

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

**APPLICATION OF CENTENNIAL
RESOURCE PRODUCTION, LLC FOR
APPROVAL OF A NON-STANDARD
SPACING UNIT IN THE BONE SPRING
FORMATION AND COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Centennial Resource Production, LLC (“Centennial” or “Applicant”) (OGRID No. 372165), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order approving a non-standard 480-acre, more or less, horizontal spacing unit comprised of the E/2 of Section 18 and the NE/4 of Section 19, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all uncommitted interests in the Bone Spring formation. In support of its application, Centennial states:

1. Applicant is a working interest owner in the proposed non-standard horizontal spacing unit and has the right to drill thereon.
2. There is a single pool within the Bone Spring formation underlying the proposed non-standard spacing unit: WC-025 G-07 S213430M; Bone Spring, Pool (Pool Code 97962).
3. Within the proposed non-standard spacing unit, Centennial intends to drill or has drilled the following wells within the WC-025 G-07 S213430M; Bone Spring, Pool (Pool Code 97962):

- the **Dragon Fruit 19 State Com #501H well**, to be horizontally drilled from a surface location in the NW/4 SE/4 (Unit J) of Section 19, to a bottom hole location in the NW/4 NE/4 (Unit B) of Section 18; and
- the **Dragon Fruit 19 State Com #503H well**, to be horizontally drilled from a surface location in the NW/4 SE/4 (Unit J) of Section 19, to a bottom hole location in the NE/4 NE/4 (Unit A) of Section 18.

4. Applicant's drilling program for this area will develop the Bone Spring formation underlying each of the 40-acre tracts comprising the proposed non-standard project area.

5. Applicant seeks to minimize surface disturbance by consolidating facilities and commingling production from existing and future wells in the proposed non-standard spacing unit.

6. Applicant 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.

7. Division Rules contemplate and encourage oil and gas development, where possible, in enlarged areas of common ownership to minimize surface disturbance and to promote efficient well spacing. *See, e.g.,* 19.15.16.7.P NMAC; 19.15.16.15.B(8) NMAC; 19.15.16.15.C(7) NMAC.

8. Approval of this application will allow Applicant to efficiently locate surface facilities, reduce surface disturbance, consolidate roads, tanks and pipelines, and promote effective well spacing.

9. Notice of this application will be provided as required by Division rules.

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

11. In order to permit Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this horizontal spacing unit should be pooled, and Applicant should be designated the operator of the proposed horizontal wells and spacing unit.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 4, 2021, and, after notice and hearing as required by law, the Division enter an order:

- A. Pooling all uncommitted interests in the horizontal spacing unit and approving the initial wells thereon;
- B. Designating Applicant as operator of the horizontal spacing unit and the horizontal wells to be drilled thereon;
- C. Authorizing Applicant to recover its costs of drilling, equipping, and completing the wells;
- D. 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
- E. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

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