

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:

CASE NOS: 20883, 20884

APPLICATION OF MARATHON OIL PERMIAN  
LLC FOR COMPULSORY POOLING  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 14, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, EXAMINERS LEONARD LOWE, KATHLEEN MURPHY, PHILLIP GOETZE, and LEGAL EXAMINER ERIC AMES, on Thursday, November 14, 2019, 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: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
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1 A P P E A R A N C E S

2 For the Applicant:

3 DEANA BENNETT  
 4 MODRALL SPERLING ROEHL HARRIS & SISK PA  
 5 500 4th Street, NW, Suite 1000  
 6 Albuquerque, NM 87102  
 7 505-848-9710  
 8 deana.bennett@modrall.com

7 I N D E X

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|----|---------------------------------|----|
| 8  | CASE NO. 20883 and 20884 CALLED |    |
| 9  | CHASE RICE (By Affidavit)       | 03 |
| 10 | REBECCA HORNE (By Affidavit)    | 04 |
| 11 | TAKEN UNDER ADVISEMENT:         | 07 |

13 E X H I B I T I N D E X

|    |                           |          |
|----|---------------------------|----------|
| 14 |                           | Admitted |
| 15 | Exhibit A and Attachments | 06       |
| 16 | Exhibit B and Attachments | 06       |

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1                   HEARING EXAMINER LOWE: Deana, would you like to  
2     consolidate the next cases?

3                   MS. BENNETT: I would like to consolidate Case  
4     Numbers 20883 and 20884. I would like to present case  
5     Number 20885 separately.

6                   HEARING EXAMINER LOWE: We will consolidate and  
7     hear cases Number 20883 and 20884, Marathon for compulsory  
8     pooling. Call for appearance.

9                   MS. BENNETT: Good morning. Deana Bennett on  
10    behalf of Marathon Oil Permian LLC.

11                  HEARING EXAMINER LOWE: You may proceed.

12                  MS. BENNETT: Thank you. I've presented to the  
13    Examiners this morning a packet of materials that contain  
14    affidavits for two cases, Case Number 20883 and 20884.  
15    These two cases involve Second Bone Spring wells and each  
16    case involves one well.

17                  Behind Tab A is the affidavit of the landman,  
18    Mr. Chase Rice, who has previously testified before the  
19    Division and his credentials were accepted as a matter of  
20    record.

21                  Behind Tab A are his exhibits and they include  
22    Exhibit 1, which is the application for Case Number 20883;  
23    Exhibit 2, application for Case Number 20884; Exhibit 3 is  
24    C-102s; Exhibit 4, the lease tract map and the  
25    identification of the working interest owners and the amount

1 of their interest; Exhibit 5, the proposal letter; Exhibit  
2 6, the AFEs.

3 And Mr. Rice testifies that these costs are in  
4 line with the cost of other operators charging for similar  
5 wells of similar length in this area.

6 Exhibit 7 is my affidavit of notice showing that  
7 notice letters were sent out as well as publication.

8 Exhibit B is the affidavit of our geologist,  
9 Rebecca Horne, and unfortunately there's a typo in her  
10 affidavit because -- well, it is kind of a typo, but not  
11 really.

12 We had thought that Ms. Horne may be testifying  
13 already in the Valkyrie contested cases when I prepared  
14 these affidavits, and so I had prepared the affidavits on  
15 the assumption that her credentials would have already been  
16 accepted as a matter of record.

17 But in fact Ms. Horne has not yet testified  
18 before the Division, and so her affidavit is incorrect on  
19 that account. She will be testifying later today or  
20 tomorrow on behalf of Marathon, and in the packet of  
21 materials that we have prepared for her testimony in the  
22 Valkyrie contested hearings, we have a copy of her resume,  
23 and she is prepared in that case to identify her  
24 credentials.

25 So I would ask that the Division take her

1 affidavit now, recognizing that I don't have a copy of her  
2 resume attached to this affidavit at this time, but I'm also  
3 happy to have copies made over the lunch hour if need be and  
4 attach them to this affidavit.

5 HEARING EXAMINER LOWE: We will admit that  
6 resume.

7 MS. BENNETT: Thank you. Behind her exhibits,  
8 behind her affidavit is a locator map, the gun barrel view,  
9 and then the structure map for the Second Bone -- Second  
10 Bone Spring, as well as a cross reference map for her cross  
11 section, the cross section and the isochore, and then  
12 finally Snee and Zoback paper reference justifying her  
13 conclusion about the preferred well orientation.

14 A couple of things about this packet that I  
15 wanted to point out is that actually Marathon requests that  
16 overriding royalty interest owners also be pooled, and the  
17 list of overriding royalty interest owners is behind Tab 7,  
18 and it's on Pages 34, 35 and 36.

19 And I failed to mention in the last two Marathon  
20 cases that Marathon also seeks to have the overriding  
21 royalty interest owners pooled, but that's in the affidavit,  
22 just for clarifying.

23 HEARING EXAMINER LOWE: Okay.

24 MS. BENNETT: Also, we inadvertently did not send  
25 BLM a certified letter right at the same time we sent the

1 other affected parties a certified letter, so what we did  
2 was, as soon as we realized that, we sent BLM a letter via  
3 FedEx. So there is tracking information showing that a  
4 letter was sent FedEx and delivered on 10-30. And so  
5 FedEx -- BLM did receive a copy of the letter even though we  
6 didn't send it at the same time that we sent the other  
7 certified mail.

8 And I should mention, too, that the 10-30  
9 delivery date is on or before the time that the certified  
10 mail -- the certified letters were delivered, so there is no  
11 prejudice to BLM, in my opinion, for having sent it via  
12 FedEx. We sent it overnight FedEx to BLM, and they actually  
13 accepted it for the first time in like a year.

14 I also will prepare Exhibit A's for these and  
15 submit Exhibit A's when I sent the PDF with the exhibits.

16 With that I would ask that Exhibit A and its  
17 attachments, and Exhibit B and its attachments be accepted  
18 into the record for Case Numbers 20883 and 20884.

19 HEARING EXAMINER LOWE: Exhibits A and B and  
20 their attachments will be accepted for both cases.

21 (Exhibits A and B admitted.)

22 MS. BENNETT: Thank you. Oh, pardon me, I have  
23 one more clarifying note to make. You will see on Page 6, I  
24 marked out the Ripley 35 SB Fed Com 8H well in the  
25 application, and that's because that's actually a Wolfcamp

1 well. It's a typo that it ended up in here as well, a typo  
2 was made by me.

3 But Mr. Rice also testifies about that typo in  
4 his affidavit. And the notice letters were sent out  
5 correctly, and the proposals were correct as well.

6 EXAMINER MURPHY: Nothing.

7 EXAMINER GOETZE: Just a comment. There is a  
8 comment, BLM probably knows what's going on. Good luck.

9 MS. BENNETT: Thank you.

10 MR. AMES: No.

11 HEARING EXAMINER LOWE: I have no questions.

12 MS. BENNETT: Thank you. With that I would ask  
13 that Case Number 20883 and 20884 be taken under advisement.

14 Hearing EXAMINER LOWE: Case Number 20883 and  
15 20884 will be taken under advisement.

16 MS. BENNETT: Thank you.

17 (Case numbers 20883 and 20884 taken under  
18 advisement.)

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