

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF MARATHON OIL
PERMIAN, LLC FOR A NONSTANDARD
SPACING AND PRORATION UNIT,
NONSTANDARD LOCATIONS AND
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NO. 15908,
15909

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

December 21, 2017

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
PHILLIP GOETZE, TECHNICAL EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, Phillip Goetze, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, December 21, 2017, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

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1 (11:46 a.m.)

2 EXAMINER DAWSON: At this point we will
3 continue with Cases 15908 and 15909, which are numbers
4 seven and eight on the list.

5 Please call for appearances.

6 MS. BRADFUTE: Mr. Examiner, Jennifer
7 Bradfute, with the Modrall Law Firm, for Marathon Oil
8 Permian, LLC.

9 MS. KESSLER: And, Mr. Examiners, Jordan
10 Kessler, from the Santa Fe office of Holland & Hart, on
11 behalf of MRC Permian Company and MRC LKE.

12 EXAMINER DAWSON: Do we have witnesses?

13 MS. BRADFUTE: Yes, Mr. Examiner, two
14 witnesses.

15 EXAMINER DAWSON: Ms. Kessler?

16 MS. KESSLER: No witnesses.

17 EXAMINER DAWSON: May your two witnesses
18 please stand and be sworn in by the court reporter?

19 (Mr. Gyllenband and Mr. Perry sworn.)

20 EXAMINER DAWSON: When you're ready.

21 MS. BRADFUTE: I'd like to call my first
22 witness.

23 EXAMINER DAWSON: Okay.

24 RYAN GYLLENBAND,
25 after having been duly sworn under oath, was

1 questioned and testified as follows:

2 DIRECT EXAMINATION

3 BY MS. BRADFUTE:

4 **Q. State your name for the record.**

5 A. Ryan Gyllenband.

6 **Q. And, Mr. Gyllenband, who do you work for?**

7 A. Marathon Oil Company.

8 **Q. And what is your position at Marathon?**

9 A. I'm a senior land professional.

10 **Q. And what are your responsibilities as a senior**
11 **land professional?**

12 A. Preparing wells for drilling, reviewing title,
13 negotiating trades and leases.

14 **Q. And have you previously testified before the**
15 **Division?**

16 A. I have.

17 **Q. And were your credentials as a landman accepted**
18 **and made part of the record?**

19 A. Yes.

20 **Q. Does your area of responsibility at Marathon**
21 **include the area of Lea County?**

22 A. Yes.

23 **Q. And are you familiar with the applications that**
24 **have been filed by Marathon in Case Numbers 15908 and**
25 **15909?**

1 A. I am.

2 MS. BRADFUTE: Mr. Examiner, I would like
3 to admit Mr. Gyllenband as an expert in land matters.

4 EXAMINER DAWSON: Any objection?

5 MS. KESSLER: No objection.

6 EXAMINER DAWSON: Mr. Gyllenband will be
7 admitted as an expert -- accepted as an expert in
8 petroleum land matters at this time.

9 MS. BRADFUTE: Thank you.

10 **Q. (BY MS. BRADFUTE) Mr. Gyllenband, could you**
11 **please turn to what's been marked as Tab 1A in the**
12 **notebook that's in front of you and identify what this**
13 **document is for the Hearing Examiners?**

14 A. This is the application for the Flowmaster 8H
15 well where Marathon is requesting an order which would
16 create a 160-acre nonstandard spacing and proration unit
17 in the Bond Spring Formation comprised of the east
18 half-west half, Section 15 Township 24 South, Range 34
19 East in Lea County, New Mexico, also approving
20 nonstandard locations and pooling all the interests in
21 the Bone Spring Formation underlying this proposed
22 nonstandard spacing and proration unit.

23 **Q. And, Mr. Gyllenband, just to confirm, this is**
24 **an amended application; is that correct?**

25 A. That's correct.

1 Q. Was the only change that was made in the
2 amended application to change the nonstandard footages?

3 A. That's correct.

4 Q. And could you please turn to what's been marked
5 as Tab 1B? Did you just turn to 1B?

6 A. Yes.

7 Q. Okay. Turn to 1A. I apologize. I'm taking
8 them out of order.

9 A. I'm on -- I'm on 1B now.

10 Q. You're on 1B? Turn to 1B. Would you please
11 identify what that is for the Hearing Examiners?

12 A. This is Marathon's application for the 4H and
13 5H Flowmaster wells. This is requesting an order
14 creating a nonstandard 160-acre spacing unit and
15 proration unit consisting of the Bone Spring Formation
16 comprising the west half-west half of Section 15,
17 Township 24 south, Range 34 East in Lea County, New
18 Mexico, also approving nonstandard locations and pooling
19 all the mineral interest owners in the Bone Spring
20 Formation in this nonstandard spacing and proration
21 unit.

22 Q. And an amended application was also filed in
23 this case to change the footages for the unorthodox
24 locations, correct?

25 A. That's correct.

1 Q. Could you please turn to what's been marked as
2 Exhibit Number 2 and identify what the different pages
3 in this exhibit are for the Hearing Examiners?

4 A. The first page is the C-102 for the Flowmaster
5 4H well.

6 Q. And then if you turn to the next page, what is
7 that?

8 A. That's the C-102 for the Flowmaster 5H well.

9 Q. And the last page?

10 A. This is the C-102 for the Flowmaster 8H well.

11 Q. And does Marathon intend to file revised C-102s
12 once the nonstandard locations are approved for these
13 wells by the Division?

14 A. We do.

15 Q. And has the Division identified a pool and pool
16 code for these wells?

17 A. Yes, they have. The pool code number is 96434.
18 It's the Red Hills, North; Bone Spring Pool.

19 Q. And is that pool governed by Division statewide
20 rules, which have 330-foot setback requirements?

21 A. It is.

22 Q. And the completed intervals will not comply
23 with those setback requirements, correct?

24 A. Correct.

25 Q. Can you please identify what unorthodox

1 **locations will be requested for the 4H well?**

2 A. For the 4H well, we are requesting a first take
3 point 200 feet from the north line and 662 feet from the
4 west line, and then a last take point of 200 feet from
5 the south line and 661 feet from the west line.

6 **Q. So the unorthodox locations are just for the**
7 **first and last perforation?**

8 A. That's correct.

9 **Q. And the remainder of the completed lateral will**
10 **be orthodox?**

11 A. That's correct.

12 **Q. Could you please identify the proposed**
13 **nonstandard locations for the Flowmaster 5H well?**

14 A. Similar to the 4H, this is -- the first take
15 point would be 200 feet from the north line and 662 feet
16 from the west line, for the first take point, and then
17 for the last take point, 200 feet from the south line
18 and 661 feet from the west line.

19 **Q. And could you please identify the proposed**
20 **nonstandard location for the Flowmaster 8H well?**

21 A. For the Flowmaster 8H, the first take point
22 would be 200 feet from the north line and 1,965 feet
23 from the west line, and then the last take point is 200
24 feet from the south line and 1,984 feet from the west
25 line.

1 Q. And were affected parties given notice of the
2 unorthodox locations being requested at least 20 days
3 prior to hearing?

4 A. They were.

5 Q. And were affected parties in the offset acreage
6 also provided notice of Marathon's request for a
7 nonstandard proration unit in both applications?

8 A. Yes.

9 Q. Could you please turn to what's been marked as
10 Exhibit Number 3, the notebook in front of you, and
11 identify and explain for the Examiners what the first
12 page is?

13 A. The first page is the nonstandard location
14 we're asking for for the 4H and 5H well. It's a
15 160-acre spacing unit consisting of the west half-west
16 half of Section 15, 24-34.

17 Q. And is the proposed project area -- do the
18 lands included within that area consist solely of fee
19 acreage?

20 A. It does.

21 Q. Okay. And can you please turn to the second
22 page and identify and explain what this document is to
23 the Examiners?

24 A. This is the spacing unit we're requesting for
25 the Flowmaster 8H well. It consists of the east

1 half-west half of Section 15, 24 South, 34 East.

2 Q. And does this proposed project area also
3 consist solely of fee acreage?

4 A. It does.

5 Q. Could you please turn to what's been marked as
6 Exhibit Number 4 and explain what that document is to
7 the Hearing Examiners?

8 A. This is showing the committed working
9 interests -- the uncommitted working interests and the
10 unleased mineral interests located in these spacing
11 units. The interest is uniform across the entire west
12 half. So this is the same for both of the 160-acre
13 spacing units we're requesting.

14 Q. So Marathon is seeking to pool both uncommitted
15 working interests who are identified and unleased
16 mineral interests who are identified within this
17 exhibit?

18 A. Yes.

19 Q. And have you entered into any lease agreements
20 with unleased mineral interests that are identified?

21 A. Yes. We recently entered into a lease
22 agreement with Foundation, Marvos and Oak Valley, which
23 we listed as unleased mineral interests there.

24 Q. And so you would no longer need to pool those
25 interests, correct?

1 A. Correct.

2 Q. Could you please summarize to the Hearing
3 Examiners what efforts you made to obtain voluntary
4 pooling of the interests?

5 A. For the working interests, we submitted our JOA
6 to all three parties. We've exchanged comments with
7 both Chevron and MRC Permian, and we have not received
8 any word back from Tap Rock.

9 Q. And in your opinion, has Marathon made a
10 good-faith effort to obtain voluntary joinders in the
11 wells?

12 A. We have.

13 Q. Could you please turn to what's been marked as
14 Exhibit Number 5 in your notebook in front of you and
15 identify what's in Exhibit 5 and then we'll turn to Tab
16 A?

17 A. This is a sample letter we sent to the
18 uncommitted interest owners. It lists out each of the
19 three wells that we are proposing to drill, and it also
20 has an election for each of the three wells.

21 Q. And it provides a separate election for each of
22 the wells?

23 A. That's correct.

24 Q. And could you please turn to Tab A and identify
25 what this is for the Hearing Examiners?

1 A. This is an AFE for the Flowmaster 4H with a
2 total completed drilling and completion costs of
3 \$7,116,421.

4 Q. And was this AFE sent out to all of the working
5 interest owners?

6 A. It was. It was included with our letter.

7 Q. And could you please explain to the Hearing
8 Examiners what the drilling and completion costs will be
9 for the 4H well?

10 A. \$7,116,421.

11 Q. Could you turn to Tab B and identify what this
12 document is?

13 A. This is the AFE for the Flowmaster 5H well.

14 Q. And this AFE was also sent out to all of the
15 working interest owners?

16 A. That is correct.

17 Q. And could you please identify the drilling and
18 completion costs for the 5H well?

19 A. \$7,341,601.

20 Q. And could you please turn to Tab C --

21 A. Yes.

22 Q. -- and identify what this document is for the
23 Hearing Examiners?

24 A. This is the AFE for the Flowmaster 8H wells.

25 Q. And, again, this was sent out to all of the

1 working --

2 A. Correct.

3 Q. And could you please identify what the drilling
4 and completion costs are for this well?

5 A. \$7,117,501.

6 Q. And are the drilling and completion costs for
7 these wells in line with the costs to drill other
8 horizontal wells in similar areas which are drilled to
9 similar depths and lengths proposed by Marathon?

10 A. These costs are in line.

11 Q. And who should be appointed as the operator of
12 these wells?

13 A. Marathon Oil Permian, LLC.

14 Q. And do you have a recommendation for the
15 amounts that Marathon should be paid for supervision and
16 administrative expenses?

17 A. We're requesting \$7,000 per month while
18 drilling and \$700 per month while producing.

19 Q. And are these amounts equivalent to those
20 normally charged by Marathon and other operators in this
21 area for horizontal wells of this length and depth?

22 A. Yes.

23 Q. And do you request that these rates be adjusted
24 periodically as provided for under the COPAS accounting
25 procedure?

1 A. Yes.

2 Q. Does Marathon request the maximum cost plus 200
3 percent risk charge for any pooled working interest
4 owner who fails to pay its share of costs for drilling
5 and completing the wells?

6 A. We do.

7 Q. Were the parties that you're seeking to pool
8 notified of this hearing?

9 A. Yes.

10 Q. Could you please turn to what has been marked
11 as Exhibit Number 6 in the notebook in front of you?

12 A. Yes.

13 Q. Is this an Affidavit of Notice that you had
14 your attorneys prepare in this case --

15 A. Yes.

16 Q. -- confirming that notice was given?

17 A. It is.

18 Q. And does this exhibit confirm that notice was
19 given of the original applications and the amended
20 applications filed by Marathon?

21 A. Yes.

22 Q. And did you have any mailings returned as
23 undelivered?

24 A. We had one, the Estate of Cyle Britton Atwood,
25 where we tried to find the most up-to-date address and

1 were unable to.

2 **Q. Okay. And was that an offset owner?**

3 A. That was an offset owner.

4 **Q. Okay. And what efforts did you make to try to**
5 **find a more recent address?**

6 A. We searched the -- the name and ran it and only
7 came up with this as last known address for them.

8 **Q. And this was the address of record shown for**
9 **that offset?**

10 A. Yes. Yes.

11 **Q. Okay. Were there any other mailings that came**
12 **back as being undelivered?**

13 A. We -- we did have -- there was one other for
14 MRC LKE. Their offset notice for some reason came back,
15 but the address appeared to be correct.

16 **Q. And do you believe they received notice of the**
17 **hearing?**

18 A. They did receive notice also under the pooled
19 party.

20 **Q. Okay. And if you turn to the last two pages of**
21 **this exhibit, do these last two pages consist of**
22 **Affidavits of Publication for Marathon's amended**
23 **application which lists each of the parties by name**
24 **within both publications?**

25 A. Yes. These were published in the "Hobbs

1 News-Sun."

2 Q. Okay. In your opinion, will the granting of
3 these applications be in the interest of conservation
4 and the prevention of waste?

5 A. They will.

6 Q. And were Exhibits 1 through 6 prepared by you
7 or under your supervision or compiled from company
8 business records?

9 A. Yes.

10 MS. BRADFUTE: I'd like to move that
11 Exhibits 1 through 6 be admitted into the record.

12 EXAMINER DAWSON: Any objection?

13 MS. KESSLER: No objection.

14 EXAMINER DAWSON: Exhibits 1 through 6 will
15 be admitted to the record at this time.

16 (Marathon Oil Permian, LLC Exhibit Numbers
17 1 through 6 are offered and admitted into
18 evidence.)

19 MS. BRADFUTE: And that completes my
20 questions.

21 EXAMINER DAWSON: Okay. Ms. Kessler?

22 MS. KESSLER: No questions.

23 EXAMINER DAWSON: Mr. Goetze?

24

25

1 CROSS-EXAMINATION

2 BY EXAMINER GOETZE:

3 Q. With regards to the 4H and 5H and looking ahead
4 to the other exhibits, I'm assuming one is in the 2nd
5 Bone Spring and the other is in the 3rd Bone Spring; is
6 that correct?

7 A. That is correct.

8 Q. Is there any preferences as to which well will
9 be drilled first?

10 A. I don't believe so. We're planning to drill
11 them all from one pad and in consecutive order. The
12 geologist can speak better to that.

13 Q. Okay. All right.

14 EXAMINER GOETZE: I have no more questions
15 for this witness.

16 EXAMINER DAWSON: Mr. Brooks?

17 CROSS-EXAMINATION

18 BY EXAMINER BROOKS:

19 Q. Okay. I'm also looking at Exhibit 2, and it's
20 rather unclear because I'm not -- it's too small to
21 read.

22 EXAMINER GOETZE: It's too small. I'll
23 agree with that.

24 Q. (BY EXAMINER BROOKS) Is the line for the center
25 of the wellbore, where the wellbore path is going to go,

1 through the center of the box -- in the middle of the
2 box?

3 A. Yes, sir. It's right in the middle of that
4 west half-west half.

5 Q. Okay. And the two -- the two wells -- the
6 first two that -- Mr. Goetze just cleared that up. The
7 4H and the 5H are in different zones?

8 A. Yes, sir. The 4H is in the 2nd Bone, and the
9 5H is in the 3rd Bone Spring.

10 Q. And, now, the surface locations are how far
11 apart?

12 A. I believe these are 50 feet apart.

13 Q. Okay. And I think that's all about the --
14 the -- yeah. Okay. The other one, the third one, the
15 #8H, is in a different location.

16 A. Yes, sir.

17 Q. It's quarter of a mile -- something like a
18 quarter of a mile to the --

19 A. Yes, sir. The center is on the east half-west
20 half, but they'll be drilled from the same pad.

21 Q. Okay. Are you proposing all these wells at the
22 same time?

23 A. Yes, sir.

24 Q. Okay. And they're all within the same spacing
25 unit?

1 A. No.

2 MS. BRADFUTE: No. Two separate spacing
3 units.

4 EXAMINER BROOKS: Oh, yeah, that's right.

5 MS. BRADFUTE: Yes.

6 Q. (BY EXAMINER BROOKS) Okay. And the first
7 one -- the 4 and 5 are being proposed at the same time?

8 A. Yes, sir.

9 Q. So you understand that there will be separate
10 elections for anybody who does not participate?

11 A. Yes, sir.

12 Q. Now, you mentioned -- you mentioned two people,
13 you said, that did not receive the mail notice?

14 A. Yes, sir.

15 Q. And you looked for addresses and weren't able
16 to find them for either one?

17 A. For the -- this estate that we had return to
18 sender, we did look and were unable to find. The other
19 one was MRC LKE, but they also received notice.

20 Q. Okay. That's an affiliated company?

21 A. It's a Matador. Yes, sir.

22 Q. Yeah. Okay. Thank you very much.

23 CROSS-EXAMINATION

24 BY EXAMINER DAWSON:

25 Q. So the other -- one was MRC Permian. The other

1 one was Atwood? Is that who it was? Who did you say
2 the second one was?

3 A. It was the Estate of Cyle Britton Atwood.

4 EXAMINER BROOKS: So you served them by
5 publication?

6 THE WITNESS: Yes, sir.

7 EXAMINER DAWSON: That's all the questions
8 I have. Thank you very much.

9 MS. BRADFUTE: All right. Thank you.

10 Thank you, Mr. Gyllenband.

11 I'd like to call my second witness.

12 ETHAN PERRY,

13 after having been previously sworn under oath, was
14 questioned and testified as follows:

15 (Examiner Brooks exits the room, 12:03
16 p.m.)

17 DIRECT EXAMINATION

18 BY MS. BRADFUTE:

19 Q. Could you please state your name for the
20 record?

21 A. Ethan Perry.

22 Q. And, Mr. Perry, who do you work for?

23 A. Marathon Oil.

24 Q. And what is your position at Marathon?

25 A. Geologist.

1 **Q. And, Mr. Perry, have you previously testified**
2 **before the Division?**

3 A. No, I have not.

4 **Q. Could you please explain what your**
5 **responsibilities at Marathon are as a geologist?**

6 A. I'm -- part of my responsibilities include
7 preparing subsurface maps and conducting geological
8 studies in southeast New Mexico.

9 **Q. And could you please explain your educational**
10 **background to the Examiners?**

11 A. I received my Bachelor of Science degree from
12 the University of Maine. I have a Master's of Science
13 degree from the University of Texas at Austin.

14 **Q. And could you please explain your work history?**

15 A. I worked with -- I worked for Devon Energy from
16 2008 through 2013 and then for Marathon Oil since 2013.

17 **Q. And are you a member of any professional**
18 **organizations?**

19 A. I am. I'm a member of the American Association
20 of Petroleum Geologists, the AAPG; the Geological
21 Society of America; and the Houston Geological Society.

22 **Q. And are you familiar with the applications that**
23 **have been filed by Marathon in this matter?**

24 A. Yes, I am.

25 **Q. Are you familiar with the status of the lands**

1 **which are the subject matter of these applications?**

2 A. Yes.

3 **Q. And are you familiar with the drilling plan for**
4 **these wells?**

5 A. Yes.

6 **Q. Have you conducted a geologic study of the**
7 **areas embracing the proposed spacing units for the**
8 **wells?**

9 A. Yes, I have.

10 MS. BRADFUTE: Mr. Examiner, I move to
11 tender Mr. Perry as an expert in geology matters.

12 EXAMINER DAWSON: Any objection?

13 MS. KESSLER: No objection.

14 EXAMINER DAWSON: At this point Mr. Perry
15 will be admitted as an expert in petroleum geology --
16 will be accepted as an expert in petroleum geology.

17 **Q. (BY MS. BRADFUTE) Mr. Perry, could you please**
18 **explain what the targeted interval is for the 4H, 5H and**
19 **the 8H wells?**

20 A. The 4H and the 8H are targeting the 2nd Bone
21 Spring Sand package, and the 5H is targeting the 3rd
22 Bone Spring Sand package.

23 **Q. And could you please turn to what's been marked**
24 **as Exhibit Number 7 in the notebook in front of you and**
25 **explain what this is to the Hearing Examiners?**

1 A. Exhibit 7 includes two structure maps. The
2 first map is a subsea TVD map on the top of the 2nd Bone
3 Spring Sand package. What you see on the map is -- the
4 yellow is Marathon's acreage. The dashed rectangle
5 shows the Flowmaster project area and the wells being
6 discussed today with the position -- relative position
7 of the 5H, the 4H and the 8H.

8 You can see the structural contours are
9 contoured at 50-foot contour intervals, and in general
10 the structure dips from the northwest to the south --
11 southeast. The Flowmaster wells will be drilled north
12 to south on the west half of Section 15. And also shown
13 in this first exhibit are red -- black circles with red
14 outlines, 2nd Bone Spring Sand producers, horizontal
15 producers in the immediate area.

16 **Q. And could you please turn to the second page**
17 **and explain what this is to the Hearing Examiners?**

18 A. The second page of the exhibit includes a
19 structure map on the top of the 3rd Bone Spring Sand
20 package, again subsea TVD. The acreage is the same
21 project area. Well positions are shown. In this
22 example, the -- the black dots are 3rd Bone Spring Sand
23 producers, horizontal offsets. Chevron has wells to the
24 east, and then Concho has some 3rd Bone Spring Sand
25 wells to the southeast. As previously, this structure

1 map shows a dip from the north -- northwest down to the
2 southeast.

3 Q. And when you were putting these structure maps
4 together, did you notice anything structurally that
5 would interfere with the contribution of this acreage to
6 the proposed wells?

7 A. No.

8 Q. Did you prepare a cross section of logs to
9 determine the thickness and porosity of the Bone Spring
10 Formation in these areas?

11 A. Yes, I did.

12 Q. Could you please turn to what's been marked as
13 Exhibit Number 8 and identify what this exhibit is to
14 the Hearing Examiners?

15 A. Exhibit 8 includes two pages. The first page
16 is a stratigraphic cross section hung on the 2nd Bone --
17 top of the 2nd Bone Spring Sand package. And this
18 section runs from A to A prime, from the north to
19 north-south, Buckeye #1 being on the Flowmaster Unit in
20 question.

21 As you can see, there is a slight
22 thickening of the gross interval on the 2nd Bone Spring
23 as you go from north, north to south. But, basically,
24 the data for the gross interval is fairly consistent
25 across the Flowmaster Unit. And just for your

1 reference, the logs included on the cross section are
2 the gamma ray log on the leftmost track, the depth,
3 resistivity curve and porosity curve, and the
4 green-shaded flags are density porosity, and that's 6
5 percent across the interval.

6 **Q. And could you please turn to the second page**
7 **and explain this page to the Hearing Examiners?**

8 A. This is the three-well cross section, including
9 the same three wells previously shown from A to A prime,
10 north to south. This cross section is hung on the top
11 of the Wolfcamp Formation, and it's highlighting the
12 productive zone, including the 3rd Bone Spring Sand
13 package. And it's showing that it's relatively
14 consistent in terms of gross interval thickness north to
15 north to south across the area of interest.

16 **Q. And are the wells that you've selected to**
17 **include in these cross sections representative of the**
18 **Bone Spring Formation in the area?**

19 A. Yes, they are.

20 **Q. And what do your cross sections show you about**
21 **the acreage that's proposed to be dedicated to these**
22 **wells?**

23 A. Based on the available data, the sand thickness
24 and the sand quality are relatively consistent across
25 the Flowmaster Unit, and we expect a similar

1 contribution on the length of the well pad.

2 Q. Would you please turn to what's been marked as
3 Exhibit Number 9 and identify what this exhibit is to
4 the Hearing Examiners?

5 A. Again, we have a two-page exhibit. The first
6 page shows a net sand isochore with a 2nd Bone Spring
7 Sand package. And, again, you can see, for reference,
8 the three-well cross section, A to A prime, the Marathon
9 acreage in yellow and the 2nd Bone Spring horizontal
10 producers in black circles. The Flowmaster Unit is
11 shown by the dashed rectangle.

12 The Flowmaster well is to be drilled north,
13 north to south to expect, approximately consistent,
14 around 200 net -- net feet of sand in the 2nd Bone
15 Spring Sand package across the Flowmaster Unit itself.
16 The contour --

17 Q. And could you please turn to the second page?

18 A. Yes.

19 The contour intervals are 20 foot on
20 that -- on that net sand isochore in the 2nd Bone.

21 And on the second page, I have the net sand
22 isochore for the 3rd Bone Spring Sand package showing
23 the same acreage as the offset 3rd Bone Spring
24 horizontal well producers as previously shown. And
25 basically from the data, we're expecting the 3rd Bone

1 Sand -- net sand to be relatively consistent, 250 to 300
2 feet across the Flowmaster Unit.

3 Q. And what conclusions have you drawn from your
4 geologic study of the area?

5 A. That there are no significant geological
6 impediments to the -- well path and productivity should
7 be relatively consistent across the length of the
8 wellbore.

9 Q. And will each quarter-quarter section be
10 productive in the relative Bone Spring zones?

11 A. Yes.

12 Q. And will each tract -- or each quarter-quarter
13 section contribute approximately equally to the
14 production for each well?

15 A. Yes, ma'am.

16 Q. Could you please turn to what's been marked as
17 Exhibit Number 10 and identify what this exhibit
18 includes?

19 A. This is a three-page exhibit. It includes
20 wellbore schematics for the 4H, the 8H and the 5H. The
21 first one is the 8H. And it's showing the position of
22 the surface hole, a back-build to the northern section
23 line in Section 15 and then starting to build the curve
24 in the 2nd Bone Spring Carbonate and then landing in the
25 2nd Bone Spring Sand package with legal first and last

1 take points. The estimated inclination of the wellbore
2 is approximately 90 degrees, plus or minus.

3 The second page is showing the schematic
4 for the 4H well path in the 2nd Bone Spring Sand,
5 horizontal, with a surface-hole location of back-build
6 to the north section line, and then landing in the 2nd
7 Bone Spring interval as previously shown.

8 And then the third is the schematic well
9 path of the 5H wellbore showing, again, a back-build to
10 the north section line, starting to build the curve in
11 the 3rd Bone Spring Carbonate and then landing in the
12 3rd Bone Spring Sand package and drilling north, north
13 to south at approximately 90 degrees inclination.

14 **Q. In your opinion, is the granting of Marathon's**
15 **applications be in the best interest of conservation,**
16 **the prevention of waste and the protection of**
17 **correlative rights?**

18 A. Yes.

19 **Q. Were Exhibits 7 through 10 prepared by you or**
20 **compiled under your direction and supervision?**

21 A. Yes, ma'am.

22 MS. BRADFUTE: I'd like to move to admit
23 Exhibits 7 through 10 into the record.

24 EXAMINER DAWSON: Any objection?

25 MS. KESSLER: No objection.

1 EXAMINER DAWSON: At this point Exhibits 7
2 through 10 will be admitted to the record.

3 (Marathon Oil Permian, LLC Exhibit Numbers
4 7 through 10 are offered and admitted into
5 evidence.)

6 MS. BRADFUTE: That concludes my questions
7 for this witness.

8 EXAMINER DAWSON: Okay. Ms. Kessler?

9 CROSS-EXAMINATION

10 BY MS. KESSLER:

11 Q. Just a quick question. I thought -- on Exhibit
12 10, did you say you were requesting unorthodox
13 locations?

14 A. We are. These schematics don't reflect that --
15 that -- that -- that request. This is a standard --
16 standard well plan, but we would certainly adjust that
17 to accommodate that. If that is granted, we would
18 accommodate that revision.

19 MS. KESSLER: That's all I have.

20 EXAMINER DAWSON: Thank you.

21 Mr. Goetze?

22

23

24

25

1 CROSS-EXAMINATION

2 BY EXAMINER GOETZE:

3 Q. Good afternoon. With regards to the 4H, 5H
4 grouping, any opinions on which one would go first?

5 A. Probably the deeper -- the deeper well will,
6 probably, not necessarily from a drainage consideration,
7 just from an operational consideration.

8 Q. I tend to ask that so we can put in the order
9 which -- which time -- which well we time the compulsory
10 pooling order. And knowing which one in the order --
11 one-year drilling date which well --

12 MS. BRADFUTE: Okay.

13 EXAMINER GOETZE: And so that's why we ask
14 that. It's for clarity.

15 MS. BRADFUTE: Great. Thank you.

16 Q. (BY EXAMINER GOETZE) And then the question is:
17 Why isn't the 8H twinned [sic], or is that something
18 coming down the road?

19 A. That's something coming down the road in the
20 not too distant future.

21 EXAMINER GOETZE: No other questions for
22 this witness.

23 Thank you.

24 MS. BRADFUTE: Okay. Thank you.

25

1 CROSS-EXAMINATION

2 BY EXAMINER DAWSON:

3 Q. Mr. Perry, I was wondering, on your Exhibit
4 Number 7, the structure map top of the 2nd Bone Spring,
5 I'm seeing some other wells in the west. Are those --
6 are those your wells, or whose wells are those?

7 A. Those are not ours, Mr. Examiner. Those are
8 mostly EOG 2nd Bone Spring horizontals, the Jolly Roger
9 Unit wells. EOG's drilled several 2nd Bone Spring wells
10 to the west of our unit, Concho to the north and then
11 Chevron to the east.

12 Q. So most of the activity's been in the 2nd Bone
13 Spring in that area?

14 A. Most of the wells, yes. There have been a
15 handful of 3rd Bone Spring horizontals in the general
16 area, but certainly fewer.

17 Q. And those wells are all proving to be economic
18 wells in the 2nd Bone Spring?

19 A. Yes, sir. They do range in terms of vintage
20 and completion style. So there is certainly some
21 difference in IPs and EURs associated with those wells,
22 but in general, they are commercial.

23 Q. And you're thinking that the 3rd Bone Spring
24 will be similar in production and capability as the 2nd
25 Bone Spring in that area?

1 A. Similar to or potentially greater than.

2 **Q. Okay. All right. That's all the questions I**
3 **have. Thank you very much.**

4 A. Thank you.

5 MS. BRADFUTE: We ask that this case be
6 taken under advisement.

7 EXAMINER DAWSON: Okay.

8 EXAMINER GOETZE: Very good.

9 EXAMINER DAWSON: So at this point, Cases
10 15908 and 909, which were consolidated, will be taken
11 under advisement. Thank you very much.

12 And we will go to lunch, and we will be
13 back at 1:30.

14 (Case Numbers 15908 and 15909 conclude,
15 12:16 p.m.)

16 (Recess, 12:16 p.m. to 1:30 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

20 DATED this 12th day of January 2018.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
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