, however.
882 Mr. Holiday needs to be able to make a full and fair case.
883 And if part of that evidence goes toward the reasonableness and the and the.
884 The good faith of the development plan then I want to hear, and the division wants
885 to hear it.
886 So that's how I want to proceed on that preliminary matter.
887 Now what I want to do next is.
888 I want to discuss.
889 My reading of the pre hearing statements and the issues in contention.
890 This is for both myself, the parties, anyone who's listening, and for Mr. Fordyce, who
891 I've already discussed this with.
892 So I see that there are really 4.
893 I really see four issues here between Marathon and Powderhorn that we need to take
894 evidence.
895 And make a decision based on #1.
896 Control of overlapping acreage and of course this is the central conflict.
897 It involves the north half of irregular Section 2.
898 Which both companies include in their proposed spacing units.
899 I'm going to say marathons position first. Marathon claims that it owns or controls
900 100% of the working interest in this specific acreage through a 1976 JOA.
901 They argue that under our precedent.
902 The operator with the majority interest in the overlapping area should prevail.
903 Howard Irhone, on the other hand, on the other hand, seeks to pool all uncommitted
904 interests within a larger 959.6 acre unit that includes Section 2.
905 They argue that the OCD precedent orders R 14140 R 23869 allow the division to
906 pool acreage already subject to a JOA.
907 Into a larger spacing unit.
908 Mr. Holiday, did I outline in the bare bones way issue of controlling overlapping
909 acreage? Yes, Sir.
910 As to the issues, of course, Miss Vance.

911 I'll take it.
912 I think it's a fair overview of the representative arguments, yeah.
913 And that's all I'm doing here.
914 Yeah, just trying to give a very broad 330 thousand feet perspective so that everyone
915 feels like they they're oriented here, at least I do.
916 #2 risk of stranded acreage versus efficient development.
917 The parties disagree on which plan better protects correlative rights and prevents
918 waste.
919 1st I'll give powder horns concern. Powderhorn alleges that marathon's plan.
920 Which is limited to the north half of Section 2 will strand the the NE quarter of
921 Section 3.
922 They argue that there 1 1/2 miles laterals provide a more comprehensive
923 development of the Wolfcamp formation marathon.
924 Marathon argues that powder horns asynchronous drilling plan will cause parent
925 child degradation and that powder horns approach forfeits economies of scale.
926 That marathons Co development of Wolfcamp.
927 Benches would capture Mr. Holiday.
928 That's sufficient. Yes, Sir.
929 Mr. Rankin, I think that's an accurate capture of the the arguments.
930 We're halfway there.
931 3rd 3 operator qualifications and Readiness Marathon raises several challenges
932 regarding powder horns capability to execute its proposed plan.
933 They raise the following issues operational track records.
934 Marathon points out that powder Horn is a new operator in New Mexico with no
935 history of drilling horizontal wells in the state.
936 Marathon, conversely, notes it already operates existing wells in the area.
937 And infrastructure and permitting Marathon claims it has approved applications for
938 permit to drill.
939 Firm commitments for take away water, gas and oil and a pre approved state
940 communication agreement.
941 Marathon asserts Powderhorn lacks Apd's and has not secured take away for oil and
942 gas.
943 Mr. Rankin, that's a fair summary of of the readiness arguments that we presented
944 and last good faith negotiations. Again, Marathon contends that Powderhorn did not
945 engage in good faith negotiations before seeking compulsory pooling.

946 This is a standard requirement for the division to grant a pooling order. You don't
947 have to agree with that, it's pretty simple.

948 Mr. Examiner, if I may circle back to point #1.

949 We only actually have one proposed development plan from in front of the division
950 today, OK.

951 That's the powder horn plan that's seeking to pull the acreage within the Super
952 Hornet unit, Marathon's objecting on the rationale that they will self develop. But
953 there's no plan before the division for that. I thought that was because Marathon's
954 plan, I thought they had a three.

955 120 acre .32 acre.

956 Spacing unit plan that they didn't need because they have voluntary commitment,
957 OK.

958 That's correct.

959 We're that tracking on that issue. Yes, Sir.

960 No, I I would.

961 I would strenuously disagree that actually there are two development plans Burnley
962 in front of. Yeah, there are two plans.

963 We did, however, only one pooling application is before the division.

964 We do have a a contradictory pooling contradictory development plan that involves
965 fully developing the north half of Section 2 Wolfcamp BAKERIDGE.

966 So that that's what Mr. Hawley is referring to. Yes. It's a plan to self develop.

967 It is a development plan.

968 There are Apds that have been issued and.

969 The marathon is ready and willing and able to go forward with this drilling plan.

970 Thank you.

971 So I think next let's deal with exhibits.

972 Let's try to get as many admitted through stipulation as we can.

973 So, Mr. holiday.

974 Have you?

975 What exhibits have you submitted for this hearing?

976 We have submitted 2 packets of exhibits. Our original exhibits and a much smaller
977 rebuttal packet.

978 Perfect. How have you labeled your exhibits?

979 We've labeled a as our land exhibits, and that's a one through 19, and this is on page
980 two of our original exhibit package.

981 We have a numbered a page numbered index.
982 B.
983 We have our geology, so we have.
984 7 original exhibits in our geology and then for C We have reservoir where there are 6
985 exhibits and 4D is legal.
986 Those are my exhibits and that there are four there. I didn't catch how many reservoir
987 exhibits you have 6/6.
988 All right. So let me just repeat.
989 Let me just repeat this because this will be very important.
990 You have your land exhibits.
991 Marked.
992 As exhibits A and then a one through 19, correct. OK, good. Your geology exhibits
993 are marked as B and then B1 through B7. Correct? Your reservoir engineering
994 exhibits RC and then C1 through C6, correct, right. Your legal exhibits are D and D1
995 through.
996 D4 yes, Sir.
997 And then you have rebuttal exhibits.
998 But let's wait for just a moment on the rebuttals. I wanna ask you a few questions.
999 Let's.
1000 See, I wrote this down somewhere.
1001 Hold on a second.
1002 One moment.
1003 I show your ah, here we go.
1004 OK, I show Travis Maka is your land man.
1005 Yes, Leonard Wood is your geologist, correct?
1006 Brendan Tippin, reservoir engineer. Yes, Sir.
1007 All right.
1008 And then obviously you OK now?
1009 I recognize some of these names have all three of your expert witnesses been
1010 admitted before this division as experts in their field.
1011 Yes, they have. OK, very good.
1012 All right.
1013 So that's excellent.
1014 Now your rebuttal exhibits.
1015 How have you marked those?

1016 So we've marked those in a similar fashion.
1017 On page two of the rebuttal packet, we've just continued the numbering, so A is still
1018 land, and then we seek to exhibit admit exhibits a 20 through 25. OK.
1019 Fine for B our geology.
1020 We have one additional exhibit B8, OK.
1021 And for reservoir exhibit C, we have two additional that would be C7 and C8.
1022 Alright, now.
1023 I don't know who The Who. Mr. Reagan. OK, good. All right.
1024 So from now on I'm calling on you.
1025 All right, fine.
1026 You'll let me know when you want, when you get tired and you want me to answer,
1027 all right.
1028 So, Mr. Rankin, have you had a chance to review all these exhibits I have?
1029 That'll be great.
1030 Are you willing to admit any of them through a stipulation?
1031 I'm happy to admit all the exhibits, including.
1032 18 with, with the caveat that we have an outstanding objection to it being admitted
1033 on the grounds for the the motion.
1034 And so I I won't further make any arguments on that, but but just with the caveat
1035 that a 18 is, is subject remains subject to our motion to exclude what about 890?
1036 It doesn't really serve any purpose because it, since the divisions already ruled that
1037 it's not gonna OK rule on the NSL application, grant that relief.
1038 It doesn't really serve any purpose, so I it's extraneous I think.
1039 OK, fine, I have it here.
1040 So basically then what I'm understanding from you is you have no objection to
1041 admitting all of the exhibits that we just talked about, including the rebuttal exhibits
1042 with the exception of a 18, correct, OK. And I think there's also a paragraph in A2.
1043 Wasn't there a 30?
1044 That's correct.
1045 And I think you know again it's it's it's almost irrelevant because the division is not
1046 gonna rule to correct that relief, OK.
1047 All right.
1048 Well, I just.
1049 I'm just.
1050 Being proactive.

1051 Here. OK, fine.

1052 So, Mr. Holiday, your exhibits are all admitted to evidence, with the exceptions that
1053 we just spoke about.

1054 Thank you.

1055 Yeah. OK.

1056 Now let's go to Marathon.

1057 Can you walk me through what I just asked, Mr. Sure. Thank you, Mr. Hearing
1058 Examiner Marathon has submitted a set of direct testimony. Exhibits marked AB and
1059 C.

1060 A is the self affirm statement of Miss Shelly Klingler.
1061 Land man.

1062 She's previously been qualified already.

1063 In land matters attached are her exhibits A1 through A8.

1064 Mr. Rankin, does that include a self affirm statement?

1065 That's generally marked as exhibit A.

1066 So is it correct?

1067 So A is a separate exhibit, and then a one through A8. OK.

1068 Got it. What's next?

1069 Same process for Mr. Preston Dupree's, geologist.

1070 He has not previously testified his exhibits are B, which is a self affirm statement and
1071 then B.

1072 One through B5, which include his resume, OK, and then finally exhibit C, which is the
1073 suff affirm statement of Doctor Umekwei.

1074 He's a engineer, reservoir engineer and he is not previously testified before the
1075 division and attached is his sole exhibit for undirected his resume C1. Thank you.

1076 No rebuttal exhibits refle rebuttal exhibits.

1077 Wouldn't miss the opportunity.

1078 And those are exhibits numbered marathon rebuttal exhibits one through 9 through
1079 9.

1080 All right, so they don't necessarily track the original witnesses.

1081 They're just one through 9, correct? OK.

1082 That's fine.

1083 OK, Mr. Holland.

1084 Now it's your turn to give reasonable we have no objection to the exhibits or the
1085 rebuttal exhibits. Sure. Thank you, Sir.

1086 So I want to mention Mr. Aragon.
1087 All the exhibits from both parties have been admitted except a 18.
1088 That's powder learned and paragraph 30 of powderhorn's exhibit A do you copy?
1089

1090 **GA** **Gerald Aragon** 1:19:01

1091 Noted. Thank you.

1092

1093 **PH** **Pecos Hall** 1:19:02

1094 Thank you.

1095 All right, so we have now to decide who's going first. I would think it would be you,
1096 Mr. Holiday.

1097 Are you good with that? Yes, Sir.

1098 You are the best, OK? And is there any objection, Mr.

1099 No, Mr. hearing officer.

1100 In fact, we have.

1101 We have conferred on that exact issue and if it's OK with you, I might and with Mr.

1102 Holiday represent to you what we discussed and agree and if that's OK, if you agree
1103 so in in the past, I think we've taken different approaches with contested hearings
1104 and here.

1105 I do think it's most efficient if the presenting party were to present each of their
1106 witnesses go from direct right into rebuttal.

1107 Go into cross and then available for division examination.

1108 Now the only other twist is that one of our witnesses who's remote is not available
1109 tomorrow.

1110 So we've asked, remember.

1111 You mentioned.

1112 Yeah, we've asked that he be permitted to go out of order so that he today before
1113 we close.

1114 Thank you very much.

1115 And what is the name of that doctor? Umekwei, the reservoir engineer.

1116 What country is he from?

1117 Nigeria, yes.

1118 OK.

1119 We will get you in today, Sir.

1120 OK, Mr. holiday.

1121 I don't know if you feel necessary, but.
1122 But if you do one or two-minute opening statement.
1123 Yes, Sir, I'll get.
1124 Excuse me. I'll get through this as briefly as I can.
1125 All right, so my name's Ben Holiday.
1126 I represent the applicant, in this case Powderhorn, operating. In this case concerns
1127 whether the division should approve a 960 acre horizontal spacing unit covering
1128 Section 2 and the east half of Section 3 and Township 24 S range 26 E for Wolfcamp
1129 development.
1130 Powderhorn's evidence is going to show that Powderhorn's proposed veil on plan is
1131 a real engineered and executable plan that will efficiently develop the entire 960
1132 acres.
1133 It will prevent waste and protect the corrilla rights of all owners in the spacing unit
1134 that include the state of New Mexico.
1135 By contrast, Marathon asks the division to divide, to deny Powderhorn's application
1136 based on a 50 year old joint operating agreement that was written for vertical wells
1137 that has never been used to develop the Wolfcamp formation and contains no
1138 provisions for horizontal development across multiple sections. So the.
1139 Division has already addressed this precise situation. As we've discussed in the Fiero
1140 case, order number R 23869.
1141 Last year, where the division confirmed that it has the authority to prove pooling
1142 over the objection.
1143 An operator who's relying on a legacy era.
1144 I mean, excuse me, legacy vertical era. JOA, when the division finds that it's necessary
1145 to ensure the efficient development and to protect protect Carella rights. So we
1146 believe the facts in this case track those in Fero and are at least as compelling if not
1147 more so pruder H.
1148 Started with its development plan in July of 2025.
1149 And proposed it, acquired in July of 25 and proposed development within seven
1150 days.
1151 In that time period, Powerhorn has secured over 78% of the working interest
1152 commitment to its development plan.
1153 It is obtained like marathon pre approval for the required state communication
1154 agreement.
1155 We've powder one has staked its drilling location.

1156 They have secured water contracts. They have prepared a fully engineered
1157 development plan that targets the Wolfcamp A and which has provisions for later
1158 infill development of the Wolfcamp B.
1159 If granted, an order, Powderhorn intends to spud as well on September 2026.
1160 OK.
1161 So again, to sum up, Marathon's argument marathon objects primarily on the
1162 argument that a 76 joint operating agreement covering the north half of Section 2
1163 only gives exclusive control over development, at least as to the north half. And as
1164 effects this case, the entire proposed super.
1165 Hornet spacing unit, but our evidence is going to show three things.
1166 One, as I mentioned, that JOA has never been used to develop Wolfcamp formation.
1167 And then nearly 50 years, it has existed.
1168 Second, the largest intrus owner subject to that agreement.
1169 Non operated working instrument are subject to that joint operating agreement.
1170 Kaiser Frances has already signed a superseding JOA horizontal JOA, with
1171 Powderhorn agreeing to participate in powderhorn's development of the full 960.
1172 Finally, Marathon's own proposed alternative does not develop all the acreage that
1173 Powderhorn seeks to pool, particularly state minerals in Section 3.
1174 So if Powderhorn's application is denied, those acres risks being stranded with no
1175 division imposed timeline requiring development of the north half of Section 2.
1176 So we're going to present 3 witnesses as we mentioned earlier.
1177 First, you're going to hear from Mr. Maka.
1178 That's Powderhorn's land representative.
1179 And so Mr. Maka is going to go through the company's efforts to negotiate with
1180 marathon over the past seven months.
1181 The commitments that Powderhorn has obtained from other working interest owners
1182 in the unit proposed unit and the concrete steps that Powderhorn has taken to
1183 prepare for development in this area.
1184 We're next going to hear from Mr. Wood or next in Powderhorn's order anyway.
1185 Mr. Hood.
1186 Mr. Wood will explain the geological continuity of the Wolfcamp across the
1187 proposed unit, and we will discuss the regional everyone's favorite topic, regional
1188 stress orientation that supports Powderhorn's East West Wild design.
1189 And finally, we're going to hear from Mr. Tippin, Powderhorn's Reservoir engineer.
1190 Mr. Tippin will explain why Powderhorn's Mile and a half development plan is more

1191 efficient and better suited to develop the full unit than the one mile alternative
1192 proposed by marathon.

1193 And why marathons claims about mandatory Co development of the Wolfcamp A&B
1194 are not supported by the data.

1195 So at the end of the hearing, our evidence will show three things.

1196 One pattern horn has presented the division with real plans to drill wells and has
1197 taken concrete steps to execute on those plans.

1198 This plan is going to efficiently develop the entire 960 acres, including state minerals
1199 that would otherwise, at least at a minimum, be at risk of going undeveloped.

1200 And finally, that approving powerhouse application will prevent waste to protect the
1201 corrilla rights of all parties, as is required.

1202 So for those reasons, Powderhorn requests the division approve the requested
1203 pulling order. Thank you.

1204 Mr. Rankin, would you like to make your opening statement now?

1205 I'd like to reserve my opening to see how things shake out until we present our case
1206 in Chief.

1207 I would though though, if I if you don't mind, Mr. examine, I might just raise a
1208 potentially brewing evidentiary dispute.

1209 That was brought to my attention from the opening.

1210 I I will just point out that in their case in Chief, Patterhorn has made the argument
1211 that the Northeast quarter of Section 3 will be stranded by marathons development.
1212 And I just heard from the opening statement that they intend to present testimony
1213 on well orientation.

1214 That argument is integral.

1215 To the stranding argument.

1216 OK, whether whether the orientation, what the orientation of the well is should be or
1217 is, if there's a preferred orientation that should have been part of their case in chief,
1218 OK, because if they're going to argue it's stranded in Northeast quarter, it was
1219 required to be made in.

1220 Their case in chief that there was a preferred wall orientation and they didn't make it
1221 in their case in chief, nor did they make it in the rebuttal.

1222 So I at this point I'm going to say if it comes up that I want to just apprise the
1223 division that that's going to be an objection.

1224 Because number one, it was necessary to be made in their case in Chief. They made
1225 the affirmative argument that the Northeast quarter was going to be stranded. The

1226 only way for it to be stranded is if they could argue that there was a lay down only
1227 preferred or.
1228 And they didn't make it in their case in chief, and they haven't made it in the rebuttal.
1229 And so it's now.
1230 Far delayed to make that argument at this late date, you can make your objection at
1231 the time.
1232 Thank you.
1233 That's your right.
1234 OK.
1235 So you're reserving your opening.
1236 That's fine. How many? I'd like to get all the witnesses sworn in at the same time. I
1237 see.
1238 Would all the witnesses besides Mishappling come on up to the witness?
1239 Stand over here.
1240 You're not a witness, are you? With that?
1241 Sir. Yeah, it's something.
1242 That'll be the day, huh, Miss Ally?
1243 OK, once you create how many are you are from powdermore.
1244 Two perfect. And you're from marathon.
1245 Very good and my understanding is that there's one more each that must be virtual,
1246 OK.
1247 Can we get those witnesses?
1248 Oh, I see. I see Mr. Umeki all right.
1249 And then there should be one more.
1250 Virtual.
1251 I see now. Thank you.
1252 OK.
1253 Very good.
1254 I see you, Mr. Wood.
1255 Mr.
1256 Mr. Pascal, would you please say your name properly?
1257
1258 **UP Umekwe, Pascal** 1:27:53
1259 Yeah, my name is Madlabuchi Pascal and.

1260

1261 **PH Pecos Hall** 1:27:57

1262 She was.

1263 I didn't even hear.

1264 Would you mind if I call you? Mr. Pascal? Does that bother you?

1265

1266 **UP Umekwe, Pascal** 1:28:02

1267 Not at all. That is fine.

1268

1269 **PH Pecos Hall** 1:28:03

1270 OK, good. 'cause. I was hoping you would clarify how you how you say your last
1271 name, but I didn't even hear you say it, which is not good for me.

1272 Alright, so would everyone please raise their right hands?

1273 Very good.

1274 Do you swear?

1275 Affirm under penalty of perjury, the testimony you're about to give is truth, the whole
1276 truth, and nothing but the truth.

1277

1278 **LW Lenny Wood** 1:28:23

1279 2.

1280

1281 **UP Umekwe, Pascal** 1:28:23

1282 Yes.

1283

1284 **PH Pecos Hall** 1:28:24

1285 OK, perfect. I heard.

1286 I heard from everyone. OK, you can lower your hands.

1287 Thank you now for the people here in the room. Will you turn on that microphone?

1288 There's a button on the right.

1289 It'll turn green.

1290 Would you state and spell your name for the record and tell me?

1291 If you have been admitted.

1292 As an expert before this division, tell me what expertise that's in. If you haven't,
1293 please tell me and stay there.

1294 Preston Dupree, I have not been admitted as an expert witness.

1295 But you seek to be admitted as an expert witness in what field patrol? Ambiology
1296 petroleum geology.
1297 And are you with Marathon?
1298 Yes, I am.
1299 I thought so.
1300 OK. Mr. Dupree. OK.
1301 We'll get to your qualifications in a moment.
1302 So don't go back to your seat yet.
1303 Go right ahead, ma'am.
1304 Good morning, Mr. Examiner.
1305 Shelly Klingler SHELLEYKLINGLER and I have been admitted for petroleum land
1306 matters.
1307 Yeah, I recognize you. Just from recently in the last.
1308 Yes, I thought so.
1309 And are you with Marathon?
1310 Yes, Sir, you are.
1311 And you said land matters, Miss Klingler.
1312 Thank you. OK.
1313 Go ahead.
1314 My name is Brendan Tippin.
1315 I have not been admitted before the Commission before, but I'm seeking to be an
1316 expert in reservoir engineering.
1317 And you're you're with Powderhorn, correct?
1318 I thought so.
1319 So I I misspoke, OK.
1320 That's OK. So you won't be going anywhere soon.
1321 And then Mr. Makai recognize you.
1322 Yes, Travis Maka, TRAVISMACHA.
1323 And I've been admitted in land.
1324 I know you have. So, Mr. Maka and Miss Klingler. Please have a seat.
1325 Let's deal with your one at a time.
1326 Please have a seat.
1327 OK.
1328 Now.
1329 Are you Mr. Tippin?

1330 Dupree. Dupree. You're a Mr. Tippin.
1331 Yes, be great, Mr. Dupree.
1332 Tell me about your education toward the field of geology.
1333 Yes, Sir, I did.
1334 My bachelor's of science degree in geology at Texas A&M University.
1335 What year graduated in 2019?
1336 Oh, OK.
1337 And then I did my masters of science in geology at TCU, graduating in 2023.
1338 What's CCU, Texas? Christian university. OK, thank you.
1339 And then what work have you done?
1340 What experience do you have toward petroleum geology?
1341 Yes, Sir. After my graduation at an MI was a mudlogger.
1342 So I worked in various areas across New Mexico and Texas working for various
1343 operators, collecting mud samples, doing logs per client request during my time at
1344 Texas Christian University, I was working also for full time at Findlay Resources.
1345 They are now called UN Towax, working out of the UN to UN to basin.
1346 Following that I was working at US Energy Development Corporation.
1347 Doing well bore deals and ballot evaluations across the Permian Basin and then in
1348 2023 I came over to Conoco Phillips and I've been here ever since.
1349 Oh, you're with Conoco Phillips and Marathon subsidiary?
1350 It's the same company.
1351 Or under the same umbrella, yes.
1352 Oh, OK.
1353 I didn't know that.
1354 You never told me that, Miss Hatley.
1355 Subsidiary. I didn't know that.
1356 Thank you.
1357 What is your title at Conoco Phillips currently just geologist geologist.
1358 Yes, Sir.
1359 And what are your current duties now?
1360 I am currently the development geologist across portions of Eddy County responsible
1361 for development projects from conception to spud, also in charge of leading third
1362 party contractors by Geo Steering. That pretty much sums up what I do.
1363 What part of of your job requires that you interpret the geology underground on a
1364 daily basis based off the development projects that we have, such as the project

1365 we're referring to today?
1366 Just different development projects that we have.
1367 Don't wanna speak to specifically about that, but I crossed Eddie County.
1368 I'm evaluating different projects that we are doing internally.
1369 OK.
1370 And you said something about Uinta?
1371 Is that in Utah?
1372 Yes, OK.
1373 Green River formation.
1374 Yeah, that's OK. OK.
1375 So from here on in, you're qualified before this division as an expert in petroleum
1376 geology.
1377 Mr. Tippet, would you do the same thing? Education 1st and experience throwing
1378 some dates.
1379 Tell me.
1380 Tell me how your education and your experience lend toward reservoir engineering.
1381 Yes, Sir.
1382 So my name is Brendan Tippin.
1383 I went to the University of Texas and studied petroleum engineering.
1384 And have a bachelor's degree in petroleum engineering.
1385 After Texas I when did you earn it? 2012 to 2016.
1386 Thank you.
1387 In 2016, I started with Piedra Resources, a Permian based oil and gas operator.
1388 I worked with Permian or with Piedra resources for eight years until 2024.
1389 I was.
1390 I started as a reservoir engineer.
1391 Ended as their lead reservoir engineer and oversaw acquisitions, planning and
1392 development of our oil and gas resources.
1393 What does a reservoir engineer do?
1394 We evaluate deals on the front end, evaluate acreage and block together positions.
1395 Once we have a position we we do detailed planning of how we responsibly develop
1396 that position and then we work with our operations teams to to responsibly develop
1397 the position.
1398 OK.
1399 All right.

1400 And so you're with who now?
1401 I'm with Powderhorn engineer or Powderhorn energy.
1402 I'm their director of engineering.
1403 I've been there since 2024 and I currently oversee all of the A&D engineering work
1404 related to acquiring leasehold. I oversee trades.
1405 In, in work blocking up as it relates to engineering. And then I'm also looking forward
1406 in the development and planning of.
1407 Of our assets.
1408 OK.
1409 All right.
1410 Thank you. From here on in your recognized as an expert in reservoir engineering.
1411 Now let me go to Mr. Wood, because your your picture is nice and large at the
1412 bottom of my screen you've been, would you state and spell your name and tell me
1413 what expertise you've been admitted before this division?
1414

1415 **LW** **Lenny Wood** 1:35:13

1416 Yes, Mr. hearing examiner, Leonard Wood. Leonard, last name, Wood WODI have
1417 been admitted as a witness in the field of geology before.
1418

1419 **PH** **Pecos Hall** 1:35:26

1420 In geology, OK. And you're with marathon.
1421

1422 **LW** **Lenny Wood** 1:35:30

1423 I am with Powderhorn Energy Partners, Sir.
1424

1425 **PH** **Pecos Hall** 1:35:31

1426 You're with powderhorn. Thank you.

1427 All right.

1428 Thank you.

1429 And finally, Mr. Pascal.

1430

1431 **UP** **Umekwe, Pascal** 1:35:40

1432 Yes, I've not yet.

1433 I'm Pascal, Macquarie.

1434 I've not been admitted as an expert witness here before.

1435 My background is like was mentioned earlier. I was raised in West Africa and my
1436 bachelor's degrees was in petroleum engineering.
1437 I completed that in 2009.
1438 And I moved to the US for my graduate studies.
1439 Still in petroleum engineering.
1440 So I got my master's degree in petroleum engineering in.
1441 And University of Alaska in Fairbanks.
1442 After that I worked in the bacon in field with bigger use during the NWDLWD.
1443 So log in while drilling stuff.
1444 Then after that I joined Phillips as a development petroleum engineer during
1445 development works.
1446 Essentially assessing the subsurface and drilling opportunities in the power field.
1447 So I did that for a little while.
1448 Then later on I went off to work for the state of Alaska, where I worked as a
1449 petroleum economist.
1450 At the same time I was doing my graduate studies in economics as well. So I worked
1451 with the last couple of about six or seven years where I heard rose in petroleum
1452 economics, worked as a commercial analyst, and in 2022 I joined Conco Phillips here
1453 in.
1454 Midland.
1455 Work in the Eddy County development, so doing essentially subsurface evaluations
1456 leading up to the drilling of wells building and economic case for wells as well as
1457 straits, you know, helping us to carve acreage as well as digest or acquire new areas
1458 to develop.

1459

1460 **PH** Pecos Hall 1:37:31

1461 Mr. Umequi, would you spell your name for the record, please?

1462

1463 **UP** Umekwe, Pascal 1:37:36

1464 So umequwe the last my last name is UMEKWE and I go by Pascal, which is my
1465 middle name.

1466

1467 **PH** Pecos Hall 1:37:45

1468 Would you spell it please?

1469

1470 **UP Umekwe, Pascal** 1:37:47

1471 Pascal.

1472

1473 **PH Pecos Hall** 1:37:49

1474 OK, Mr. umequi.

1475 What does a petroleum engineer do?

1476

1477 **UP Umekwe, Pascal** 1:37:56

1478 A petroleum engineer works alongside, you know, geologists and other functions to
1479 allow us assess the viability of projects, subsurface projects leading up to the
1480 production of hydrocarbons.

1481 And in in this specific case, petroleum engineer would be evaluating the the viability
1482 of different scenarios for development, looking at existing data on similar
1483 developments.

1484 I'm trying to.

1485 Assess. You know what? What development?

1486 Style might be best. You know to ensure that the right returns are generated for
1487 projects.

1488

1489 **PH Pecos Hall** 1:38:34

1490 OK.

1491 How is that different from a reservoir engineer?

1492

1493 **UP Umekwe, Pascal** 1:38:45

1494 So a petroleum engineer is is a broad discipline. What I described earlier maybe
1495 speaks more to kind of a reservoir engineer and what the reservoir engineer does.

1496 But the petroleum engineer interfaces with again production engineering, filling
1497 engineering and different forms of engineering. But at the end of the.

1498 Day the core for the petroleum engineer.

1499 The reservoir engineers to premise projects that allow.

1500 Developers of that project to to get adequate returns.

1501

1502 **PH Pecos Hall** 1:39:14

1503 OK, perfect.

1504 Thank you, Sir.

1505 So from here on in, you're recognized as an expert in petroleum engineering by this
1506 division and what time?
1507 What time do you need to testify by?
1508

1509 **UP Umekwe, Pascal** 1:39:26
1510 Anytime today I think is great.
1511

1512 **PH Pecos Hall** 1:39:28
1513 OK. And and and what time zone are you in?
1514

1515 **UP Umekwe, Pascal** 1:39:32
1516 I'm in the Midland office. Yes. Yeah. CST is the central time.
1517

1518 **PH Pecos Hall** 1:39:35
1519 OK.
1520 Very good.
1521 You're an hour ahead of us. OK, that's what I wanted to know.
1522 Thank you very much.
1523 OK, Mr. Holiday, would you like to 01 thing for both parties?
1524 Please understand as you can tell, both Mr. Fordyce and I have spent considerable
1525 time reviewing your exhibits, reading your testimony.
1526 You do not need to repeat the same things verbatim as in the exhibits.
1527 Please have your witnesses summarize their testimony.
1528 In plain language would be nice for those of us who are not, you know, petroleum
1529 engineers.
1530 And also present your rebuttal case at the same time that you're presenting your
1531 case in Chief for each witness.
1532 So would you like to call Mr. Makka first?
1533 Yes, Powderhorn first calls Travis Maka.
1534 And Mr. Holiday, are you going to be?
1535 These are your exhibits.
1536 So are you going to be showing them on the screen?
1537 You don't have to.
1538 You certainly don't have to, but if you want to, you have you can screen share.

1539 I'm not telling you how to present.
1540 I know I don't.
1541 I don't that.
1542 Adam, would you mind driving?
1543 The exhibits are yours.
1544 Yeah, I'm not sure if I'm set up for that for dude, OK.
1545 Nice try.
1546 Would you give us a second to confer while we try to get the exhibits up?
1547 I don't need the exhibits.
1548 Oh, I'm only saying if you feel the need for to put an exhibit on the screen.
1549 I'm just saying you have the capability of screen sharing.
1550 That's all I'm saying.
1551 I think we're OK to proceed without them, and if we do need one, we'll address it at
1552 that point and we'll deal with it then.
1553 Yes, yes, Sir. OK.
1554 Just a few matters to the record, Mr. Maka, could you please state your name and
1555 position without a horn?
1556 Travis Maka and the vice president of land. And so to refresh the division's memory.
1557 How long have you been a petroleum land man?
1558 Probably about 8 to 9 years at this point.
1559 OK. And before this, you were the land manager for New Mexico at Permian.
1560 Resources, right? That is correct. In that role, you're responsible for all the New
1561 Mexico land operations for permanent resources, which is a publicly traded company.
1562 That is correct, correct.
1563 All right.
1564 And you prepared the self affirm statement and the exhibits, or at least at your
1565 direction. That is correct.
1566 Let's sort of start from the top.
1567 When when did Powderhorn first acquire its interest in the Super Hornet
1568 development area?
1569 That would have been we closed on July 23rd of 2025. And what did you do
1570 immediately after acquiring that acreage the next day? Obviously at that point, we
1571 were we're young operators. So we started looking around, we wanted to acquire
1572 more acreage, we wanted to.
1573 Work with whoever was in the prospective development development area.

1574 So we did go ahead and reach out to Konica Phillips the next day on July 24th.
1575 We sent them an e-mail kind of giving them notice that we will be proposing wells.
1576 We will be giving them carry offers and we'll be looking to engage them on on
1577 negotiations going forward.
1578 OK. And when did you first propose wells to the various work and interest owners?
1579 They are dated July 30th.
1580 I believe they got put in the mail on July 31st, OK and as well.
1581 Proposals include AFS and the normal.
1582 That's correct.
1583 So after you sent the well proposals, did you attempt to negotiate voluntary
1584 agreement with the marathon?
1585 Yeah. On July 31st, we did go ahead and send an e-mail with our first carry offer to
1586 Conaka Phillips.
1587 They did acknowledge receipt of that carry offer over the course of August.
1588 Conoco reached out one time and asked about our lateral link length confirmation.
1589 I believe that was August 13th.
1590 They asked if why we were not including the West Half section section.
1591 Three in our planned development, which why we're not doing that is because
1592 there's an existing wolf camp well in West half three operated by Permian Resources.
1593 We sat around, waited for them to kind of respond and digest our carry offer.
1594 And then we did not re engage until September 5th.
1595 Yeah. You mentioned waiting on responses. These first initial emails that you reached
1596 out to Conoco Phillips to try to get a meeting, something like that.
1597 Did you ever receive any response whatsoever from conco?
1598 Yeah. So on the July 24th e-mail, we did not receive a response. And subsequent to
1599 that in July, I did send another e-mail to the non op supervisor at the time and I did
1600 not receive a response.
1601 I was requesting a meeting.
1602 Good. And you mentioned in your testimony that Powderhorn initially had applied
1603 for the October docket for the Super Hornet case.
1604 But you held it to November.
1605 Why did you do that?
1606 We we have the capability of applying for the October docket. We did not apply for
1607 the October docket.
1608 We when we reached out back out on September 5th.

1609 We inquired of the of another meeting.
1610 We kind of gave a status update.
1611 That e-mail was also not responded to.
1612 At that point on September 11th, I reached out to another Conoco Lane man and
1613 asked what was going on.
1614 On like, why were we not receiving responses?
1615 But I did tell him that we are looking forward to negotiating with them because we
1616 do wanna broaden our footprint.
1617 So we did go ahead and say, hey, in order to to have some good faith negotiations,
1618 we did go ahead and kick this to the November 13th docket rather than the October
1619 docket.
1620 At that point, Conoco did start engaging a little bit more. And so that was to give
1621 Conoco more time to engage with this.
1622 Correct, and every other party, right. Right. OK.
1623 So let's talk about there was a proposed trade and that broke down and I think we're
1624 gonna have to talk a lot about it today. But Miss Klingler's testimony alleges that
1625 Powderhorn broadly did not engage in or engaged in bad faith negotiations by
1626 offering acreage that it.
1627 Did not own. Can you describe that from your perspective?
1628 Yeah. So just in reference to the trade, obviously we throughout 2025, we did kind of
1629 give multiple offers.
1630 Including a letter of intent with our, with our letterhead and kind of detailed offer
1631 structure and everything but the trade itself.
1632 The first how that was how that started was on December 19th, we received an
1633 inbound from a third party group that said that told us, hey, we have some acreage
1634 offset Conoco. We just leased it.
1635 Would you guys be interested in acquiring it, doing a deal, whatever. Whatever you
1636 guys want to do and we didn't reach back out immediately, we told him we would.
1637 Got it.
1638 There wasn't a big interest internally originally, but they reached back out again in
1639 January.
1640 And on January 12th, we did hope Conoco and we said, hey, we got, we have this
1641 acreage in upon verbal agreement with third party, they allowed us to negotiate with
1642 their acreage with Konica Phillips specifically.
1643 So we did say, hey, ConAgra, would you like to acquire this acreage?

1644 We need some quick feedback obviously.
1645 And knowing that we didn't know what other parties that they were shopping to or
1646 anything like that. So at that point, we asked for a quick feedback.
1647 We got a response in a formal trade offer from Conoco on February 2nd.
1648 And it was Conoco that first proposed structuring the transaction as a trade, correct. I
1649 would say, I would characterize that, that they, they were the ones that formally
1650 proposed the trade 1st and we everything we said was subject to evaluation.
1651 And in your experience as a land man, are these sorts of third party transactions
1652 common course of business?
1653 Yes, we did.
1654 Many transactions like this at Permian Resources with me specifically and how long
1655 was this third party acreage under discussion with marathon before the deal fell
1656 through?
1657 So they reached back out on February 2nd.
1658 Immediately upon learning they were interested, we reached back out to the third
1659 party to see if they're interested.
1660 I think.
1661 At the time they were on vacation, so we did not receive an immediate response.
1662 And then on February 6th, they responded that there was an alternative route that
1663 they had to pursue and that at that point in time our CEO did inform Conoco that the
1664 trade was no longer viable.
1665 So a period of about four or five days, four days, four days, OK.
1666 So after this, did Conoco or excuse me, Marathon, did they terminate negotiations
1667 with Powderhorn?
1668 Did they end at that point?
1669 No. We continue to discuss carry options and how long was it before Conoco finally
1670 informed you that it wasn't seeking any sort of mutual agreement or deal?
1671 So we just started discussing carry options. If I remember correct on February 10th
1672 that that was the next Tuesday.
1673 And then multiple phone calls since then. Between then and February 20th was when
1674 they.
1675 Formally terminated negotiation.
1676 So during that time period and before they terminated negotiations with you,
1677 Conoco had already sent its one mile proposals to Kaiser France, is that correct?
1678 That is correct.

1679 Did Conoco or marathon?
1680 Did they send those same well proposals to Powderhorn at that time?
1681 No, and Powderhorn is a party also to the JOA through another working interest. Is
1682 that correct?
1683 That is correct.
1684 So at any at any point.
1685 During this seven months from July.
1686 All the way to February.
1687 Did Patternhorn ever take this deal off the table or any sort of termination
1688 negotiations?
1689 No, we we may remained before we proposed the wells to February 20th that we
1690 wanted to do deal.
1691 Alright, I wanna turn to the steps you guys have taken to prepare for development.
1692 Can you just summarize what Powderhorn has done to get ready to drill these Super
1693 Hornet wells? So on the land side, as mentioned, you know one of my primary jobs is
1694 to not only acquire acreage, but it is to put units together.
1695 So from July of last year, we started acquiring acreage. We started the compulsory
1696 pulling process. We started the, we started working with serving.
1697 Groups. We did do the pre approval for the New Mexico communication agreement.
1698 And we did get our water contract in place.
1699 We have kicked off to get active negotiations for oil and gas take away and we have
1700 staked the wells.
1701 Do you think that acquiring APDS would be a time constraint in this project?
1702 No, I don't.
1703 And what's your anticipated spud date?
1704 As of right now, we're looking around September 2026.
1705 But anywhere in Q3Q4.
1706 OK. And that is at least partially because you have a term assignment with an
1707 expiration day.
1708 Is that correct?
1709 That is correct.
1710 So with Powderhorn cannot commence operations before the date. What happens to
1711 your interest?
1712 We stand at risk of expiring and losing it.
1713 All right. So let's talk about the working interest in the unit.

1714 What is powder Horn's working interest in the proposed 960 across the entire 960?
1715 About 34% work interest.
1716 And if we were to lump in the total working interest is committed to your plan, what
1717 number does that come to?
1718 It's about 78%, OK.
1719 So do you have an interest in every track either owned or committed?
1720 Yes, all right.
1721 And if we look just to the north half of Section 2, that's the main subject of this
1722 debate today.
1723 What does Powderhorn's committed net acreage in the north half of Section 2 that is
1724 subject to the 1976 JOA?
1725 I think our title versus Conoco's title was a little bit like different between a couple, a
1726 couple percent, but we were looking at around 160 acres of roughly 50%.
1727 I think they're probably ***** at closer to 45%.
1728 So fair to say 45 to 50%.
1729 Yes, OK. And then that's Kaiser Francis.
1730 So the Kaiser Francis, who's the largest non operated working interest owner under
1731 that JOA, let's just call it 47% to put the baby. They did sign a superseding JOA with
1732 powder horn. Is that correct?
1733 That is correct.
1734 And at this time is Conoco Phillips the sole party objecting to your application?
1735 That's correct.
1736 So let's go.
1737 Let's look at that JOA for a second.
1738 Or at least, let's just talk about it.
1739 Marathon's objection to your application.
1740 It's based on this jaay from 1976.
1741 Are you familiar with that, JAA?
1742 Yes, I've reviewed it and that's a Form 610, which at that time was designed for
1743 vertical well operations, right?
1744 Yeah, it's a 1956 form 1956.
1745 So to your knowledge, does that JOA even contemplate horizontal development?
1746 No. And then to your knowledge that in 1976?
1747 Was horizontal development occurring in the Northern Delaware Basin in the
1748 approximate area of this project?

1749 Given my land background, I can't give you definitive, but I do not believe so.
1750 OK. And how many wells have been drilled under that JOA and its fifty year history?
1751 What one well is that the initial well, that was the initial well and that's a vertical well.
1752 It's a vertical well drilled.
1753 I believe in 1976, the OC record says.
1754 But 1974?
1755 But I'd assume that's incorrect. OK, so nothing in 50 years.
1756 And so that means no wolfcamp's ever been drilled under that JOA. No horizontal
1757 well of any kind, correct?
1758 Now, despite this JOA Conoco Marathon originally proposed a 1 1/2 mile
1759 development plan, is that correct?
1760 Yes, but then they rescinded it and replaced it with the one mile plan we're talking
1761 about today.
1762 Is that right?
1763 That is correct.
1764 All right, Mr. Maka. Are you familiar with the Fierro case and order number 23869?
1765 Yes, I am.
1766 And in that case, the division approved compulsory pulling over the objection of an
1767 operator that claimed 100% working interest control under a legacy JOA.
1768 Is that a fair summary? That's correct.
1769 Do you think the facts in this case are substantially similar to those in the Fierro case?
1770 I would agree with that, yes.
1771 And you're also familiar with order number R 14140, the Matador case number is
1772 intimate with that one. But yes, OK. And that's the case that the Piero order sites is
1773 precedent for his decision. Is that correct? Correct.
1774 OK.
1775 Let's talk about some of that overlapping acreage. The JOA, as we discussed, covers
1776 N half, Section 2 and that's about 1/3 of the acreage within the proposed Super
1777 Hornet spacing.
1778 Is that correct?
1779 That is correct.
1780 Is that similar in size to the JOA overlap?
1781 That was that consideration under consideration.
1782 Yes, minor.
1783 Yeah, a minority share.

1784 Now one of the one of the issues that we've brought out or that's been brought up
1785 in this case, we certainly didn't bring it up is operator experience your experience
1786 pattern horns experience as a team.
1787 You guys haven't drilled a well yet.
1788 So they argued that you haven't previously drilled a horizontal well in New Mexico.
1789 Is that correct?
1790 That is correct. OK.
1791 But you guys have been part of horizontal development, each in your own respective
1792 backgrounds, is that correct?
1793 That's correct.
1794 How many wells do you think you assisted with in your time at Permian Resources?
1795 So I the on the operator experience exhibit that we cite, we did kind of label about
1796 1000 plus between our group and that came did come from an exact kind of tenure
1797 of time between US and New Mexico.
1798 So between all of us about 1000, I don't Remember Me specifically, but it was
1799 consider, can you do you recall approximately how many?
1800 Rigs were under your direction from a land perspective, upwards of seven upwards of
1801 seven.
1802 You talk about a couple units in your testimony.
1803 The bat bomb and the war pigeon units in terms of operator experience, why are
1804 those units relevant to our hearing today?
1805 So those two units are one mile directly to the east. I'm not gonna speak to geology
1806 or residential engineering, but.
1807 Close ology.
1808 They're very similar.
1809 So Conoco and those units had the vast majority of the working.
1810 Interest and they did entrust an operator that had never drilled a well in the state of
1811 New Mexico to take over operations of those units. So and so characterizing us as
1812 inexperienced and to to be disqualified for that same reason seems wrong.
1813 OK.
1814 So there's recent precedent from Marathon for entrusting its acreage to an operator
1815 who has not drilled the well in New Mexico. Is that fair? Summary.
1816 That's fair. OK. And you guys actually mentioned you tried to have a meeting, there
1817 was a meeting scheduled on the 4th, it got canceled and that was going to be a
1818 technical meeting.

1819 So that you guys could present your experience and plans to Conoco, is that correct?
1820 Yeah, we were gonna bring our entire technical team as well as kind of the our kind
1821 of development strategy and everything to that February 4th meeting. So as.
1822 Of you know, if we get in a technical a little bit, you know as a land man, is there
1823 anything you wanted to?
1824 Response you wanted to give to marathons, parent child. Well, degradation
1825 arguments. No, I.
1826 You're not a resource engineer, correct? Yeah.
1827 So Mr. Rankin raised a couple things.
1828 Well, first, let's back up and talk about NSL permits.
1829 Does Powderhorn intend to seek NSL permits, allowing it to amend the 330 offset
1830 rule?
1831 We intend to, OK. And is that in your experience a normal administrative procedure
1832 pursued by most operators developing the Wolfcamp? Yes.
1833 All right.
1834 I want to turn to.
1835 The northeast quarter of Section 3.
1836 And the stranded potential stranding issue.
1837 Mr. Rankin raised an issue with potential stranding of the Northeast quarter or we we
1838 raised it, but he had some concerns about it.
1839 Do you think you could clarify Powderhorn's argument with regard to the Northeast
1840 Quarter Section 3?
1841 Yeah, I'm. I'm not going to make a orientation argument there. But what I will say is
1842 that in the east half of Section 3 in the South half of of Section 2, there are owners
1843 that exclude.
1844 Marathon they do not own in those those those areas.
1845 And prior to the one mile well proposal, Powderhorn and Avonte agreed be a letter
1846 agreement on how to develop that mile and a half. And at this point.
1847 It's an agreement that's been signed.
1848 So that NE quarter Section 3 would be excluded from that development.
1849 So, fair to say, if your application is denied.
1850 You're going to be contractually prohibited from developing the Northeast quarter
1851 as it sits. As it stands now.
1852 And if OK, think of that. And who owns the mineral? Just under Section 3, state of
1853 New Mexico. One's 100% of east half of three and all of two.

1854 And marathon, they dismiss their competing pooling applications.
1855 We covered that.
1856 Correct. That's correct.
1857 So they're not asking the division to approve any alternative development plan, but
1858 they're asking the division to do is deny, deny yours and leave the north half of
1859 Section 2 entirely subject to their private joint.
1860 As I correct with no division oversight as to the timing of development, that's correct.
1861 OK.
1862 And there's no party under that mechanism outside of the contractual rights under
1863 the Goa.
1864 There's no division enforceable mechanism to compel development of that acreage.
1865 So in your opinion.
1866 Or is it your opinion that powderhorn's application, if approved, will prevent waste to
1867 protect corella rights of all interest owners, including the state of New Mexico? Yes.
1868 Just a couple more questions.
1869 And I'll pass the witness.
1870 So based on your experience and just to sum up, your familiarity with this acreage,
1871 the steps you've taken or the past 7-8 months, do you have an opinion as to whether
1872 the division should approve your application in case 25610, yeah.
1873 Like I say, I think that we've made a pretty legally complete argument here.
1874 Everything is being developed in a prudent manner.
1875 The NSL applications obviously are not going to be discussing today, but they will
1876 become will come back for those.
1877 Yeah, I I'm very confident in in this polling strategy, OK.
1878 Is there anything else in your testimony or your exhibits that you would like to cover
1879 that we haven't covered yet?
1880 I don't think so. OK.
1881 Thanks. I passed the witness.
1882 Press examine.
1883 Thank you, Mr.
1884 Good afternoon, Mr. Maka.
1885 How are you today, Ed?
1886 How are you?
1887 It's unusual for us to be on the other side of this procedure, but nevertheless, here
1888 we are.

1889 Starting off, I'm gonna ask you about what proposals so you mentioned in your
1890 opening summary that patterned sent out well proposals back in in July at the very
1891 end of July of 2025. And I'm gonna go ahead and share my screen because it's just
1892 easier to.
1893 Through the exhibits, when we can talk through them directly.
1894 So I think this exhibit a 16 is your proposal that went out correct for these these wells
1895 that issued today?
1896 That's correct.
1897 OK. And and they were issued.
1898 There it was, signed by Mason Maxwell, who was a land man.
1899 Correct, that is correct.
1900 And what's his role with the company? He's alignment.
1901 And so.
1902 What was his role in the proposal of this of these wells?
1903 Me, Mason, collaborate on this stuff together. We built a little web proposals side by
1904 side, OK.
1905 So was he involved?
1906 He was also involved in the negotiations over this proposal. That is correct. OK.
1907 And the web proposal includes 8 wells, correct?
1908 That is correct.
1909 And four wells in the I'm gonna call it the Upper wolf camp, the Wolfcamp XY sand. Is
1910 that correct?
1911 That's I think, generally correct, yeah.
1912 And then there's four additional wells for the wolf camp Padhorn's calling at the
1913 Wolfcamp B.
1914 Is that correct as well?
1915 Yes, that's correct and but in the application for pooling, paddlehorn is only
1916 identified 4 initial wells as part of its application.
1917 Correct. That's correct.
1918 And that's those are the Wolfcamp XY wells correct, that is correct.
1919 And because of because those are only four wells in the pooling.
1920 Application powder One would be.
1921 Limited to drilling those four wells initially and completing those wells before it could
1922 drill any additional wells as part of the unit correct, we would be following OCD
1923 standard, yes, OK.

1924 So each of those four, all four wells would have to be drilled and completed before
1925 you could come back and complete or even drill or propose any subsequent well,
1926 correct.

1927 Yeah, I believe that we would be technically allowed to drill them, but not propose
1928 them until after completion of the first initial wells.

1929 Not that we would do that, but just nuance.

1930 Yeah. OK, now.

1931 Is Powderhorn committed to drilling all four? If it's proposed wolf Camp B wells the
1932 subsequent wells?

1933 I'm going to defer to our technical guys, but yes, that's that is current plan, OK.

1934 Now in your, just for purposes of clarification in your statement.

1935 I'll go paragraph ten of your statement.

1936 I've got it highlighted here in in purple.

1937 You state that.

1938 Pad proposes to fully develop the Wolfcamp with its four, one and a half mile wells.

1939 Is that a correct understanding of your statement there?

1940 I guess that that could be construed as Wolfcamp.

1941 A.

1942 I think the intent of that statement would be to fully develop as per the order
1943 received, but you're not. You're not saying that those four wells were fully developed
1944 the entire Wolfcamp, correct?

1945 You're saying that it's going to fully develop that bench.

1946 Is that fair?

1947 That is the first statement, OK. And that's why you need to come back and draw the
1948 Wolfcamp B right, at least.

1949 Yeah. OK.

1950 Now on the.

1951 On the just a couple smaller issues. I'm gonna walk through with you.

1952 In your one of your land charts where you show the working interests and you show
1953 the working interest breakdown.

1954 This is one where I think is the overview for the whole spacing in it.

1955 You identify a company PBX LLC as owning approximately 35% in a tract.

1956 In the South half of the proposed spacing unit, correct.

1957 That is correct.

1958 OK. And and you state here that that they you identify them on a on title.

1959 But that they're not, and they're listed as an uncommitted interest, correct?
1960 Yes, but they have not been provided notice of the hearing. Is that correct?
1961 I believe they were provided notice.
1962 I'm not sure, but I've corresponded with their director over there greatly on this exact
1963 issue of the title.
1964 I think it's probably.
1965 Just weird.
1966 That weird title issue.
1967 That where we need to clean up.
1968 So whether or not they were provided notice, it would be of record in the exhibits
1969 provided by pattern on to the division, correct?
1970 That should be correct.
1971 OK. And so rather than spending time to do that, I mean the record speaks for itself.
1972 Agree. Agree. OK.
1973 But nevertheless, they're an uncommitted party. As we sit here today, correct.
1974 Correct. And we are not seeking to pull them, OK? So but you said as you sit here
1975 today, you can't tell me where they were given notice of the application or the
1976 pooling, correct?
1977 I'm like I say I'm not.
1978 I'm not sure, but they were.
1979 They were receipt recipients of the initial well proposals and the initial application.
1980 I'm pretty sure certain of that.
1981 So just to be clear, they you did send them well proposals back in July of 2025. That's
1982 correct. OK.
1983 Did you have any follow up discussions with them about their position?
1984 Yes. So they, they they were one with the we are negotiations with we originally just
1985 were hoping to just get them committed to ajoa 'cause, they're historically not
1986 sellers.
1987 They I think that they're pretty active kind of similar to us and they just wanna put
1988 dollars to work.
1989 And so we negotiated with them for a brief time.
1990 They did indicate they were gonna transact.
1991 And so they did sell to avant.
1992 So when I so the intent in all the communications that I've had with PBX is that
1993 they've sold 100% of their interest in the supermarket unit to Avon, our title like I say,

1994 or the asterisk still showed them with a 14 acres in that southwest of.
1995 The southeast corner of Section 2 that is not included in marathons unit.
1996 So that's why I wanted to be open and transparent, including on this exhibit. When
1997 did they sell their interest to avant?
1998 I don't think they closed until.
1999 June, maybe January. But I think that that negotiation was more complete around
2000 October.
2001 So if there was any record title conveyed or file of the county wouldn't have
2002 happened until after they closed, right?
2003 That would be correct. OK.
2004 And basically as you said today, you think it was more most likely in the in the time
2005 frame of January 2026 I believe so. But I don't have perfect record recollection of
2006 that.
2007 But as of the time that adorn filed this pooling application, PBX was the owner of that
2008 interest.
2009 When we filed originally in September, I believe for the November docket, yes. OK.
2010 I'm gonna move over to the topic of adohorn as A and its experience as an entity.
2011 As an entity.
2012 Just to clarify again, Paddlehorn does not currently operate.
2013 Any wells in New Mexico agree that is correct.
2014 And Pat Aron has not drilled any vertical wells in the next call.
2015 Agree. That's correct.
2016 And Patrin has not drilled any horizontal wells in New Mexico.
2017 Every that's correct.
2018 And patterned doesn't have an in House drilling team currently agree that we have in
2019 House Petroleum engineers.
2020 We do not have an in House drilling team if that is defined.
2021 OK.
2022 So you agree with me based on your own understanding that paddlehorn does not
2023 itself have an in House drilling team agree.
2024 Agreed. OK. And do you have an in House drilling engineer who who would oversee
2025 any drilling, I'll defer to our my engineer, but I don't believe there's a degree for
2026 drilling engineering.
2027 Petroleum Engineering degree does cover drilling. Say that again.
2028 I'm sorry I missed it.

2029 Drilling Engineering degree would cover drilling, but I mean I guess my question is
2030 does Powderhorn have?
2031 Someone assigned who is in charge of responsible for overseeing.
2032 Being its drilling operations, we're all responsible of numerous things.
2033 So I would say yes, OK.
2034 So there is one individual at Harn who is assigned the obligation to coordinate and
2035 oversee when drilling occurs.
2036 I would say they we will have to be coordinating with our contractors, but yes, they
2037 will be overseeing the drilling activities.
2038 Who is that? I would.
2039 I would point to Brent and Tippy to answer that question or to tell me who the could
2040 I answer that question, OK.
2041 Umm.
2042 So turning to to Brendan's, Mr. Tippins.
2043 Rebuttal testimony.
2044 Um.
2045 Paragraph seven. I've hided the language here in his rebuttal. He says that
2046 Paddlehorn has.
2047 He's responding to to marathon's objection or concerns that Patern had not yet
2048 identified a reliable, tested outside drilling contractor.
2049 And then he goes on to say they're uncertain about the basis for the assertion, and
2050 he goes.
2051 And then he states that we've been talking and exploring options with drilling
2052 contractors since May of 2025.
2053 Goes on to say as it relates to this unit, we have been working with a contractor that
2054 has drove wells.
2055 In the last year, within 2 miles of the unit, are you familiar with his testimony?
2056 If his on rebuttal, yes. Do you? OK. So just to be clear, are you aware of as of this time
2057 and again you can tell me to talk to Mr. Tippin, but whether Pat O'horn has has
2058 identified an outside drilling contractor to drill these wells.
2059 So as per his testimony, there is a company that we've been consulting with that
2060 drilled the BAT bomb in Word pigeon units that.
2061 That Conoco farmed out to another operator.
2062 OK.
2063 Now when you say working with, are they under you under some sort of contract or

2064 agreement?
2065 Are they designated to drill these wells if and when?
2066 I'll defer to Brendan on the specifics of any agreement because I'm not in the
2067 technical conversations right there.
2068 But.
2069 OK. And and are you aware whether during the discussions or negotiations with
2070 Marathon, Patterhorn has ever disclosed who it was working with to do this work?
2071 We had that fully prepared and laid out for February 4th meeting OK, but during the
2072 informal discussions when when these things were discussed, are you aware of any
2073 any time at which pot horn informed parathon that's who's the drilling contractor
2074 was gonna be or who are you working?
2075 With sorry.
2076 Sorry. No, they didn't ever ask.
2077

2078 **GA** **Gerald Aragon** 2:13:03

2079 Gentlemen, this is the reporter. I apologize for interrupting, but if you could wait to
2080 respond to questions.
2081 Until the question is done.

2082

2083 **PH** **Pecos Hall** 2:13:13

2084 Sometimes I throw a pause in there, and as Travis knows, so I apologize.
2085 I try to get it all out.
2086 OK. On the drilling contractor issue.
2087 During the informal discussions to your knowledge, you're not aware of Marathon
2088 asking that question of anybody at Powderhorn. Is that correct?
2089 I'm not aware, OK.
2090 Now, during your summary of of your case, Mr. Holiday asked you about, you know,
2091 your your team's experience drillings and operating.
2092 And I think the way he phrased the question was that.
2093 Each and under their own respective backgrounds have had experience drilling well
2094 separately, correct.
2095 That's correct. But in terms of a team has because.
2096 Never drill the horizontal well as an entity.
2097 Has it ever drilled a well as a team?
2098 Has an entity, no OK and has powhorn ever worked with this drilling contractor that

2099 you reference that you're working with currently?
2100 Has it ever worked with that drilling contractor as a team?
2101 I would defer to the definition of working with. We've never drilled a well with them,
2102 OK.
2103 So pad Orne has an entity and as a team has never drilled well.
2104 This outside contractor? Correct? Correct.
2105 So.
2106 You mentioned a A a contractor that Conco Phillips engaged with that has no drilling
2107 experience in New Mexico.
2108 Do you recall that testimony?
2109 Sorry, I can repeat.
2110 Yeah, that conical Phillips had engaged with a drilling company to that has never
2111 drilled a well into Mexico to recall that testimony of yours. It wasn't a drilling
2112 company.
2113 It was a separate operator, separate operator.
2114 Similar power.
2115 Do you know yourself whether whether people at Marathon and Cockpiles have had
2116 experience working with that operator as a team in Texas?
2117 I'm not aware.
2118 So you don't know whether they've drilled multiple wells or what the extent of their
2119 experience drilling wells with this operator.
2120 In Texas.
2121 Has been correct.
2122 I don't have direct knowledge.
2123 Does Patterhorn have any experience with this outside contractor drilling?
2124 Any wells in Texas?
2125 No, in any other place? No. OK.
2126 I think I understand you to basically defer all discussions about parent child
2127 testimony to Mr. Tippin, correct?
2128 Yeah. OK.
2129 On your direct testimony.
2130 You.
2131 Testify about conical Phillips activity in the area and again just to be clear, the
2132 operator here that's contesting Powderhorn's case is marathon, correct?
2133 Correct. I I do define Conoco COP in my original testimony as being Marathon Oil,

2134 OK.

2135 And that's because Marathon is now a wholly owned subsidiary of Pacifolo, correct.

2136 Correct. And are you aware when that transaction took place?

2137 I don't remember.

2138 Five years ago, eight years ago.

2139 More recently than that.

2140 More recently than that, OK.

2141 So I'm gonna. Let's look at your your testimony in paragraph 12.

2142 I'm sorry in paragraph 18, sorry.

2143 You talked here about and I've highlighted a provision or a statement here that

2144 Conkle Phillips has been primarily inactive in terms of operations in the area for the

2145 last eight years.

2146 So you're not aware when did prior to Conco Phillips acquisition a marathon and this

2147 acreage did Conco Phillips own any acreage in this area?

2148 I'm not aware, OK.

2149 And so you don't have in your mind exactly how recently.

2150 It was that cockroach actually acquired marathon interest.

2151 No.

2152 OK and.

2153 And so you you can't.

2154 You're not sitting here today telling me that Conco Phillips owned the sacred. This

2155 contested acreage or the offsetting acreage prior to its acquisition of Marathon,

2156 correct?

2157 No, I'm not testifying to that, OK.

2158 Now.

2159 I go to one of your exhibits on the same topic here.

2160 And again, you're you're talking about Conoco Phillips's activity in this acreage. And I

2161 think the point of this slide is to is to make make the the point that in your view,

2162 rather than developing this acreage, Conocal Phillips is is instead divesting it. Is that

2163 the point?

2164 Of this slide.

2165 Yeah, I would say that's fair and.

2166 And you give 3 examples.

2167 And you'd label them AB and C.

2168 And my question to you is, what?

2169 What are you?
2170 What does divesting or divestment mean to you?
2171 It means equating operatorship in this scenario.
2172 OK, in this scenario so it's not.
2173 You're not talking about selling or trading out or leaving the property, correct?
2174 No, in just for.
2175 Just for clarification, A was a term assignment for marathon. B&C were developed
2176 agreements which.
2177 Seem to be characterized as far out agreements.
2178 And and and your knowledge of those, the terms of those agreements or how
2179 involved Conco Phillips or Marathon was in those agreements is solely based on
2180 public records, correct?
2181 That's correct.
2182 So you have no idea how involved Conco Phillips was in the development of that
2183 acreage in terms of planning, obsessing, evaluating, targeting any of that. Now I'm
2184 looking at public record, OK.
2185 So all you and all you know is what's in the public record and nothing that went
2186 behind the scenes or how actually involved Conoco Phillips or Marathon was in those
2187 acres, correct? Correct. OK. And and and based on your definition of divestment,
2188 meaning like you would get another?
2189 Operator to drill for you.
2190 Isn't that what Powderhorn is considering to do here in its proposed acreage?
2191 No, we we we would be the cost bearing interest owner being the operator. That's
2192 what I mean bearing the cost, not a drilling contractor.
2193 And and again you don't know exactly what the relationship is behind the scenes
2194 between Conoco Phillips and the.
2195 The operator drilling this acreage other than what's reported in public record,
2196 correct, correct. OK.
2197 But you agree with me that as to AB and C on your side here, conkle Phelps did not
2198 sell out its interest. Agree.
2199 No, not 100%.
2200 Did it trade out its interest?
2201 Not that I can see, no.
2202 I'm gonna ask you about this question of stranding acres in the Northeast quarter of
2203 Section 3.

2204 In paragraph 11 and and and then throughout your your exhibits, you make the
2205 assertion that that the acreage will be stranded if marathons development goes
2206 forward.

2207 Correct, correct. And we learned today for the first time because you don't say it in
2208 your direct testimony.

2209 You don't say it in your rebuttal testimony that the the reason for that potential
2210 stranding is because Powderhorn made a contractual agreement with another entity,
2211 correct?

2212 That is correct.

2213 So it has nothing to do with geology, has nothing to do with engineering.
2214 It has everything to do with powderhorn's business decision with a third party,
2215 correct?

2216 I will defer to geology on orientation and anything like that, but yes, that agreement
2217 was negotiated predominantly prior to Marathon's one month proposal to and.
2218 OK, so that.

2219 Now you're aware you're you're familiar with the direct testimony that was filed by
2220 Paterhorn in this case, correct?

2221 Yes. And you reviewed the testimony of your geologist.

2222 For the most part, yeah.

2223 OK. Are you aware of your geologist making any statements about the preferred
2224 orientation in this acreage in his direct testimony?

2225 I'm not.

2226 I can't speak directly. OK? I'm not that intimate with it.

2227 OK, but to your knowledge to to your knowledge, did he make a statement?
2228 Affirmatively one way or the other about a preferred orientation.

2229 Not to my knowledge, no.

2230 But for the agreement with avant that you announced to us today, is there anything
2231 to your knowledge preventing paddlehorn from developing a stand up?
2232 Well, in the east half of Section 3.

2233 Mean. At that point it would be a contested hearing with avant and contractual
2234 issues, and I think lost.

2235 I don't know.

2236 That, that's that's an issue.

2237 So there's outside contractual issues that complicate powers ability to do that.
2238 And then my question to you is, but for that agreement?

2239 To your knowledge, is there anything preventing powder horn from doing a stand up
2240 well in the east half of Section 3?
2241 If we are talking about a hypothetical scenario where that agreement never existed.
2242 I would be comfortable with my ability to inform that unit.
2243 You would be.
2244 You'd be what I would I would be comfortable being able to form that unit NS, right?
2245 Because when you look around, including in your exhibit A8, there's a variety of well
2246 orientations immediately offsetting stand up, lay down and in fact, in your testimony,
2247 you identify mubar as an offsetting operator.
2248 And in your exhibit, you show that they have future planned lay down and stand up
2249 wells that they plan to develop simultaneously, agreeing that is correct. OK.
2250 And in your rebuttal statement, Mr. Mukherjee, the stranding argument again, do
2251 you?
2252 Not sure.
2253 I don't remember any rebuttal.
2254 I don't think that there was anything to rebut at that point.
2255 OK.
2256 So you didn't raise it in your rebuttal statement that we filed, but you did raise it in
2257 your summary today, bringing forth new information about the contractor
2258 agreement that that patterned made with avant, correct?
2259 What? What is? When was that agreement made with Avant?
2260 It was negotiated.
2261 No, I don't.
2262 I have to look at the timeline.
2263 Till like the last week has been long.
2264 We signed it.
2265 Think the day this the 2nd of March. So we negotiated that we could the week
2266 before.
2267 Got it.
2268 So that was part of the deal that resolved your conflict with avant, especially as to the
2269 South half, correct? Yes. OK now.
2270 Is that an agreement that was involving land title?
2271 Was it?
2272 Was it filed of record or will it be filed of record?
2273 There will be things filed of record later potentially, but it does contain confidentiality

2274 language. Well that was my next question. So I've got it has a confidential provisions,
2275 OK? Correct.
2276 Now.
2277 May come back to the NSL issue later, but I'm going to skip it for now.
2278 I'm going to move into the ownership control topic.
2279 Go back to your working interest breakdown.
2280 This is the first one I think you've got two different breakdowns. I'm going to address.
2281 This first one, Mr. Mr. hearing officer. Yes, I just occurred to me that I didn't actually
2282 keep track of when I started.
2283 But I think probably now might be a good time to take a short break if we were to
2284 take it's great idea.
2285 5 minutes 5 minutes will do.
2286 OK.
2287 We're off the record.
2288 OK.
2289 Well, we probably have some questions I would ask.
2290 We do get to ask questions.
2291 So we forgot.
2292 No, we don't forget.
2293 Those kind of things.
2294 Are you ready to go back to the record, Mr. Rankin?
2295 Yes, miss jamalka? Yep.
2296 OK, it is 3:19 PM.
2297 We're back on the record and Mr. Rankin go right ahead.
2298
2299  +15*****12(2) 2:34:14
2300 OK.
2301
2302  Pecos Hall 2:34:19
2303 OK, Mr. Marka.
2304 I'm gonna ask you a couple questions now about the the working interests that you
2305 reflect in your exhibits and testimony.
2306 I'm gonna start off at your exhibit A10 as part of your direct case, and I'm. I'm gonna
2307 ask you just to confirm that the ownership breakdown that you reflect here on a tract
2308 and unit basis and this exhibit is for powderhorn's entire proposed spacing unit,

2309 agree.

2310 Yes, OK. And it's based on record.

2311 Title ownership, not contractual interests, agree that is correct.

2312 In other words, it was what was filed in the county records, right? Correct.

2313 Now you're showing that paddlehorn.

2314 Owns 5.01 net acres in one of the tracks correct.

2315 That is correct.

2316 And that's tracked 2 on your ownership tract on the next page, correct?

2317 Which is green. Yep. Correct. OK.

2318 And that's paterorn's only working interest ownership in the north half of Section 2.

2319 Correct? Correct.

2320 Correct. That is our, that is our own working interest, correct, OK. And that was

2321 acquired in September 2025 from Vaytex.

2322 Correct vaults.

2323 I believe Votex is how OK votex.

2324 And that interest, originally derived from the price family. Is that correct?

2325 That is correct.

2326 And that price interest is committed to marathons. JOA in the north half of Section 2

2327 agree.

2328 When we acquired it.

2329 Yes, they didn't have a copy, but after receiving a copy of the JOAI agree that it was

2330 committed.

2331 And it's it remains committed, correct, correct. OK.

2332 Now you said that you didn't have a copy of the JOA at the time you acquired that

2333 interest, is that correct?

2334 That is correct. When I say you, I mean correct. OK.

2335 Were you aware at the time that you acquired the interest that it was subject to a

2336 JOA?

2337 There was a JOA as referenced in in assignments.

2338 It didn't say how big it was or what it where it covered, but yes, there was a JVM.

2339 So you knew at the time of the purchase that it was subject to a JOA?

2340 You just didn't have the the Jo.

2341 Document in front of you, correct. Correct. OK.

2342 So you were aware at the time that you acquired it that it was going to be a

2343 committed interest?

2344 It was going to be already subject to a Jo agree. Some sort, yes. OK.
2345 But.
2346 You and you didn't know at the time that it was marathons, JOA.
2347 Is that what you're telling me?
2348 Not really, no I didn't.
2349 I knew in Marathon operated the well.
2350 I mean the automatic assumption is that yes, there was a marathon joint, but I didn't
2351 know it lands.
2352 It covered if it was different spacing or what.
2353 It was OK. So at the time you acquired it, though, you agree that you knew it was, it
2354 was a marathon, JOA.
2355 You just didn't know what acreage was being covered.
2356 I think I would agree with that. Yeah, OK.
2357 And again, that was acquired back in September of 2025. Green, yes, OK.
2358 Now you have another breakout of ownership interest on your exhibit A11, and this
2359 is a little bit different and I think.
2360 It has a title apples to apples, but it's not quite apples to apples because you're
2361 including still portions of Section 3 in your breakout, correct?
2362 Yes.
2363 And and when I think of apples to apples, if I were comparing marathons
2364 development plan to pattern Orange development plan.
2365 Would have excluded Section 3.
2366 Would would you understand why I'm saying that?
2367 Yeah, I think my logic was I just didn't see the option of stranding the Northeast to
2368 three.
2369 K 'cause at the time you filed these exhibits.
2370 You would have already made it. That made that contractual agreement with a lot
2371 where you where you were bound.
2372 To to include that Section 3 as part of any horizontal development, correct?
2373 Correct. OK.
2374 All right, now.
2375 I'm gonna talk to you a little bit more about this vaytex.
2376 I'm gonna call vaytex.
2377 I'm gonna have a hard time.
2378 Is it vaultx?

2379 Is that what you said?

2380 I'm not sure, but yeah, vitex vaultx. OK. I'm gonna ask you a little more about the
2381 Vault X term assignment.

2382 I think you've got an exhibit that outlines much of the sort of publicly available
2383 details of that term assignment.

2384 Is that fair to say?

2385 Yes, so exhibit A12 is a summary of this term assignment deal that Powderhorn made
2386 with with Vitex. Correct that is correct.

2387 And just for for purposes of of everyone's edification.

2388 Tell me if you agree that generally a term assignment requires the assignee to
2389 perfect some obligation to earn the interest in the term assignment.

2390 Is that a fair representation?

2391 That's fair.

2392 So as it stands right now.

2393 Baytech still owns the working interest.

2394 But Paterorn has the right to perfect some action to earn whatever interest has been
2395 agreed to agree.

2396 Agreed. OK. And there's a deadline on that, right?

2397 Yes, and the deadline is March 1st, 2027.

2398 Agree. Agree. OK, now.

2399 You've outlined on this exhibit the territory or acreage that's included within that
2400 term assignment.

2401 Correct, correct.

2402 And that's the blue dash line.

2403 Is that correct? Correct. OK.

2404 So as I understand it, based on the public records that Powderhorn would need to
2405 drill one well.

2406 And for it to be completed anywhere within the DASHBLUE acreage, is that correct?
2407 I would say subject to the few clauses in that in that term assignment, I don't recall
2408 off the top of my head.

2409 But I I'm not sure if we have to drill all.

2410 I mean, we have to drill our entire super ordinance facing it as proposed to perfect
2411 the full term assignment. OK.

2412 So just and just to be clear, it could be anybody that drills the well, correct, correct. It
2413 doesn't have to be Powderhorn that drills the well, correct. But you're telling me

2414 that?

2415 You believe that there are few clauses in the term assignment that would essentially,
2416 if you don't drill acreage, that acreage gets excluded, you don't earn it, correct?

2417 I believe that's the case.

2418 OK. But you're not sure as you sit here?

2419 We did it six months ago.

2420 I haven't reviewed it in depth since and it and as far as the public record is
2421 concerned, do you know if the publicly available documents include any reference to
2422 a Pew clause or that would just be?

2423 Memorandum OK. And do you know if the memorandum includes any reference to a
2424 Pew clause?

2425 I don't believe so.

2426 OK, so looking at the public records, nobody would know whether or not there's an
2427 obligation to drill up the whole acreage or if there's any two clauses that govern,
2428 correct.

2429 That's correct.

2430 Speaking for from land, I would say that it's fairly implied with modern term
2431 assignments, OK.

2432 Is there any requirement for a certain length of well to be drilled under this
2433 agreement that I know for sure which is enough? OK, so one mile well would satisfy
2434 the term assignment agree.

2435 Ment in theory, but based on your understanding the agreement would a one mile
2436 well satisfy the term assignment.

2437 From my recollection, yes. OK.

2438 So with a single well drilled in the South half burn paddleshorn all the acreage in the
2439 South half of Section 2.

2440 I believe the spacing unit would have to encompass the entire S half if it was just one.
2441 Well, but yes, OK. And then a single well drilled the north half would would earn
2442 power in the entire N half, correct?

2443 I believe that's the case and it could be a one well in North app. It's one mile. Well,
2444 the north half as well, correct?

2445 I believe that's OK, and so Marathon could drill one mile while the north half and that
2446 would burn Powderhorn the north half acreage and Powderhorn could drill a one
2447 mile in the South half and that would earn Powderhorn the South Half Acre degree.
2448 In concept, well, not just in concept.

2449 I'm asking based on your understanding of language, is there anything in the terms
2450 that would prevent that from coming to pass if that if those wells are drilled as I
2451 described?

2452 As described, no, you would be correct.

2453 Now I want to go back to the the acquisition of this vatex interest.

2454 And at the time you acquired the interest, you being Pat Horn in in September 2025,
2455 he testified that you knew that it was committed to a JOA operated by Marathon.
2456 You just didn't know the extent of the acreage, correct, correct.

2457 So having acquired that, would you agree with me that those interests are subject to
2458 the terms of the JOA, that marathon operates, correct?

2459 I would agree with that and that's that 1976 ancient document that didn't
2460 contemplate or vertical or horizontal wells, right?

2461 That'd be correct. OK.

2462 And you told me that you did review that that JOA, correct?

2463 Yes, in brief, OK.

2464 Now.

2465 During the time that you and I understand from from your earlier testimony that you
2466 worked with Mr. Maxwell.

2467 To negotiate with Marathon during the course of negotiations.

2468 Correct, correct.

2469 During the course of those negotiations, did did Powderhorn, either yourself or Mr.
2470 Maxwell, ever disclose to to marathon that you had acquired that VateX interest in
2471 the north half of Section 2?

2472 Well, we told Conoco we were subject to a term assignment.

2473 I don't believe that we explicitly.

2474 Let them know. OK. So despite negotiating with them starting in September 2025,
2475 you never informed them that you had acquired a term assignment.

2476 That was committed to their N half JOA, right, that's correct.

2477 We didn't find it relevant.

2478 OK.

2479 Now.

2480 I understand you just recently reviewed the OR obtained the JOA.

2481 But as part of its conditions or requirements that you agree with me that VateX and
2482 now Paderhorn are subject to, I'm going to read this provision which is on page.
2483 I got the page number got cut off. Let me see.

2484 Must be page 13 of the JOA.
2485 It's provision 31-E and I'm going to read it out loud.
2486 No assignment, transfer, or change of ownership in any form of any interest in any of
2487 the land submitted to the performance of this agreement shall be binding upon
2488 operator until he is furnished a certified copy thereof, and operator has agreed in
2489 writing to such assignment did I read.
2490 That correctly, that appears, yeah. And and at any time.
2491 Up until this hearing, did Potterhorn or Vetx disclose to marathon that they had a
2492 that this transaction had occurred?
2493 No, I believe.
2494 I mean, do you mind if I read this real fast?
2495 Not at all.
2496 Take your time.
2497 Just kind of backing up here and you can tell me if I'm wrong, but I believe as of
2498 middle of the summer, the price interest was still held by the prices.
2499 Is that fair to say?
2500 That's fair.
2501 And sometimes subsequent to that date, it was then conveyed to waitx, maybe July,
2502 August or so of 2025.
2503 Is that your understanding?
2504 Yes. And then shortly thereafter, between August and September, it was then
2505 conveyed to Powderhorn, correct.
2506 Correct and to your knowledge, any at any point during any of those transit transit
2507 transfers or transactions between price and powder Horn, did any party ever notify
2508 marathon of the that those transactions occurred?
2509 Not that I'm aware of.
2510 Do you know if Marathon has agreed in writing to any of those assignments or
2511 transfers?
2512 Nothing will work.
2513 OK.
2514 Now.
2515 One of the things I understand from your rebuttal testimony is that you know, you
2516 make the point that that marathon did not provide its one mile well proposal under
2517 its JOA to Powderhorn until March 2nd. Correct? Correct. And it had provided the
2518 other parties to the JOA that.

2519 Will proposal a few weeks earlier, correct? Correct. OK. And do you know how it
2520 came about that marathon then?
2521 Sent the web proposal on March.
2522 Second to Powderhorn, my assumption was that they were doing updated title.
2523 Are you aware of that, that the Friday before that Pat Oren's?
2524 Co CEO notified Marathon for the first time that they they acquired an interest in the
2525 north half of Section 2 and that caused them to look up the the interest.
2526 I'm not aware of that explicit conversation.
2527 I didn't feel that the negotiations over the seven months gave the impression that we
2528 didn't own an interest, but.
2529 So once they but you agree with me that once they learned that Patterhorn owned a
2530 committed interest under their JOA that they immediately provided powder powder
2531 with a proposal for the one mile? Well, correct.
2532 I'd agree with that, OK.
2533 I'm gonna talk a little bit about about the relationship with Kaiser Francis.
2534 Umm.
2535 Oops, I did not mean to stop sharing.
2536 All right.
2537 Sorry, it's control bars in my way I got there.
2538 Oh, I'm in the wrong exhibit packet.
2539 All right, so here on this page, this is again the apples to apples view, which is your
2540 exhibit A11. This working interest breakdown shows the Kaiser Francis is a working
2541 interest owner in the north half of Section 2.
2542 Correct, correct.
2543 And I think if you would compare.
2544 Your working interest representations of Kaiser Francis with what marathon shows.
2545 I think they pretty much line up.
2546 Would you agree?
2547 Yep, OK.
2548 And just in general, I think Mr. Holiday even said this during his questioning of you.
2549 It's about 140 net acres in the north half of 2, right?
2550 Yes, and now you show them being committed to your powderhorns JOA agree.
2551 And that's based on the fact that Kaiser Francis signed a JA proposal proposed by Pat
2552 Horn. Correct. Correct.
2553 But Kaiser Francis never rescinded, nor did it revoke.

2554 Broke its commitment to marathons, JOA did it not. Them aware of. I don't think
2555 that's an industry norm. OK. But you agree that their interest also remains
2556 committed, therefore to marathons. JOA agree.
2557 It's kind of a weird nuance, but I agree, OK.
2558 Now you show.
2559 You still show Kaiser Frances as being the owner of that working interest in the north
2560 half of Section 2.
2561 Agree. Agree. OK.
2562 But Kaiser Francis made an agreement to trade its acreage reflected on this chart, or
2563 at least some of it, to patter Horn in the event that patterhorn prevails in this
2564 contested hearing. Correct.
2565 There are some other stipulations they they could retain their interest, but.
2566 Agree. OK, now that was a written agreement, correct? Agree. And was that also an
2567 agreement that was subject to a confidentiality provision?
2568 Yes, I believe so.
2569 OK.
2570 So it wasn't filed a record correct, correct.
2571 Now you show that Kaiser Francis is still owning in the north half because that deal is
2572 contingent on Powder Horn retaining or winning. In this case, correct.
2573 I still show them as this is because it's not filed of record. OK, so the the deal's been
2574 signed.
2575 It's been executed correct.
2576 There's no assignments or assigned that.
2577 It's just a letter agreement.
2578 That's the letter agreement. OK, but the the terms of the letter agreement in general,
2579 correct me if I'm wrong.
2580 Is that Kaiser Francis would trade.
2581 All of its acreage in the north half of Section 2 to Powderhorn in the event Potter
2582 Horn prevails in this contested hearing.
2583 I, at a certain point I am going to have to step in on the confidentiality language.
2584 I'm not sure how much I should be discussing, but the basic terms what you're
2585 describing are correct. OK.
2586 So if paddlehorn prevails in this contested hearing and Kaiser Frances under the
2587 terms of the agreement, transfers its ownership to POWDERHORN, then Kaiser
2588 Francis.

2589 Will no longer own that interest in the north half of Section 2. Agree.
2590 Agree. OK. And so its commitment to powderhorn's Joa through which it committed
2591 its acreage to participate in the proposed development will no longer.
2592 Be of substance because it will no longer have any acreage in the north half of
2593 Section 2.
2594 Agree. Agree.
2595 So in that potential hypothetical future, Powderhorn prevails in this case, and
2596 Powderhorn becomes operator of this acreage under its JOA. Then Kaiser Francis will
2597 never actually be a partner in that JOA, because it would have traded out its acreage.
2598 Correct. And like I say, there's other options for.
2599 Kaiser. They can retain their interest in supermarket.
2600 Did you have you had discussions directly with Kaiser Francis on this?
2601 Yes, agreement.
2602 Do you know if they want to be?
2603 Do they want to retain their interests if Tyler Horn is the operator?
2604 That has been a big conversation.
2605 Yes, OK.
2606 Now.
2607 One thing I wanted to clear up a little bit because it's again it's nice to have a
2608 timeline and I don't have a timeline. But one thing that caught my ear that I wanted
2609 to ask you about was I understand that you made that paddlehorn made a deal.
2610 With Avante that essentially.
2611 Requires how to horn to drill horizontal well, lay down horizontal wells across the
2612 Northeast quarter of Section 3, right?
2613 And that agreement, as I understand it, was in the time frame of the beginning of
2614 March, correct?
2615 Of this year.
2616 Beginning of March, end of February, OK and.
2617 Around the same time, March 2nd or March 3rd is when you received marathons.
2618 Well, proposal for its one mile proposal, correct, correct. But prior to that in your
2619 discussions with Kaiser, Frances, did you learn that marathon because Kaiser Frances
2620 is a partner under marathons, JOA?
2621 Did you learn from Kaiser Francis any time prior to the deal with Avant that Marathon
2622 was proposing?
2623 To draw one mile well under its jaw.

2624 Yes, and those that we learned that while they're still contemplating our carry and
2625 that was being posture as being potentially accepted.
2626 So we weren't sure of the intent of any proposal to Kaiser without us.
2627 So we didn't.
2628 We thought that that might have been just a strange negotiation tactic for them or
2629 for us.
2630 We weren't sure. OK. So. So despite learning that fact from Kaiser Francis in advance
2631 of making that deal with Yvonne.
2632 Pat her nevertheless made that deal that locked in Powder Horn to a commitment to
2633 drill, only lay down wells across the northeast quarter of Section 3. Agree.
2634 Yes, because we did not view the one mile as an actual viable plan for the area, OK.
2635 I want to get into the the communications with with marathon in more detail.
2636 In paragraph.
2637 14 of.
2638 Your land statement.
2639 Oops.
2640 I'm sorry, paragraph 27 of your land statement. You talk about the negotiations and
2641 you refer to your communications log, OK? And when I go to your communications
2642 log, which I believe is exhibit.
2643 Sorry.
2644 Exhibit A-15, right?
2645 That's your communications log, correct?
2646 OK.
2647 It indicates here that on February 20th is when Conoco Phillips informed Powder and
2648 that it was no longer pursuing a deal, correct, correct.
2649 But you don't.
2650 Anywhere in your testimony or your exhibit here, explain why.
2651 Correct, correct.
2652 OK, now.
2653 Obviously, based on your your communications log there was there were extensive
2654 discussions going back months, correct, correct. And I think you made the point that
2655 you know most of many of the discussions range from carry options to.
2656 To trade deals.
2657 And so it was a variety of different options that were put on the table.
2658 Correct, correct.

2659 In fact, you know, paddhorn and Marathon had had nearly come to an agreement in
2660 early February that had been negotiated between.
2661 Your team and marathons team, correct.
2662 We never told them we approved the deal.
2663 We told them that was pending evaluation, understood. And so it was always, I think,
2664 in fact, in the emails you say there were some caveats that we needed final approval,
2665 correct, correct.
2666 And the caveats were about whether or not it was OK for a one to one trade, correct?
2667 Just in general trade evaluation.
2668 OK.
2669 So in the in the the I mean, I'm just gonna say I could pull up the emails, but in the
2670 emails, the only caveat that you provided to Marathon was whether or not your
2671 management was going to agree to 1 to one trade.
2672 Do you recall that?
2673 That was on January 12th and I said it's pending eval.
2674 OK.
2675 So. So there were some discussions about evaluation, OK. But but never up until the
2676 time that on February 6th prior to February 6th, there was never a disclosure from
2677 Paddlehorn that Paddlehorn didn't actually own the acreage it was proposing to
2678 trade. Agree.
2679 And in fact, you know, based on the discussions with, with, with marathon
2680 paddlehorn put together a proposal letter of intent that included the acreage that
2681 was being discussed as a potential.
2682 Trade correct, correct. OK.
2683 And based on the e-mail exchanges with Marathon, would you agree with me that it
2684 was a very it was a potentially very attractive offer to marathon because it proposed
2685 to allow them to extend some laterals in different different acreage, correct? And that
2686 is why we engage with the.
2687 Third party, OK.
2688 Because you knew it would be attractive to marathon, right?
2689 Potentially potentially attractive, right?
2690 Based on their public statements about wanting to extend laterals when possible,
2691 correct.
2692 And it's just logic that bolts on, OK.
2693 And so.

2694 And you agree with me that Marathon expressed its interest in this trade, correct?
2695 Not we.
2696 So we asked for quick feedback, citing about a week, and I think it took about two
2697 weeks for a response.
2698 Now in the interim, were you getting notifications that marathon was elevating this,
2699 accelerating the the evaluation asking for a rushed review?
2700 I don't recall rushed, but there was, I think, emails back and forth, including a
2701 meeting on January 15th.
2702 I think the carries were discussed at the in those as well.
2703 OK. But you you're aware that marathon was engaging its asset evaluation team and
2704 management to evaluate this proposed trade right, which we would we wanted them
2705 to be doing? Yeah.
2706 Yeah, you expected that, right?
2707 Correct. OK, so.
2708 So.
2709 After you sent the letter of intent and I don't have the exact date on it, but you agree
2710 with me that Marathon's Landman told you that they were, quote, scrambling to
2711 evaluate for leadership.
2712 End Quote and that the marathon asset team was quote pushing to move this
2713 forward.
2714 End Quote End Quote working to overcome management hurdles. End Quote. Do
2715 you agree?
2716 Do you call those general phrases in the emails back and forth? The general phrases?
2717 Yeah.
2718 And that was based on the representation of the of the acreage proposed for the
2719 trade. Agree.
2720 In fact, as part of those discussions, Marathon told you that they were looking at
2721 their contracts for water, gas and oil as part of the potential agreement with
2722 Padawan.
2723 Agree. Agreed. OK. And that way Padoran could make could utilize the gas and oil
2724 commitments from a marathon as part of Paddlehorn's development, agree.
2725 Yes, in which we responded, we would take a look, OK now.
2726 Again, at no time during any of these discussions did you disclose to marathon that
2727 that pad didn't actually own or have control or authority to make to offer this
2728 acreage actually for a trade, correct?

2729 So we did have verbal agreement with the third party to negotiate with this tract.
2730 And Conoco is a marathon is a competitor.
2731 We were not going to disclose our deal conversations with Conoco.
2732 At that point in time.
2733 OK. And prior to the February 6 date on your, on your date communications log prior
2734 to that day, Marathon affirmatively asked to confirm whether Pat Oron actually
2735 owned the acres.
2736 Do we recall that communication?
2737 Yes, and and as I understand your testimony that that was in the midst of trying to
2738 confirm whether you would be able to own that acreage, correct? Yeah.
2739 If you allowed me to open, end, respond so on February 2nd.
2740 Can't like I say, they sent the trade proposal and informality. We likewise scrambled.
2741 We engaged the third party to make sure that they were OK with the terms in which
2742 were proposed.
2743 We prepared a letter of intent.
2744 That explicitly called out the leases owned by the said third party provided to
2745 provided that to Conoco.
2746 And we pro rushed the third party to get us an answer as soon as possible. On that
2747 same day.
2748 February 6th they told us that they were going to have to pursue another option and
2749 then a phone call was given to the COP Landman stating such OK, and that phone
2750 call came from patrons Co CEO Mister Jack Gates. Correct. Correct. OK. And that was
2751 on a follow.
2752 On to Miss Klingler's repeated request to confirm whether or not patterned actually
2753 owned that acreage as part of the trade agree.
2754 Ment, like I said, I recall several emails being sent.
2755 That day, I'm pretty sure I was out of the office at that point in time. 'cause I
2756 remember seeing a lot of them coming in, so I deferred to Jack at that point in time.
2757 That's why he made the phone call. Yeah, OK.
2758 And now, would you agree with me that Paddlehorn didn't initially disclose the fact
2759 that it didn't own that acreage to marathon anytime prior to that date?
2760 Because it would have altered marathon's willingness to negotiate on that trade.
2761 Would you agree?
2762 I don't think that that's the case. We viewed it as irrelevant.
2763 It's acreage that we've intended on delivering, whether it was coming from us or

2764 another party.

2765 But but having not disclosed that fact to Marathon, Marathon was unable in its
2766 calculations to discount the possibility of that deal not coming to fruition because
2767 there's a third party involved. Agree that's a fair statement. OK. And because they
2768 weren't able to discount that risk.

2769 It took them by surprise when they learned that in fact, didn't own that.

2770 Would you agree, based on the response based on the response?

2771 Mr.

2772 I'll just take two minutes to make sure I may be complete with my questions, OK.

2773 Let's take two minutes. Thank you. Off the record.

2774 Thank you, Mr. Ring, officer.

2775 Are we back on the record OK.

2776 Just just just a couple couple questions. We we were just discussing Mr. Young
2777 officer timing and and and making Mr. Doctor Umekwe available for his directs.
2778 We don't run out of time.

2779 I just have a couple, you know, short topic to address with Mr. Maka. And then the
2780 question is whether we proceed with redirect and and division questions or whether
2781 we adapt at this point, then interject.

2782 Doctor Omeque so he can get done before the end of the day.

2783 All right, it is 357.

2784 We're back on the record and Mr. Rankin.

2785 We're gonna finish with Mr. Maka before we take your witness.

2786 And so I urge you to be brief, because I don't know how many questions Mr. Fordyce
2787 has, and I don't know how long the redirect is gonna take.

2788 So please go ahead.

2789 Yeah. Appreciate it.

2790 Thank you, Mr. Marker.

2791 Just just one line of questions here.

2792 You testified we we talked during our.

2793 Dialogue about the deal that Paddlehorn made with Kaiser Francis to recall that
2794 discussion with me. Yes. And you mentioned that there are some options for Kaiser
2795 Francis based on the based on that deal, correct. Yes. And is one of those options for
2796 powder Horn to carry all our?

2797 Portion of Kaiser Francis. I can't get into the confidentiality at this point.

2798 OK. Can we ask you this then?

2799 In terms of the.
2800 Offers to to marathon. Can you tell me whether or not?
2801 Marathons. You made an offer to carry marathon, correct?
2802 Yes. Can you tell me that the offer that you made to Marathon did not match the
2803 offer that you made to Pastor Francis in terms of a carry?
2804 I can't disclose that.
2805 So you can't tell me one way or the other whether marathon offer you made a
2806 marathon matched at least matched the offer you made to Kaiser Francis.
2807 The offer made to Marathon was extremely equitable.
2808 That's what I can say is within a very small degree, plus or minus of Kaiser, but it
2809 didn't match. Agree.
2810 It became with an extremely small margin of very good. No further questions, Mr.
2811 Mr.
2812 Mr. Fordyce.
2813

2814 **FE Fordyce, Andrew, EMNRD 3:13:51**

2815 Yeah, I have a just a couple of qualifying clarifying questions for Mr. Mocha.
2816 I have a question about exhibit A10 on page 54.
2817 And actually, Mr. Rankin already touched on this a little bit.
2818 There was a question about PBX LLC transferring their interest to Avonte.
2819 Mr. Mark, I guess it's your understanding that that was supposed to take place, but.
2820 We're not 100% sure whether that's taken place.
2821 Or not I guess.

2822

2823 **PH Pecos Hall 3:14:32**

2824 Yes. So I think yes that is correct.
2825 So the PBX interest that is shown on here.
2826 I think in all likelihood is just some title cleanup that needs to be done.
2827 PBX did explicitly state that they intended 100% of their interest in Section 2 to be
2828 transferred to Avant.
2829 I've showed it here in good faith, out of just transparency of of title and what we are
2830 showing.
2831 That is, that is the purpose of that.

2832

2833 **FE Fordyce, Andrew, EMNRD 3:15:05**

2834 So if you consider PBX uncommitted.
2835 Why wouldn't you seek to pull them at this time?
2836 Until that transfer is taking place.

2837

2838 **PH Pecos Hall** 3:15:16

2839 We have.
2840 I've had a very good relationship with the people over there and I'm not worried
2841 about that title. Clean up and if there is any necessity to either pull them or do a joint
2842 or via JOA. They've explicitly stated that they would work with us, so I don't I.
2843 Didn't see the the purpose.

2844

2845 **FE Fordyce, Andrew, EMNRD** 3:15:37

2846 OK.
2847 Thank you for that I have.
2848 A question about your exhibit A9 on page 51.
2849 So as a follow up.
2850 To you know, basically who's being pooled.
2851 Do you have all of these?
2852 Overriding royalty interest and and some record.
2853 A couple of record title owners that you're beginning not seeking to pool.

2854

2855 **PH Pecos Hall** 3:16:07

2856 Yes.
2857 Yeah. So for.

2858

2859 **FE Fordyce, Andrew, EMNRD** 3:16:10

2860 'Cause you anticipate this?
2861 Comm.
2862 Agreement ratification is is going to happen in the future.

2863

2864 **PH Pecos Hall** 3:16:18

2865 Yes, so the record title for the state of Mexico, they require the the actual signature.
2866 So we've had dialogue with Extex Faulkner I've worked with in the past on especially
2867 on record title signatures.
2868 They're very easy to deal with.

2869 In the general stance that we took, and I usually generally take with Permian
2870 resources and my lane man experience in the past is I do like to just engage and get
2871 override royalty ratifications as we as we work through.
2872 Process if there's any need for additional pulling, or if no one or someone doesn't
2873 sign, we would come back and seek jointer via pulling at that point.

2874

2875 **FE Fordyce, Andrew, EMNRD 3:16:59**

2876 So one of the parties listed as a overriding royalty interest is VATX, which we've
2877 already discussed some today as being the party that Powder Horn has a term
2878 assignment from, correct.

2879

2880 **PH Pecos Hall 3:17:14**

2881 That is correct.

2882

2883 **FE Fordyce, Andrew, EMNRD 3:17:17**

2884 I wonder if we could turn to page 167 for just a moment.
2885 On this notice list, I'm just wondering if you've had dealings with V techs and you
2886 have a term assignment and so forth, so on and so forth.
2887 I'm wondering how it is that they didn't receive notice due to an incorrect address.

2888

2889 **PH Pecos Hall 3:17:44**

2890 Yeah, it seems odd that address for my recollection is correct.
2891 If it wasn't received, that would have been.
2892 Of no consequence, or at least.
2893 Of of something that I wouldn't have been aware of, but vaytech's group that were
2894 close with on a personal level.
2895 That we're we're not concerned with.

2896

2897 **FE Fordyce, Andrew, EMNRD 3:18:16**

2898 Be able to provide an amended exhibit, I guess, or supplemental exhibit.
2899 That's a unit recompenseulation for the proposed unit. The unit that you're
2900 proposing, not any other theoretical units, but the unit. The power rooms proposing.
2901 With a with all a summary of all the interest in and again indicate the the parties that
2902 powder Horn is seeking to pool in this case.

2903

2904 **PH Pecos Hall** 3:18:46

2905 Yes.

2906 Yes, I can.

2907

2908 **FE Fordyce, Andrew, EMNRD** 3:18:53

2909 I have a question about Exhibit A8 on page 49.

2910 So my question is.

2911 Obviously the the pooling case that we're discussing for the wolf bone wells or
2912 excuse me, the Wolfcamp wells.

2913 In this exhibit, notes that and you mentioned working with Avaunt to work a deal to
2914 drill Bone Springs wells in the planned unit depicted here in the South. Half of the
2915 proposed unit, correct.

2916

2917 **PH Pecos Hall** 3:19:37

2918 That is correct.

2919

2920 **FE Fordyce, Andrew, EMNRD** 3:19:42

2921 During your negotiations, I'm curious looking at this.

2922 Does Powderhorn or Avant or another party proposed to drill Bone Springs wells in
2923 the north half of this proposed unit?

2924

2925 **PH Pecos Hall** 3:19:59

2926 Hey, Conoco did send proposals on a mile and a half basis to drill Bone Spring in
2927 their superseding JOA.

2928 Those were rescinded.

2929 We did send them counter proposals for the Bone Spring formation as well to
2930 achieve standing, but both Conoco and Powderhorn viewed it as a secondary target.

2931 That neither one of us wanted to pursue. Currently, Avant is more interested than in
2932 it than we are.

2933

2934 **FE Fordyce, Andrew, EMNRD** 3:20:29

2935 OK, I think.

2936 Maybe then to summarize, the parties that are involved, that would be a discussion

2937 for.

2938 Future to sort out the future, I guess.

2939

2940 **PH Pecos Hall** 3:20:39

2941 Yes. So the parties to sort out in the future for the north half for that NE quarter of
2942 the Bone Spring and the north half of the Bone Spring.

2943 But again, probably just be powder Horn and Congo.

2944

2945 **FE Fordyce, Andrew, EMNRD** 3:20:51

2946 OK.

2947 Thank you for that.

2948 I don't have any further questions for this witness.

2949

2950 **PH Pecos Hall** 3:20:59

2951 Mr. holiday.

2952 OK.

2953 I'd like to start out.

2954 We talked a lot about drilling contractors, how to horns experience those sorts of
2955 things.

2956 And the question was raised. Who inside of paddle horn would be responsible for
2957 drilling?

2958 Would that person be Patrick Walter?

2959 CEO of patterhorn.

2960 Think that you would be playing a heavy hand.

2961 Heavy hand, yes. And what is his background?

2962 Qualification for planning drilling operations.

2963 And he worked most recently before Powderhorn as the development manager for
2964 Taprock, serving in a very similar role.

2965 So in that role he would have worked with drilling contractors to accomplish the
2966 same sort of projects you're looking to do with the Super Hornet, correct? I believe
2967 that is the case, yes.

2968 OK.

2969 So I'm gonna try and share my screen.

2970 Yeah. Danger.

2971 Nope, that's my e-mail.

2972 There we go. Now we're good.
2973 OK, we're good.
2974 So I wanna go to paragraph 10.
2975 Of yourself from statement for the original.
2976 Rebuttal. I mean, excuse me, the original exhibit packet.
2977 I'm sorry, paragraph 12.
2978 Hang on, I may be confusing rebuttals now.
2979 Anyway, you you there was, there was a question raised in your testimony where you
2980 said to the effect your plan will fully develop the Wolfcamp formation, correct?
2981 Correct. Would you like to amend that testimony or clarify in any way?
2982 Yes, that would be the four initial Wolfcamp wells would be fully developing the
2983 Wolfcamp A fetch within the Wolfcamp formation. OK.
2984 And, you know, much has been made of the drilling contractors you guys plan to use
2985 or may plan to use?
2986 As it stands today, is it fair to say that the plan is to use the same drilling contractor
2987 that was used for the BAT bomb and war pigeon units? That is the plan.
2988 Correct, OK. And that's a common thing to do for teams of your size is to outsource
2989 that with internal oversight. Is that correct?
2990 Yes, many private equities do the same thing well, and public as well, right?
2991 Right. I think we heard from Mr. Dupree in his qualification testimony.
2992 He referenced some Geo steering contractors.
2993 Is that correct?
2994 That is correct.
2995 And so if we go to rebuttal exhibit.
2996 A 24.
2997 Teams.
2998 OK.
2999 So if we go to exhibit 824, what is this exhibit?
3000 These are just conecosa fees for their one mile wells.
3001 They did propose.
3002 And what is this exhibit? Tell us about marathons intended use of contractors.
3003 The purpose is to show that large Publix, including marathon, do as well use
3004 contractors to drill wells. So it's common private private public companies, everyone
3005 uses contractors, correct? Correct.
3006 OK.

3007 Let's go back to this notice issue and P backs and EGL and that sort of discussion.
3008 So I've pulled up here.
3009 This is exhibit.
3010 I believe it's D2.
3011 D1 and this is the list of notice parties you see here.
3012 Egl Finwing and some other parties. Do you have?
3013 Would you like to summarize who those parties are and why that's relevant?
3014 Yes. So when Mr. Rankin did make note of the P backs.
3015 Interest maybe?
3016 May or may not be receiving notice.
3017 Prior to.
3018 Our applications being filed, the of record owners of the quote PBX interest, or W
3019 Wesley Perry, EGL SES, Lerwick Fenwing and I think that is it.
3020 All of those companies assigned into PBX before assigning into avant, so that is
3021 where.
3022 Where the reference to PBX comes from, and EGL and PBX are related companies. Is
3023 that fair to say yes?
3024 I don't know if they still are, but EGL used to just be the operator operating entity for
3025 PBX.
3026 And Avant was noticed in this case, correct.
3027 That is correct.
3028 And is it your understanding that marathon would have standing to raise a notice
3029 argument on behalf of a third party?
3030 That is not my understanding.
3031 OK. And has have any of these parties raised a notice argument other than
3032 marathon? No. OK.
3033 Real quick cuz I know you're a land man and not a controlling engineer.
3034 If we look at marathons, rebuttal exhibit 6, we got.
3035 That's it.
3036 Yeah, 6.
3037 If we look down in the bottom left corner with the green chart, what does that
3038 discuss?
3039 The bottom left corner, the Max stress orientation right. So Marathon raised the issue
3040 of maximum stress orientation in this case correct.
3041 That's correct.

3042 OK, but Blan doesn't have anything to do with that, right? Correct. OK.

3043 Mr. Rankin asked about a meeting that occurred or your qualifications, and whether

3044 you informed Conoco or Marathon of your qualifications. Other than that plan

3045 meeting, did Conoco ever ask specifically for your qualifications and experience in

3046 regard to drilling as well?

3047 No. OK real brief.

3048 We're almost done. If we, if we look at A10, exhibit A10 and.

3049 A11 those are the ownership exhibits.

3050 Get up there as fast as I can.

3051 OK.

3052 So a well, let's just focus on a 11. This is the apples to apples.

3053 What were you trying to represent with this chart?

3054 This was just, I mean trying to represent the northern portion of the Super Hornet

3055 unit.

3056 Where Conoco Marathon own all their interest as well as me trying to make very,

3057 very wide note that I don't view that the Northeast quarter section threes of viable

3058 option.

3059 Being stranded.

3060 So I didn't want to show that.

3061 Regardless, if you wanted to view it as a NN, half development or a S half

3062 development that pattern Horn did have the majority interest committed.

3063 In either case, yes.

3064 So the last thing I want to talk about.

3065 This JOA that Kaiser France is signed with with Powderhorn.

3066 And your experience as a land man in New Mexico, is it common for parties to sign

3067 what is commonly referred to as superseding joas?

3068 Yes. And why would a party sign a superseding JOA?

3069 Because they are viewing another development as a preferred option. And do you

3070 know why Kaiser France has signed the JOA with Powderhorn in this case?

3071 Because they were worried that, number one, that their interest would be would be

3072 stranded because they own on the both the Northside and the South side of the

3073 Suborning unit. They also wanted to see an actual.

3074 Full full development of the wolf camp, a formation across the full section.

3075 So far, it's a longer lateral talk.

3076 It's fair to say they preferred your plan. Yes. OK.

3077 Does when you're acquiring an interest, whether you have knowledge of an existing
3078 JOA in the chain of title, would that knowledge or not?
3079 Knowledge of a JOA have any ability on a party's ability to sign a superseding JOA.
3080 Sorry, can you?
3081 Yeah, that was really. I tripped on that.
3082 Would a party's knowledge of a prior JOA in the chain of title prevent them from
3083 signing a superseded JOA?
3084 No, not OK.
3085 And so Powderhorn acquires Kaiser outright, and Kaiser assigned this superseding
3086 JOA.
3087 You would take that interest subject to all the agreements at Powderhorn.
3088 Excuse me.
3089 That Kaiser Francis is assigned has signed, right?
3090 That's correct. OK.
3091 Just one quick thing.
3092 This trade, just to clarify for the record, you were authorized by the owner of by the
3093 third party owner of acreage subject to the trade to to Conoco that we've discussed
3094 in length.
3095 You were authorized to present that to them.
3096 Correct, that is correct.
3097 And when that deal fell through, you immediately notified Marathon, correct?
3098 U.
3099 As in Powderhorn, as Jack made that call.
3100 But yes, right. And so, since we discussed some hypotheticals earlier in your cross
3101 examination.
3102 As a hypothetical, you offer the deal on February 2nd.
3103 Let's imagine a world in which Conoco accepts on the 4th.
3104 Would that trade have then been consummated?
3105 No if sorry. Sorry. Can you say right, so before the third party pulled the deal, OK,
3106 you would have had the ability in that span of like 3-4 days to do the trade with
3107 Conoco if they had accepted, correct?
3108 So we still wanted to run an evaluation like regardless of the third party we we
3109 wanted to run an independent evaluation. Conoco gave us some caveats that we
3110 weren't sure if it was approved on their their end either.
3111 So OK, but if you had come to agreement just from a title perspective, yes, that trade

3112 could have occurred absolutely OK.
3113 So last question about that, why did you search out this acreage?
3114 Remind me why you search out this acreage so before so well, it came to us in
3115 December on the December 19th, but.
3116 In the preceding 6 months, we hadn't received minimal engagement on any real
3117 conversations from Conoco, so.
3118 We had to find something else.
3119 We've offered them acreage that we owned under them already. It didn't seem like
3120 that was of interest. So we had to find something else.
3121 And this kind of came up.
3122 Then we treated it as delicately as we we thought we could.
3123 None of that was intended to offend anyone.
3124 We've worked many deals like this in the past I've worked on on on these between
3125 Concho and Permian Resources in Colgate deals just like that where we've kind of
3126 acted as a pass through entity.
3127 And I've never had an issue and I've never.
3128 Been claimed a bad faith bet for it. So and you don't feel like that your efforts in this
3129 regard were in bad faith, correct?
3130 No. And in fact, like I say, if you look at the communication log between the five
3131 parties that that Powderhorn has done deals with or reach voluntary joined her with,
3132 we have communicated with Conoco the the most.
3133 I believe that's all my questions.
3134 Sir Frank and I trust nothing new came up during that. Nothing new. Good.
3135 Alright, Mr. Forde, did you have anything else?

3136

3137 **FE Fordyce, Andrew, EMNRD 3:33:18**

3138 I have nothing further Mr. hearing examiner.

3139

3140 **PH Pecos Hall 3:33:21**

3141 Thank you. This witness may be excused.

3142 Thank you, Mr. Martin.

3143 OK.

3144 Now we're going to take a break from the regular course of events, and we're going
3145 to have Rankin provide testimony from his petroleum engineer.

3146 Thank you, Mr. hearing officer. Doctor Mekwe, are you available on the platform?

3147

3148 **UP Umekwe, Pascal** 3:33:45

3149 Yes, I am.

3150

3151 **PH Pecos Hall** 3:33:46

3152 Thank you very much.

3153 Let me know if you have problems hearing me and we'll let you know the same since
3154 you've already been accepted as an expert, I'm going to skip through the
3155 preliminaries and just jump in.

3156 To some of the meat doctor Meekwe, have you conducted an engineering study of
3157 the lands at issue in this contested case?

3158

3159 **UP Umekwe, Pascal** 3:34:06

3160 Yes, I have.

3161

3162 **PH Pecos Hall** 3:34:07

3163 And have you prepared written testimony and exhibits that are marked as exhibit C
3164 and exhibit C1 as part of your direct testimony?

3165

3166 **UP Umekwe, Pascal** 3:34:15

3167 Yes, I have.

3168

3169 **PH Pecos Hall** 3:34:17

3170 Did you also prepare rebuttal exhibits that were filed and served in this case and
3171 marked as exhibits 5?

3172 And seven and I can share the screen so you can see it. So you know what I'm talking
3173 about because I don't think you probably knew the numbering.

3174 But that would be exhibit #5. This one here.

3175

3176 **UP Umekwe, Pascal** 3:34:39

3177 Yes.

3178

3179 **PH Pecos Hall** 3:34:40

3180 And then exhibit #7. This one here. Did you prepare those as rebuttal exhibits?

3181

3182 **UP Umekwe, Pascal** 3:34:45

3183 Yes.

3184

3185 **PH Pecos Hall** 3:34:47

3186 Were these exhibits prepared by you or compiled into your supervision?

3187

3188 **UP Umekwe, Pascal** 3:34:50

3189 Yes.

3190

3191 **PH Pecos Hall** 3:34:51

3192 And no corrections or changes to the testimony or exhibits that were filed correct.

3193

3194 **UP Umekwe, Pascal** 3:34:56

3195 Correct.

3196

3197 **PH Pecos Hall** 3:34:57

3198 And you adopt the testimony that you filed in yourself, affirmed statement as exhibit

3199 C as your sworn testimony today.

3200

3201 **UP Umekwe, Pascal** 3:35:05

3202 That's correct.

3203

3204 **PH Pecos Hall** 3:35:06

3205 Doctor Mequi, I'm gonna ask you about your testimony, addressing vertical
3206 degradation.

3207 You've reviewed Powderhorn's application.

3208

3209 **UP Umekwe, Pascal** 3:35:16

3210 Yes, I have.

3211

3212 **PH Pecos Hall** 3:35:17

3213 And you've reviewed their land, geology and engineering statements that were filed
3214 in this case.

3215

3216 **UP Umekwe, Pascal** 3:35:23

3217 Yes, I have.

3218

3219 **PH Pecos Hall** 3:35:24

3220 What's your understanding of what Powderhorn proposes for the development plan
3221 based on that review?

3222

3223 **UP Umekwe, Pascal** 3:35:33

3224 Powderhorn proposes to drill the Wolfcamp, XY Sands 1st and potentially come back
3225 and drill. The wolf can be a wolf.

3226 Come see at a later date.

3227

3228 **PH Pecos Hall** 3:35:45

3229 And just I know you're not a geologist, but just for purposes of clarification, is there a
3230 difference in nomenclature between the parties, what they're calling Wolfcamp B and
3231 Wolfcamp C?

3232

3233 **UP Umekwe, Pascal** 3:35:57

3234 Yes, that's my understanding and my colleague the geologist will speak to it is that
3235 we speak to it later tomorrow.

3236 But what other 101st was can be?

3237

3238 **PH Pecos Hall** 3:36:05

3239 OK.

3240

3241 **UP Umekwe, Pascal** 3:36:08

3242 We typically will refer to it as Wolfgang Sea.

3243

3244 **PH Pecos Hall** 3:36:11

3245 OK, now based on your review and your discussion just now that they proposed to
3246 1st drill the the Upper Wolfcamp sand and then come back later to drill the lower
3247 target, what is the problem with that development approach based on on your
3248 review and analysis?

3249

3250 **UP** Umekwe, Pascal 3:36:30

3251 Carter Homes development approach is going to lead to parent child top down.

3252 Parent child degradation and at some point I'll maybe look, talk, talk through the

3253 exhibit that you have before me, you know, to kind of describe, describe that in more

3254 detail.

3255

3256 **PH** Pecos Hall 3:36:47

3257 And when you talk about parent child affect, you're talking about a vertical parent

3258 child effect between the upper target and the lower target, correct?

3259

3260 **UP** Umekwe, Pascal 3:36:55

3261 That's correct.

3262

3263 **PH** Pecos Hall 3:36:56

3264 Because in their testimony, Powderhorn is referring to a similar, different kind of

3265 parent child effect, a horizontal offset parent child effect, correct.

3266

3267 **UP** Umekwe, Pascal 3:37:05

3268 That's great.

3269

3270 **PH** Pecos Hall 3:37:06

3271 OK. But you're here talking about the vertical impacts, correct?

3272

3273 **UP** Umekwe, Pascal 3:37:10

3274 That's correct.

3275

3276 **PH** Pecos Hall 3:37:11

3277 And you prepared an analysis to show how you know this is going to be an impact

3278 on the vertical side, correct?

3279

3280 **UP** Umekwe, Pascal 3:37:18

3281 Yes, yes I did.

3282

3283 **PH** Pecos Hall 3:37:20

3284 OK.
3285 So I've got your slide rebuttal exhibit #5 up. If you would just review for the Examiner
3286 what this shows, I know. Explain.
3287 I think you'd prepared the slide with your geologist and he'll address the geology
3288 aspects of this and you're going to address the engineering aspects, correct.
3289

3290 **UP** Umekwe, Pascal 3:37:34

3291 That's correct.

3292

3293 **PH** Pecos Hall 3:37:34

3294 OK.

3295 So go ahead and give us an overview.

3296 What the slide shows and then give us your assessment on the on the engineering
3297 side.

3298

3299 **UP** Umekwe, Pascal 3:37:41

3300 OK.

3301 So the slide before shows a few things. I'll kind of walk us through it.

3302 So the top left portion of the slide shows a locator map which shows the the relative
3303 locations of the Super Hornet project on the top right, on the top left, with the A
3304 showing shown on it, and the clinical Phillips Pilot project that tested these specific
3305 phenomenon that.

3306 We'll be describing today.

3307 They have put a baby cake shell project shown on the the southeast of this of that
3308 particular image as shown there. Then below that image we show the the differences
3309 between.

3310 The Super Hornet project, the vertical separation of that project as proposed by
3311 pardon versus the vertical separation of the the pilot project executed within
3312 Comoco, Phoenix, Omar, Torment.

3313 On what you see there is, you see.

3314 Separation difference of somewhere around, you know, 100 plus feet.

3315 So 610 or so feet for superhuman project versus 720 plus feet for the conical Phillips
3316 project.

3317 Then on the very center of the slide, you see powder horns exhibit and it's gone
3318 barrel showing its wolf com XY wells showing.

3319 In red and it's Wolfgang B.
3320 Wells a Wolfgang C You know, shown in green.
3321 And those are the words that he plans to potentially come back to, to drill after
3322 drilling the A first or the XY's first on the right, we show the gun barrel for the conical
3323 Phillips project that tested this specific phenomenon. So on the left side you have.
3324 The.
3325 Project and on the right you have the capture project and the Blue Baby project.
3326 Project is essentially set up, you know, just like the the sequential development that
3327 is contemplated by by powderon or whereas the kick shell side of the project shows
3328 the Co developed project that is proposed in Congo, Phillips Kampana.
3329 Project and below that we show the difference in performance of the Wolfcam C or
3330 Wolfgang B in both scenarios.
3331 So the blue line shows us the performance of the Wolfcamp C in a Co development
3332 scenario, whereas the Orange Line shows us the the performance of the the
3333 Wolfcamp C or Wolfcamp B in a sequential development scenario.
3334 So the sequential development scenario maps clearly with the plan that Paula honors
3335 put forward for the SUPERHORNED project whereas.
3336 The the blue line shows the plan mapped out in the Kampana project.

3337

3338 **PH Pecos Hall** 3:40:42

3339 Sorry, explain briefly, Dr. Umekwe. The engineering principles that govern your
3340 analysis and apply in this instance as between Conoco Phillips pilot test project and
3341 then.

3342 The Super Hornet proposal by Powderhorn.

3343

3344 **UP Umekwe, Pascal** 3:41:04

3345 So in general, we're dealing with a few factors. The vertical separation of the two
3346 zones that are being developed as well as the pressure differential between those
3347 two zones. In general, pressure increases with depth. So the woof comes, C will be
3348 more pressurized than the Woof Cam A.

3349 Or the X.

3350 The woofgam XY sounds as part of.

3351 Proposes here and because of that, when you go to stimulate the.

3352 The wolf, come see.

3353 The fluids that you're injecting into the wolf come see will preferentially move

3354 towards lower pressure areas. So it's a natural phenomenon. That phenomenon is
3355 exacerbated by the the depletion that would have occurred in the A if you drew that
3356 first or in the X wise if you, Dre.
3357 That first so that so the key issues here would be the vertical separation as well as the
3358 pressure differential.
3359 In in our in this specific.
3360 Is you see that we observe a parent try top down parent child degradation in the for
3361 the baby Cature project which is over 720 feet separated. So in the case of the
3362 superhuman project that has a shorter vertical separation, you would you would
3363 expect you.
3364 Know even much higher degradation and wanting to note also is we observe this
3365 degradation for the verification project while implementing several steps to kind of
3366 mitigate that. So for a less practice operator as well As for a shorter vertical
3367 separation, you would expect a worse performance with the.
3368 Wolfcamp B or C as as in this case.

3369

3370 **PH** Pecos Hall 3:42:51

3371 And just to be clear, the the results that you identified here in your analysis suggest
3372 that the same sort of vertical degradation you expect to be observed in the Super
3373 Hornet, correct?

3374

3375 **UP** Umekwe, Pascal 3:43:04

3376 That's correct.

3377

3378 **PH** Pecos Hall 3:43:05

3379 And even, perhaps exacerbated because the vertical separation in the Super Hornet
3380 is less than what was experienced in your pilot test project, correct.

3381

3382 **UP** Umekwe, Pascal 3:43:16

3383 That's great.

3384

3385 **PH** Pecos Hall 3:43:17

3386 OK. And I know we didn't have marathons, geologists testified in advance of your
3387 testimony, but based on your review, do you believe that the pilot test project is
3388 analogous to the project proposed by PATTERNHORN for its Super Hornet?

3389

3390 **UP Umekwe, Pascal** 3:43:37

3391 Yes.

3392

3393 **PH Pecos Hall** 3:43:39

3394 And just for clarifications, the data that you used for purposes of making this analysis
3395 was all publicly available data. Is that correct?

3396

3397 **UP Umekwe, Pascal** 3:43:47

3398 That's correct.

3399

3400 **PH Pecos Hall** 3:43:48

3401 And.

3402 Does that? Does that track with the internal data that Conoco Phillips has as well?

3403

3404 **UP Umekwe, Pascal** 3:43:56

3405 That's correct.

3406

3407 **PH Pecos Hall** 3:43:58

3408 Now, in your opinion, doctor Ameqwe, is it always appropriate to Co develop a
3409 Wolfcamp Wolfcamp formation as marathon is proposing here?

3410

3411 **UP Umekwe, Pascal** 3:44:09

3412 Not in every instance, but in this specific instance, giving the vertical separation at
3413 play, it's it's the preferred option for development here.

3414

3415 **PH Pecos Hall** 3:44:20

3416 OK, now would you agree, Doctor Omequi, that sometimes other factors like drilling
3417 deadlines, prior plans, agreements with different partners, all could influence whether
3418 an operator is able to carry out its preferred development plan for a given project?

3419

3420 **UP Umekwe, Pascal** 3:44:35

3421 That's correct.

3422 I agree to that.

3423

3424 **PH Pecos Hall** 3:44:38

3425 Now, in reviewing exhibit C4.

3426 Which is.

3427 Paderhorn's engineer exhibit here showing a chart.

3428 Explain why in particular, referencing the green box in your opinion, it would be

3429 prudent to decode about the Wolfcamp in this acreage to avoid the potential top

3430 down parent child degradation that you're seeing in the off site pilot test.

3431

3432 **UP Umekwe, Pascal** 3:45:20

3433 Yeah. So probably on based on this slide from what I understand shows that the wolf

3434 comes, sees a highly gassy target, so high GR like it's stated right there. And they

3435 also mention that the economics for these will be marginal and made more marginal.

3436 If a parent child.

3437 Effects are taken into consideration and I agree with that statement.

3438 And I think with top down degradation you would be experiencing exactly that.

3439 Than even worse.

3440 And that top down, degradation is the plan that has been put forward by Parliament

3441 development. So essentially the wolf can be or Wolfgang C project when Parli gets

3442 around to doing it would be degraded and the economics of that would be so much,

3443 you know that pardon me.

3444 Or not.

3445 You know, choose to, to continue with that.

3446

3447 **PH Pecos Hall** 3:46:14

3448 So the point here is that the the concern, the marginal economics potentially with

3449 the Wolfcamp B is exactly why marathon is proposing to Co develop these benches

3450 partly correct.

3451

3452 **UP Umekwe, Pascal** 3:46:25

3453 That's correct.

3454

3455 **PH Pecos Hall** 3:46:30

3456 In your opinion, in this acreage, with the vertical offsets that paddlehorn is

3457 proposing, will failure to Co develop the Wolfcamp sand and the upper bench with
3458 the Wolfcamp B or C in the lower bench result in waste?

3459

3460 **UP Umekwe, Pascal** 3:46:45

3461 Yes it will.

3462

3463 **PH Pecos Hall** 3:46:47

3464 In your opinion, will failure to Co develop Marathon Co develop those benches and
3465 marathons, acreage impair marathons, crowd of rights?

3466

3467 **UP Umekwe, Pascal** 3:46:57

3468 Yes it will.

3469

3470 **PH Pecos Hall** 3:46:59

3471 And is that is that because you believe that it will not access as many reserves if you
3472 were to separately sequentially develop the lower Wolfcamp bench?

3473

3474 **UP Umekwe, Pascal** 3:47:09

3475 Yes, it it will not access the resources that exist in the Wolfcamp C bench adequately.

3476

3477 **PH Pecos Hall** 3:47:16

3478 The next topic that I think you set out for rebuttal is padderhorn's claims for capital
3479 efficiency for longer laterals.

3480 And I'll turn back to your rebuttal, exhibit #7.

3481 And you've included in here an image of paddlehorn's exhibit C6 titled Short Laterals
3482 Capital and Operational Inefficiencies.

3483 What is the purpose of this paddlehorn slide? As you understand it from

3484 Paddlehorn's engineer?

3485 What is it intended to say?

3486

3487 **UP Umekwe, Pascal** 3:47:51

3488 Add-ons slide.

3489 It tends to show a comprising between.

3490 Cost cost versus the cost of E and also to show that the 1 1/2 mile well has a

3491 comparatively better use of capital, essentially better capital efficiency.

3492 And based on the numbers shown on the slide, you see that pardon perfoot cost
3493 would be somewhere around say 20% lower.
3494 Than the conical's AFE costs would show. And what I state here is.
3495 A claim such as that could be made by more practiced operators.
3496 Or or teams with long standing relationships working together as well as we trusted
3497 and tested contractors, but not with a team that hasn't drew the well. And what I
3498 show here as well is just again, it's common knowledge that we get better by doing.
3499 What we do?
3500 So in general that's that's, that's.
3501 Acceptable. That's accepted.
3502 So for Powderhorn to claim that it gets this level of efficiencies on its first well
3503 appears to me to be to be a stretch.
3504 What I cite there is a study conducted within the Colorado School of Mines that
3505 shows.
3506 Drilling teams that that improve on on the ability to drill wells much faster and at
3507 lower cost, you know year on year and those improvements could be you know
3508 somewhere on 11 percent or depending on.
3509 On the the situation.
3510 So the 20% capital efficiency that Paddon speaks to it is for me it's it's, it's not
3511 justified by the the experience or lack thereof developing within within the page.
3512

3513 **PH** Pecos Hall 3:49:50

3514 Now, in addition to the drilling efficiencies, Dr. McQuaire, there are additional
3515 efficiencies that can be realized through operations.
3516

3517 **UP** Umekwe, Pascal 3:49:58

3518 Yes, there are.
3519 Again, efficiencies don't just end with capital and also the execution of your work at
3520 drilling of the well, but also with the operation of that well.
3521 Without experience, operating wells within the basin, it's it's hard to to believe that
3522 paddon's plan and its operational capabilities would allow it to to manage well.
3523 I would say kind of precious reservoir energy, which is kind of the main driver of a
3524 tight oil development.
3525 To manage that energy as well as to keep the walls on line when when needed that
3526 would that require well intervention program and processes that allow for those

3527 words to to essentially have the up time that you premise in your in your economics
3528 in the 1st place so.

3529 An operator without that experience and those processes might not capture those
3530 benefits and as such might have.

3531 Was that don't maximize the production of of resources.

3532 No. Within within the zones that they are drilled.

3533

3534 **PH Pecos Hall** 3:51:07

3535 I'm gonna turn back to Patterhorn's exhibits, in particular C2, and this is an overview
3536 or a of a comparison between the competing development plans.

3537 And patterhorn's assessment of the advantages of their proposed approach over
3538 marathons. Have you had a chance to review this chart on exhibit C2 of
3539 powderhorn's?

3540

3541 **UP Umekwe, Pascal** 3:51:32

3542 Yes, I have.

3543

3544 **PH Pecos Hall** 3:51:34

3545 Will you give us an overview of your response to each of the advantages that
3546 POWDERHORN represents and in your response to those?

3547

3548 **UP Umekwe, Pascal** 3:51:46

3549 Yes. So other outputs for the five or so criteria, you know under which the judges.

3550 The supervisors.

3551 The Compana development of the one mile development and the first point there
3552 talks about capital efficiency and like I mentioned earlier.

3553 The the food capital efficiencies don't come naturally.

3554 Those efficiencies that that are gained through longstanding working relationships.

3555 Subcross teams as well as across working with tested and trusted operators or
3556 contractors.

3557 So in the case of, you know, the 20% efficiencies that speaks of, there's no evidence
3558 that those efficiencies will be will be gained.

3559 Talking about correlative rights and potential of stranding.

3560 The zone right at the very top of the component project.

3561 Like was discussed earlier.

3562 Other one has the option of drilling north-south Wales, which some of the exhibits
3563 show moments ago, show that you know the development around this area includes
3564 both stand up and and lay down wells.
3565 So in that case, the the argument on on, on correlative rights and stranding acreage
3566 doesn't, I don't.
3567 I don't see evidence for that as well.
3568 On the parent child effects like I described earlier.
3569 Top down sequential development will lead to a loss of resources within the
3570 Wolfgang B or Wolfgang C bench and a statement here kind of attached to that.
3571 It says start that timing causes interference. While that may have been.
3572 Put forward maybe in the in the in terms of in bench interference or degradation.
3573 That that holds true still for a top down degradation pattern also speaks to
3574 production efficiencies. On stating that you know the the 960 acre spacing unit.
3575 Would produce or produce more.
3576 No peril lateral than than the the one mile one mile.
3577 Well, like I mentioned earlier, the production efficiency depends on a lot of a lot of
3578 factors, your ability to.
3579 To manage reservoir energy effectively, your ability to keep the water online, you
3580 agree to have essentially a program that allows you to manage the waste effectively
3581 as as you would you would you had in your plan essentially.
3582 Talking about development coordination and the need for a single operator to
3583 develop the the acreage, I think I agree with that.
3584 It's it's fair to think that the more experienced operator be be let or allowed to
3585 develop its own, you know lease and if there is one operator that needs to do say
3586 develop the entire.
3587 Acreage, it's also fair to think that that that should be the more the.
3588 More experienced operator.
3589

3590 **PH** **Pecos Hall** 3:55:06

3591 On the production efficiency issue.
3592 Is it your position that you, I mean you're not challenging patterhorn's individual
3593 personnel's experience, you're challenging?
3594 You're saying that they don't have the team experience proven to drill well at these
3595 efficiencies, correct?

3596

3597 **UP Umekwe, Pascal** 3:55:28

3598 That's correct.

3599

3600 **PH Pecos Hall** 3:55:31

3601 And and and nor have they worked with the proposed operator as a team, correct?

3602

3603 **UP Umekwe, Pascal** 3:55:40

3604 That's correct.

3605

3606 **PH Pecos Hall** 3:55:43

3607 And because they haven't drilled a well yet, they haven't executed on an AFE that this
3608 team has proposed, correct?

3609

3610 **UP Umekwe, Pascal** 3:55:52

3611 That's correct.

3612

3613 **PH Pecos Hall** 3:55:54

3614 And and and because of that, they haven't demonstrated that they can come within
3615 the OR meet the the the estimated economics for a project, correct.

3616

3617 **UP Umekwe, Pascal** 3:56:03

3618 That's great.

3619

3620 **PH Pecos Hall** 3:56:05

3621 Nor have they demonstrated that they can meet the the anticipated performance
3622 metrics for any well that they propose to drill, correct.

3623

3624 **UP Umekwe, Pascal** 3:56:12

3625 That's great.

3626

3627 **PH Pecos Hall** 3:56:14

3628 In your opinion, doctor Mequi what? What is the best way for the division to prevent
3629 wastes and protect correlative rights in this contested case?

3630

3631 **UP Umekwe, Pascal** 3:56:24

3632 It is to allow MRO ConocoPhillips to develop its acreage.

3633 In a manner that we know would maximize the recovery of resources within within

3634 the AGRIC.

3635

3636 **PH Pecos Hall** 3:56:39

3637 Is Marathon asking for the division to deny Paddlehorn's application?

3638

3639 **UP Umekwe, Pascal** 3:56:40

3640 Uture.

3641 That's correct.

3642

3643 **PH Pecos Hall** 3:56:48

3644 This time Mr. Hang Officer, no further questions at Doctor Umekwei and make him
3645 available for cross examination, Mr. Holiday.

3646 Good afternoon, doctor.

3647 I'm not going to try to say your name on the record.

3648

3649 **UP Umekwe, Pascal** 3:57:02

3650 Good afternoon.

3651

3652 **PH Pecos Hall** 3:57:04

3653 Good afternoon.

3654 But I do have a few questions.

3655 Umm.

3656 If we look at yourself, firm statement in paragraph five, it's your testimony that

3657 Marathon's planned Co development of all four Wolfcamp wells in the XY and

3658 Wolfcamp B.

3659 It's necessary to avoid parent child degradation.

3660 Am I summarizing that correctly?

3661

3662 **UP Umekwe, Pascal** 3:57:35

3663 Could you restate that please?

3664

3665 **PH** Pecos Hall 3:57:39

3666 In paragraph five, you testify that Marathon's planned Co development of all four
3667 Wolfcamp wells, the A and the B or C whatever we're calling that.

3668 Co development of those formations at the same time you claim that's necessary to
3669 avoid parent child degradation. Is that correct?

3670

3671 **UP** Umekwe, Pascal 3:58:00

3672 That is necessary to avoid a top down parental decision, yes.

3673

3674 **PH** Pecos Hall 3:58:05

3675 OK.

3676 So do you believe that if you were to drill multiple wells at different times, different
3677 times in the same landing?

3678 Would that result in parent child interference?

3679

3680 **UP** Umekwe, Pascal 3:58:20

3681 In the same landing.

3682 They said back the set back rules would apply, so if you develop.

3683 If you drill wells within a landing and subsequent wells are drilled within that same
3684 landing, it will depend on the offsets of those wells.

3685

3686 **PH** Pecos Hall 3:58:39

3687 OK. And there is offset production to this, correct?

3688

3689 **UP** Umekwe, Pascal 3:58:46

3690 In what direction?

3691

3692 **PH** Pecos Hall 3:58:47

3693 To the north.

3694

3695 **UP** Umekwe, Pascal 3:58:52

3696 I'll have to take a look at the the layout again to be able to make to answer the
3697 affirmative or not.

3698

3699 **PH Pecos Hall** 3:59:01

3700 OK.

3701 So do you believe?

3702 There, you know, if you drill all four Wolfcamp well a wells at the same time.

3703 Would that result in less parent child degradation than drilling 2 wells and then
3704 drilling two more separately?

3705

3706 **UP Umekwe, Pascal** 3:59:24

3707 So each drilling event I think you have to explain it. So I I understand.

3708 Are you talking about drilling events in the shallow and deeper zone?

3709 So drilling events in the same landing, or could you clarify that?

3710

3711 **PH Pecos Hall** 3:59:40

3712 Yeah. So just talking strictly to the Wolfcamp A for this question, if you were to drill
3713 all four Wolfcamp A wells at the same time, would that result in less parent child
3714 degradation than drilling 2 wells in the Wolfcamp A?

3715 And then coming back later and drilling two more Wolfcamp A wells.

3716 **OCD Special Docket March 10, 2026-**
3717 **20260310_224516UTC-Meeting Recording**

3718 March 10, 2026, 10:45PM

3719 41m 18s

3720

3721 **UP Umekwe, Pascal** 0:05

3722 And like I mentioned earlier, that all those who those scenarios described will depend
3723 on the offset distances.

3724

3725 **PH Pecos Hall** 0:13

3726 OK.

3727 Let's assume in a hypothetical that there is offsetting production.

3728 Would that result in greater degradation for the two wells and two wells versus 4
3729 wells at the same time?

3730

3731 **UP Umekwe, Pascal** 0:24

3732 Offset production but also offset distance.

3733

3734 **PH Pecos Hall** 0:30

3735 OK. Bhagav, we can move on from that.

3736 So in paragraph 10 and 13 of yourself firm statement, this is where we start talking

3737 about the inexperience for powder horn. And you've mentioned that.

3738 Is it fair to say their inexperience is one of the primary objections you have to their

3739 development plan? Their inability to execute as you've described it?

3740

3741 **UP Umekwe, Pascal** 1:02

3742 I spoke to the slide that Paragon provided that spoke to the the capital efficiencies
3743 that they would gain.

3744 So that's that's kind of the reference I'm making that those capital efficiencies would

3745 be gained based on the experience of the the person or the entity that is executing

3746 that.

3747

3748 **PH Pecos Hall** 1:24

3749 OK.

3750 And so we've talked about today how the Powderhorn team prior to forming

3751 Powderhorn, which is a new entity.

3752 Each of those individual team members do have experience.

3753 You know, so if we look at your resume, which is incredible, but we can see that

3754 you've held a number of positions. Is that fair to say?

3755

3756 **UP Umekwe, Pascal** 1:46

3757 That's correct.

3758

3759 **PH Pecos Hall** 1:47

3760 Right. So the first one represented here. Let's just start with that one. Baker Hughes,
3761 North Dakota.

3762 You were an engineer doing drilling and logging, is that correct?

3763

3764 **UP Umekwe, Pascal** 1:59

3765 That's great.

3766

3767 **PH Pecos Hall** 2:00

3768 So fair to say you gained quite a bit of knowledge in petroleum engineering during
3769 that time, correct?

3770

3771 **UP Umekwe, Pascal** 2:06

3772 That's correct.

3773

3774 **PH Pecos Hall** 2:08

3775 And then you moved on to Conoco Phillips, Alaska.

3776 And from 2013 to 2015, do I have that correct?

3777

3778 **UP Umekwe, Pascal** 2:20

3779 Correct.

3780

3781 **PH Pecos Hall** 2:21

3782 Was the Conoco Phillips team that you migrated to in Alaska different than the team

3783 you were working on with Baker Hughes in North Dakota?

3784

3785 **UP Umekwe, Pascal** 2:30

3786 That's correct.

3787

3788 **PH Pecos Hall** 2:32

3789 Do you feel that your knowledge gained in North Dakota transferred and made you

3790 qualified for the position at Conoco Phillips in Alaska?

3791

3792 **UP Umekwe, Pascal** 2:41

3793 Yes, I believe that my knowledge was a contributing factor to.

3794 Working in that capacity as a development engineer, yes.

3795

3796 **PH Pecos Hall** 2:50

3797 OK.

3798 So then you went to work for the state of Alaska from 2016 to 2019.

3799 And again, that's another new team, fair to say.

3800

3801 **UP Umekwe, Pascal** 3:02

3802 That's correct.

3803

3804 **PH Pecos Hall** 3:04

3805 But the prior experience you gained from Baker Hughes and Conoco Phillips, it would
3806 have transferred and qualified you for the position at the state of Alaska.

3807 Is that fair to say?

3808

3809 **UP Umekwe, Pascal** 3:16

3810 That's correct.

3811

3812 **PH Pecos Hall** 3:18

3813 OK.

3814 So last one, then you moved on to Conoco Phillips in 2019 to 2022. It looks like that
3815 was still state of Alaska New team again.

3816

3817 **UP Umekwe, Pascal** 3:31

3818 That's correct, yes.

3819

3820 **PH Pecos Hall** 3:33

3821 OK. And then last, OK.

3822 This is actually the last one.

3823 So then you move to the Midland team, different drilling team at the Midland Basin.

3824 Then you had in Alaska.

3825

3826 **UP Umekwe, Pascal** 3:43

3827 That's great.

3828

3829 **PH Pecos Hall** 3:44

3830 Did you feel like you were unqualified to participate in the drilling activities for the
3831 Midland Basin team because you were a new team member and you guys had not
3832 worked together before?

3833 No. So that knowledge was transferable in your case, correct.

3834

3835 **UP Umekwe, Pascal** 4:01

3836 That's correct.

3837

3838 **PH** Pecos Hall 4:02

3839 So then it's at least possible that the knowledge for the Powderhorn team members
3840 that they bring from prior experience would be transferable in their case too.

3841 Is that fair to say?

3842

3843 **UP** Umekwe, Pascal 4:13

3844 What you say?

3845

3846 **PH** Pecos Hall 4:14

3847 OK.

3848

3849 **UP** Umekwe, Pascal 4:15

3850 I'll add one more thing to that.

3851 My just like I was stated earlier for the Podiatr team, I don't dispute the experience
3852 that they have.

3853 The point I made was in relation to the team working together and the knowledge
3854 and the institutional capabilities that are built walking together as a team, as well as
3855 working together across with contractors like testing and trusting the contractors
3856 that they work with.

3857 But that is what my statement was meant to address.

3858 Not the individual experiences of the the members of the poda hunting.

3859

3860 **PH** Pecos Hall 4:52

3861 Sure, that's fine.

3862 We can just leave it there.

3863 So we've you've heard testimony previously about the bat bomb and war pigeon
3864 units. Are you familiar with those units?

3865

3866 **UP** Umekwe, Pascal 5:08

3867 I will let my Landman address specifics on that, but yeah, I'm kind of generally
3868 familiar with it.

3869 But I'll let I'll let any more detailed conversations around that to be handled by the
3870 pressing most appropriate to do so.

3871

3872 **PH Pecos Hall** 5:15

3873 Good.

3874 Sure. Well, what I wanted to talk to you about in relation to those two units were

3875 whether you were aware when Marathon or Conoco entered into an agreement with

3876 Admiral Permian.

3877 Which is approximately 1 mile east of the Super Hundred wells.

3878 Were you aware that they had not yet drilled a well in New Mexico?

3879

3880 **UP Umekwe, Pascal** 5:46

3881 I'm not aware of that.

3882

3883 **PH Pecos Hall** 5:51

3884 And then so you probably wouldn't be, but I'll ask anyway.

3885 Are you aware that in those units, only the Wolfcamp A is being developed and it's

3886 being developed independently and separately from the Wolfcamp B?

3887

3888 **UP Umekwe, Pascal** 6:05

3889 Not aware of that.

3890

3891 **PH Pecos Hall** 6:11

3892 So then you wouldn't be aware if Conoco or Marathon would have stipulated that

3893 you had to Co develop the A and the B when it executed those deals with with

3894 Admiral Permian.

3895 From an engineering perspective.

3896

3897 **UP Umekwe, Pascal** 6:30

3898 Yeah, I'm not aware of that, but in in general, like I stated earlier.

3899 A few factors drive you know whether you choose to do so or not, and in this case

3900 the vertical separation and the sequence that.

3901 That's put forward, you know, based on our experience, you know would lead to

3902 degradation of the the wolf can be a wolf comes in.

3903

3904 **PH Pecos Hall** 6:53

3905 OK.

3906 So then guessing it's fair to say you were not involved in the decision to approve
3907 those development agreements?

3908

3909 **UP Umekwe, Pascal** 7:02

3910 That's correct.

3911

3912 **PH Pecos Hall** 7:02

3913 OK.

3914 Well, that removes a bunch of questions.

3915 OK.

3916 Did you provide any sort of reservoir simulation or modeling or data of any kind
3917 showing the?

3918 Magnitude of the degradation you claim will occur.

3919 Was that the 19% delta or am I thinking of something else?

3920

3921 **UP Umekwe, Pascal** 7:34

3922 That's the 19 percent data based on public public data on those projects.

3923

3924 **PH Pecos Hall** 7:35

3925 OK.

3926

3927 **UP Umekwe, Pascal** 7:38

3928 Yes.

3929

3930 **PH Pecos Hall** 7:38

3931 OK.

3932 That's what I thought.

3933 So if we look at the analog projects that you used and I want to say the name on the
3934 record, because I think it's funny, the potato baby and the Kak shell.

3935 But you referred these as the pilot test project.

3936 It looks to me like these are 19 miles to the southeast. Is that fair?

3937

3938 **UP Umekwe, Pascal** 8:06

3939 That's right.

3940

3941 **PH** Pecos Hall 8:09

3942 In your experience as a patrol engineer.

3943 Would that be standard practice to use an analog that's, let's call it 19 miles away,

3944 when there are other analog wells closer to the project under consideration?

3945

3946 **UP** Umekwe, Pascal 8:30

3947 The effort to pick an analog depends on developments that you consider truly

3948 analogous to the one that you plan to develop. In this case, the distance is not as

3949 much a factor as the vertical separation.

3950 And my geologist a colleague is going to speak better.

3951 Today's those are the drivers for the analogy between.

3952 The component the Super Hornet development and the pilot that we.

3953

3954 **PH** Pecos Hall 9:03

3955 OK.

3956 But there are numerous pads closer to this proposed Super Hornet that have either

3957 A&B or A or B development. Is that correct?

3958

3959 **UP** Umekwe, Pascal 9:19

3960 That's correct.

3961

3962 **PH** Pecos Hall 9:22

3963 And if we look at?

3964 The development plan for the Super Hornet and compare it to the keg shell or the

3965 top down. Is it fair to say the development plan for the Super Hornet is similar to the

3966 let's just call it keg shell development?

3967

3968 **UP** Umekwe, Pascal 9:42

3969 The development for the Super Hornet, which is a sequential move, can be

3970 development is more analogous to the predated baby development, yes.

3971 Like I mentioned earlier, the vertical separations are different. So in the Super

3972 haunted case, you have a a smaller vertical separation and compared to the previous

3973 project.

3974

3975 **PH Pecos Hall** 9:57

3976 But.

3977 Right. Yeah, that that's what I was gonna ask. So.

3978 If we consider all eight wells, so the eventual A&B wells that Powder Horn is listed.

3979 Versus the 14 or 15?

3980 In the full stack Wolfcamp, in the keg shell.

3981 That's a pretty material difference in number of wells, at least in density, correct?

3982

3983 **UP Umekwe, Pascal** 10:36

3984 That's correct.

3985

3986 **PH Pecos Hall** 10:38

3987 Why? Or would you say this difference? Would it be due to?

3988 Changes in the rock.

3989

3990 **UP Umekwe, Pascal** 10:54

3991 Yes, partly so.

3992

3993 **PH Pecos Hall** 10:57

3994 OK, so changes in the rock, in your opinion?

3995 Where the rock changes, it changes how it reacts to spacing in parent, child and all

3996 those sorts of things, correct.

3997

3998 **UP Umekwe, Pascal** 11:11

3999 That's correct.

4000

4001 **PH Pecos Hall** 11:15

4002 In your opinion, does the timing between completions matter for the parent child

4003 degradation we've been talking about?

4004

4005 **UP Umekwe, Pascal** 11:26

4006 Yes, time in is a fatal.

4007

4008 **PH Pecos Hall** 11:30

4009 So if we go then back to the potato baby.
4010 How long did Marathon or Conoco or the operator in that case, how long did they
4011 wait between completing the wells and the A and the C?

4012

4013 **UP Umekwe, Pascal** 11:46

4014 The timing difference in that instance was about three years.

4015

4016 **PH Pecos Hall** 12:05

4017 If we look at the differences, I believe it's in your exhibit slide.

4018 Maybe it's five that shows the 19% delta you're aware of that that graph.

4019 Is it fair to say that?

4020 The the parent child.

4021 Trying to think of the best way to ask this because I'm not an engineer.

4022 The parent child degradation.

4023 It doesn't show overall that there's lower production, it's just that some wells

4024 produced less and maybe some wells produced more.

4025 Is that a fair assessment?

4026

4027 **UP Umekwe, Pascal** 12:47

4028 What that graph shows is that.

4029 The typical well or the average well drilled sequentially.

4030 Similar to the SUPERHORNED proposal would underperform.

4031 The average well drilled in the Wolfcamp C or Wolfcamp B in a Co developed

4032 scenario.

4033

4034 **PH Pecos Hall** 13:17

4035 OK, I may come back to that, but for now, here's a general question.

4036 Would you consider in your opinion that depletion? Is it a function of well density
4037 and time?

4038 Is that a fair statement?

4039

4040 **UP Umekwe, Pascal** 13:32

4041 It's a function of vertical separation.

4042 Time.

4043 As well as the confinement stages of Wales, yes.

4044

4045 **PH Pecos Hall** 13:46

4046 If we go to your self affirm statement paragraph 12, you acknowledge that 1 1/2
4047 miles laterals are as in your words generally recognized as a favorable or excuse me
4048 as favorable compared to one mile wells.

4049 Do you still stand by that testimony?

4050

4051 **UP Umekwe, Pascal** 14:08

4052 I think it's.

4053 Common knowledge that most companies would prefer no longer wells where
4054 possible.

4055

4056 **PH Pecos Hall** 14:18

4057 OK. And I just wanna just so I'm clear on the nature of your objection.

4058 So Despite that recognition, you still recommend marathons one mile plan.

4059 And and in doing so, you call powder. Hearn's plans, in your words, riskier is your
4060 basis for that recommendation and concern is that primarily powder horns, lack of
4061 operating history as a team.

4062 And it's also the parent child concerns.

4063 Do I have that right?

4064

4065 **UP Umekwe, Pascal** 14:49

4066 Yeah. Those two factors come into play.

4067

4068 **PH Pecos Hall** 14:53

4069 And we've talked a little bit about drilling contractors and you state that Powderhorn
4070 has not identified a drilling contractor.

4071 What is your basis for that statement?

4072

4073 **UP Umekwe, Pascal** 15:08

4074 I think statements made just moments ago also attest to that.

4075

4076 **PH Pecos Hall** 15:13

4077 But you haven't had conversations or spoken with anyone prior to this hearing about
4078 Powderhorn's drilling contractors, correct?

4079

4080 **UP Umekwe, Pascal** 15:23

4081 Personally, no.

4082 Not anyone in Paradise shop.

4083

4084 **PH Pecos Hall** 15:31

4085 So if we were to look at some of the Conoco Phillips activity in the, you know, near
4086 area.

4087 So you're Magellan pad.

4088 That's a. That's a pretty good analog.

4089 You can see the neighbors industries is doing some work out there.

4090 Are they owned by Conoco Phillips or are they a contractor?

4091

4092 **UP Umekwe, Pascal** 15:56

4093 Ogg of Phillips uses contractors to drill to drill wells.

4094 Yes, if that's what you're asking.

4095

4096 **PH Pecos Hall** 16:04

4097 Generally prefer to drill.

4098 And this may be more of a land question, but I'll ask you anyway.

4099 Does Marathon generally prefer to drill in units where they they can achieve longer
4100 laterals in a higher working interest?

4101

4102 **UP Umekwe, Pascal** 16:19

4103 Could you please restate the question?

4104

4105 **PH Pecos Hall** 16:22

4106 Yeah.

4107 Does marathon typically?

4108 Prefer to drill in units where they can achieve longer laterals and where they have a
4109 higher working interest.

4110

4111 **UP Umekwe, Pascal** 16:44

4112 It starts generally the case based on my understanding.

4113

4114 **PH Pecos Hall** 16:48

4115 OK.

4116 And were you aware that for conoco's Q4 earnings call Q 4/20/25?

4117 The guidance provided was that 90% of its 2026 program is going to be two miles
4118 laterals or greater.

4119 Is that accurate?

4120

4121 **UP Umekwe, Pascal** 17:14

4122 I think that statement was made describing.

4123 The program.

4124 Not setting a goal as to.

4125 Future development or something to that effect, yeah.

4126 So that's my understanding of that statement.

4127

4128 **PH Pecos Hall** 17:33

4129 And you're aware of the statements from Conoco's executives that going from one
4130 to two miles laterals, it generally improves the cost of what's called they refer to as
4131 cost of supply by 25%.

4132 Is that accurate?

4133

4134 **UP Umekwe, Pascal** 17:50

4135 I recall seeing that statement.

4136 Yes.

4137

4138 **PH Pecos Hall** 17:54

4139 So if we look, if we compare the perforated lateral length.

4140 Between Conoco's plan and powderhorn's plan, how much more perforated lateral
4141 length will powderhorn's plan have than conocos?

4142 I'm sorry, the initial plan, I'm sorry.

4143 Excuse me.

4144 I left out a very important word.

4145 How much more perforated lateral length will conoco's the initial plan that Conoco
4146 advanced?

4147 How much more?

4148 You know what?
4149 Let's just skip that question.
4150 It's a double negative. It's too hard.
4151 OK. If we go back to marathons plan. So in a world in which the north half is
4152 developed under the JOA by Marathon.
4153 Under that plan, the Northeast quarter has no clear development path, correct.
4154 We have a hypothetical.
4155 There could be a stand up U-turn well by Powderhorn, but there's no clear path to
4156 developing that NE quarter.
4157 Is that correct?

4158

4159 **UP Umekwe, Pascal** 19:06

4160 I'm not aware of the. Could you put up the exhibit you talk about? So I I see what
4161 what you're saying.

4162

4163 **PH Pecos Hall** 19:12

4164 Yeah, I believe it's your exhibit.
4165 Your rebuttal exhibits one through 2.
4166 Where they show it's the no acre left behind.
4167 Slide.
4168 Outside of your hypothetical one mile, you or excuse me, two mile U-turn. If powder
4169 horns development plan is denied today or this week or at the end of this hearing.
4170 The northeast quarter of Section 3. There's no clear development path for that
4171 acreage, is that correct?

4172

4173 **UP Umekwe, Pascal** 19:51

4174 I cannot speak to that this time.

4175

4176 **PH Pecos Hall** 20:04

4177 OK.
4178 So we talked about, let me just, yeah, we talked about the JOA, the 76 JOA.
4179 Are you familiar with that document?

4180

4181 **UP Umekwe, Pascal** 20:12

4182 No, I'm not.

4183

4184 **PH Pecos Hall** 20:13

4185 Or not. So then you wouldn't be aware that under that document, these wells that
4186 were recently proposed under the JOA by marathon, that there would be a
4187 contractual obligation to spud those wells, the Campana wells on or before April
4188 13th?

4189 Are you aware of that?

4190

4191 **UP Umekwe, Pascal** 20:33

4192 No.

4193

4194 **PH Pecos Hall** 20:35

4195 OK.

4196 So then for the kimpana wells, there's been no pad built, is that correct?

4197

4198 **UP Umekwe, Pascal** 20:46

4199 I'm not aware of that.

4200

4201 **PH Pecos Hall** 20:49

4202 Are you aware of any pipelines or midstream that's been run to the proposed
4203 location?

4204 Mr. Henry.

4205 I just say this is the outside of the scope of both his direct and and rebuttal
4206 testimony. He didn't testify on two pipelines or anything along those lines.

4207 Marathon made an issue of Powderhorn's take away capacity and we're just proving
4208 the line of questioning is intended to prove that Marathon has not taken these
4209 concrete steps to drill a well on or before.

4210 April 13th, as required under the JOA.

4211 Just not. Not within this witness's scope.

4212 Mr.

4213 Holiday. I think the I think the issue is that Mister Rankin is saying this is not the right
4214 witness to ask that question to.

4215 That's fair.

4216 We can ask it to a different witness, so I just have a question since we're since we're
4217 talking about things, it's 506 now.

4218 How long?
4219 And I'm not rushing you.
4220 But how long do you think your cross examination will continue?
4221 I have about 10 more questions, 10 more questions. OK, please.
4222 So it'll last as long as it takes me to ask clear questions, I guess.
4223 Are you aware as to whether or not these Campana wells have they been allocated a
4224 rig, a drilling rig in CONOCO'S 2026 program?
4225 Again, this is not within the scope of his direct or rebuttal, so I just point that this is
4226 not the witness who raised any of these issues.
4227 Mr. Hollings.
4228 Well, then I would ask who is the appropriate witness?
4229 I should ask these because Conoco proposed under a JOA under which they have
4230 obligations to drill and we can't tell whether there's any concrete evidence taken to
4231 to actually physically execute whether money's been allocated.
4232 I mean, they're the ones that sent included in the exhibits.
4233 They're well proposals under the JOA.
4234 So I think that makes all of this relevant and I'm happy to ask that to whomever is the
4235 appropriate witness.
4236 But I think someone at Conoco needs to answer.
4237 Those questions.
4238 OK.
4239 The objection is that it's outside the scope of this witness's testimony.
4240 So I think your best option would be to ask every witness and you might not get an
4241 objection at some point.
4242 Or I might have to overrule the objection at some point, but we'll get you an answer
4243 at some point during this hearing.
4244 Or maybe I'll catch Adam sleeping.
4245 There we go.
4246 Doubt it, OK.
4247 Well, so you don't have any information about capital budget, not the right witness.
4248 You might have knowledge of this.
4249 As an engineer.
4250 We can say that those wells have not been spud today.
4251 It just has to be within the scope of his direct and his rebuttal.
4252 So if it's outside that, then you're going to get the same objection. I might as well tell

4253 you now. So I would stick to what this witness test the subject matter. This witness
4254 testifies. OK.
4255 All right, fine.
4256 OK. Then I'll just.
4257 I'll have three more questions.
4258 If the division were to deny Powderhorn's application, then you would not be aware
4259 of any division order or mechanism that would require marathon to drill.
4260 Within any specific time frame.
4261 Is that accurate?

4262

4263 **UP Umekwe, Pascal** 24:40

4264 Yeah, I will not be away.

4265

4266 **PH Pecos Hall** 24:43

4267 So fair to say it could be.

4268 This year it could be two years.

4269 It could be five years and then that would be within marathons. Discretion under the
4270 JOA. Is that correct?

4271 I'm I'm I'm gonna object to the question.

4272 And again, Mr. Mcquay is a petroleum engineer. He's not familiar with the JOA. It's
4273 not directed to the direct witness, not within the scope of his testimony. Direct
4274 rebuttal.

4275 That's right.

4276 I'll reserve that question for Miss Klingler.

4277 I think she's familiar with it.

4278 That is all of my questions.

4279 Thank you, Mr. Fordise.

4280

4281 **FE Fordyce, Andrew, EMNRD** 25:21

4282 Yes, Mr.

4283 Imequi, I'm looking at rebuttal Exhibit 5.

4284 And.

4285 I believe you've stated that.

4286 In the potato baby spacing unit.

4287 There are parent wells.

4288 That were drilled in the Wolfcamp A.
4289 And then.
4290 Three years later, approximately.
4291 There were these other project wells drilled.
4292 In that same potato baby unit in the sea and then Co development in the
4293 neighboring.
4294 Spacing unit the kegshell.
4295 That time frame you think is about 3 years.
4296 Between these drilling and completion events.

4297

4298 **UP Umekwe, Pascal 26:23**

4299 It's about 3 years between the drilling events in the Wolfcamp A compared to the
4300 viewing events in the Wolfcamp C in the Potato baby unit.
4301 So the left side of the image of the gun barrel.

4302

4303 **FE Fordyce, Andrew, EMNRD 26:42**

4304 Is it possible or are you aware of any other completion design changes or production
4305 factors or?
4306 Could there be some discrepancy because of improvements in take away that would
4307 cause some performance discrepancies or changes?

4308

4309 **UP Umekwe, Pascal 27:14**

4310 Are you asking if there are factors beyond?

4311

4312 **FE Fordyce, Andrew, EMNRD 27:16**

4313 Yeah. Are you?
4314 Are you over that course of three years?
4315 Could there have been possibly changes to, you know completion designs or
4316 efficiencies improvements in you know production performance due to some
4317 improvements or efficiencies that surface was there?
4318 Is there a possibility there was improvements in take away capacity?
4319 Are any of those things that I mentioned potential factors?
4320 To affect this data.

4321

4322 **UP Umekwe, Pascal 27:51**

4323 Not not to my knowledge that those those factors you mentioned would be drivers
4324 for these these observation.

4325

4326 **FE** **Fordyce, Andrew, EMNRD** 28:01

4327 Are these two spacing units?

4328 Do they have developments around them or are they like on an island and the
4329 reason I ask is I can't tell, you know, from your locator map what development is
4330 around these two spacing units.

4331 And again, the reason I ask is let me rephrase my question. Is it all that there is some
4332 activity around these spacing units that it could have potentially caused some
4333 depletion over the course of three years?

4334

4335 **UP** **Umekwe, Pascal** 28:19

4336 They have.

4337 There are activities around these spacing units.

4338 But based on the the pilot study, the design and the execution and the analysis.

4339 Those are not the drivers for the performance difference that we see here.

4340

4341 **FE** **Fordyce, Andrew, EMNRD** 29:01

4342 OK.

4343 If we could just turn our attention maybe to rebuttal Exhibit 6.

4344 Umm.

4345 On the left, we're we're looking at.

4346 Maximum and and or how you interpret the the graphic minimum horizontal stress
4347 direction.

4348 Some might call up referred frac plane just based on this.

4349 If it was my will, I was planning.

4350 It looks like I would be planning a drill East and West.

4351 On this slide you're showing.

4352 Basically, wells that were drilled before 2017 and wells that were drilled from 2017
4353 onward.

4354 Obviously showing some developments East and West, some developments North
4355 and South.

4356 Is it possible that operators are drilling One Direction versus another just because of
4357 where their acreage interest is, so they they form a spacing unit and drill whether it's

4358 east and West or North and South?

4359 Is that possible?

4360

4361 **UP** Umekwe, Pascal 30:19

4362 Yes, that is possible.

4363

4364 **FE** Fordyce, Andrew, EMNRD 30:25

4365 But there's no data that that has been compiled or presented showing.

4366 Comparison of production or performance from wells.

4367 Either drilled East, West or north-south.

4368 That comparison on orientation is has not been made.

4369 There's no data for that, correct?

4370

4371 **UP** Umekwe, Pascal 30:45

4372 That's correct.

4373

4374 **FE** Fordyce, Andrew, EMNRD 30:49

4375 I have one last question on rebuttal Exhibit 7.

4376 It looks like they're.

4377 There is a quote that you've taken from a paper, maybe written in 2015.

4378 About rig efficiency of 11%, that's been.

4379 Realized over the course of working with the rig for a year, correct.

4380

4381 **UP** Umekwe, Pascal 31:19

4382 That's correct.

4383

4384 **FE** Fordyce, Andrew, EMNRD 31:23

4385 So Marathon and and Caraco Phillips are large organizations that track a lot of
4386 metrics.

4387 Can Marathon or Conoco presents?

4388 Actual metrics and data showing how a field improvement team or working with a
4389 specific rig or contractor resulted in an 11% increase.

4390 From the day they picked up a rig and until.

4391 A year later.

4392

4393 **UP Umekwe, Pascal** 31:59

4394 Could you please restate that question?

4395

4396 **FE Fordyce, Andrew, EMNRD** 32:06

4397 Question is I know that.

4398 I'm sure that marathon and Conoco track, a lot of metrics. You've supplied a quote
4399 from a paper does.

4400 Is there metrics that can be presented 'cause I?

4401 I'm sure that there that metrics are being tracked to back this this statement up.

4402

4403 **UP Umekwe, Pascal** 32:32

4404 I don't have those numbers.

4405 To from Congo Phillips operations to be able to, to provide.

4406 But I agree with the statement that metrics are generally being being tracked.

4407

4408 **FE Fordyce, Andrew, EMNRD** 32:50

4409 All right.

4410 Thank you, Mr. Emekwe, I have no further questions.

4411

4412 **PH Pecos Hall** 32:55

4413 I have two.

4414 I hope that they're not redundant with yours, Mr. Fordyce.

4415 Mr. Umequi, can you provide specific data showing that powder horns, 1 1/2 mil
4416 laterals will result in less total resource recovery than marathons, one mil laterals.

4417

4418 **UP Umekwe, Pascal** 33:19

4419 Please examine your.

4420 You asking for data to show that.

4421 Other hone's one and half mile or what performance per pix one and half mile might
4422 might provide compared to.

4423 One mile.

4424

4425 **PH Pecos Hall** 33:40

4426 I'll ask it again because I'm not sure I understood you, so I'll say it again.

4427

4428 **UP Umekwe, Pascal** 33:44

4429 OK.

4430

4431 **PH Pecos Hall** 33:46

4432 Can you provide specific data showing that powder horns 1 1/2 mile laterals will
4433 result in less total resource recovery than marathon one mile laterals?

4434

4435 **UP Umekwe, Pascal** 34:17

4436 Your mistakes, I mean that I I have not compared that but that is.

4437 That is data that that could be that could be compiled.

4438

4439 **PH Pecos Hall** 34:28

4440 OK. But it's not something you have looked at?

4441

4442 **UP Umekwe, Pascal** 34:32

4443 No, I've not.

4444 I've not compiled that information.

4445

4446 **PH Pecos Hall** 34:35

4447 OK. And I have a second question.

4448 You talked about parent child degradation.

4449 Is it a certainty or can it be mitigated through simultaneous completion techniques?

4450

4451 **UP Umekwe, Pascal** 34:54

4452 It's examined all the the plan that Comoco Phillips has put forward or MRO put
4453 forward that develops these two benches simultaneously.

4454 Is a plan that mitigates that parent child degradation that we're Speaking of.

4455

4456 **PH Pecos Hall** 35:15

4457 So I'm trying to understand your answer.

4458 Are you saying that it's your plan?

4459 That mitigates.

4460 Or powder Horn could mitigate.

4461

4462 **UP Umekwe, Pascal** 35:29

4463 I'm saying that the codevelopment of boot benches mitigates.

4464 Parent child degradation that would occur in a in a sequential development of the

4465 Wolfgang Sea.

4466 So if if the Wolfgang is doing 1st and later on the Wolfgang Sea, there would be that
4467 degradation.

4468 But if drew together, you need to get that.

4469

4470 **PH Pecos Hall** 35:51

4471 OK.

4472 So then are so then are you saying that the parent child degradation?

4473 In attributed to Powder, Horn's plan is a certainty.

4474

4475 **UP Umekwe, Pascal** 36:06

4476 Based on the analysis that we've done and the project that I I cited.

4477 That would call if.

4478 The wolf Cam sees developed sequentially, yes.

4479

4480 **PH Pecos Hall** 36:20

4481 OK, that answers my two questions.

4482 Thank you.

4483 Mr. Rankin, where are we now?

4484 I just have 3 follow-ups.

4485 Go right ahead, Doctor Amequi.

4486 You were asked about the public statements made by Conoco Phillips during his
4487 fourth quarterly report, saying that they would to the effect that they they intended
4488 to try to do 90% or more of their wells 2 miles or greater.

4489 Do you recall that testimony?

4490

4491 **UP Umekwe, Pascal** 36:47

4492 Yes, I do.

4493

4494 **PH Pecos Hall** 36:48

4495 Now, that means there's going to be 10% of the wells that are less than two miles,
4496 correct?

4497

4498 **UP Umekwe, Pascal** 36:55

4499 That's correct.

4500

4501 **PH Pecos Hall** 36:56

4502 And these could be among those 10% correct.

4503

4504 **UP Umekwe, Pascal** 37:00

4505 That's correct.

4506

4507 **PH Pecos Hall** 37:03

4508 Mr. Holiday asked you some questions about whether or not there you see a

4509 potential for a clear development plan that would include the Northeast quarter of

4510 Section 3.

4511 Did you review the rebuttal exhibits that Miss Klingler prepared in preparation for

4512 today?

4513

4514 **UP Umekwe, Pascal** 37:20

4515 Yes, I did.

4516

4517 **PH Pecos Hall** 37:22

4518 And I'm going to show you rebuttal exhibit #1 and rebuttal exhibit #3 that she

4519 prepared.

4520 Do you agree that what's represented on those two rebuttal exhibits?

4521 As a potential clear development plan that would include the Northeast quarter of

4522 Section 3.

4523

4524 **UP Umekwe, Pascal** 37:38

4525 Yes, I do.

4526

4527 **PH Pecos Hall** 37:39

4528 So here's rebuttal. Exhibit one and then rebuttal. Exhibit 3 in both instances would

4529 show a clear development plan for the Northeast quarter of Section 3. Agree.

4530

4531 **UP Umekwe, Pascal** 37:48

4532 I agree.

4533

4534 **PH Pecos Hall** 37:50

4535 Then hearing.

4536 Examiner asks you a question about whether you had any data that allowed you to
4537 compare.

4538 Prove whether paddlehorn's 1/2 miles will result in less recovery than marathons
4539 proposed one mile wells.

4540 Do you recall that question?

4541

4542 **UP Umekwe, Pascal** 38:11

4543 Yes, I recall that question.

4544

4545 **PH Pecos Hall** 38:14

4546 And the problem is that Powderhorn doesn't have a track record and hasn't drilled
4547 any wells, whether they're one mile or 1 1/2 miles.

4548 So there's no data against which to compare. Agree.

4549

4550 **UP Umekwe, Pascal** 38:26

4551 Yes.

4552

4553 **PH Pecos Hall** 38:27

4554 No, no further questions, Mr. Examiner.

4555 May this witness be excused please?

4556 Thank you, Mr. Umagq.

4557

4558 **UP Umekwe, Pascal** 38:38

4559 Thank you.

4560

4561 **PH Pecos Hall** 38:39

4562 OK.

4563 Let's talk about how we're going to proceed tomorrow. I know that sometimes
4564 witnesses come from other places and they need to get home.

4565 Is there anyone who has a flight tomorrow?
4566 That I need to be aware of.
4567 It's hard to hear you.
4568 Oh God. OK.
4569 I heard that part yes.
4570 You're riding together in a car.
4571 Oh, you're driving. OK, back to Midland OR someplace tonight. OK.
4572 Well you can appear.
4573 You can appear tomorrow virtually by all means, yeah.
4574 Thanks for coming, but is there anyone who has a flight or something that I should
4575 be aware of?
4576 We moved ours to tomorrow afternoon. OK, perfect.
4577 Yeah, we should be done by then, but it's not really under my control. As you can
4578 see.
4579 So I'd like to start early tomorrow so that we hopefully.
4580 It will be done before I have a doctor's appointment at 1:00.
4581 It's a doctor's appointment I've waited for for months.
4582 And you know how it is with doctors in New Mexico?
4583 They're not easy to get to.
4584 So we can either finish before that or we can take a long lunch break and come back
4585 after that.
4586 It's really up to you guys.
4587 How you want to proceed?
4588 But what is the earliest you wanna do?
4589 You wanna start tomorrow?
4590 I can go OK, as early as you would like.
4591 OK, 8:30 that works for you.
4592 That works for.
4593 That's fine, Miss Vance.
4594 All right, 830 and for the witnesses, OK.
4595 All right, great.
4596 You'll be calling your next two. So which will you be starting with this gentleman
4597 sitting there?
4598 We'll be starting with Mr. Wood, the geologist, and then Tippin the reservoir.
4599 With the caveat that I don't know, I don't expect those to go as long as we did today,

4600 right? OK.

4601 Yeah, you never knew.

4602 All right.

4603 So if we start at 8:30. So Mr. Aragon, you're available. I think you're virtual, but you're

4604 available tomorrow at 8:30.

4605

4606 **GA** **Gerald Aragon** 40:46

4607 Yes, Sir, I am.

4608

4609 **PH** **Pecos Hall** 40:47

4610 You are OK. Wonderful. OK.

4611 Then we will start at 8:30.

4612 Will know by noon if we need to take a long lunch or if we are done, obviously

4613 before then, then we can talk about post hearing submissions and transcripts and all

4614 that good stuff.

4615 Then is there anything else we need to deal with today?

4616 Everyone says no. Then we're off the record.

4617 Have a good evening. Thank you.

4618

4619 **Pecos Hall** stopped transcription

4620