

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

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

MAY 01 2018 PH01:36

CASE NO. 16187

APPLICATION

Centennial Resource Production, LLC (“Centennial”) through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a 238.5-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Irregular Section 3, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. In support of its application, Centennial states:

1. Centennial Resource Production, LLC (OGRID No. 372165) is a working interest owner in the non-standard spacing unit and has the right to drill thereon.
2. Centennial proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Asadero 3 State Com No. 301 Well**, which will be horizontally drilled from an approved drilling location in the SW/4 SW/4 (Unit M) of Section 3 to a standard bottom hole location in the NW/4 NW/4 (Lot 4) of Section 3.
3. The completed interval for this well is closer than 330 feet to the outer boundary of the project area than required by the statewide rules for oil wells and encroaches on the spacing units to the north and northwest. Centennial is seeking separate administrative approval for this unorthodox well location.

4. Centennial has sought and been unable to obtain voluntary agreement for the development of these lands from all the working interest owners in the subject spacing unit.

5. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

6. In order to permit Centennial to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and Centennial Resource Production, LLC should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, Centennial Resource Production, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 31, 2018 and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 238.5-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Irregular Section 3, Township 21 South, Range 34 East, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating Centennial Resource Production, LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Centennial to recover its costs of drilling, equipping and completing the well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

- F. Imposing a 200% penalty for the risk assumed by Centennial in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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**ATTORNEYS FOR
CENTENNIAL RESOURCE PRODUCTION, LLC**

CASE 1618:7

Application of Centennial Resource Production, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 238.5-acre, more or less, spacing and proration unit comprised of the W/2 W/2 of Irregular Section 3, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed **Asadero 3 State Com No. 301 Well**, which will be horizontally drilled from an approved drilling location in the SW/4 SW/4 (Unit M) of Section 3 to a standard bottom hole location in the NW/4 NW/4 (Lot 4) of Section 3. The completed interval for this well is closer than 330 feet to the outer boundary of the project area than required by the statewide rules for oil wells and encroaches on the spacing units to the north and northwest. Centennial is seeking separate administrative approval for this unorthodox well location. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Centennial Resource Production, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 8 miles Southeast of Roswell, New Mexico.