

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,                   CASE NO. 16306  
LLC FOR APPROVAL OF A NONSTANDARD  
SPACING AND PRORATION UNIT, NONSTANDARD  
LOCATIONS, AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

Consolidated with

APPLICATION OF MARATHON OIL PERMIAN,                   CASE NO. 16307  
LLC FOR APPROVAL OF NONSTANDARD  
LOCATIONS AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 9, 2018

Santa Fe, New Mexico

BEFORE:   SCOTT DAWSON, CHIEF EXAMINER  
          LEONARD LOWE, TECHNICAL EXAMINER  
          DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, Leonard Lowe, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, August 9, 2018, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY:   Mary C. Hankins, CCR, RPR  
                  New Mexico CCR #20  
                  Paul Baca Professional Court Reporters  
                  500 4th Street, Northwest, Suite 105  
                  Albuquerque, New Mexico 87102  
                  (505) 843-9241

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APPEARANCES

FOR APPLICANT MARATHON OIL PERMIAN, LLC:

JENNIFER L. BRADFUTE, ESQ.  
MODRALL, SPERLING, ROEHL, HARRIS & SISK, P.A.  
500 4th Street, Northwest, Suite 1000  
Albuquerque, New Mexico 87102  
(505) 848-1800  
jlb@modrall.com

FOR INTERESTED PARTY TAP ROCK RESOURCES, LLC:

JAMES G. BRUCE, ESQ.  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043  
jamesbruc@aol.com

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1 (10:08 a.m.)

2 EXAMINER DAWSON: And the next cases we  
3 will hear are numbers 65 and 66 on the list. Case  
4 Number 65 is 16306, and 66 is Case Number 16307.  
5 They're both applications of Marathon Oil Permian, LLC  
6 for approval of a nonstandard spacing and proration  
7 unit, nonstandard locations and compulsory pooling in  
8 Lea County, New Mexico.

9 Call for appearances.

10 MS. BRADFUTE: Mr. Examiner, Jennifer  
11 Bradfute, with the Modrall, Sperling Law Firm, on behalf  
12 of the Applicant.

13 MR. BRUCE: Mr. Examiner, Jim Bruce of  
14 Santa Fe Tap Rock Resources, LLC. I have no witnesses.

15 MS. BRADFUTE: And, Mr. Examiner, I have  
16 two witnesses here today.

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

19 (Mr. Noonan and Dr. Zeigler sworn.)

20 MS. BRADFUTE: Mr. Examiner, I'd like to  
21 call my first witness --

22 EXAMINER DAWSON: Okay.

23 MS. BRADFUTE: -- Mr. Noonan.

24

25

1 EDWIN J. NOONAN,  
2 after having been first duly sworn under oath, was  
3 questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MS. BRADFUTE:

6 Q. Good morning.

7 A. Good morning.

8 Q. Could you please state your name for the  
9 record?

10 A. My name is Edwin J. Noonan.

11 Q. And, Mr. Noonan, who do you work for?

12 A. I'm an independent contractor.

13 Q. In this matter, have you been hired by Marathon  
14 related to the applications in Case Numbers 16306 and  
15 16307?

16 A. I have.

17 Q. And what is your area of expertise, Mr. Noonan?

18 A. I'm a landman. I examine public records at the  
19 county, state and BLM to determine the ownership of  
20 mineral, surface and leasehold ownership.

21 Q. And, Mr. Noonan, have you previously testified  
22 before the Oil Conservation Division?

23 A. I have not.

24 Q. Could you please explain your work history to  
25 the hearing examiners?

1           A.    I've been doing land work for just a bit over  
2 eight years. I've been in several states. Primarily,  
3 the last six years, I've been in the Permian and  
4 Delaware Basins.

5           Q.    Okay. Thank you.

6                         And are you a member of any professional  
7 associations?

8           A.    American Association of Professional Landmen.

9           Q.    And does your area of responsibility for  
10 Marathon include the areas of Lea County in southeastern  
11 New Mexico?

12          A.    It does.

13          Q.    Are you familiar with the applications that  
14 have been filed by Marathon in Case Numbers 16306 and  
15 16307?

16          A.    I am.

17          Q.    And are you familiar with the status of the  
18 lands which are the subject matter of these  
19 applications?

20          A.    Yes.

21                         MS. BRADFUTE: I'd like to tender Mr.  
22 Noonan as an expert witness in petroleum land matters.

23                         EXAMINER DAWSON: Any objections?

24                         MR. BRUCE: No.

25                         EXAMINER DAWSON: Mr. Noonan will be

1 admitted as an expert in petroleum land matters at this  
2 time.

3 Q. (BY MS. BRADFUTE) Could you please turn to  
4 Exhibit 1 in the packet in front of you, and this  
5 exhibit has two tabs in it. I want to first look at Tab

6 A. Does Tab A include the application filed by Marathon  
7 for the Flowmaster Fee 24-34-15 WXY 2H well, the WA 6H  
8 well and the WA 14H well?

9 A. It does.

10 Q. And could you please explain what Marathon is  
11 seeking in these applications?

12 A. Marathon is trying to achieve three objectives.  
13 First, they want to create a 320-acre spacing unit from  
14 the Upper Wolfcamp Formation covering the west half of  
15 Section 15 in Township 34 South, 15 East.

16 Second, they would like to compulsory pool  
17 the uncommitted mineral interests.

18 And third, they would like to obtain  
19 approval for nonstandard locations -- well locations.

20 Q. Okay. Thank you.

21 And if you can please turn to Tab B of this  
22 exhibit, does Tab B include an application related to  
23 Marathon's Flowmaster Fee 24-34-15 WD 3H well?

24 A. It does.

25 Q. And could you please explain to the hearing

1 examiners what Marathon is seeking under this  
2 application?

3 A. Again, there are three objectives. They're  
4 trying to create a 320-acre spacing unit for the Lower  
5 Wolfcamp Formation covering the west half of Section 15  
6 to compulsory pool the uncommitted mineral interests and  
7 to obtain approval for nonstandard well locations.

8 Q. And if you could please turn to Tab 2 in the  
9 exhibits packet in front of you. Does Tab 2 include a  
10 diagram that helps everyone understand where these wells  
11 will be located that we just discussed?

12 A. It does.

13 Q. Okay. And in this diagram, does it show the WA  
14 6H well, the WXY 2H well and the WA 14H well, which are  
15 the Upper Wolfcamp wells that Marathon is seeking to  
16 create a spacing unit for and pool?

17 A. Yes.

18 Q. Okay. And then down in the Lower Wolfcamp  
19 Formation, does this diagram show the 3H well that  
20 Marathon is seeking a spacing unit for and also seeking  
21 to pool interests for?

22 A. Yes.

23 Q. Could you please turn to what's been marked as  
24 Exhibit Number 3 in the packet in front of you? And,  
25 again, this exhibit contains multiple tabs. I want to

1 first look at Tab A. When you look at the documents  
2 included behind Tab A, are these the C-102 forms for the  
3 Upper Wolfcamp wells?

4 A. They are.

5 Q. And are each of these Upper Wolfcamp wells  
6 dedicated to the Antelope Ridge; Wolfcamp Pool?

7 A. Yes, they are.

8 Q. And is that an oil pool that's been created by  
9 the Division?

10 A. It is, yes.

11 Q. And what is the pool code for that pool?

12 A. 2220.

13 Q. Okay. I want to focus on the first page in  
14 this tab. Is this the C-102 form for the 2H well?

15 A. Yes.

16 Q. And on this C-102 form, does it identify a  
17 first take point that is located 200 feet from the  
18 southern line of the spacing unit and 1,318 feet from  
19 the west line of the spacing unit?

20 A. If I may (utilizing his magnifying glass).

21 Yes on both questions.

22 Q. Okay. And does that indicate a last take point  
23 that's located 200 feet from the north line of the  
24 spacing unit and 1,323 feet from the west line of the  
25 spacing unit?

1           A.    Yes, ma'am, it does.

2           Q.    Okay.  Is it your understanding that the  
3 application related to the Upper Wolfcamp wells was  
4 filed prior to the Division's amendment of the  
5 horizontal well rules?

6           A.    Yes.

7           Q.    Is it also your understanding that the Division  
8 has since amended its rules to allow for 100-foot  
9 setbacks for the first and last take points?

10          A.    That's my understanding, yes.

11          Q.    Is it Marathon requesting that it be allowed to  
12 drill these wells pursuant to those 100-foot setback  
13 requirements under the new rules?

14          A.    Yes.

15          Q.    Will Marathon be filing new setbacks?

16          A.    That's my understanding, yes.

17          Q.    Okay.  And if you could look at the next page  
18 of this exhibit, is this the C-102 form for the 6H well?

19          A.    Yes.

20          Q.    And this well similarly has a first and last  
21 take point that is proposed to be 200 feet from the  
22 boundary of the spacing unit; is that correct?

23          A.    That's correct.

24          Q.    Okay.  And if you could turn to the next page,  
25 is this the C-102 form for the 14H well?

1 A. Yes, it is.

2 Q. And, likewise, is this well -- is this diagram  
3 showing a first and last take point that is 200 feet  
4 from the boundary of the spacing unit?

5 A. Yes.

6 Q. And for these two wells, Marathon is also  
7 seeking to follow the revised setback requirements  
8 recently enacted by the Division?

9 A. That's my understanding, yes.

10 Q. Thank you.

11 Could you please turn to Exhibit B -- or  
12 Tab B within this exhibit. Is this document a C-102  
13 form for the WD 3H well?

14 A. It is.

15 Q. Okay. Has the Division identified a pool and a  
16 pool code for this well?

17 A. Yes.

18 Q. And is the pool name the Fairview Mills;  
19 Wolfcamp Gas Pool?

20 A. Yes.

21 Q. Could you please identify the pool code?

22 A. 76560.

23 Q. Okay. And could you please identify for the  
24 hearing examiners what the first take point will be for  
25 this well?

1           A.    The first take point is 200 feet.

2           Q.    **From the north line?**

3           A.    From the north line.

4           Q.    **And then also 330 feet from the west line?**

5           A.    That's correct.

6           Q.    **Okay. And could you please identify what the**  
7 **last take point is for this well?**

8           A.    The last take point is 200 feet from the south  
9 line and 330 feet from the west line.

10          Q.    **Is it your understanding that the Fairview**  
11 **Mills; Wolfcamp Gas Pool is subject to setback**  
12 **requirements which are 660 feet for the producing**  
13 **lateral from the boundary of the spacing unit, and first**  
14 **and last take points will be 330 feet from the boundary**  
15 **of the spacing unit?**

16          A.    Yes.

17          Q.    **Okay. And these first and last take points and**  
18 **the completed lateral do not comply with those setback**  
19 **requirements, correct?**

20          A.    That's correct. They do not.

21          Q.    **Is Marathon seeking approval for nonstandard**  
22 **locations in its application to this well?**

23          A.    Yes.

24          Q.    **And to your knowledge, has Marathon provided**  
25 **notice to the parties that this well is going to**

1 encroach towards?

2 A. Yes, they have.

3 Q. Could you please turn to what's been marked as  
4 Exhibit 4. Mr. Noonan, does Exhibit 4 contain a lease  
5 tract map for the area at issue?

6 A. It does.

7 Q. Okay. Could you please explain what this  
8 diagram shows to the hearing examiners?

9 A. It defines the project area as Tract 1, which  
10 is the west half of Section 15.

11 Q. Okay. And what's the type of acreage that's at  
12 issue in Tract 1?

13 A. That is all fee, private acreage.

14 Q. Okay. And that's true for the upper and the  
15 lower portions of the Wolfcamp?

16 A. Yes. There are no depth severances in this  
17 formation -- in this project area.

18 Q. Okay. Thank you.

19 If you could turn to the second page, is  
20 Marathon seeking to pool all uncommitted mineral  
21 interests in its applications?

22 A. Yes, they are.

23 Q. And could you please explain what this second  
24 page of Exhibit 4 shows?

25 A. The second page shows that there are three

1 parties that are committed, comprising 94 percent --  
2 94.14 percent working interest. There is one  
3 uncommitted working interest, Tap Rock Resources, and  
4 there are two unleased mineral interests.

5 **Q. And could you summarize for the hearing**  
6 **examiners what efforts Marathon has made to obtain**  
7 **voluntary pooling of these interests?**

8 A. They started with correspondence to each of the  
9 interested parties. They followed up -- and by  
10 certified mail, and they followed up by phone calls and  
11 emails.

12 **Q. And has Marathon engaged in further**  
13 **negotiations with Tap Rock Resources, LLC concerning the**  
14 **commitment of its interests to the project areas?**

15 A. They have. Tap Rock has been offered an  
16 opportunity to participate in the JOA. They received  
17 the well proposals. And they're also in current  
18 discussions as to Marathon acquiring the Tap Rock  
19 Resources interests.

20 **Q. Thank you.**

21 **In your opinion, has Marathon made a**  
22 **good-faith effort to obtain voluntary joinder in these**  
23 **wells?**

24 A. I believe we have, yes.

25 **Q. Would you please turn to what's been marked as**

1     **Exhibit Number 5? Does Exhibit Number 5 contain a**  
2     **well-proposal letter that was sent out by Marathon for**  
3     **the development of these wells?**

4           A.    Yes, it does.

5           Q.    And if you could look at the third page of this  
6     **letter, does this well-proposal letter provide the**  
7     **opportunity to choose to elect to participate separately**  
8     **in each of the wells that we're discussing today?**

9           A.    Yes, it does.

10          Q.    So there is a separate election?

11          A.    Yes, for each well.

12          Q.    Okay. Along with this well-proposal letter,  
13     **did Marathon also send out AFEs?**

14          A.    They did.

15          Q.    Could you please turn to Tab A of this exhibit?  
16     **Does Tab A include the AFE for the 2H well?**

17          A.    It does, yes.

18          Q.    Okay. And does this AFE provide estimated  
19     **costs for drilling, completing and equipping the well?**

20          A.    Yes.

21          Q.    Could you please identify what those costs are  
22     **for the hearing examiners?**

23          A.    Okay. The total drilling costs are estimated  
24     to be \$2,660,918. The total completion cost is  
25     estimated to be \$3,751,200, surface equipment costs of

1 \$809,485, and total well cost of \$7,371,853.

2 Q. Could you please turn to Tab B of this exhibit?  
3 Does Tab B include the AFE that was sent for the 6H  
4 well?

5 A. It does, yes.

6 Q. Could you please identify the costs estimated  
7 for drilling, equipping and completing this well?

8 A. Total drilling costs of \$2,687,940, total  
9 completion costs of \$3,751,200, surface equipment costs  
10 of \$783,183, and total well costs estimated to be  
11 \$7,397,123.

12 Q. Could you please turn to Tab C of this exhibit?  
13 Is this the AFE for the 14H well?

14 A. Yes.

15 Q. Could you please identify the estimated costs  
16 for drilling, equipping and completing this well?

17 A. Total drilling costs of \$2,661,998, completion  
18 costs of \$3,751,200, surface equipment estimated at  
19 \$809,485, for a total well cost of \$7,372,933.

20 Q. And if you could please turn to Tab D of this  
21 exhibit? Is this the AFE that was sent out for the 3H  
22 well?

23 A. Yes, ma'am.

24 Q. And could you please identify the costs that  
25 have been estimated for drilling, equipping and

1     **completing this well?**

2           A.     Total drilling costs of \$2,743,020, total  
3     completion costs estimated at \$3,751,200, surface  
4     equipment at \$783,983, and the total well costs  
5     estimated to be \$7,452,203.

6           **Q.     Is it your understanding that the estimated**  
7     **costs for drilling, completing and equipping these wells**  
8     **are comparable to the costs to drill similar wells to**  
9     **these lengths and these depths within this area of**  
10    **New Mexico?**

11          A.     I believe they are, yes.

12          **Q.     Mr. Noonan, in your opinion, who should be**  
13    **appointed as the operator of the well?**

14          A.     I think it should be Marathon Oil.

15          **Q.     And do you have a recommendation for the amount**  
16    **which Marathon should be paid for supervision and**  
17    **administrative expenses?**

18          A.     We're suggesting \$7,000 a month during drilling  
19    operations and \$700 a month during producing --  
20    production.

21          **Q.     Are these amounts equivalent to those normally**  
22    **charged by Marathon and other operators in this area for**  
23    **drilling horizontal wells to these lengths and to these**  
24    **depths?**

25          A.     To my understanding, yes.

1 Q. And do you request that these rates be adjusted  
2 periodically as provided for under the COPAS accounting  
3 procedure?

4 A. Yes.

5 Q. Does Marathon request the maximum cost plus 200  
6 percent risk charge if any pooled working interest owner  
7 fails to pay its share of the costs of drilling,  
8 completing and equipping the wells?

9 A. Yes.

10 Q. And were the parties that Marathon is seeking  
11 to pool notified of this hearing?

12 A. Yes.

13 Q. Could you please turn to Tab 6 -- Exhibit 6 in  
14 the packet in front of you? Does Exhibit 6 contain an  
15 affidavit confirming that notice was provided to the  
16 parties that Marathon is seeking to pool, as well as  
17 offset owners?

18 A. Yes, it does.

19 Q. If you turn to the second page of this exhibit,  
20 does it contain a chart which lists the working interest  
21 owners that were notified, the overriding royalty  
22 interest owners that were notified of Marathon's  
23 application and offset owners?

24 A. It does.

25 Q. And Marathon is seeking to pool overriding

1     royalty interests in its applications; is that correct?

2             A.     That's correct.

3             Q.     Okay.  And if you could turn a couple of pages  
4     to the next chart.  It should look like this  
5     (indicating).  Is that a chart confirming that notices  
6     were mailed and sent?

7             A.     That's a log of all the mailings.

8             Q.     And if you turn a couple of pages into this  
9     exhibit, you should have a pullout spreadsheet  
10    confirming that notices were delivered or if notices  
11    were not yet delivered by the U.S. Post Office; is that  
12    correct?

13            A.     That's correct.

14            Q.     Okay.  And there were some mailings that were  
15    not yet delivered; is that correct?

16            A.     Most have been delivered.  There have been a  
17    couple that have been lost.

18            Q.     Okay.  And if you turn to the next page of this  
19    exhibit, are there two separate Affidavits of  
20    Publication, one for each of the applications confirming  
21    that notice was also given via publication in the Hobbs  
22    newspaper?

23            A.     Yes.

24            Q.     Mr. Noonan, were Exhibits 1 through 6 compiled  
25    from Marathon's company business records?

1           A.    Yes, they were.

2           **Q.    And in your opinion, is the granting of these**  
3           **applications in the interest of conservation and the**  
4           **prevention of waste?**

5           A.    I believe they are, yes.

6                       MS. BRADFUTE:  I'd like to tender Exhibits  
7           1 through 6 into the record.

8                       EXAMINER DAWSON:  Any objection?

9                       MR. BRUCE:  No objection.

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

12                      (Marathon Oil Permian, LLC Exhibit Numbers  
13           1 through 6 are offered and admitted into  
14           evidence.)

15                      MS. BRADFUTE:  And that concludes my  
16           questions for this witness.

17                      EXAMINER DAWSON:  Okay.  Leonard, do you  
18           have any questions?

19                                       CROSS-EXAMINATION

20           BY EXAMINER LOWE:

21           **Q.    One question right now.  You did -- well, I**  
22           **just want to clarify what you indicated.  On the C-102s**  
23           **that are submitted here, you are all going to resubmit**  
24           **to the districts in reference to the new horizontal well**  
25           **rules?  Is that what's going to be going on?**

1           A.    That's my understanding, yes.

2           **Q.    Okay.  That's all I've got.  Thank you.**

3                           EXAMINER DAWSON:  David?

4   CROSS-EXAMINATION

5  BY EXAMINER BROOKS:

6           **Q.    Okay.  Well, this is just a prospect here in**  
7 **regard to Exhibit 6.  The printout of return receipts,**  
8 **you said there were a couple of them that were lost.**  
9 **Looking at this exhibit, it actually reports there were**  
10 **five that were lost, I believe.**

11                           MS. BRADFUTE:  Yes.  That is what is shown,  
12 Mr. Brooks.

13                           EXAMINER BROOKS:  And what does that mean?

14                           MS. BRADFUTE:  That means that they are  
15 lost in the U.S. Post Office's system.

16                           EXAMINER BROOKS:  So the U.S. Post Office  
17 can't find the receipts?

18                           MS. BRADFUTE:  Yes.

19                           EXAMINER BROOKS:  Okay.  Thank you.

20   And all those people who were reported as  
21 lost or to be returned were notified by publication?

22                           MS. BRADFUTE:  Yes.

23           **Q.    (BY EXAMINER BROOKS) Okay.  Did you conduct a**  
24 **diligent search for those people at the time that you**  
25 **did the publication notice?**

1 A. Yes.

2 Q. Thank you.

3 This list of overrides that you provided,  
4 which exhibit was that on?

5 MS. BRADFUTE: It's Exhibit 6, and it's the  
6 second page right behind the affidavit.

7 Q. (BY EXAMINER BROOKS) Okay. Is that a complete  
8 list of the overriding royalties in this -- well,  
9 Exhibit 6, which tab?

10 MS. BRADFUTE: It's the second page in  
11 Exhibit 6, so right behind my affidavit.

12 EXAMINER BROOKS: Oh, I'm in Exhibit 5.  
13 I'm sorry.

14 Okay. Thank you.

15 Q. (BY EXAMINER BROOKS) Is this a complete list of  
16 the overriding royalties that affect this acreage?

17 A. Yes.

18 Q. Now, what are you trying -- what are you asking  
19 for in terms of spacing units? You're asking for the  
20 creation of nonstandard spacing units under the  
21 pre-existing rules for project areas, but what are they?

22 MS. BRADFUTE: Both spacing units cover the  
23 west half of the section -- west half of Section 15.  
24 One is an Upper Wolfcamp oil spacing unit, and then the  
25 other is a standard 320-acre Lower Wolfcamp gas spacing

1 unit.

2 EXAMINER BROOKS: Now, you identified two  
3 different pools?

4 MS. BRADFUTE: Yes. There are two  
5 different pools that have been created by the district  
6 office.

7 EXAMINER BROOKS: And they're both -- they  
8 both include the west half of Section 15?

9 MS. BRADFUTE: Yes.

10 EXAMINER BROOKS: That's a very unusual  
11 situation.

12 MS. BRADFUTE: It is. It's an area where  
13 Paul Kautz has identified that the upper portion of the  
14 Wolfcamp is an oil pool in Lea County, and the lower  
15 portion of the Wolfcamp in Lea County is a gas pool.

16 EXAMINER BROOKS: So the Upper Wolfcamp is  
17 only in the Antelope Ridge; Wolfcamp Pool, and the Lower  
18 Wolfcamp is only in the -- whatever the other pool was?

19 MS. BRADFUTE: Fairview Mills; Wolfcamp.

20 EXAMINER BROOKS: Fairview Mills; Wolfcamp  
21 Pool.

22 MS. BRADFUTE: That's correct.

23 EXAMINER BROOKS: So we don't have an issue  
24 where you would be asking us, in these lease orders, to  
25 create a depth severance within the pool?

1 MS. BRADFUTE: That's correct.

2 EXAMINER DAWSON: Okay.

3 EXAMINER BROOKS: Okay. Thank you. I  
4 believe that's all my -- oh. I would say I think we're  
5 on the same page -- I think we've got the Division  
6 people pretty well on the same page -- I don't know --  
7 with the new horizontal well rule. But what I believe  
8 is going to be the procedure is if you have -- if you  
9 have an order under the old rules, that order will not  
10 address the desire to go out to the 100-foot setback  
11 that's permitted by the new rules because an application  
12 filed under the old rules is supposed to be decided  
13 under the old rules. So what you do then is just file  
14 an amended C-102 showing that, and it doesn't require  
15 Division approval by the district office because it's  
16 standard.

17 MS. BRADFUTE: Thank you. That was my  
18 question as well.

19 EXAMINER BROOKS: It's not a nonstandard  
20 location under the rules in force at the time you filed  
21 it.

22 MS. BRADFUTE: Okay. Thank you.

23 EXAMINER DAWSON: Is that all the  
24 questions?

25 EXAMINER BROOKS: That's all I have.

1 EXAMINER DAWSON: The only question I had  
2 was on the notices, on the lost part of it again, going  
3 back to that. Gina Crum [phonetic]?

4 MS. BRADFUTE: Gina's my assistant.

5 EXAMINER DAWSON: She is who?

6 MS. BRADFUTE: She's my assistant.

7 EXAMINER DAWSON: Oh, okay. Okay.

8 So those people are all depicted on the  
9 newspaper notice?

10 MS. BRADFUTE: Yes, they are.

11 EXAMINER DAWSON: Okay. That was my  
12 question.

13 Thank you. That's all the questions I  
14 have.

15 MS. BRADFUTE: Okay. Thank you.

16 EXAMINER DAWSON: You can call your next  
17 witness now.

18 Thanks, Mr. Noonan.

19 THE WITNESS: Thank you.

20 KATE ZEIGLER, Ph.D.,  
21 after having been previously sworn under oath, was  
22 questioned and testified as follows:

23 DIRECT EXAMINATION

24 BY MS. BRADFUTE:

25 Q. Could you please state your name?

1           A.    Kate Zeigler.

2           **Q.    Ms. Zeigler, who do you work for?**

3           A.    Zeigler Geologic Consulting on behalf of  
4 Marathon Oil.

5           **Q.    And what have you been hired to look at by**  
6 **Marathon Oil in these cases?**

7           A.    I am a geologist and a stratigrapher, and so I  
8 am assisting Marathon Oil with making sure that the  
9 stratigraphy is correct and the geology is well  
10 understood for those areas.

11          **Q.    And have you previously testified before the**  
12 **Division?**

13          A.    Yes.

14          **Q.    And were your credentials accepted and made**  
15 **part of the record?**

16          A.    Yes.

17          **Q.    Are you familiar with the applications that**  
18 **have been filed by Marathon in these matters?**

19          A.    Yes.

20          **Q.    And are you familiar with the status of the**  
21 **lands which are the subject matter of these**  
22 **applications?**

23          A.    Yes.

24          **Q.    And are you familiar with the drilling plans**  
25 **for the wells?**

1           A.    Yes.

2           **Q.    Have you conducted a geologic study of the area**  
3 **embracing the spacing units for the wells?**

4           A.    Yes.

5                       MS. BRADFUTE:  I would like to tender  
6 Ms. Zeigler as an expert witness in geology matters.

7                       EXAMINER DAWSON:  Any objections?

8                       MR. BRUCE:  No objection.

9                       EXAMINER DAWSON:  Ms. Zeigler will be  
10 admitted as an expert in geology matters at this time.

11           **Q.    (BY MS. BRADFUTE) Ms. Zeigler, would you please**  
12 **identify what the targeted interval is for the Upper**  
13 **Wolfcamp and the Lower Wolfcamp wells?**

14           A.    So there are three wells in this project that  
15 will be targeting the Upper Wolfcamp, the WA, the WXY  
16 being the two parts of the Upper Wolfcamp.  And then the  
17 Lower Wolfcamp will be what's termed the "Wolfcamp D  
18 interval."  And so the three wells in the Upper Wolfcamp  
19 are the WA 6H, the WXY 2H and the WA 14H.  And the well  
20 that will be targeting the Lower Wolfcamp, the Wolfcamp  
21 D interval, will be the WD 3H.

22           **Q.    And, Ms. Zeigler, could you please turn to**  
23 **what's been marked as Exhibit 7?  And this exhibit has**  
24 **multiple pages in it, so I want to look at the first**  
25 **page of this exhibit.  Could you please identify what**

1 **this document is?**

2 A. So this is a structure contour map that's been  
3 developed on the top of the Wolfcamp D4 interval. So  
4 we're starting with the lower well instead of the three  
5 upper wells. And contour interval is in 50 foot. And  
6 the yellow boxes are identifying all of Marathon's  
7 acreage in this area. The black-dashed box in the  
8 center of the figure is this particular project area.

9 And the WA 6H and the WD 3H are on the far  
10 west side, and they will be two wells coming off of a  
11 single pad. And then 3 is the WXY 2H, which is another  
12 one of the Upper Wolfcamp wells. And then at the east  
13 end of the project area is the WA 14H, which is another  
14 Upper Wolfcamp well.

15 There are also three wells marked here with  
16 the red circles and a red line going through them north  
17 to south, and this is a cross section that we'll be  
18 looking at in a subsequent figure. And in looking at  
19 the structure contour map, we see a dip off to the  
20 south-southeast, and there is no evidence of faulting or  
21 pinch-outs that might affect this acreage.

22 **Q. And you mentioned that a cross section of logs**  
23 **has been prepared; is that correct?**

24 A. Yes.

25 **Q. If you could please turn to the next page**

1     **within this exhibit, is this the cross section that you**  
2     **were referring to?**

3             A.     Yes.

4             **Q.     And could you please explain this document to**  
5     **the hearing examiners?**

6             A.     So these are the three wells identified on the  
7     previous figure, and from left to right, we're going  
8     from north to south.  And these are all older Legacy  
9     vertical wells that have been used so that we can look  
10    at the entire Wolfcamp interval in this area.

11            And so in looking at each of these, we have  
12    our gamma ray on the left side and then resistivity and  
13    porosity on the right-hand side.  These have been hung  
14    off the top of the Wolfcamp.  So it includes the 3rd  
15    Bone Spring at the top and then the Wolfcamp interval  
16    below that.

17            And this is showing that structural dip off  
18    to the south in each -- as we go from each of these  
19    wells to the next one south.  But in general, the  
20    producing zone that's being targeted for the Lower  
21    Wolfcamp is fairly homogeneous in its thickness, as well  
22    as in its lithology.

23            **Q.     And if you could please turn to the last page**  
24    **of this exhibit, could you please identify what this**  
25    **document is?**

1           A.     This is a gross interval isochore for the Lower  
2     Wolfcamp, specifically what Marathon terms the Wolfcamp  
3     D2, the Wolfcamp D4 intervals. And this is showing a  
4     slight thickening to the south that we saw in the cross  
5     section that we just looked at, again the red wells from  
6     north to south, the contour interval being 100-foot  
7     contour interval in this case for thickness of that  
8     package.

9           **Q.     And what conclusions have you drawn from your**  
10    **geologic study of this zone within the Wolfcamp**  
11    **Formation?**

12          A.     That the lateral thickness is sufficient and  
13    consistent across the project area, that there don't  
14    appear to be any structural issues that might affect  
15    this acreage, and no lateral pinch-outs that might  
16    affect production.

17          **Q.     Do you expect that the wells drilled within**  
18    **this area will contribute approximately equally**  
19    **throughout the lateral?**

20          A.     Yes.

21          **Q.     And if you could please turn now to what's been**  
22    **marked as Exhibit 8 in the packet in front of you, and,**  
23    **again, this exhibit contains multiple pages. I'm going**  
24    **to first focus on the first page. Could you please**  
25    **identify what this document shows?**

1           A.     So this is also a structure contour map, but  
2     now we've moved upwards into the Upper Wolfcamp area.  
3     And so this is the entire Upper Wolfcamp, including the  
4     WXY, again showing Marathon's acreage in yellow in the  
5     area, with the specific project area in the black-dashed  
6     box in the center, with the same wells that we looked at  
7     in the very first -- one of these figures for the Lower  
8     Wolfcamp, all identified, as well as our cross section  
9     with the three red wells.

10                     And as with the Lower Wolfcamp, we see that  
11     structural dip off to the south-southeast and no  
12     evidence of structural issues such as faults or lateral  
13     pinch-outs that might affect production.

14           **Q.     And was the cross section of logs also prepared**  
15     **to look at this portion of the Wolfcamp Formation?**

16           A.     Yes.

17           **Q.     Could you please turn to the next page of this**  
18     **exhibit?**

19           A.     So this is the same cross section that we  
20     looked at.  Again, the wells from left to right are  
21     south to north through the project area, again hung on  
22     the top of the Wolfcamp and showing that slight  
23     structural dip and a slight thickening from north to  
24     south.  But, again, the overall thickness of this Upper  
25     Wolfcamp zone is fairly continuous through the area, and

1 the lithologies are also quite similar from well to  
2 well.

3 Q. And could you turn to the next page of this  
4 exhibit, and could you please identify what this  
5 document is?

6 A. This is a gross interval isochore for the  
7 Wolfcamp to the Wolfcamp B so for the Upper Wolfcamp  
8 interval that's at question, and again Marathon's  
9 acreage, as well as the project area in the center of  
10 the box -- or the center of the figure, with the cross  
11 section that we just looked at identified from north to  
12 south, and showing that slight thickening as we progress  
13 from south to north. But in the project area itself,  
14 there is little change in the actual thickness of the  
15 unit.

16 Q. And Exhibit 8 pertains to the Upper Wolfcamp  
17 wells, correct?

18 A. Yes.

19 Q. In your study of the Upper Wolfcamp Formation,  
20 is it your opinion that each quarter-quarter section  
21 will be productive within the formation?

22 A. Yes.

23 Q. And will each tract or each quarter-quarter  
24 section contribute approximately equally to the  
25 production from the wells?

1           A.    Yes.

2           Q.    Ms. Zeigler, in your opinion, would the  
3 granting of Marathon's application be in the best  
4 interest of waste (laughter) -- or the best interest of  
5 conservation of waste -- the prevention of waste, the  
6 best interest of conservation and the protection of  
7 correlative rights?

8           A.    Yes.

9           Q.    And were Exhibits 7 and 8 prepared by you or  
10 compiled from company business records?

11          A.    Yes, they were.

12                   MS. BRADFUTE:  I'd like to tender Exhibits  
13 7 and 8 into the record.

14                   EXAMINER DAWSON:  Any objections?

15                   MR. BRUCE:  No objection.

16                   EXAMINER DAWSON:  Exhibits 7 and 8 are  
17 admitted to the record at this time.

18                   Thank you.

19                   (Marathon Oil Permian, LLC Exhibit Numbers  
20 7 and 8 are offered and admitted into  
21 Evidence.)

22                   MS. BRADFUTE:  And that concludes my  
23 questions for this witness.

24                   EXAMINER DAWSON:  Leonard, any questions?

25

1 CROSS-EXAMINATION

2 BY EXAMINER LOWE:

3 Q. I have a question on Exhibit 7. Where do you  
4 have you're a and A prime on the map?

5 A. So unfortunately, those labels got lost, but  
6 the northern Alexander well would be you're a and the  
7 southern Madera would be you're a prime. So apologies  
8 for that. And it would be the same for Exhibit 8 for  
9 that same cross section.

10 Q. That is all I've got for now. Thank you.

11 EXAMINER DAWSON: Questions?

12 EXAMINER BROOKS: I don't have any  
13 questions, but I would like to make a comment. As some  
14 people will tell you, I do that a lot.

15 I believe that -- I am thinking at this  
16 point -- and I have not discussed this with the other  
17 people in the Division, but I'm thinking that it would  
18 be wise to require people who are compulsory pooling  
19 tracts that a substantial -- or a significant portion of  
20 which is owned by other people, to continue to bring  
21 geologic evidence in to a compulsory pooling proceeding  
22 because our pool-expansion mantra does not have any --  
23 does not involve any consideration of the actual  
24 geology. It's based on the proximity only. And  
25 although I think that geology is taken into

1 consideration, it may reflect a particular time and  
2 evaluation, and it would not be reasonable to include in  
3 a compulsory pooled unit if there is significantly  
4 different geology from the rest of the proposed unit.

5 That's just an observation, and I will  
6 continue to discuss that with other people in the  
7 Division, so stayed tuned to this station for updates.

8 Thank you.

9 MS. BRADFUTE: Thank you.

10 EXAMINER BROOKS: That's all I have.

11 CROSS-EXAMINATION

12 BY EXAMINER DAWSON:

13 **Q. The only question I have is: The Upper**  
14 **Wolfcamp completion, you don't feel that will affect the**  
15 **Bone Spring in any way, do you?**

16 A. Not in this particular case, no, sir.

17 **Q. Okay. That's the only question I have.**

18 **Thanks, Ms. Zeigler.**

19 A. Thank you.

20 MS. BRADFUTE: Thank you.

21 That concludes my presentation for both of  
22 these cases. Marathon asks that both of these cases be  
23 taken under advisement.

24 EXAMINER DAWSON: Okay. So at this time,  
25 both cases, 16306 and 16307, will be taken under

1 advisement.

2 Thank you very much.

3 MS. BRADFUTE: Thank you.

4 (Case Numbers 16306 and 16307 conclude,  
5 10:45 a.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 16th day of August 2018.

21

22

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