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1 (1:24 a.m.)

2 EXAMINER McMILLAN: Please proceed.

3 MR. McMILLAN: Okay. Mr. Examiner, we have
4 for you four cases, all applications of Centennial
5 Resource Production, LLC for compulsory pooling. The
6 cases are related, and we would ask that they be
7 consolidated for purposes of the hearing. They are
8 20064, 20065 -- no -- 20064, 20065, 20067 and 20068. I
9 have two witnesses with me today.

10 EXAMINER McMILLAN: Okay. Other
11 appearances?

12 MR. BRUCE: Mr. Examiner, in Case 20067,
13 Jim Bruce entering an appearance for MRC Permian Company
14 and Matador Resources Company, and in Case 20068, I'm
15 filing an entry of appearance for MRC Permian Company,
16 Matador Resources Company and Mewbourne Oil Company. I
17 have no witnesses.

18 MR. PADILLA: Mr. Examiner, Ernest L.
19 Padilla for EOG Resources, Inc. in all four cases, and
20 we have no witnesses.

21 MR. McMILLAN: And, Mr. Examiner, for the
22 record, Seth McMillan and Kaitlyn Luck, from Montgomery
23 & Andrews, on behalf of the Centennial. And we have two
24 witnesses today.

25 EXAMINER McMILLAN: Would the witnesses

1 please stand up and be sworn in at this time?

2 (Mr. Harper and Ms. Thoreson sworn.)

3 MR. McMILLAN: I would call at this time my
4 first witness, Taylor Thoreson.

5 EXAMINER McMILLAN: Please proceed.

6 TAYLOR L. THORESON,

7 after having been first duly sworn under oath, was
8 questioned and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. McMILLAN:

11 Q. Would you please state your full name and place
12 of residence?

13 A. Taylor Lynn Thoreson, and I live in Denver,
14 Colorado.

15 Q. And by whom are you employed and in what
16 capacity?

17 A. Centennial Resource Production, LLC, and I'm a
18 landman.

19 Q. Have you previously testified before the
20 Division?

21 A. I have not.

22 Q. In that case, would you please summarize your
23 education for the examiners?

24 A. Yes. I graduated in 2014 with a Bachelor's in
25 Business from the University of Oklahoma, and my degree

1 is in energy management.

2 Q. And would you please summarize your work
3 experience?

4 A. Yeah. I've been a full-time landman since
5 graduation for four years, two of which have been at
6 Centennial, and the other two were at Encana.

7 Q. Are you familiar with the applications filed in
8 these cases?

9 A. I am.

10 Q. Are you familiar with the subject lands?

11 A. Yes.

12 MR. McMILLAN: Mr. Examiner, I would tender
13 Ms. Thoreson as an expert in petroleum land matters.

14 EXAMINER McMILLAN: Any objections?

15 MR. BRUCE: No objection.

16 MR. PADILLA: No objection.

17 EXAMINER McMILLAN: So qualified.

18 MR. McMILLAN: Mr. Examiner, the way we
19 would like to do this -- and let me know if you prefer
20 to do it otherwise. But the way we laid this out was
21 to, essentially, these cases in chronological order,
22 bunching together -- consolidating 64 and 65, as the
23 wells are similar. And what I'd like to do is question
24 the land witness on all four cases and then move to the
25 geology witness, if that's okay.

1 EXAMINER McMILLAN: That's fine.

2 MR. McMILLAN: Okay. Great.

3 Q. (BY MR. McMILLAN) Let's start with 20064 and
4 20065. These are the so-called Dandie and Mastiff
5 wells, correct?

6 A. Yes.

7 Q. Could you please briefly state what Centennial
8 seeks in its applications in these two cases?

9 A. Yes. For Case 20064, Centennial seeks an order
10 pooling all uncommitted interests in the Bone Spring
11 Formation in the 160-acre horizontal spacing unit
12 comprised of the west half of the east half of Section
13 22, Township 23 South, Range 34 East in Lea County, New
14 Mexico. Said horizontal spacing unit will be dedicated
15 to our proposed Dandie 22 Federal Com #602H well, which
16 will be horizontally drilled for the surface in the
17 southwest quarter of the southeast quarter to a
18 bottom-hole location in the northwest quarter of the
19 northeast quarter of Section 22.

20 As for Case Number 20065, Centennial seeks
21 an order pooling all uncommitted interests in the Bone
22 Spring Formation in the 160-acre horizontal spacing unit
23 comprised of the east half of the east half of Section
24 22, Township 23 South, Range 34 East in Lea County,
25 New Mexico. The horizontal spacing unit will be

1 proposed for the Mastiff 22 Federal Com #601H, which
2 will be horizontally drilled from a surface location in
3 the southeast quarter of the southeast quarter to a
4 bottom-hole location in the northeast quarter of the
5 northeast quarter of Section 22.

6 **Q. Have you prepared certain exhibits for**
7 **introduction in these cases?**

8 A. I have.

9 **Q. Let's turn now to those. Let's take a look at**
10 **Exhibits 1 and 2. Are these the C-102s for the Dandie**
11 **and Mastiff wells, respectively?**

12 A. They are.

13 **Q. Have these C-102s been submitted?**

14 A. They have been.

15 **Q. Has an on-site been completed?**

16 A. Yes.

17 **Q. Are the surface- and bottom-hole locations for**
18 **these wells shown on Exhibits 1 and 2?**

19 A. Yes.

20 **Q. These are both Bone Spring wells, correct?**

21 A. They are.

22 **Q. What is the primary objective for these wells?**

23 A. They are 3rd Bone Spring.

24 **Q. And what pool rules govern development in the**
25 **Bone Spring in this area?**

1 A. They are the statewide pool rules, and it is
2 the Antelope Ridge; Bone Spring, West Pool.

3 **Q. Great.**

4 **What are the setbacks for oil wells in this**
5 **pool?**

6 A. They are 100 from north and south and 330, east
7 and west.

8 EXAMINER McMILLAN: What's the pool number?

9 THE WITNESS: It is 2209.

10 EXAMINER McMILLAN: Well done.

11 **Q. (BY MR. McMILLAN) Will the wellbores and the**
12 **first and last take points for both the Dandie and**
13 **Mastiff wells be situated within those setbacks?**

14 A. Yes.

15 **Q. Does Centennial own the right or otherwise have**
16 **the right to drill in each tract that will be traversed**
17 **by the wellbore?**

18 A. We own 100 percent in the southeast quarter,
19 and then EOG owns 100 percent in the northeast quarter
20 of that particular section. So we own a leasehold
21 interest in half of the wellbore.

22 **Q. And you're here today to pool the other half,**
23 **correct?**

24 A. Exactly.

25 **Q. Let's take a look at Exhibit 3. Is this a**

1 tract map showing Centennial's proposed unit in Case
2 20064?

3 A. It is.

4 Q. Does it reflect that the acreage in the unit is
5 both state and federal?

6 A. Yes.

7 Q. And is Exhibit 4 a tract map for the Mastiff
8 well, Case 20065?

9 A. Yes, it is.

10 Q. And does this exhibit reflect that acreage is
11 both state and federal in this unit?

12 A. Uh-huh. It does.

13 Q. Is Exhibit 5 an ownership breakdown for the
14 Dandie well?

15 A. Yes.

16 Q. And what is Centennial's ownership in this
17 particular horizontal spacing unit?

18 A. We will own 50 percent of the working interest
19 in the proposed unit.

20 Q. And let's take a look at Exhibit 6. Is this an
21 ownership breakdown for the Mastiff?

22 A. Yes. It mirrors that of the Dandie, and we
23 will own 50 percent of that pooled unit.

24 Q. In your opinion, has Centennial acted
25 diligently to develop the reserves in these units?

1 A. Yes.

2 Q. Let's take a look at Exhibit 7. Is this a
3 well-proposal letter and AFE Centennial sent with
4 respect to the Dandie well?

5 A. Yes.

6 Q. And is Exhibit 8 a similar well-proposal letter
7 sent with respect to the Mastiff?

8 A. Yes.

9 Q. Are you asking the Division today to pool any
10 uncommitted interest owners?

11 A. We are.

12 Q. Were there any unlocatable mineral interests?

13 A. No.

14 Q. Does Centennial seek the imposition of a 200
15 percent risk penalty against unjoined working interests?

16 A. Yes.

17 Q. Does Centennial seek to be designated operator
18 for the wells?

19 A. Yes.

20 Q. In your opinion, has Centennial made a
21 good-faith effort to locate all of the unjoined
22 interests and communicate with them --

23 A. Yes.

24 Q. -- in order to obtain their voluntary
25 participation?

1 A. Yes, we have. We sent out initial elections to
2 EOG Resources, and we've had subsequent phone
3 conversations and email correspondence over the last six
4 months. And we're actually in negotiations with EOG to
5 acquire their interest in these wells, where Centennial
6 would then own 100 percent. And there is actually an
7 agreement drafted that is on their desk currently to
8 allow for such.

9 **Q. Are the AFEs for the Dandie and Mastiff wells**
10 **attached to the respective well-proposal letters in**
11 **Exhibits 7 and 8?**

12 A. Yes, they are.

13 (Examiner Brooks enters the room, 1:34
14 p.m.)

15 **Q. Can you just, for the record, let us know what**
16 **the total amount is for each completed well?**

17 A. Yes. They are both roughly \$8.6 million.

18 **Q. And are these AFE numbers still accurate?**

19 A. Yes, they are.

20 **Q. I should rephrase. Are these AFEs still**
21 **accurate estimates of well costs for these wells?**

22 A. Yes.

23 **Q. Are these estimated costs in line with what is**
24 **being charged by other operators in the area for similar**
25 **wells?**

1 A. Yes.

2 **Q. Have you made an estimate of overhead and**
3 **administrative costs while drilling and producing?**

4 A. Yeah. We are currently estimating \$7,000 per
5 month for initial drilling and then for production each
6 month, roughly 700.

7 **Q. Are these costs in line with what's being**
8 **charged by other operators in the area?**

9 A. They are, yes.

10 **Q. And would you recommend that these overhead**
11 **rates be incorporated into the order that results from**
12 **this hearing?**

13 A. Yes.

14 **Q. Would Centennial request that the order provide**
15 **for an annual COPAS adjustment of those rates?**

16 A. Yes.

17 MR. McMILLAN: Mr. Examiner, that's all I
18 have for consolidated Cases 20064 and 20065 with respect
19 to the land witness.

20 Would you like to ask questions now?

21 CROSS-EXAMINATION

22 BY EXAMINER McMILLAN:

23 **Q. Okay. Any depth severances?**

24 A. There are not.

25 **Q. Okay. So you are on record as saying 7,000 for**

1 **drilling and 700 for producing.**

2 A. Yes.

3 **Q. Now, just so you'll know, that's not what you**
4 **sent -- your letter says 7,500 --**

5 A. It does.

6 **Q. -- and 750, and you're getting 7,000 and 700.**
7 **Is that your testimony?**

8 A. That is correct. There have been -- we have
9 been in negotiations with EOG on a JOA, and it allows
10 for the 7,000 and the 700 in the event the trade did
11 not --

12 **Q. Do these wells have API numbers?**

13 A. They do, but I do not have them on me right
14 now.

15 MR. McMILLAN: We have that. We'll provide
16 them.

17 EXAMINER McMILLAN: Seth will provide them.

18 THE WITNESS: Okay.

19 **Q. (BY EXAMINER McMILLAN) And they're proposed,**
20 **right?**

21 A. They have -- they are proposed, but they have
22 been approved.

23 **Q. Okay. But they haven't been spud, correct?**

24 A. Exactly.

25 **Q. Okay.**

1 EXAMINER BROOKS: Under the circumstances,
2 I have no questions.

3 EXAMINER WARNELL: No questions.

4 CONTINUED DIRECT EXAMINATION

5 BY MR. McMILLAN:

6 Q. Let's move on to Case Number 20067, the
7 so-called Romeo wells. Would you please briefly state
8 what Centennial seeks in its application in Case Number
9 20067?

10 A. Yes. Centennial seeks an order pooling all
11 uncommitted interests in the Wolfcamp Formation in the
12 240-acre horizontal spacing unit comprised of the west
13 half of the west half of Section 22 and the west half of
14 the northwest quarter of Section 27, Township 24 South,
15 Range 34 East in Lea County, New Mexico. Said
16 horizontal spacing is for the two initial wells, the
17 proposed Romeo Federal Com 705H well and the Romeo
18 Federal Com 706H well. Both wells are to be drilled
19 horizontally from a surface location in the northwest
20 quarter of the northwest quarter of Section 22 with a
21 bottom-hole location in the southwest quarter of the
22 northwest quarter of Section 27.

23 Q. Thank you for that.

24 Is Exhibit 9 the C-102s for the two Romeo
25 wells?

1 A. It is.

2 **Q. And can you just let us know the status of**
3 **those C-102s?**

4 A. They have been approved.

5 **Q. Are these surface- and bottom-hole locations**
6 **for the Romeo wells shown on Exhibit 9?**

7 A. Yes.

8 **Q. And these are Wolfcamp wells, correct?**

9 A. That is correct.

10 **Q. Please identify for us the primary objective**
11 **for the wells.**

12 A. They are Upper Wolfcamp wells as currently
13 planned.

14 **Q. And what pool rules govern development in the**
15 **Wolfcamp in this area?**

16 A. They are the statewide pool rules for Antelope
17 Ridge; Wolfcamp, and that number is 2220.

18 **Q. So what are setbacks for oil wells here?**

19 EXAMINER McMILLAN: 200- --

20 THE WITNESS: 2220? We both are having
21 trouble with numbers. 2220.

22 EXAMINER McMILLAN: I never pay attention
23 to pool names, just the pool codes.

24 MR. McMILLAN: 2220.

25 EXAMINER McMILLAN: Okay. Great.

1 Q. (BY MR. McMILLAN) Will the wellbores and the
2 first and last take points for the two Romeo wells be
3 situated within the setbacks?

4 A. Yes.

5 Q. Does Centennial own the right or otherwise have
6 the right to drill in each tract that will be traversed
7 by the wellbore?

8 A. Yes.

9 Q. Is Exhibit 10 a tract map showing the proposed
10 unit for the Romeo wells?

11 A. Yes.

12 Q. Does it reflect that acreage in the unit is
13 federal and fee acreage?

14 A. It does.

15 Q. And is Exhibit 11 an ownership breakdown for
16 the Romeo wells?

17 A. Yes, it is.

18 Q. Please describe Centennial's ownership in this
19 proposed unit.

20 A. Centennial would have roughly a 54 percent
21 working interest in the proposed unit.

22 Q. And in your opinion, has Centennial acted
23 diligently to develop the reserves in this unit?

24 A. Yes.

25 Q. Turn to Exhibit 12, please. Is this a

1 well-proposal letter and AFE sent to interest owners
2 with respect to these Romeo wells?

3 A. Yes.

4 Q. Are you asking the Division to pool today any
5 uncommitted interest owners?

6 A. Yes.

7 Q. Were there any unlocatable mineral interest
8 owners?

9 A. There were not.

10 Q. Does Centennial seek the imposition of a 20
11 percent risk penalty against unjoined working interests?

12 A. 200 percent, yes.

13 Q. 200 percent, yes.

14 A. 20 is not quite -- (laughter).

15 Q. Did I say 20? We are not doing well here with
16 numbers.

17 A. Numbers are hard for us.

18 (Laughter.)

19 Q. Okay. We're not doing numbers anymore.

20 Does Centennial seek to be designated
21 operator of the Romeo wells?

22 A. We do.

23 Q. In your opinion, has Centennial made a
24 good-faith effort to locate any unjoined interests and
25 communicate with them?

1 A. We have. We've had email correspondence and
2 then, of course, the initial election, as well as phone
3 conversations to discuss these wells.

4 **Q. And are the AFEs for the proposed wells**
5 **attached to your well-proposal letter in Exhibit 12?**

6 A. They are.

7 **Q. Please, for the record, what's the total amount**
8 **for each well?**

9 A. They are both roughly 11.6 million.

10 **Q. And that's through completion?**

11 A. Yes.

12 **Q. Do the AFEs in Exhibit 12 still accurately**
13 **reflect estimated well costs for these wells?**

14 A. They do.

15 **Q. And are these costs in line with what is being**
16 **charged by other operators in the area?**

17 A. Yes.

18 **Q. What are your estimated overhead and**
19 **administrative costs while drilling and producing?**

20 A. They are 7,000 and then 700, so it's the same
21 change that was made on the prior wells.

22 **Q. And are these costs in line with what's being**
23 **charged by other operators in the area?**

24 A. They are.

25 **Q. Do you recommend that these overhead rates be**

1 **incorporated into the order that results today?**

2 A. I do.

3 **Q. Does Centennial request that the order provide**
4 **for an annual COPAS adjustment of these rates?**

5 A. Yes.

6 MR. McMILLAN: That's all I have for this
7 witness with respect to Case 20067.

8 CROSS-EXAMINATION

9 BY EXAMINER McMILLAN:

10 **Q. Is this an oil pool?**

11 A. Yes.

12 **Q. Any depth severances?**

13 A. There are some depth severances, but they won't
14 affect this particular pool. It's just a
15 differentiation between Bone Spring and Wolfcamp.

16 **Q. So within the pool, there are no depth**
17 **severances?**

18 A. There's none. Exactly. That is correct.

19 **Q. Do these have API -- API numbers?**

20 A. They do, and we'll get you those.

21 **Q. Seth will?**

22 A. Yes.

23 CROSS-EXAMINATION

24 BY EXAMINER BROOKS:

25 **Q. Overriding royalties? Are there any?**

1 A. Not in this particular one, no.

2 Q. You said no?

3 A. No.

4 Q. Okay. Thank you. That's all I have.

5 MR. McMILLAN: Is that it?

6 EXAMINER WARNELL: That's it. No questions
7 here.

8 CONTINUED DIRECT EXAMINATION

9 BY MR. McMILLAN:

10 Q. Moving on to our fourth and final case, Case
11 Number 20068, this concerns the Solomon well. Would you
12 briefly let us know what Centennial seeks by this
13 application?

14 A. Yes. Centennial seeks an order pooling all
15 uncommitted interests in the Bone Spring Formation in
16 the 240-acre horizontal spacing unit comprised of the
17 west half of the east half of Section 22 and the west
18 half of the northeast quarter of Section 27, Township 24
19 South, Range 34 East in Lea County, New Mexico. The
20 horizontal spacing unit is to be dedicated to our
21 proposed Solomon Federal Com 505H well, which will be
22 horizontally drilled from a surface hole in the
23 northeast quarter of the northwest quarter of Section 22
24 to a bottom-hole location in the southwest quarter of
25 the northeast quarter of Section 27.

1 **Q. Is Exhibit 13 the C-102 to the -- for the**
2 **Solomon well?**

3 A. Yes.

4 **Q. Are the surface- and bottom-hole locations**
5 **shown on Exhibit 13?**

6 A. They are.

7 **Q. This is a Bone Spring well?**

8 A. Yes, it is.

9 **Q. And what is the primary objective?**

10 A. The 2nd Bone Spring.

11 **Q. Are statewide pool rules applicable here?**

12 A. They are, and it will be the Ojo Chiso; Bone
13 Spring, South Pool.

14 **Q. Is there a pool number for that -- or pool**
15 **code?**

16 A. We asked for the pool code before this hearing,
17 but we have not yet received a response, so we can
18 supplement that.

19 MR. McMILLAN: I will, for the record,
20 supplement with the pool code --

21 EXAMINER McMILLAN: Yeah.

22 MR. McMILLAN: -- for Case Number 20068.

23 **Q. (BY MR. McMILLAN) What are setbacks for oil**
24 **wells in this pool?**

25 A. They are 330 and 100.

1 Q. And is the Solomon orthodox within setbacks?

2 A. Yes.

3 Q. Does Centennial own the right or otherwise have
4 the right to drill in each tract to be traversed by the
5 wellbore?

6 A. Yes.

7 Q. Is Exhibit 14 a tract map showing the proposed
8 unit?

9 A. Yes.

10 Q. Does it reflect that acreage is federal and fee
11 here?

12 A. It does.

13 Q. Is Exhibit 15 an ownership breakdown?

14 A. Yes, it is.

15 Q. Please let us know what Centennial's ownership
16 is in the proposed unit.

17 A. Centennial will have roughly a 70 percent
18 working interest in this proposed unit.

19 Q. In your opinion, has Centennial acted
20 diligently to develop the reserves in this unit?

21 A. Yes.

22 Q. Is Exhibit 16 your well-proposal letter and AFE
23 sent to interest owners with respect to the Solomon
24 well?

25 A. It is.

1 **Q. Are you asking the Division to pool uncommitted**
2 **interest owners?**

3 A. Yes.

4 **Q. Did you have any unlocatables?**

5 A. No.

6 **Q. Does Centennial seek the imposition of a 200**
7 **percent risk penalty against unjoined working interests?**

8 A. Yes.

9 **Q. Does Centennial seek to be designated operator**
10 **for the well?**

11 A. Yes.

12 **Q. In your opinion, has the Centennial made a**
13 **good-faith effort to locate the unjoined interests and**
14 **communicate with them?**

15 A. We have. Like I said for the other wells, we
16 have made initial contact via well elections, and we've
17 had some subsequent phone conversations and email
18 correspondence.

19 **Q. Great.**

20 **Is the AFE for the Solomon well attached to**
21 **your well-proposal letter in Exhibit 16?**

22 A. Yes.

23 **Q. What's the total amount for the completed well?**

24 A. Roughly, \$11 million.

25 **Q. Still an accurate estimate?**

1 A. Yes.

2 Q. Is this cost in line with what's being charged
3 by other operators in the area for similar wells?

4 A. It is.

5 Q. What are your overhead and administrative costs
6 while drilling and producing?

7 A. It will be the 7,000 and the 700.

8 Q. So 7,000 per month drilling overhead and \$700 a
9 month producing overhead?

10 A. Yes.

11 Q. Are these costs in line with what's being
12 charged other operators in the area?

13 A. Yes.

14 Q. Are there any depth severances in this acreage?

15 A. There are not within the pool.

16 Q. Within the pool. Great.

17 The drilling and producing overheads rates
18 we just discussed, do you recommend these be
19 incorporated into the order?

20 A. I do.

21 Q. Do you request they be adjusted annually using
22 COPAS?

23 A. Yes.

24 Q. Now, with respect to all four of these cases,
25 is there anything about Centennial's drilling schedule

1 **that necessitates a request for an expedited order?**

2 A. Yes. The wells that we would request an
3 expedited order on would be the Romeo wells, so I guess
4 that was Case Number 20067 --

5 **Q. Correct.**

6 A. -- as we plan to spud those wells in June of
7 this year.

8 **Q. In your opinion, would the granting of**
9 **Centennial's applications be in the best interest of**
10 **conservation, the prevention of waste and the protection**
11 **of correlative rights?**

12 A. Yes.

13 **Q. Were Exhibits 1 through 16 prepared by you or**
14 **at your direction and control?**

15 A. Yes.

16 **Q. Turning now to Exhibit 29 -- well, let's do**
17 **this.**

18 MR. McMILLAN: I would now move the
19 admission of Exhibits 1 through 16?

20 EXAMINER McMILLAN: Jim?

21 Ernie?

22 MR. PADILLA: No objection.

23 EXAMINER McMILLAN: Jim, any objections?

24 MR. BRUCE: No objection.

25 EXAMINER McMILLAN: Exhibits 1 through 16

1 are accepted as part of the record.

2 (Centennial Resource Production, LLC
3 Exhibit Numbers 1 through 16 are offered
4 and admitted into evidence.)

5 MR. McMILLAN: That's all I have for this
6 witness, and I'll go over the affidavit once you've
7 asked your questions.

8 EXAMINER McMILLAN: Cross?

9 MR. PADILLA: No.

10 EXAMINER McMILLAN: Jim?

11 MR. BRUCE: No.

12 EXAMINER McMILLAN: I don't have any
13 questions.

14 EXAMINER WARNELL: No questions.

15 CROSS EXAMINATION

16 BY EXAMINER BROOKS:

17 **Q. Overrides?**

18 A. There is an override, but we already have the
19 right to pool it via a pre-existing agreement.

20 **Q. Okay. Thank you.**

21 A. Yes.

22 MR. McMILLAN: Well, you know what, I think
23 I'm done with this witness.

24 If nobody has any further questions for
25 her, may the witness be excused?

1 EXAMINER McMILLAN: Yes.

2 THE WITNESS: Thank you-all for your time.

3 EXAMINER McMILLAN: Ernie, EOG is in all
4 the cases?

5 MR. PADILLA: In all the cases, yes. Those
6 are my instructions, so --

7 EXAMINER BROOKS: You were talking so fast,
8 I assumed you were in a hurry to get through this case.
9 I feel, on the other hand, like I ought to take this
10 brief conference with Deana, since I promised her 1:30
11 and I was five minutes late.

12 EXAMINER McMILLAN: We've already made a
13 deal for the live witnesses.

14 EXAMINER BROOKS: Okay. Good. I'm for
15 that. I don't believe in breaching contracts.

16 (Laughter.)

17 MR. McMILLAN: Moving right along.

18 EXAMINER McMILLAN: Yes.

19 MR. McMILLAN: I'll briefly discuss my
20 Notice of Affidavit that's going to be Exhibit 29, at
21 the very back. Now, this is a matter that I inherited
22 from Holland & Hart. They had done notice in all four
23 of these cases before it landed in my lap. So the
24 affidavit I produced -- well, I'll just lead you through
25 it real quickly here. It identifies me as the attorney

1 for Centennial, not, Mr. Brooks, the attorney in fact or
2 any other sort of hedging language (laughter).

3 EXAMINER BROOKS: I understand. That was a
4 comment on one specific matter.

5 MR. McMILLAN: We fixed that.

6 The bottom line is that I reviewed the
7 mailing materials, USPS mailing materials, that were
8 produced as a result of Holland & Hart having sent out
9 the notice letters. They are -- those materials and the
10 notice letters are attached as Exhibits A1, A2, A3 and
11 A4. Those exhibits demonstrate to my satisfaction that
12 notice letters were timely mailed to all uncommitted
13 interest owners on January 18, 2019. Now, those
14 exhibits also demonstrate that all uncommitted owners
15 whose interests are, in fact, to be pooled in these
16 proceedings did receive actual notice.

17 The examiner will note in looking at those
18 exhibits that were some letters that did not get to
19 their intended destination. As it turns out, those
20 folks are folks, it turned out, did not have an
21 interest. They do not have an interest to be pooled.
22 So to say we lucked out, I think I can say we kind of
23 lucked out there. The letters that didn't get where
24 they were supposed to go, as it turned out, didn't have
25 to get there. So with that understanding, actual notice

1 was delivered to those uncommitted interest owners whose
2 interests are to be pooled.

3 There was also Affidavits of Publication
4 attached as B1, B2, B3 and B4, and those notices were
5 directed to all overriding royalty interests and pooled
6 parties and to my satisfaction currently identified the
7 lands at issue.

8 So in sum, it's my opinion that notice was
9 properly completed by prior counsel before I entered the
10 case. That's what I have for that piece.

11 EXAMINER BROOKS: Well --

12 MR. McMILLAN: What am I missing?

13 Oh, and I'd like to move for the admission
14 of Exhibit 29.

15 MR. PADILLA: No objection.

16 EXAMINER McMILLAN: Jim?

17 MR. BRUCE: No objection.

18 EXAMINER McMILLAN: Exhibit 29 may now be
19 accepted as part of the record.

20 (Centennial Resource Production, LLC
21 Exhibit Number 29 is offered and admitted
22 into evidence.)

23 EXAMINER BROOKS: I was just going to say I
24 one time included some people in the title -- title
25 requirement who actually had no interest, and the lawyer

1 I was working for said, "Well, you better contact them
2 right away and tell them about your mistake before they
3 spend the bonus money."

4 (Laughter.)

5 MR. McMILLAN: I think I'll call my second
6 witness at this time, Mr. John Harper.

7 JOHN HARPER,

8 after having been previously sworn under oath, was
9 questioned and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. McMILLAN:

12 Q. Would you please state your full name for the
13 record, sir?

14 A. John Harper.

15 Q. Where do you reside?

16 A. Denver, Colorado.

17 Q. By whom are you employed and in what capacity?

18 A. Centennial Resource Production, LLC as a
19 geologist.

20 Q. Have you previously testified before the
21 Division and had your credentials as an expert in
22 petroleum geology accepted and made a matter of record?

23 A. Yes.

24 Q. That was just about six months ago; is that
25 right?

1 A. Yes.

2 Q. Are you familiar with the applications filed in
3 these cases?

4 A. Yes.

5 Q. Are you familiar with the geology in the area?

6 A. Yes.

7 MR. McMILLAN: Mr. Examiner, I would tender
8 Mr. Harper as an expert in petroleum geology.

9 MR. BRUCE: No objection.

10 MR. PADILLA: No objection.

11 EXAMINER McMILLAN: So qualified.

12 Q. (BY MR. McMILLAN) Let's start with Case Numbers
13 20064 and 20065. These are the -- these are Bone Spring
14 wells, correct --

15 A. Correct.

16 Q. -- the Dandie and the Mastiff?

17 A. Yes, sir.

18 Q. Have you conducted a geologic investigation
19 with respect to these applications?

20 A. I have.

21 Q. And have you determined whether each tract
22 comprising the proposed horizontal spacing units for the
23 Dandie and Mastiff wells is prospective for production?

24 A. Yes, I have.

25 Q. What did you conclude?

1 A. I concluded that these wells will equally
2 produce from the one-mile laterals from the north and
3 south across the Devonian [sic].

4 **Q. And will each tract contribute approximately**
5 **the same amount of reserves to the wells in each of the**
6 **intervals being developed?**

7 A. Yes.

8 **Q. Did you prepare certain exhibits for**
9 **presentation today?**

10 A. I did.

11 **Q. Let's take a look at your Exhibit 17. Can you**
12 **tell us what we're looking at here?**

13 A. This is a location map of the area of interest.
14 The two black-dashed lines are the two wells of
15 interest, the Dandie 22 Federal Com 602 on the west and
16 then the Mastiff 22 Federal Com 601 on the east. All
17 the wells shown here with green bottom-hole locations at
18 their toes are Bone Spring producers -- various Bone
19 Spring producers, mostly 3rd Bone Spring sands and 2nd
20 Bone Spring sands. And I just highlighted our two
21 proposed wells here.

22 **Q. In looking at this exhibit, what would you say**
23 **the prevailing development pattern for the Bone Spring**
24 **is in this area?**

25 A. The prevailing pattern is north-south.

1 **Q. And is Centennial's unit orientation consistent**
2 **with that prevailing pattern?**

3 A. Yes.

4 **Q. Let's take a look at your Exhibit 18. Can you**
5 **tell us what we're looking at here?**

6 A. This is a subsea structure map on top of the
7 3rd Bone Spring Sand. The vertical wells have been
8 highlighted, and the subsea depths have been shown in
9 blue. The structured is benign across the one-mile
10 laterals. It's pretty flat, actually. Yes.

11 **Q. Great.**

12 **Let's take a look at Exhibit 19. What do**
13 **we see here?**

14 A. This is similar to the locator map from Exhibit
15 17. This is just showing where the cross section that
16 we were going to look at next is highlighted. We have a
17 number of vertical wells that will be traversing
18 past that gives us good well control. They're vertical
19 wells. There's a lot of good data -- a lot of good well
20 control in the area.

21 **Q. And is that a cross section, your Exhibit 20?**

22 A. Yes, that's correct.

23 **Q. Let's take a look there, and tell us what we're**
24 **looking at.**

25 A. This is a cross section from A to A prime.

1 A is north. A prime is south. The datum is the 3rd
2 Bone Spring Sand, which is what the structure map is
3 based off of previously. The left column is the gamma
4 ray track. The right column is the resistivity track,
5 and the middle column is the depth. The depths are both
6 in TVD and in subsea. The red line down at the bottom
7 is the Wolfcamp marker, and I've highlighted the target
8 intervals for both the Dandie and Mastiff 601, 602 wells
9 here.

10 Q. In your review, is the interval continuous
11 throughout the project area?

12 A. Yes.

13 Q. Are you seeing any faults or discontinuities
14 within this spacing unit?

15 A. No.

16 Q. Do you observe any porosity differences
17 throughout the areal extent of the unit?

18 A. No.

19 Q. Do you observe any thickening or thinning that
20 would be of concern?

21 A. Not of major concern. There is slight thinning
22 across the area but not in our target interval.

23 Q. Great.

24 MR. McMILLAN: That's all I had for this
25 witness for Case Numbers 20064 and 20065.

1 MR. PADILLA: No questions.

2 MR. BRUCE: No questions.

3 EXAMINER McMILLAN: I'm fine.

4 EXAMINER WARNELL: No questions.

5 EXAMINER BROOKS: No questions.

6 MR. McMILLAN: Great.

7 CONTINUED DIRECT EXAMINATION

8 BY MR. McMILLAN:

9 Q. Let's move now to Case 20067. Are these the
10 Romeo wells?

11 A. Yes.

12 Q. Have you conducted a geologic investigation
13 here, and have you determined whether each tract
14 comprising the proposed horizontal spacing unit is
15 prospective for production?

16 A. Yes, I have.

17 Q. And what was your conclusion?

18 A. These wells will contribute equally across the
19 Wolfcamp pool.

20 Q. Great.

21 And each tract will contribute
22 approximately the same amount of reserves?

23 A. Yes, sir.

24 Q. Looking at your Exhibit 21, can you tell us
25 what we see here?

1 A. So this is similar to the Dandie and Mastiff.
2 It's a locator map. Down in this area, there are a
3 mixture of Bone Spring horizontals and Wolfcamp
4 horizontals. The Wolfcamp horizontals have the red dot
5 at their bottom-hole location, and the Bone Spring
6 horizontals have the green dot at their bottom-hole
7 location. I've highlighted the two wells of interest in
8 the black-dashed line on the west half of Section 22.
9 Drilling from north to south, that is the Romeo Federal
10 Com 705 on the far west and the Romeo Federal Com 706
11 just to the east.

12 **Q. And what is the prevailing development pattern**
13 **for the Wolfcamp in this area?**

14 A. North to south.

15 **Q. And so Centennial's unit orientation is**
16 **consistent, correct?**

17 A. Correct.

18 **Q. Let's look at your Exhibit 22.**

19 A. This is a Wolfcamp structure map. This is
20 subsea present day. The vertical wells here, again,
21 have their subsea depths highlighted in blue. The
22 contour interval is 50 feet, and, again, this is
23 relatively flat, maybe slightly downdip for these wells.

24 **Q. Okay. Looking at Exhibit 23, does this exhibit**
25 **show the A to A prime cross-section line --**

1 A. It does, yes.

2 **Q. -- that is shown in cross section in Exhibit**
3 **24?**

4 A. That is correct.

5 **Q. Let's look at Exhibit 24. Walk us through this**
6 **exhibit, please.**

7 A. This is a cross section from A to A prime more
8 or less northeast to southwest. The datum here is the
9 Wolfcamp, which is what the structure map was based off
10 of. The left track is the gamma ray. The far right is
11 the resistivity track -- resistivity log, and the middle
12 is the depth, both in TVD and subsea. The Wolfcamp
13 targets are highlighted here. They're Upper Wolfcamp
14 targets, the 705 and the 706.

15 **Q. Great.**

16 **Is the interval generally continuous across**
17 **the horizontal spacing units?**

18 A. Yes.

19 **Q. Are there any faults or discontinuities within**
20 **the HSUs?**

21 A. No.

22 **Q. Do you observe any porosity differences**
23 **throughout the areal extent of the unit?**

24 A. No, sir.

25 **Q. And is there any thickening or thinning that**

1 **you observe that would be of concern?**

2 A. Not at all.

3 MR. McMILLAN: That's all I have for this
4 witness for Case Number 20067.

5 MR. PADILLA: No questions.

6 MR. BRUCE: No questions.

7 CROSS-EXAMINATION

8 BY EXAMINER BROOKS:

9 **Q. Are you familiar with the issues involving the**
10 **drilling schedule that were raised by the land witness?**

11 A. Yes.

12 **Q. Do you know why does this well have to be**
13 **spudded in June?**

14 A. That is -- that is ideally to help with the
15 current development package, to help with the completion
16 from the east and to continue our current development.

17 **Q. Is it a matter that would affect the**
18 **productivity of the wells if you didn't get this in in**
19 **the time sequence, or is it some other factor?**

20 A. There are multiple factors. That is one of
21 them. Yes.

22 **Q. Okay. Well, you're running up against the time**
23 **frame for getting this if you have an appeal. I think**
24 **it won't be a problem if nobody takes it to the**
25 **Commission, and I don't know if these people that are**

1 sitting here observing want to or not. We'll put it on
2 the expedited.

3 Please make a note of it, unless you
4 (indicating) write it yourself. If you write it
5 yourself, I'm sure it will get done promptly.

6 MR. McMILLAN: Thank you, Mr. Brooks.

7 EXAMINER BROOKS: Thank you.

8 MR. McMILLAN: Any questions for this
9 witness before I move on?

10 EXAMINER WARNELL: No questions.

11 I appreciate your logs. You can actually
12 read them.

13 EXAMINER BROOKS: But even if you write it
14 yourself, you should put a note on it because some
15 people review these things, and they may get buried on
16 somebody's desk.

17 MR. McMILLAN: Put a big red "Expedited"
18 stamp on those particular orders.

19 EXAMINER BROOKS: We've had some problems
20 with getting expedites actually done. If the attorneys
21 are being unreasonable and asking for them, I want to
22 caution them, but on the other hand, we examiners need
23 to be cautious, too, so we don't hide them from
24 ourselves.

25 MR. McMILLAN: And I try to be careful

1 about when I make that request.

2 EXAMINER BROOKS: Well, yeah. That is much
3 appreciated because as you know, we have record-size
4 dockets.

5 MR. McMILLAN: Yes. Yes, indeed. These
6 are record-setting times.

7 CONTINUED DIRECT EXAMINATION

8 BY MR. McMILLAN:

9 A. Okay. Moving now to Case Number 20068, this is
10 the Solomon well --

11 A. Yes.

12 Q. -- correct?

13 Okay. Have you conducted a geologic
14 investigation here to determine whether each tract
15 comprising the proposed spacing unit for the Solomon
16 well is prospective for production?

17 A. I have.

18 Q. What's your conclusion?

19 A. I have concluded that this area in particular
20 is very good for Bone Spring producing and will
21 effectively develop this Bone Spring area.

22 Q. Will each tract contribute approximately the
23 same amount of reserves to the well in each of the
24 interval being developed?

25 A. Yes.

1 **Q. Let's look at your Exhibit 25. Briefly**
2 **describe this exhibit to us.**

3 A. This is a locator map showing the Solomon
4 Federal Com 505H highlighted in the dashed black line.
5 This is the same area from the Romeo wells we previously
6 discussed. The red wells, again, are the Wolfcamp
7 producers in the area, and the green wells are the Bone
8 Spring producers in the area.

9 **Q. And we did this earlier, but the prevailing**
10 **development pattern for the Bone Spring is?**

11 A. North and south.

12 **Q. And Centennial's unit orientation here is**
13 **consistent with that prevailing pattern?**

14 A. That's correct.

15 **Q. Exhibit 26, please describe.**

16 A. This is a -- this is a structure map showing
17 the Solomon Federal Com 505H. Again, the contour
18 intervals here are 50 feet, and the structure looks
19 benign.

20 **Q. Okay. Turning to Exhibit 27, does this show**
21 **you're a to A prime cross-section line?**

22 A. Yes, it does.

23 **Q. And is Exhibit 28 that cross section?**

24 A. Yes, it is.

25 **Q. Let's turn there and please describe your**

1 **exhibit.**

2 A. This is A to A prime northeast to southwest
3 across the area of interest. The datum is the 3rd Bone
4 Spring Carbonate seen at the red line. The highlighted
5 target interval is in the 2nd Bone Spring Sand bracketed
6 by the red brackets. The gamma ray track is on the far
7 left. The resistivity track is on the far right, and,
8 again, the depth track is right in the middle of TVD and
9 subsea depths.

10 Q. And from your study, did you find that the
11 interval is continuous throughout the area?

12 A. It is.

13 Q. Are there any faults or discontinuities that
14 you noted and are concerned about?

15 A. No.

16 Q. Did you observe any porosity differences
17 throughout the areal extent of the proposed unit?

18 A. No.

19 Q. Did you observe any thickening or thinning
20 within the proposed unit that you'd be concerned about?

21 A. There is slight thickening to the southwest in
22 the gross interval in the 2nd Bone Spring Sand.
23 However, our target interval does not vary.

24 Q. In your opinion -- and this question goes to
25 all four cases -- would the granting of Centennial's

1 applications be in the best interest of conservation,
2 the prevention of waste and the protection of
3 correlative rights?

4 A. Yes.

5 Q. Were Exhibits 17 through 28 prepared by you or
6 at your direction and control?

7 A. Yes.

8 MR. PADILLA: No objection.

9 MR. BRUCE: No objection.

10 MR. McMILLAN: Okay (laughter). I tender
11 these exhibits for admission.

12 EXAMINER McMILLAN: Exhibits 17 through 28
13 may now be accepted as part of the record.

14 (Centennial Resource Production, LLC
15 Exhibit Numbers 17 through 28 are offered
16 and admitted into evidence.)

17 MR. McMILLAN: Thank you. That's all I
18 have for this witness on any of these cases.

19 EXAMINER BROOKS: No questions.

20 EXAMINER WARNELL: No questions.

21 EXAMINER McMILLAN: No questions.

22 MR. McMILLAN: Great. Then I would ask
23 that these four cases be taken under advisement and that
24 Case Number 20067 be addressed on an expedited basis.

25 EXAMINER McMILLAN: Any closing comments?

1 MR. PADILLA: None.

2 MR. BRUCE: No.

3 MR. McMILLAN: None.

4 EXAMINER McMILLAN: Okay. Matador, what
5 cases are you in? Jim? Didn't MRC make an appearance?

6 MR. McMILLAN: 67 and 68.

7 MR. BRUCE: 67 and 68. Mewbourne in Case
8 68.

9 EXAMINER McMILLAN: Okay. Well, so --

10 MR. McMILLAN: I think that's it. I'd ask,
11 yeah, that these cases be taken under advisement.

12 EXAMINER McMILLAN: Cases 20064, 67 and 68
13 and 20065 may now be taken under advisement.

14 Thank you.

15 MR. McMILLAN: Thank you very much.

16 THE WITNESS: Thank you.

17 (Case Numbers 20064, 20065, 20067 and 20068
18 conclude, 2:07 p.m.)

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STATE OF NEW MEXICO
COUNTY OF BERNALILLO

CERTIFICATE OF COURT REPORTER

I, MARY C. HANKINS, Certified Court Reporter, New Mexico Certified Court Reporter No. 20, and Registered Professional Reporter, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings that were reduced to printed form by me to the best of my ability.

I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.

DATED THIS 27th day of March 2019.

MARY C. HANKINS, CCR, RPR
Certified Court Reporter

Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

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