

**BEFORE THE OIL CONSERVATION COMMISSION  
EXAMINER HEARING JANUARY 10, 2019**

**CASE NO. 16266**

*DUCK HUNT STATE COM NO 602H WELL*

**LEA COUNTY, NEW MEXICO**



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

**APPLICATION OF CENTENNIAL RESOURCE PRODUCTION, LLC  
TO RE-OPEN CASE NO. 16266 TO ADD ADDITIONAL INITIAL WELLS  
UNDER THE TERMS OF COMPULSORY POOLING ORDER  
R-20002 LEA COUNTY, NEW MEXICO.**

**CASE NO. 16266 (re-opened)**

**HEARING AFFIDAVIT OF GAVIN SMITH**

Gavin Smith, being first duly sworn on oath, states as follows:

1. My name is Gavin Smith. I work for Centennial Resource Production, LLC (“Centennial”) as a Landman.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record.
3. I am familiar with the application filed by Centennial in this case, and I am familiar with the status of the lands in the subject area.
4. Division Order R-20002, attached as **Exhibit 1-A**, entered on October 1, 2018, created a 240-acre non-standard spacing and proration unit consisting of the W/2 SE/4 of Section 1 and the W/2E/2 of Section 12, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico. This order further pooled the uncommitted interests in the Bone Spring Formation (Antelope Ridge; Bone Spring, North (Pool Code 2205)) in this spacing and proration unit (the “Unit”) and dedicated the Unit to the **Duck Hunt 1 State Com Well No. 602H** (API No. 30-025-44964), a horizontal well to be drilled from a surface location 2339 feet from the South line and 1955 feet from the East line (Unit J)

of Section 1 to a bottom hole location 100 feet from the South line and 1650 feet from the East line (Unit O) of Section 12.

5. Since the entry of Order R-20002, Centennial has added two additional initial wells in the Bone Spring formation. The spacing unit and the pool remain the same as designated under Order R-20002. The parties pooled under Order R-20002 remain the same.

6. The spacing unit will be dedicated to three initial wells: the **Duck Hunt 1 State Com Well No. 302H**, the **Duck Hunt 1 State Com Well No. 502H**, and the **Duck Hunt 1 State Com Well No. 602H**. All wells will be drilled horizontally from a surface location in the NW/4 SE/4 (Unit J) of Section 1 to a bottom hole location in the SW/4 SE/4 (Unit O) of Section 12.

7. **Exhibit No. 1B** contains a Form C-102 for the two additional proposed wells. Centennial has been informed that the wells will be placed in the Antelope Ridge; Bone Spring, North Pool (Pool Code 2205). The C-102s reflects that the completed intervals for the two additional well will remain within the standard offset required by the Statewide rules for oil wells.

8. **Exhibit 1C** contains the well proposal letters for both additional initial wells along with an AFE provided to all working interest owners, both those parties pooled pursuant to order R-20002 and those who are voluntarily committed to the wells.

9. The costs reflected in the Statement of Estimated Well Costs are consistent with what other operators have incurred for drilling similar horizontal wells in the area.

10. Pursuant to Order R-20002, p. 6, Paragraph 16, Centennial requests that the Division apply the previously approved charges for supervision as \$7500 per month while

drilling, and similarly requests that the 200 percent risk penalty for uncommitted interest owners apply to the two additional initial wells.

11. I provided the law firm of Holland & Hart LLP a list of names and addresses for notice. The names and last known addresses are included in Exhibit 3. In compiling these notice lists, Centennial conducted a diligent search of all public records in the county where the proposed wells are located and of phone directories, including computer searches. Certain letters were returned as undeliverable: Heirs of Dorothy Heard, Doris E. Raymond, and Heirs of Kate A. R. Herwig. Notice was published directed to these parties.

12. **Exhibit 1-A through 1-C** were either prepared by me or compiled under my direction and supervision.

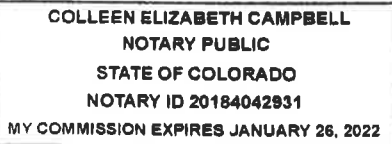
FURTHER AFFIANT SAYETH NOT.

Gavin Smith

Gavin Smith

STATE OF CO )  
COUNTY OF Denver )

SUBSCRIBED and SWORN to before me this 9 day of January  
2019 by Gavin Smith.



Colleen Elizabeth Campbell  
NOTARY PUBLIC

My Commission Expires:

01/26/2022

**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 TO CONSIDER:**

**CASE NO. 16266  
ORDER NO. R-20002**

**APPLICATION OF CENTENNIAL RESOURCE PRODUCTION, LLC FOR A  
NON-STANDARD OIL SPACING AND PRORATION UNIT AND COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on July 26, 2018, at Santa Fe, New Mexico, before Examiner William V. Jones. The case was again heard on August 9, 2018 and taken under advisement.

NOW, on this 1<sup>st</sup> day of October 2018, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

**FINDS THAT**

(1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.

(2) Cases No. 16265 and 16266 were consolidated at the hearing but separate orders will be issued.

(3) In Case No. 16266, Centennial Resource Production, LLC (the "Applicant") seeks approval of a 240-acre non-standard oil spacing and proration unit and project area (the "Unit") for oil and gas production from the Bone Spring formation, Antelope Ridge; Bone Spring, North (Pool Code 2205), comprising the W/2 SE/4 of Section 1, Township 23 South, Range 34 East and the W/2 E/2 of Section 12, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico. Applicant further seeks an order pooling all uncommitted interests in the Unit for the Bone Spring formation.

(4) The Unit will be dedicated to the following "proposed well".

**Duck Hunt 1 State Com Well No. 602H, API No. 30-025-44964**

**BEFORE THE OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico  
**Exhibit No. 1A**  
Submitted by: **CENTENNIAL RESOURCE**  
Hearing Date: January 10, 2019  
Case Nos. 16266

SHL: 2340 feet from the South line and 801 feet from the East line,  
(Unit I) of Section 1, Township 23 South, Range 34 East, NMPM.  
BHL: 100 feet from the South line and 1650 feet from the East line  
(Unit O) of Section 12, Township 23 South, Range 34 East, NMPM.

(5) The proposed well is in an oil pool subject to Division Rule 19.15.15.9(A) NMAC, which provides for standard 40-acre units each comprising a governmental quarter-quarter section. The proposed Unit and project area consist of six adjacent quarter-quarter sections oriented north to south.

(6) Weldon Baird and the Beulah M. Baird Trust entered an appearance and pre-hearing statement and was represented at hearing and submitted exhibits. ConocoPhillips Company entered an appearance and was represented at the hearings. No other party appeared or otherwise opposed this application.

(7) Applicant appeared through counsel and presented the following land and technical evidence:

- (a) The Bone Spring formation in this area is suitable for development by horizontal drilling.
- (b) The proposed orientation of the horizontal well or wells from north to south is appropriate for the Unit.
- (c) All quarter-quarter sections to be included in the Unit are expected to be substantially productive in the Bone Spring formation, so that the Unit as requested will not impair correlative rights.
- (d) There are State and Fee lands within the Unit.
- (e) Applicant notified the Division at the August 9 hearing that Weldon Baird and the Beulah M. Baird Trust had leased its acreage and the lessee was negotiating with Applicant.
- (f) The well will be located on a common drilling pad with Well No. 601H which is the subject of companion Case No. 16265.
- (g) The application was submitted prior to the new horizontal well rule being in effect.
- (h) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments.

- (i) Those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

The Division Concludes That

(8) The proposed non-standard unit should be approved to enable Applicant to drill a horizontal well that will efficiently produce the reserves underlying the Unit, thereby preventing waste and protecting correlative rights.

(9) The completed interval for this horizontal oil well within the Unit would be non-standard under the pool rules but will be standard under Subsection C of 19.15.16.15 NMAC effective June 26, 2018.

(10) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(11) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed well to a common source of supply within the Unit at the described location.

(12) There are interest owners in the Unit that have not agreed to pool their interests.

(13) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas within the Unit.

(14) Centennial Resource Production, LLC (OGRID 372165) should be designated the operator of the proposed well and the Unit.

(15) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.

(16) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the proposed wells.

(17) Reasonable charges for supervision (combined fixed rates) should be fixed at \$7500 per month, per well, while drilling and \$750 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the overhead adjustment provision of the COPAS form titled "*Accounting Procedure-Joint Operations.*"



**IT IS THEREFORE ORDERED THAT**

(1) Pursuant to the application of Centennial Resource Production, LLC, a 240-acre non-standard oil spacing unit and project area (the "Unit") is hereby established for oil and gas production from the Bone Spring formation, Antelope Ridge; Bone Spring, North (Pool code 2205), comprising the W/2 SE/4 of Section 1, Township 23 South, Range 34 East and the W/2 E/2 of Section 12, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

(2) All uncommitted interests, whatever they may be, in the oil and gas in the Bone Spring formation underlying the Unit, are hereby pooled.

(3) The Unit shall be dedicated to the following "proposed well":

**Duck Hunt 1 State Com Well No. 602H, API No. 30-025-44964**

SHL: 2340 feet from the South line and 801 feet from the East line,  
(Unit I) of Section 1, Township 23 South, Range 34 East, NMPM.

BHL: 100 feet from the South line and 1650 feet from the East line  
(Unit O) of Section 12, Township 23 South, Range 34 East, NMPM.

The completed interval for this horizontal oil well within the Unit will be standard under Subsection C of 19.15.16.15 NMAC effective June 26, 2018.

(4) The operator of the Unit shall commence drilling the proposed well on or before October 31, 2019 and shall thereafter continue drilling the proposed well with due diligence to test the Bone Spring formation.

(5) In the event the operator does not commence drilling on or before October 31, 2019, Ordering Paragraphs (1) and (2) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(6) The proposed well must be completed within 120 days after commencement of drilling, else Ordering Paragraphs (1) and (2) shall be of no further effect, and the Unit and project area created by this order shall terminate, unless operator requests in writing an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence and the Division issues written approval. If the proposed well is not completed in all of the quarter-quarter sections included in the Unit then the operator shall apply to the Division for an amendment to this order to contract the Unit so that it includes only those quarter-quarter sections in which a well is completed.

(7) Upon final plugging and abandonment of the proposed well and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled Unit shall terminate, unless this Order has been amended to authorize further operations.

(8) Infill wells within the Unit shall be subject to the terms and conditions of this order.

(9) Centennial Resource Production, LLC (OGRID 372165) is hereby designated the operator of the proposed well and the Unit.

(10) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit a separate itemized schedule of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(11) Within 30 days from its receipt of the schedule of estimated well costs for any well, any pooled working interest owner shall have the right to pay its share of estimated well costs of such well to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges for such well. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(12) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 90 days following completion of the proposed wells. If no objection to the actual well costs is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well or wells in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

- (a) The proportionate share of reasonable well costs attributable to such interest; and

- (b) As a charge for the risk involved in drilling the well, 200% of the above costs.

(15) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs.

(16) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$7500 per month, per well, while drilling and \$750 per month, per well, while producing, provided that these rates may, at the election of the operator, be adjusted annually pursuant to the overhead adjustment provisions of the COPAS form titled "*Accounting Procedure-Joint Operations*." The operator is authorized to withhold from each pooled working interest owner's share of production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating such well, not more than what are reasonable.

(17) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to requirements herein, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(18) Except as provided above, all proceeds of production from the proposed wells that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 7-8A-31, as amended).

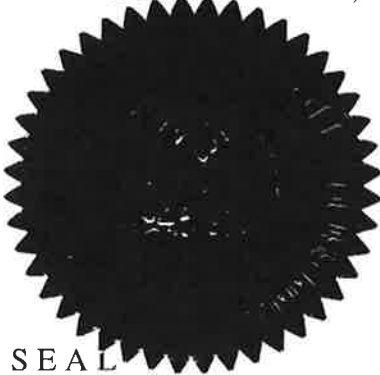
(19) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this Order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs shall be withheld from production attributable to royalty interests.

(20) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.


(21) The operator of the well and the Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(22) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
HEATHER RILEY  
Director

District I  
1625 N French Dr., Hobbs, NM 88240  
Phone: (505) 393-6161 Fax: (505) 393-0720  
District II  
811 S First St., Artesia, NM 88210  
Phone: (505) 748-1283 Fax: (505) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number	<sup>2</sup> Pool Code	<sup>3</sup> Pool Name
<sup>4</sup> Property Code	<sup>5</sup> Property Name DUCK HUNT 1 STATE COM	<sup>6</sup> Well Number #302H
<sup>7</sup> GRID No.	<sup>8</sup> Operator Name CENTENNIAL RESOURCE PRODUCTION, LLC	<sup>9</sup> Elevation 3366.1'

<sup>10</sup> Surface Location

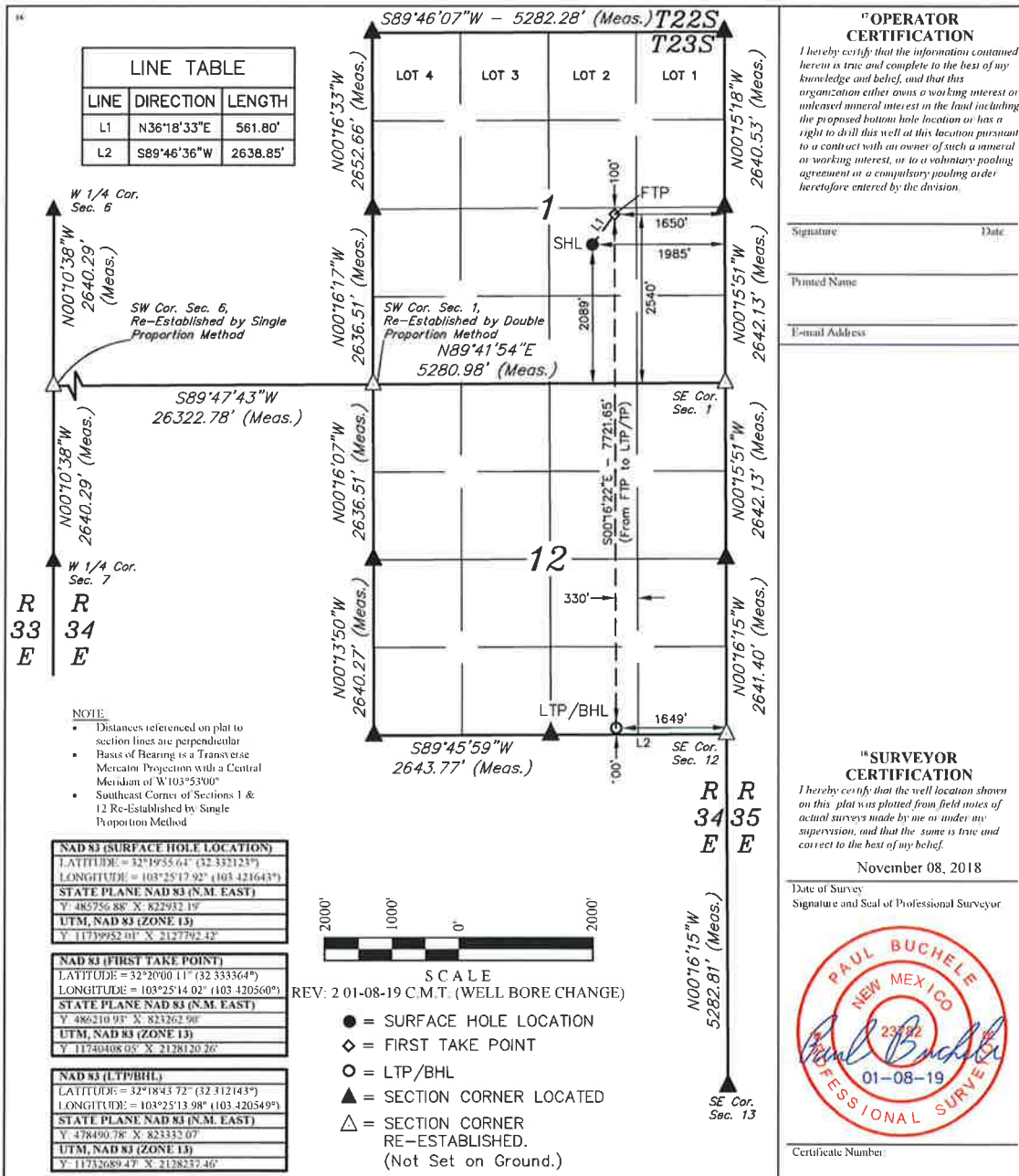
UL or lot no. J	Section I	Township 23S	Range 34E	Lot Idn	Feet from the 2089	North/South line SOUTH	Feet from the 1985	East/West line EAST	County LEA
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<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no. O	Section 12	Township 23S	Range 34E	Lot Idn	Feet from the 100	North/South line SOUTH	Feet from the 1649	East/West line EAST	County LEA
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<sup>12</sup> Dedicated Acres 240	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



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<sup>7</sup> OGRID No.	<sup>8</sup> Operator Name CENTENNIAL RESOURCE PRODUCTION, LLC	<sup>9</sup> Elevation 3366.6'

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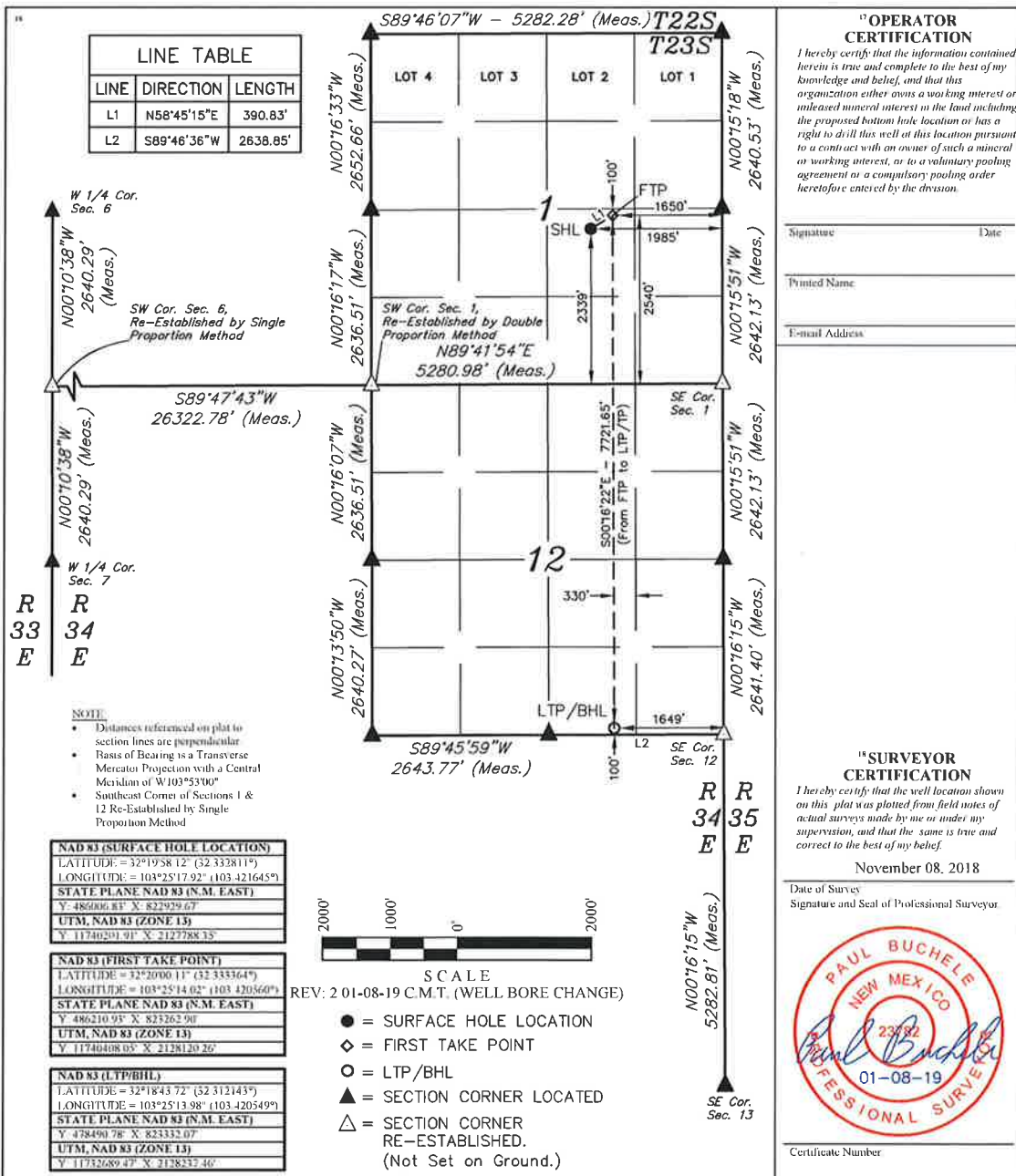
UL or lot no. J	Section 1	Township 23S	Range 34E	Lot Idn	Feet from the 2339	North/South line SOUTH	Feet from the 1985	East/West line EAST	County LEA
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UL or lot no. O	Section 12	Township 23S	Range 34E	Lot Idn	Feet from the 100	North/South line SOUTH	Feet from the 1649	East/West line EAST	County LEA
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<sup>12</sup> Dedicated Acres 240	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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Form C-102  
Revised August 1, 2011  
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WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number	<sup>2</sup> Pool Code	<sup>3</sup> Pool Name
<sup>4</sup> Property Code	<sup>5</sup> Property Name DUCK HUNT 1 STATE COM	
<sup>7</sup> OGRID No.	<sup>8</sup> Operator Name CENTENNIAL RESOURCE PRODUCTION, LLC	
	<sup>6</sup> Well Number #302H	<sup>9</sup> Elevation 3366.1'

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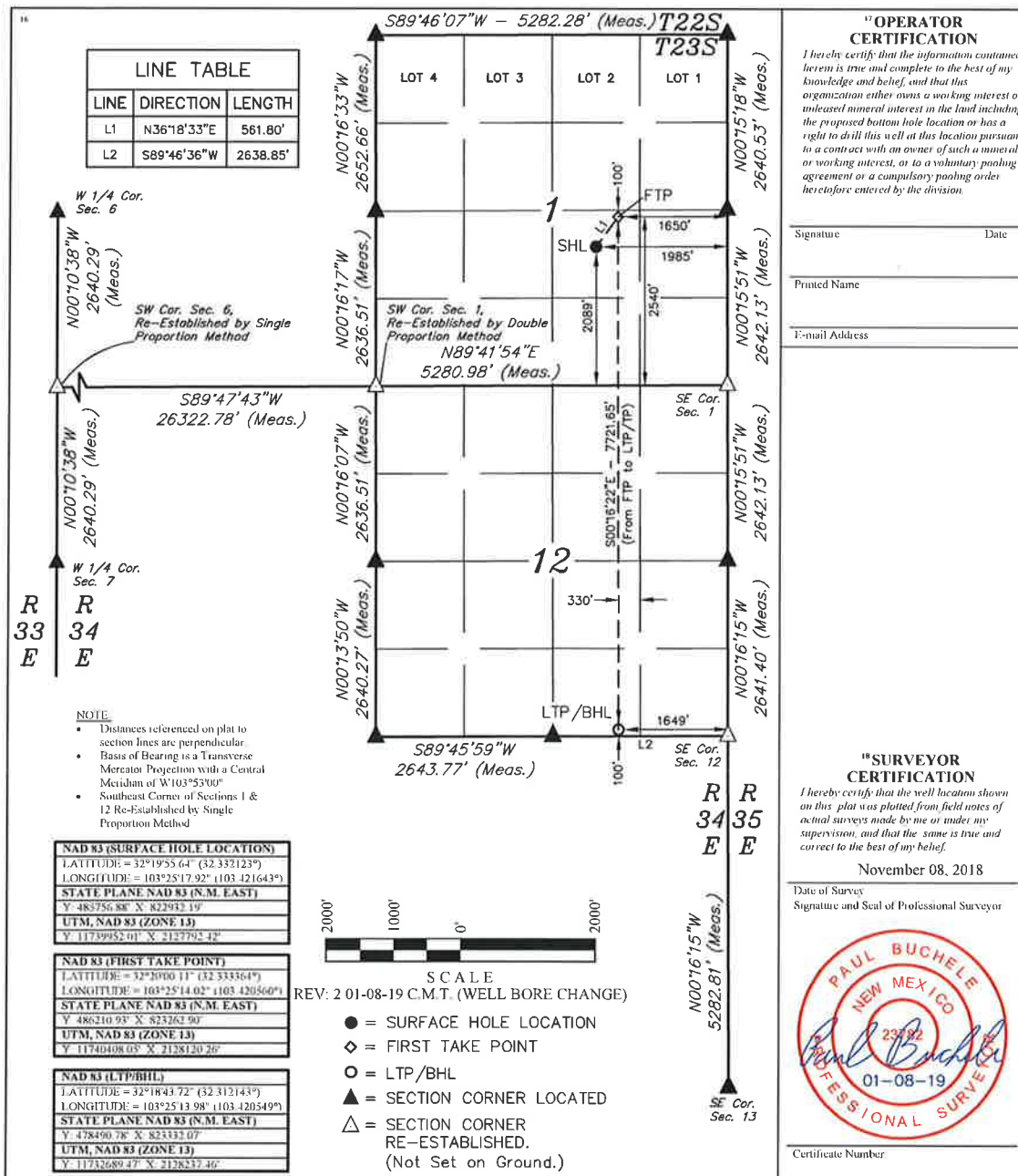
UL or lot no.	Section	Township	Range	Lot 1dn	Feet from the	North/South line	Feet from the	East/West line	County
J	I	23S	34E		2089	SOUTH	1985	EAST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot 1dn	Feet from the	North/South line	Feet from the	East/West line	County
O	12	23S	34E		100	SOUTH	1649	EAST	LEA

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
240			

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.





November 27, 2018

RE: Duck Hunt 1 State Com #302H  
SHL: 2,340' FSL Sec. 1 & 1,545' FEL Sec. 1 T23S R34E  
BHL: 100' FSL Sec. 12 & 1,845' FEL Sec. 12 T23S R34E  
Lea County, New Mexico

To Whom it May Concern:

Centennial Resource Production, LLC ("CRP") proposes to drill and complete the Duck Hunt State Com #302H as a horizontal well to test the First Bone Spring Formation at a TVD of 9,750 feet. The W/2 E/2 of the referenced Section 12 and the W/2 SE/4 of Section 1 will be dedicated to the well as the proration unit being a total of 240 acres. Please see the enclosed AFE in the amount of \$11,137,939.00

Upon your response we will send a Joint Operating Agreement ("JOA") with an effective date of September 1, 2018. The JOA contains a proposed overhead rate of \$7500 per day for drilling and \$750 per day for producing and provides for a 100%/300%/300% non-consent penalty.

In the space provided below, please indicate your election and return one original copy of this letter along with an original copy of the enclosed AFE or email me a copy at [carl.messina@cdevinc.com](mailto:carl.messina@cdevinc.com). Should you have any questions, please call me at (720) 499-1411.

Best Regards

A handwritten signature in blue ink that reads "Carl Messina".

Carl Messina  
Land Coordinator

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. 1C  
Submitted by: CENTENNIAL RESOURCE  
Hearing Date: January 10, 2019  
Case Nos. 16266





THE UNDERSIGNED HEREBY ELECTS **TO PARTICIPATE** IN THE CAPTIONED DUCK HUNT 1 STATE COM #302H WELLBORE AND TO WAIVE THE NEED FOR A COMPLETION ELECTION.

AGREED TO and ACCEPTED this \_\_\_\_ day of \_\_\_\_\_, 2018.

Owner Name: \_\_\_\_\_

Signature: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

THE UNDERSIGNED HEREBY ELECTS **NOT TO PARTICIPATE** IN THE CAPTIONED DUCK HUNT 1 STATE COM #302H WELLBORE, AND TO GO NONCONSENT.

AGREED TO and ACCEPTED this \_\_\_\_ day of \_\_\_\_\_, 2018.

Owner Name: \_\_\_\_\_

Signature: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_



November 27, 2018

RE: Duck Hunt 1 State Com #502H  
SHL: 2,340' FSL Sec. 1 & 1,515' FEL Sec. 1 T23S R34E  
BHL: 100' FSL Sec. 12 & 1,845' FEL Sec. 12 T23S R34E  
Lea County, New Mexico

To Whom it May Concern:

Centennial Resource Production, LLC ("CRP") proposes to drill and complete the Duck Hunt State Com #502H as a horizontal well to test the Second Bone Spring Formation at a TVD of 10,500 feet. The W/2 E/2 of the referenced Section 12 and the W/2 SE/4 of Section 1 will be dedicated to the well as the proration unit being a total of 240 acres. Please see the enclosed AFE in the amount of \$10,459,141.00

Upon your response we will send a Joint Operating Agreement ("JOA") with an effective date of September 1, 2018. The JOA contains a proposed overhead rate of \$7500 per day for drilling and \$750 per day for producing and provides for a 100%/300%/300% non-consent penalty.

In the space provided below, please indicate your election and return one original copy of this letter along with an original copy of the enclosed AFE or email me a copy at [carl.messina@cdevinc.com](mailto:carl.messina@cdevinc.com). Should you have any questions, please call me at (720) 499-1411.

Best Regards

A handwritten signature in blue ink that reads "Carl Messina".

Carl Messina  
Land Coordinator



THE UNDERSIGNED HEREBY ELECTS **TO PARTICIPATE** IN THE CAPTIONED DUCK HUNT 1 STATE COM #502H WELLBORE AND TO WAIVE THE NEED FOR A COMPLETION ELECTION.

AGREED TO and ACCEPTED this \_\_\_\_ day of \_\_\_\_\_, 2018.

Owner Name: \_\_\_\_\_

Signature: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

THE UNDERSIGNED HEREBY ELECTS **NOT TO PARTICIPATE** IN THE CAPTIONED DUCK HUNT 1 STATE COM #502H WELLBORE, AND TO GO NONCONSENT.

AGREED TO and ACCEPTED this \_\_\_\_ day of \_\_\_\_\_, 2018.

Owner Name: \_\_\_\_\_

Signature: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_



November 27, 2018

RE: Duck Hunt State Com #602H  
SHL: 2,340' FSL Sec. 1 & 933' FEL Sec. 1 T23S R34E  
BHL: 100' FSL Sec. 12 & 1,485' FEL Sec. 12 T23S R34E  
Lea County, New Mexico

To Whom it May Concern:

Centennial Resource Production, LLC ("CRP") proposes to drill and complete the Duck Hunt State Com #602H as a horizontal well to test the Bone Spring Formation at a TVD of 11,350 feet. The W/2 E/2 of the referenced Section 12 and the W/2 SE/4 of Section 1 will be dedicated to the well as the proration unit being a total of 240 acres. Please see the enclosed AFE in the amount of \$10,632,550.00

Upon your response we will send a Joint Operating Agreement ("JOA") with an effective date of May 1, 2018, covering Township 23 South, Range 34 East, Section 12: E/2 & Section 1: SE/4. The JOA contains a proposed overhead rate of \$7500 per day for drilling and \$750 per day for producing and provides for a 100%/300%/300% non-consent penalty.

In the space provided below, please indicate your election and return one original copy of this letter along with an original copy of the enclosed AFE or email me a copy at [carl.messina@cdevinc.com](mailto:carl.messina@cdevinc.com). Should you have any questions, please call me at (720) 499-1411.

Best Regards

A handwritten signature in blue ink that reads "Carl Messina".

Carl Messina  
Land Coordinator



THE UNDERSIGNED HEREBY ELECTS **TO PARTICIPATE** IN THE CAPTIONED DUCK HUNT STATE COM #602H WELLBORE AND TO WAIVE THE NEED FOR A COMPLETION ELECTION.

AGREED TO and ACCEPTED this \_\_\_\_ day of \_\_\_\_\_, 2018.

**Owner Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Title:** \_\_\_\_\_

THE UNDERSIGNED HEREBY ELECTS **NOT TO PARTICIPATE** IN THE CAPTIONED DUCK HUNT STATE COM #602H WELLBORE, AND TO GO NONCONSENT.

AGREED TO and ACCEPTED this \_\_\_\_ day of \_\_\_\_\_, 2018.

**Owner Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Title:** \_\_\_\_\_

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

**APPLICATION OF CENTENNIAL RESOURCE PRODUCTION, LLC  
TO RE-OPEN CASE NO. 16266 TO ADD ADDITIONAL INITIAL WELLS  
UNDER THE TERMS OF COMPULSORY POOLING ORDER  
R-20002 LEA COUNTY, NEW MEXICO.**

**CASE NO. 16266 (re-opened)**

**HEARING AFFIDAVIT OF JOHN HARPER**

John Harper, being of lawful age and being first duly sworn, declares as follows:

1. My name is John Harper and I work for Centennial Resource Production, LLC ("Centennial") as a geologist.
2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology and my credentials have been accepted by the Division and made a matter of public record.
3. I am familiar with the application filed by Centennial in this case, and I have conducted a geologic study of the Bone Spring formation underlying the subject acreage.
4. Centennial seeks to add two additional initial wells, targeting the First and the Second Bone Spring intervals.
5. **Exhibit 2A** identifies the wells that I used to construct a stratigraphic cross-section map for both the First and Second Bone Spring intervals. I chose these wells because they are representative of the geology of the area.
6. **Exhibit 2B** contains a subsea structure map that I prepared for the First Bone Spring interval with contour lines every 50 feet. The proposed wellbore path is denoted by a thin black dashed line. Structure control points are shown adjacent to their respected well. The First Bone Spring in this area is gently dipping to the south and I do not observe any faulting, pinchouts, or other geologic impediments to developing this targeted interval with horizontal wells.
7. **Exhibit 2C** contains a stratigraphic cross section for the First Bone Spring interval using the representative wells depicted in blue on Exhibit 2A. Each well in the cross-section contains gamma ray and resistivity logs. The proposed target interval in the First Bone Spring interval is identified with a red bracket. This cross-section demonstrates that the targeted interval extends across the subject acreage.
8. **Exhibit 2D** contains a subsea structure map that I prepared for the Second Bone Spring interval with contour lines every 50 feet. The proposed wellbore path is denoted by a thin black dashed line. Structure control points are shown adjacent to their respected well. The Second Bone Spring in this area is gently dipping to the south and I do not observe any faulting, pinchouts, or other geologic impediments to developing this targeted interval with horizontal wells.
9. **Exhibit 2E** contains a stratigraphic cross section for the Second Bone Spring interval using the representative wells depicted in blue on Exhibit 2A. Each well in the cross-section contains gamma ray and resistivity logs. The proposed target interval in the Second Bone Spring interval is identified with a red bracket. This cross-section demonstrates that the targeted interval extends across the subject acreage.
10. The north to south orientation for the proposed wells in the First and Second Bone Spring interval will place the wells perpendicular to the known stress direction in the subject area and is appropriate to efficiently and effectively develop the targeted interval under the subject acreage.
11. My geologic study demonstrates that both the First and Second Bone Spring intervals underlying the subject acreage is suitable for development with horizontal wells, that the acreage comprising the proposed horizontal spacing units will contribute more-or-less equally to the production from the wellbores, and the granting of these consolidated applications is in the best interest of conservation, the prevention of waste, and protection of correlative rights.

FURTHER AFFIANT SAYETH NOT.



John Harper

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 2

Submitted by: CENTENNIAL RESOURCE

Hearing Date: January 10, 2019

Case Nos. 16266

STATE OF Colorado )  
)  
COUNTY OF Denver )

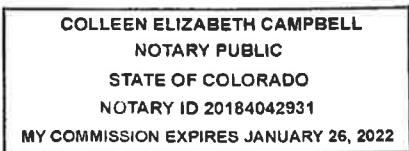
SUBSCRIBED and SWORN to before me this 9<sup>th</sup> day of January 2019 by  
John Harper.

NOTARY PUBLIC

*Colleen Elizabeth Campbell*

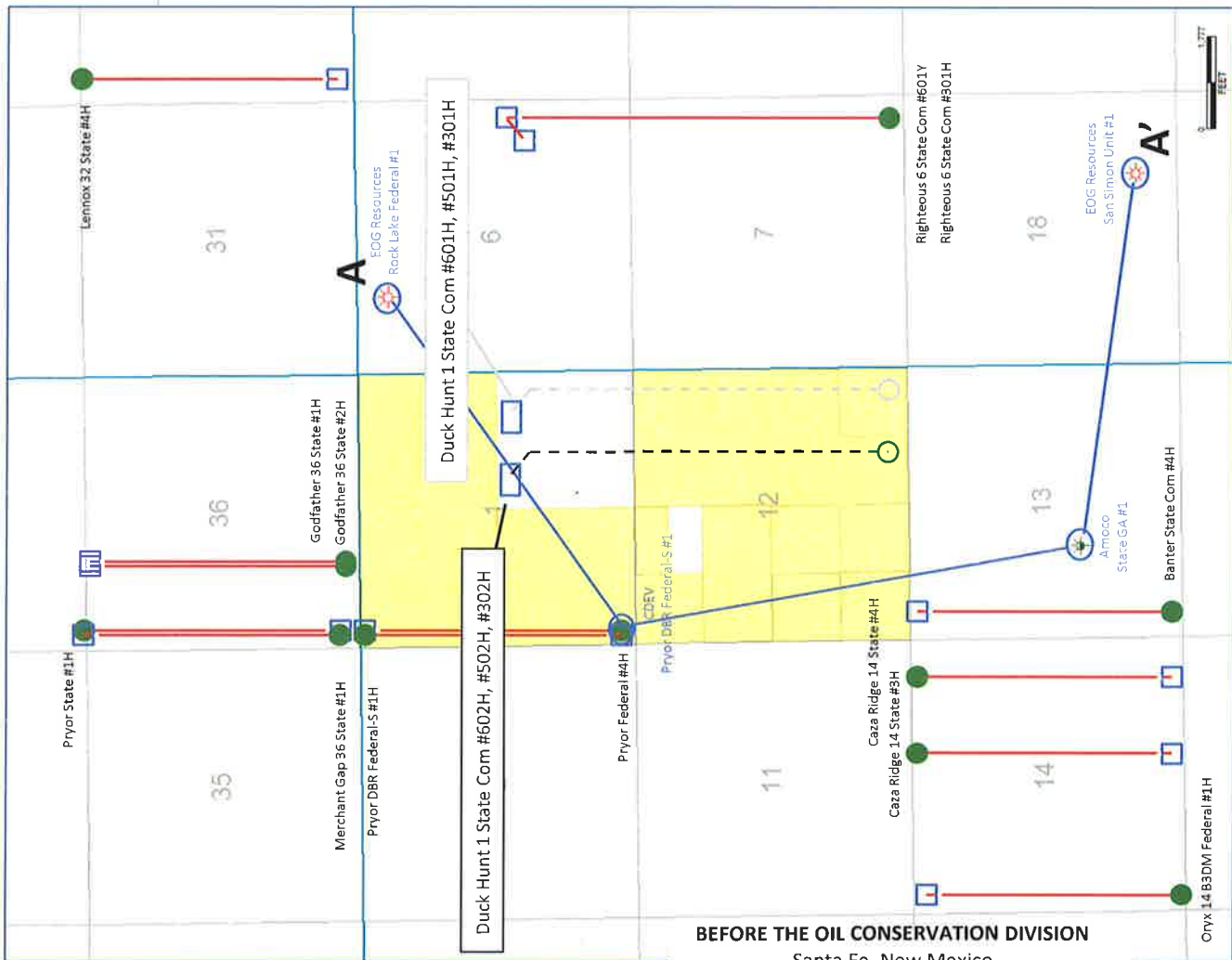
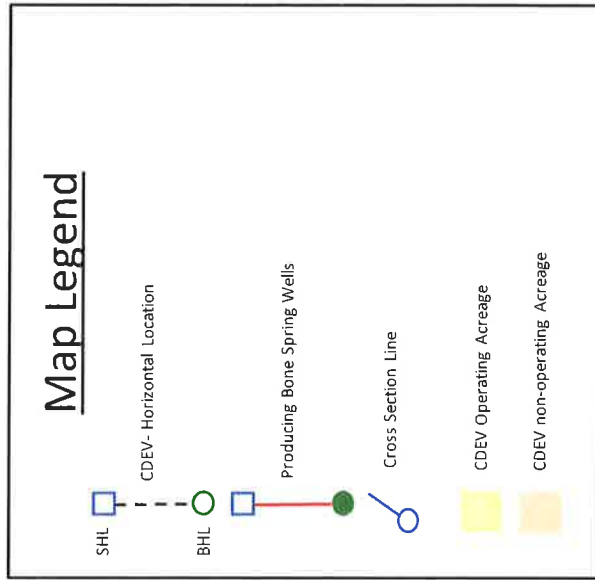
My Commission Expires:

01/26/2022



# Bone Spring Pool

## Cross Section Map



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 2A

Submitted by: CENTENNIAL RESOURCE

Hearing Date: January 10, 2019

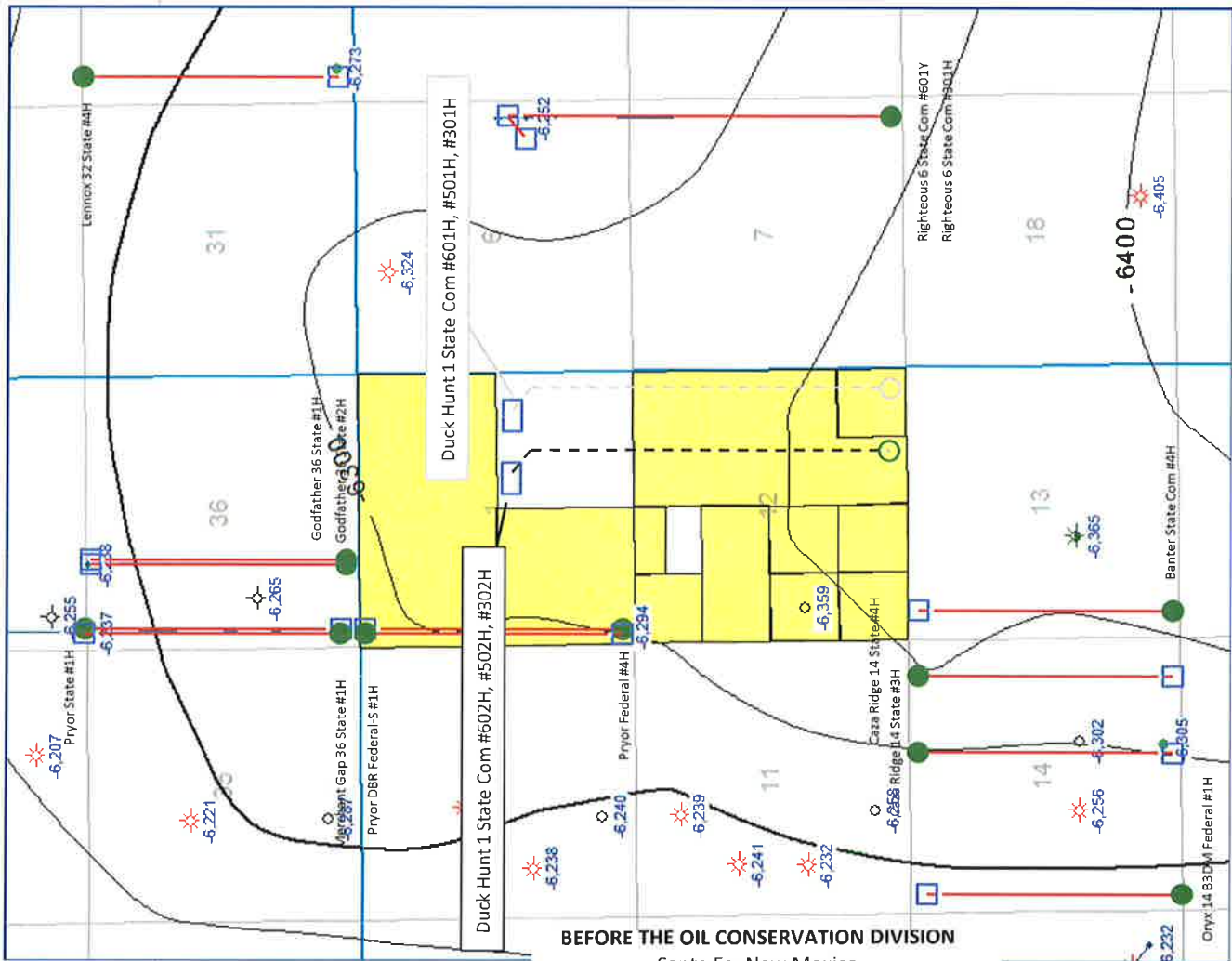
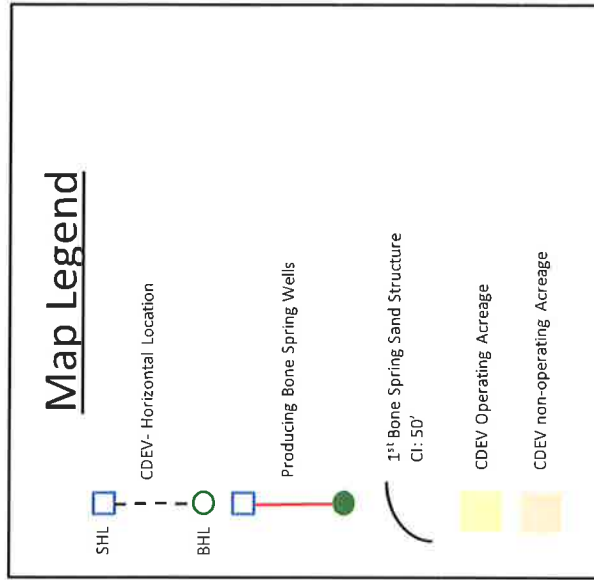
Case Nos. 16266

CENTENNIAL



# Bone Spring Pool

## 1st Bone Spring Sand Structure Map



3002530:1900000



ENRON OIL & GAS CO  
ROCK LAKE '6' FEDERAL 1

<1.55M>

300254209300000



GMT EXPLORATION COMPANY LLC  
PRYOR DBF FEDERAL-S 1H

<1.69M>

300252592200000



AMOCO PROD CO  
STATE 'GA' 1

<1.27M>

300253300000000



EOG Y RESCS INC  
SAN SIMON UNIT 1

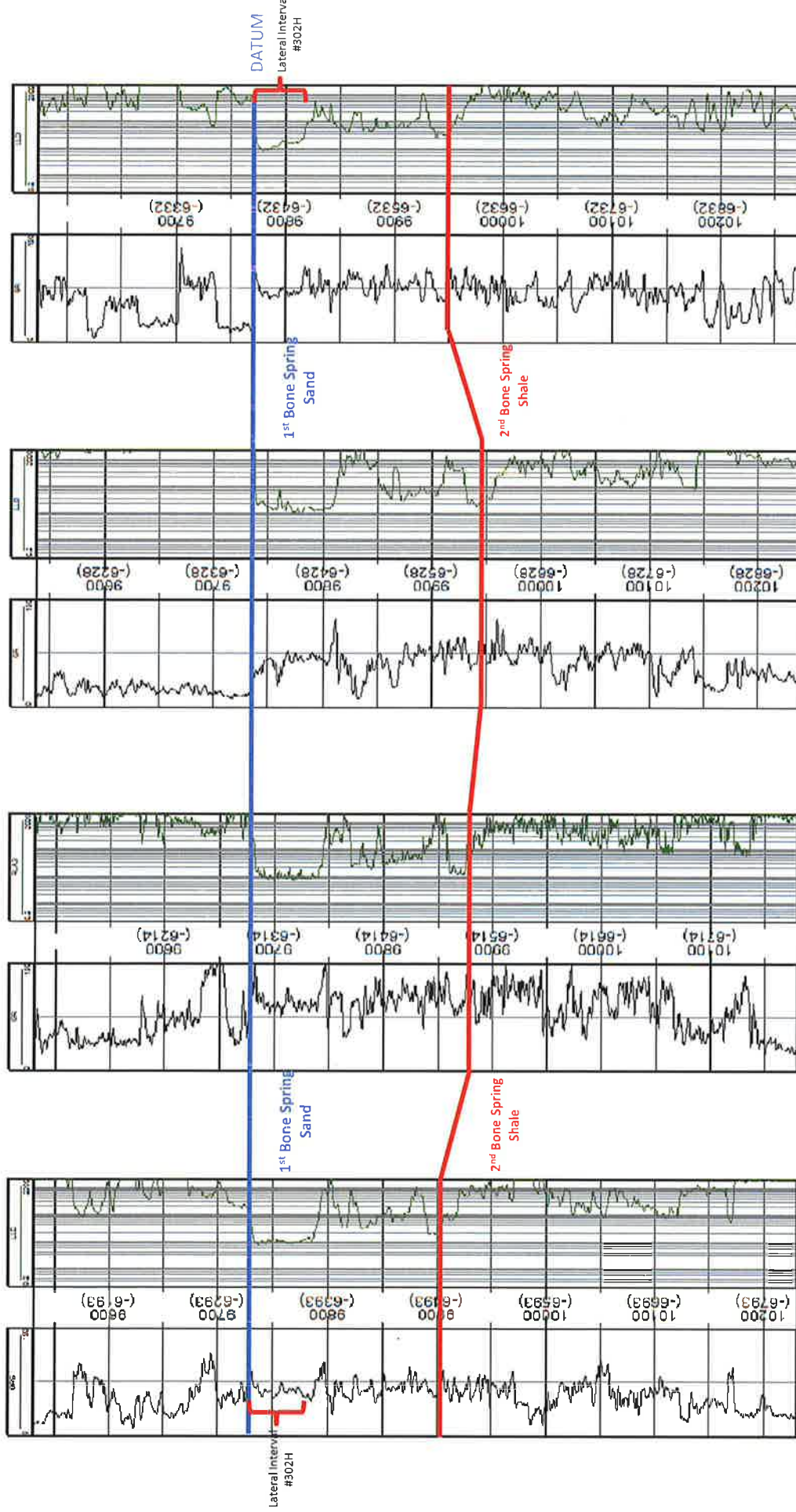
A'

TWP: 23S - Range 35E- Sec. 6

TWP: 23S - Range 34E- Sec. 1

TWP: 23S - Range 34E- Sec. 13

TWP: 23S - Range 35E- Sec. 18



TD= 14,205.00

TD= 11,600.00

TD= 13,914.00

TD= 14,200.00

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 2C

Submitted by: CENTENNIAL RESOURCE

Hearing Date: January 10, 2019

Case Nos. 16266

CENTENNIAL





3002530190:000



**A**

ENRON OIL & GAS CO  
ROCK LAKE 5 FEDERA 1

TWP: 23S - Range 35E- Sec. 6

<1.55M>

3002542930000



GWT EXPLORATION COMPANY LLC  
PRYOR DBR FEDERAL-3 1H

TWP: 23S - Range 34E- Sec. 1

<1.69MI>

30025259220000



AMOCO PROD CO  
STATE 'GA' 1

TWP: 23S - Range 34E- Sec. 13

<1.27MI>

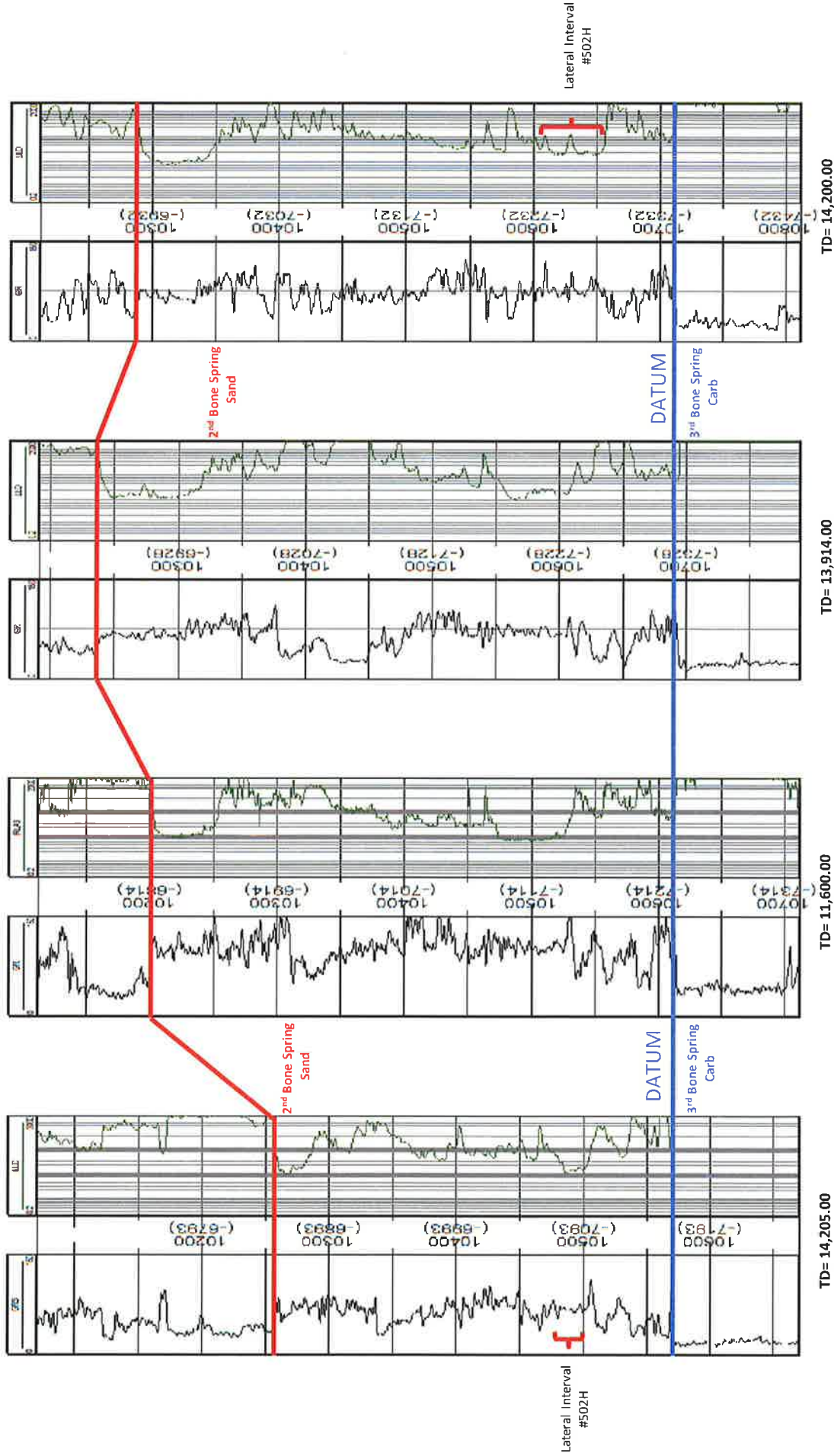
300253300000000



EOG Y RESCS INC  
SAN SIMON UNIT 1

TWP: 23S - Range 35E- Sec. 18

**A'**



BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 2E

Submitted by: CENTENNIAL RESOURCE

Hearing Date: January 10, 2019

Case Nos. 16266

**CENTENNIAL**