

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:

APPLICATION OF CENTENNIAL RESOURCE CASE NOs. 20515,
PRODUCTION, LLC FOR COMPULSORY POOLING, 20516, 20517,
LEA COUNTY, NEW MEXICO. 20519

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 13, 2019

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Scott Dawson, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, June 13, 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: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
 500 4th Street, Northwest, Suite 105
 Albuquerque, New Mexico 87102
 (505) 843-9241

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APPEARANCES

FOR APPLICANT CENTENNIAL RESOURCE PRODUCTION, LLC:

KAITLYN A. LUCK, ESQ.
HOLLAND & HART, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501
(505) 988-4421
kluck@hollandhart.com

FOR INTERESTED PARTIES:
CONOCOPHILLIPS COMPANY, Case Number 20515:
MRC PERMIAN COMPANY, Case Number 20517:
CHISHOLM ENERGY, Case Number 20519:

JAMES G. BRUCE, ESQ.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

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1 (8:52 a.m.)

2 EXAMINER DAWSON: Moving on down the list,
3 the next case is 20515, and it's Centennial Resource
4 Production, LLC for compulsory pooling, Lea County, New
5 Mexico.

6 Please call for appearances.

7 MS. LUCK: Kaitlyn Luck with the Santa Fe
8 office of Holland & Hart.

9 And we would request that Case Numbers
10 20515, 20516, 20517 and 20519 be consolidated for
11 purposes of hearing. We're presenting the same two
12 witnesses in all of these cases.

13 EXAMINER DAWSON: Okay. So Cases 20515,
14 20516, 20517 and 20519 will be consolidated.

15 Other appearances?

16 MR. BRUCE: Mr. Examiner, in Case 20515,
17 Jim Bruce entering an appearance for ConocoPhillips
18 Company.

19 In Case 20517, I'm entering an appearance
20 for MRC Permian Company.

21 And in 20519, I'm entering an appearance
22 for Chisholm Energy.

23 EXAMINER DAWSON: Okay. Any other
24 appearances?

25 Seeing none, when you're ready, Ms. Luck.

1 MS. LUCK: Thank you.

2 EXAMINER DAWSON: Do you have a folder for
3 20519?

4 MS. LUCK: Yeah. I'm going to bring it
5 around to you.

6 EXAMINER DAWSON: Okay. Thanks.

7 When you're ready, Ms. Luck.

8 MS. LUCK: Thank you, Mr. Hearing Examiner.

9 With that, Centennial will call its first
10 witness, Gavin Smith, to the stand.

11 EXAMINER DAWSON: Have your witnesses been
12 sworn in by the court reporter?

13 MS. LUCK: Not today.

14 EXAMINER DAWSON: Can your witnesses please
15 stand and be sworn in by the court reporter?

16 (Mr. Smith and Mr. Harper sworn.)

17 EXAMINER DAWSON: Call your first witness.

18 MS. LUCK: Thank you.

19 Centennial calls Gavin Smith.

20 GAVIN SMITH,
21 after having been first duly sworn under oath, was
22 questioned and testified as follows:

23 DIRECT EXAMINATION

24 BY MS. LUCK:

25 Q. Good morning.

1 **Please state your name and by whom you're**
2 **employed and in what capacity?**

3 A. I'm Gavin Smith. I'm a landman for Centennial
4 Resource Development.

5 **Q. And have you previously testified before the**
6 **Division?**

7 A. I have.

8 **Q. And were your credentials as an expert**
9 **petroleum landman made a matter of record?**

10 A. Yes.

11 **Q. And are you familiar with the application filed**
12 **in this case, 20515?**

13 A. Yes.

14 **Q. And are you familiar with the status of the**
15 **lands in the subject area?**

16 A. Yes.

17 MS. LUCK: And with that, we would tender
18 Mr. Smith as an expert witness in petroleum land
19 matters.

20 EXAMINER DAWSON: Any objections?

21 Okay. Mr. Smith will be admitted to the
22 record as an expert in petroleum land at this time.

23 **Q. (BY MS. LUCK) In Case Number 20515, please turn**
24 **to Exhibit Number 1 and explain what Centennial seeks in**
25 **this case.**

1 A. We seek to create a 320-acre proration unit --
2 spacing unit for the Cheddar Fed Com 602H well.

3 **Q. And what is the ownership in this acreage?**

4 A. Both state and federal leases.

5 **Q. And please to turn to Centennial Exhibit Number**
6 **2 and explain what this exhibit is.**

7 A. This is a C-102 plat for Cheddar Fed Com 602H.

8 **Q. And what pool is involved in this application?**

9 A. The -- I believe it's the Ho Chito [sic;
10 phonetic] Bone Spring.

11 **Q. And that would be pool code 5695; is that**
12 **correct?**

13 A. That's correct.

14 **Q. Okay. And will the completed interval for this**
15 **well comply with the statewide setbacks?**

16 A. It will. This is a nonstandard location that
17 we will seek NSL administratively.

18 **Q. And are there any depth severances in this --**

19 A. There are not.

20 **Q. And does Centennial Exhibit Number 3 identify**
21 **the interest owners in the spacing unit?**

22 A. Yes.

23 **Q. And it shows the total interest in the spacing**
24 **unit?**

25 A. Yes.

1 **Q. It also reflects the parties that Centennial**
2 **seeks to pool?**

3 A. Correct.

4 **Q. And those are only working interest owners?**

5 A. Yes, all working interests.

6 **Q. And are there any overrides?**

7 A. There are not, none that we don't have the
8 ability to pool.

9 **Q. And were all the interest owners that you seek**
10 **to pool locatable?**

11 A. No. There were several that we could not
12 locate, but we attempted to find them and contact them
13 through mail and phone calls, but we ended up publishing
14 on several.

15 **Q. Thank you.**

16 **And please turn to Exhibit Number 4. Is**
17 **this a sample well-proposal letter, along with the AFE**
18 **that was sent to the mineral interest owners for each**
19 **well?**

20 A. Yes.

21 **Q. Are the costs in the AFE consistent with what**
22 **Centennial and other operators are charging for similar**
23 **horizontal wells in this area?**

24 A. Yes.

25 **Q. And has Centennial made an estimate of overhead**

1 and administrative costs while drilling this well and
2 also while producing the well?

3 A. Yes, 8,000 and 800.

4 Q. And are these costs similar to what other
5 operators are charging in the area for these types of
6 wells?

7 A. Yes.

8 Q. And is Centennial also requesting the order
9 include a 200 percent charge for nonconsent?

10 A. Yes.

11 Q. Please turn to Exhibit Number 5. And is this
12 an affidavit prepared by my office with the attached
13 letters of notice of this hearing provided to the
14 parties of whom we're seeking to pool in this
15 proceeding?

16 A. It is.

17 Q. And is Centennial Exhibit Number 6 a copy of
18 the notice of location for this hearing?

19 A. Yes.

20 Q. And were Exhibits 1 through 4 prepared by you
21 or compiled under your direction and supervision?

22 A. They were.

23 MS. LUCK: And with that, Centennial would
24 move the admission of Exhibits 1 through 6, which
25 includes my notice affidavit in Case Number 20515.

1 EXAMINER DAWSON: Okay. So you prepared
2 Exhibits 1 through 6, correct?

3 THE WITNESS: Yes, sir.

4 EXAMINER DAWSON: Okay. I just wanted to
5 clarify that. She said 1 through 4.

6 MS. LUCK: He prepared 1 through 4, and
7 then our office prepared Exhibits 5 and 6, which are the
8 notice affidavits for the notice of this hearing and the
9 notice of location.

10 EXAMINER DAWSON: Okay.

11 Are there any objections?

12 MR. BRUCE: No objections.

13 EXAMINER DAWSON: Okay. At this point
14 Exhibits 1 through 6 will be admitted to the record.

15 (Centennial Resource Production, LLC
16 Exhibit Numbers 1 through 6 are offered and
17 admitted into evidence.)

18 MS. LUCK: Thank you.

19 CONTINUED DIRECT EXAMINATION

20 BY MS. LUCK:

21 **Q. With that, I'd ask Mr. Smith to turn to the**
22 **exhibits for Case Number 20516.**

23 EXAMINER DAWSON: Okay. Is there any
24 objection to the admission of exhibits or any questions?

25 MR. BRUCE: No, no questions.

1 EXAMINER DAWSON: All right. Go ahead.

2 MS. LUCK: And I just want to confirm that
3 the hearing examiners have no questions for Mr. Smith on
4 20515 or if you'd like to take all the questions all at
5 once.

6 EXAMINER DAWSON: Do you have any
7 questions, Mr. Brooks?

8 CROSS-EXAMINATION

9 BY EXAMINER BROOKS:

10 Q. Okay. These are federal, right?

11 A. Yes, sir. There is a mixture of federal and
12 state leases.

13 Q. Well, yeah.

14 EXAMINER BROOKS: Which particular case are
15 we on now?

16 EXAMINER DAWSON: 20515.

17 Q. (BY EXAMINER BROOKS) All these wells are in the
18 same vicinity, all four?

19 A. 20515 and 20516 are in the same area, but then
20 the remaining cases are in a different area.

21 Q. Okay. Very good.

22 515 -- this is 515. 515 is state and 516
23 is federal, right?

24 A. They're both a mixture of state and federal.

25 Q. Okay. What about overrides?

1 A. No overrides that we don't have the ability to
2 pool.

3 Q. Okay. So you have contractual right to pool
4 all the overrides?

5 A. Yes, sir.

6 Q. Even though there is not a pooling clause in
7 federal or state leases, right?

8 A. Yes, sir.

9 Q. Okay. And I believe you said there were no
10 depth severances, and these are Bone Spring wells?

11 A. Correct. The 515 is a Bone Spring well.

12 Q. 516 is a Wolfcamp?

13 A. Yes, sir.

14 Q. Okay. Thank you.

15 EXAMINER DAWSON: Okay. So we'll take
16 20515 under advisement?

17 MS. LUCK: Not quite yet. I'd ask that the
18 Division hear our geology expert after we present the
19 testimony of our land expert in all four of our cases.

20 EXAMINER DAWSON: Okay. Sounds great. So
21 we'll go on to 20516 at this point.

22 MS. LUCK: Thank you.

23 And, again, in Case Number 20516, we're
24 asking that Mr. Smith be tendered as an expert witness
25 in petroleum land matters. And I just want to confirm,

1 Mr. Hearing Examiner, whether I need to go through his
2 qualifications again or if he's been accepted in all
3 four cases.

4 EXAMINER DAWSON: Mr. Smith's
5 qualifications have been accepted in all four cases,
6 20515, 20516, 20517 and 20519.

7 MS. LUCK: Thank you, Mr. Hearing Examiner.

8 EXAMINER DAWSON: Any objections?

9 MR. BRUCE: No objection.

10 EXAMINER DAWSON: Okay.

11 CONTINUED DIRECT EXAMINATION

12 BY MS. LUCK:

13 **Q. Mr. Smith, please turn to Exhibit Number 1 and**
14 **identify what this is?**

15 A. This is a map of the Cheddar Fed Com 701H
16 spacing unit comprised of the west half-west half of
17 Section 32 and the west half-west half of Section 5.

18 **Q. And in this case, is Centennial seeking a**
19 **horizontal spacing unit comprised of the Wolfcamp**
20 **Formation?**

21 A. Yes.

22 **Q. And the ownership of this acreage is both state**
23 **and federal; is that correct?**

24 A. Correct.

25 **Q. Please turn to Exhibit Number 2 and identify**

1 it.

2 A. This is a C-102 plat of the Cheddar Fed Com
3 701H.

4 Q. And what pool is involved in this application?
5 Is it a wildcat Wolfcamp, 98166?

6 A. Yes.

7 Q. Please turn to Exhibit Number 3 and identify
8 this exhibit.

9 A. This is a list of the owners to be pooled in
10 this application.

11 Q. And does it also show the total interest in the
12 proposed spacing unit?

13 A. Yes.

14 Q. And it shows the parties that Centennial seeks
15 to pool?

16 A. Yes.

17 Q. And these are only working interests?

18 A. Correct.

19 Q. And are there any overrides?

20 A. There are not.

21 Q. And were all the interests that you seek to
22 pool locatable?

23 A. Yes. Marathon, we're working with them on a
24 JOA currently.

25 Q. And will Centennial notify the Division if it's

1 able to reach an agreement with Marathon?

2 A. Yes.

3 Q. And just briefly returning to Exhibit Number 2
4 quickly, will this well comply with the Division setback
5 requirements?

6 A. Yes.

7 Q. So is Centennial Exhibit Number 4 a sample
8 well-proposal letter, along with the AFE that was sent
9 to all the mineral interest owners of this well?

10 A. It is.

11 Q. And are the costs in the AFE consistent with
12 what Centennial and other operators are charging for
13 similar horizontal wells?

14 A. They are.

15 Q. And has Centennial made an estimate of overhead
16 and administrative costs?

17 A. Yes, 8,000 and 800.

18 Q. And are these costs similar to what other
19 operators are charging?

20 A. Yes.

21 Q. Does Centennial also request that the order
22 incorporate a 200 percent charge for the risk against
23 nonconsenting parties?

24 A. We do.

25 Q. And finally turning to Exhibit Number 5, is

1 **this an affidavit prepared by my office with the**
2 **attached application for the parties you are seeking to**
3 **pool in this case?**

4 A. Yes.

5 **Q. And were Exhibit 1 through 4 prepared under**
6 **your supervision or direction?**

7 A. They were.

8 MS. LUCK: With that, Centennial would move
9 the admission of Exhibits 1 through 5, which includes my
10 notice affidavit.

11 And we have nothing further on this case.
12 We'll stand for questions on Case Number 20516.

13 (Centennial Resource Production, LLC
14 Exhibit Numbers 1 through 5 are offered
15 into evidence.)

16 EXAMINER DAWSON: Are there questions from
17 the other attorneys?

18 MR. BRUCE: No questions.

19 EXAMINER DAWSON: This one wasn't
20 contested, right, or there weren't any other appearances
21 on this one?

22 No.

23 MS. LUCK: I can double-check.

24 EXAMINER DAWSON: I didn't hear any from
25 Mr. Bruce on this 20516.

1 MS. LUCK: Mr. Hearing Examiner, I only
2 have an entry for Mr. Bruce in Case Number 20515, Case
3 Number 20517.

4 EXAMINER DAWSON: 20519.

5 MS. LUCK: I don't have that one in front
6 of me, but I'll defer to the hearing examiner on that.

7 EXAMINER DAWSON: Do you have any
8 questions, Mr. Brooks?

9 EXAMINER BROOKS: Yes.

10 CROSS-EXAMINATION

11 BY EXAMINER BROOKS:

12 Q. What is the spacing in this pool? What pool is
13 it? I didn't see that.

14 A. It's a wildcat Wolfcamp pool.

15 Q. Okay. So the spacing is 40 acres?

16 A. Yes, sir, statewide.

17 Q. You said was dedicated -- to be dedicated to
18 the west half-west half spacing unit, and what you're
19 doing is taking the east half -- well, these wells are
20 going to be -- going to -- it's going to bring in the
21 Units D, E, I -- D, E -- D, E, K and L as proximity
22 tracts?

23 A. On the 701H?

24 Q. 602H is what I'm looking at.

25 A. The previous case, 515?

1 **Q. Oh. This case is --**

2 EXAMINER DAWSON: 20516.

3 EXAMINER BROOKS: Okay. 20516. 20516 and
4 20517 -- okay. So there are no proximity tracts in
5 20157. Let's be sure I'm -- this is 20517. It's the
6 west half-west half of Sections 6 and 7. And so
7 that's -- that's okay.

8 **Q. (BY EXAMINER BROOKS) And 20515 was the one I**
9 **was looking at, and that's -- that's the east half-west**
10 **half?**

11 A. Yes, sir.

12 **Q. Section 32 and Section 5?**

13 A. Yes, sir.

14 **Q. Okay. I'm straight. I'm sorry for the**
15 **confusion.**

16 A. No, you're -- that's fine.

17 EXAMINER DAWSON: Okay.

18 MS. LUCK: If there are no further
19 questions on 20516, we'd ask to turn to Case Number
20 20517.

21 CROSS-EXAMINATION

22 BY EXAMINER DAWSON:

23 **Q. Well, I have a question on all these cases. On**
24 **your letter that you sent to the interest owners**
25 **requesting their participation in the well --**

1 A. Yes, sir.

2 Q. -- it says "7,500 per day [sic] for drilling
3 and 750 per day [sic] for producing"?

4 A. Yes, sir.

5 Q. And you're asking 8,000 and 800; is that
6 correct?

7 A. Yes, sir. That's an oversight on my part. If
8 that's -- if that's an issue, we can -- we can request
9 7,500 in the application, since that's what we noticed
10 for, since these were sent out so long ago.

11 Q. Okay. So it will be for all four cases, 7,500
12 and 750?

13 A. Yes, sir. We can change that.

14 Q. Okay.

15 A. I apologize for that.

16 Q. No problem. I just noticed that.

17 EXAMINER DAWSON: Okay. I have no further
18 questions of your witness.

19 MS. LUCK: Thank you.

20 And turning to Case Number 20517 --

21 EXAMINER DAWSON: Okay. When you're ready,
22 Ms. Luck.

23 MS. LUCK: Thank you, Mr. Hearing Examiner.

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CONTINUED DIRECT EXAMINATION

BY MS. LUCK:

Q. On Exhibit Number 1, please explain what Centennial is seeking in this application?

A. We are seeking to create a spacing unit comprised of the west half of the east half of Section 6 and the west half of the northeast quarter of Section 7 for the Carne Asada State Com #501H.

Q. And is the ownership of this acreage state only?

A. Yes, all state.

Q. And then please turn to Exhibit Number 2 and identify this exhibit.

A. This is the C-102 plat for the Carne Asada State Com #501H.

Q. And is this well located in the Ojo Chiso; Bone Spring Pool?

A. Yes.

Q. And will the completed interval of these wells comply with the statewide setback requirements?

A. They will.

Q. And are there any depth severances?

A. There are not.

Q. Does Centennial Exhibit Number 3 identify the interest owners in the spacing unit?

1 A. Yes.

2 Q. And it shows the total interest in the spacing
3 unit, as well the parties that Centennial seeks to pool?

4 A. Correct.

5 Q. And Centennial only seeks to pool the working
6 interest owners in this case?

7 A. Yes.

8 Q. And there are no overrides?

9 A. Correct, no overrides.

10 Q. Were all the interest owners that you seek to
11 pool locatable?

12 A. Yes.

13 Q. And have you undertaken any efforts to reach an
14 agreement with those interest owners?

15 A. We're currently working on a JOA with Matador
16 and Chevron.

17 Q. And will Centennial notify the Division should
18 it reach an agreement?

19 A. Yes.

20 Q. Is this a sample well-proposal letter, along
21 with an AFE sent to the mineral interest owner?

22 A. Yes.

23 Q. Are the costs in the AFE consistent with what
24 Centennial and other operators have incurred for
25 drilling similar horizontal wells?

1 A. Yes.

2 Q. And is Centennial requesting that
3 administrative and overhead costs be incorporated into
4 the order?

5 A. Yes. It's 7,500 per day [sic] and 750.

6 Q. And does Centennial also request that the order
7 include a 200 percent charge for the risk against
8 nonconsenting operators?

9 A. Yes.

10 Q. Is Centennial Exhibit Number 5 an affidavit
11 prepared by my office with the attached letters
12 providing notice of this hearing to the parties that you
13 seek to pool in this case?

14 A. Yes.

15 Q. And were Exhibit Numbers 1 through 4 prepared
16 by you or compiled under your direction and supervision?

17 A. They were.

18 Q. And in this case, is Centennial requesting an
19 expedited order?

20 A. We are. We have a critical date of October
21 1st.

22 MS. LUCK: And with that, Centennial would
23 move the admission of Exhibits 1 through 5, which
24 includes my notice affidavit.

25 EXAMINER DAWSON: Any objections? No

1 objections?

2 Mr. Bruce, you did enter an appearance for
3 MRC in this case; is that correct?

4 MR. BRUCE: That's correct.

5 (Centennial Resource Production, LLC
6 Exhibit Numbers 1 through 5 are offered
7 into evidence.)

8 EXAMINER DAWSON: Any questions?

9 MS. LUCK: I have no further questions.

10 CROSS-EXAMINATION

11 BY EXAMINER BROOKS:

12 Q. You said there was a critical date of October
13 1st. Is that a lease expiration?

14 A. Yes. That is a state lease expiration. Yes,
15 sir.

16 Q. Okay. And this is a west half-east half
17 spacing unit in these sections?

18 A. Correct. Correct, 240 acres.

19 Q. Yeah.

20 I believe that's all I have.

21 EXAMINER DAWSON: Okay. I have no further
22 questions of this witness.

23 MS. LUCK: Thank you, Mr. Hearing Examiner.

24 With that, we'll turn to Case Number 20519
25 with this witness.

1 EXAMINER DAWSON: Okay. When you're ready,
2 Ms. Luck, 20519 will be heard at this time.

3 MS. LUCK: Thank you.

4 CONTINUED DIRECT EXAMINATION

5 BY MS. LUCK:

6 Q. Turning to Exhibit Number 1, could you please
7 identify what Centennial seeks with this application.

8 A. Seeks to create a spacing unit for the west
9 half -- for the Hagberry 9 State Com #501H comprised of
10 the west half-west half of Section 9 and the west half
11 of the northwest quarter of Section 16.

12 Q. And this is a stand-up horizontal well?

13 A. Correct.

14 Q. And is the ownership of this acreage state?

15 A. Yes.

16 Q. And this map also reflects Centennial's
17 interests as well as the other interests in this tract?

18 A. Yes.

19 Q. Turning to Exhibit Number 2, please identify
20 this exhibit.

21 A. This is the C-102 for the Hagberry 9 State Com
22 #501H.

23 Q. And is this well also located in the Ojo Chiso;
24 Bone Spring, South Pool?

25 A. Yes.

1 Q. And will the completed interval for this well
2 comply with statewide setback requirements?

3 A. Yes.

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

5 A. There are not.

6 Q. Please turn to Exhibit Number 3. Does this
7 exhibit identify the interest owners in the spacing
8 unit?

9 A. It does.

10 Q. And it also shows the total interest, as well
11 as the parties that Centennial seeks to pool?

12 A. Yes.

13 Q. And does Centennial seek to pool both working
14 interest owners and overrides?

15 A. We do.

16 Q. Were all of the override -- sorry. Were all of
17 the interest owners you seek to pool locatable?

18 A. They were not.

19 Q. What efforts have you undertaken to reach an
20 agreement with the uncommitted working interest owners?

21 A. After well proposals were sent, we attempted to
22 contact all parties. Some, we made contact with, and
23 we're working on JOAs, and others were noticed or
24 published.

25 Q. And will Centennial notify the Division should

1 it reach an agreement with any of the parties it seeks
2 to pool?

3 A. Yes.

4 Q. Turning to Exhibit Number 4, is this a sample
5 well-proposal letter, along with the AFE that reflects
6 the mineral interest owners?

7 A. It is.

8 Q. And are the costs on the AFE consistent with
9 what Centennial and other operators have incurred for
10 drilling similar horizontal wells?

11 A. Yes.

12 Q. Has Centennial made an estimate of overhead and
13 administrative costs while drilling this well and also
14 while producing this well?

15 A. 7,500 per day [sic] and 750 per day [sic].

16 Q. And does Centennial also request the order
17 include the 200 percent charge for the risk?

18 A. We do.

19 Q. Turning to Exhibit Number 5, is this an
20 affidavit prepared by my office with the attached
21 letters providing notice of this hearing to the parties
22 whom you seek to pool?

23 A. Yes.

24 Q. And is Centennial Exhibit Number 6 a copy of
25 the Notice of Publication of the hearing?

1 A. Yes.

2 Q. And were Exhibit Number 1 through 4 prepared by
3 you or compiled under your direction or supervision?

4 A. They were.

5 Q. And in this case, is Centennial also requesting
6 an expedited order?

7 A. We are.

8 MS. LUCK: And with that, I would move the
9 admission of Centennial Exhibits 1 through 6, which
10 includes my notice affidavit and the Affidavit of
11 Publication in this case.

12 EXAMINER DAWSON: Any objections?

13 MR. BRUCE: No objection.

14 EXAMINER DAWSON: Okay. At this point
15 Exhibit 1 through 6 will be admitted to the record.

16 (Centennial Resource Production, LLC
17 Exhibit Numbers 1 through 6 are offered and
18 admitted into evidence.)

19 MS. LUCK: Thank you, Mr. Hearing Examiner.

20 EXAMINER DAWSON: At this point you can
21 call your next witness.

22 There are no more questions. Thank you
23 very much.

24 THE WITNESS: Thank you.

25 MS. LUCK: Thank you.

1 And with that, Centennial will call John
2 Harper.

3 EXAMINER DAWSON: Okay.

4 JOHN HARPER,
5 after having been previously sworn under oath, was
6 questioned and testified as follows:

7 DIRECT EXAMINATION

8 BY MS. LUCK:

9 Q. Good morning, Mr. Harper.

10 If you could please state your name and
11 identify who you're employed by and in what capacity.

12 A. My name is John Harper. I'm a geologist for
13 Centennial Resource Development.

14 Q. And have you previously testified before the
15 Division?

16 A. I have.

17 Q. And were your credentials as an expert in
18 petroleum geology accepted and made a matter of record?

19 A. They were.

20 Q. Are you familiar with the application filed by
21 Centennial in these cases? That would be Case Numbers
22 20515, 20516, 20517 and 20519.

23 A. Yes.

24 Q. And have you conducted a geologic study of the
25 formation underlying these proposed spacing units?

1 A. I have.

2 MS. LUCK: And with that, we would tender
3 Mr. Harper as an expert witness in petroleum geology in
4 these four cases.

5 EXAMINER DAWSON: Any objections?

6 MR. BRUCE: No objection.

7 EXAMINER DAWSON: Mr. Harper will be
8 admitted as an expert in petroleum geology at this time.

9 MS. LUCK: Thank you, Mr. Hearing Examiner.

10 EXAMINER DAWSON: You're welcome.

11 **Q. (BY MS. LUCK) Mr. Harper, please turn to**
12 **Exhibit Number 7 in Case Number 20515 and identify this**
13 **for us.**

14 A. It's a location map for the Cheddar Federal Com
15 602H. The surface-hole location is highlighted in this
16 blue box, and the bottom-hole location is highlighted in
17 that empty circle. And I've identified all producing
18 Bone Spring wells in the area.

19 **Q. And turning to Exhibit Number 8, please**
20 **identify this exhibit and let us know what it shows.**

21 A. This is a structure map on the base of the Bone
22 Spring Formation. Contour intervals are 50 feet, and
23 contours are in subsea depths. Data points have been
24 highlighted by well, as --

25 **Q. And does this subsea structure map show the**

1 direction the formation dips in this area?

2 A. Yes, it does. It dips slightly to the
3 southeast.

4 Q. And do you identify any geologic hazards?

5 A. I do not.

6 Q. Turning to Exhibit Number 9, can you explain
7 what this exhibit shows?

8 A. Exhibit 9 is a cross-section map that we'll see
9 on the next -- on the next exhibit. This goes from A to
10 A prime, which is roughly north and to the south along
11 the proposed wellbore.

12 Q. Thank you.

13 And did you prepare a cross section of the
14 logs relative to the thickness and porosity of the Bone
15 Spring Formation in this acreage?

16 A. I did.

17 Q. And do you consider these wells to be
18 representative of the Bone Spring for the area near the
19 proposed spacing unit?

20 A. I do.

21 Q. And can you please turn to what's been marked
22 as Exhibit Number 10 and identify the logs on the
23 exhibit?

24 A. This is the cross section from north to south,
25 which is A to A prime, left to right. The gamma ray

1 track is in track number one. The resistivity is in
2 track number two in this green curve. I've hung this
3 cross section on the top of the Wolfcamp, which is the
4 base of the Bone Spring Formation. And you can see that
5 our lateral target has been highlighted in the red box,
6 which is the basal 3rd Bone Spring Sand.

7 Q. And do you observe continuity throughout the
8 landing interval?

9 A. I do.

10 Q. And is the Bone Spring in this area suitable
11 for development by horizontal wells?

12 A. It is.

13 Q. Is the proposed orientation of the horizontal
14 well appropriate for this area?

15 A. Yes.

16 Q. And do you expect each quarter-quarter section
17 of the proposed standard spacing unit to contribute more
18 or less equally to production from the wellhead?

19 A. I do.

20 Q. And in your opinion, is the granting of
21 Centennial's application in the best interest of
22 conservation, the prevention of waste and the protection
23 of correlative rights?

24 A. Yes.

25 MS. LUCK: And with that, Centennial would

1 move the admission of Exhibits 7 through 10.

2 EXAMINER DAWSON: Any objections?

3 MR. BRUCE: No objections.

4 EXAMINER DAWSON: Exhibits 7 through 10
5 will be admitted to the record at this time.

6 (Centennial Resource Production, LLC
7 Exhibit Numbers 7 through 10 are offered
8 and admitted into evidence.)

9 EXAMINER DAWSON: Any questions?

10 MR. BRUCE: No questions.

11 EXAMINER DAWSON: Any questions,
12 Mr. Brooks?

13 CROSS-EXAMINATION

14 BY EXAMINER BROOKS:

15 **Q. I don't believe I've asked about overrides in**
16 **all of these cases. Do you have any overrides in these**
17 **wells?**

18 MS. LUCK: And I would defer to our land
19 witness on that question, if we can call him back at the
20 end and have him answer.

21 EXAMINER BROOKS: Yeah. I should have
22 asked in each case, but I didn't.

23 MS. LUCK: Okay. If that would be okay
24 with the hearing examiners, we would call him back at
25 the end and question him to depth severances.

1 EXAMINER DAWSON: That's fine.

2 MS. LUCK: Thank you.

3 And if there are no further questions from
4 the hearing examiners on 515, I'd ask to turn to 516.

5 EXAMINER DAWSON: I have one question of
6 the geologist on 515.

7 CROSS-EXAMINATION

8 BY EXAMINER DAWSON:

9 Q. Your horizontal landing area interval on the
10 602H --

11 A. Yes, sir.

12 Q. -- that's at the base of the 3rd Bone Spring?

13 A. Yes, sir.

14 Q. And that will not communicate with the
15 Wolfcamp?

16 A. Not that we are aware of. The next case is a
17 Wolfcamp well that coincides with this well. We'll be
18 drilling both together to ensure there is no
19 communication.

20 Q. Is that an Upper Wolfcamp well?

21 A. Yes, sir.

22 Q. All right. We'll continue with that.

23 A. All right.

24 Q. Thank you.

25 MS. LUCK: Thank you, Mr. Hearing Examiner.

1 EXAMINER DAWSON: Thank you.

2 CONTINUED DIRECT EXAMINATION

3 BY MS. LUCK:

4 Q. And with that, we would turn to Case Number
5 20516, Exhibit Number 6. And, Mr. Harper, if you could
6 identify Centennial Exhibit Number 6 in this case and
7 explain what this exhibit shows?

8 A. This is a location map for the Cheddar Fed Com
9 #701H. I've highlighted the surface-hole location and
10 the bottom-hole location, and this well is a two-mile
11 lateral drilling south to north in the Wolfcamp.

12 Q. And does this exhibit also show Centennial's
13 acreage in this development?

14 A. It does.

15 Q. Turning to Exhibit Number 7, please explain
16 what this exhibit shows.

17 A. Exhibit Number 7 is a Wolfcamp structure map in
18 subsea depths. Contour intervals are 50 feet, and I've
19 shown data points on the vertical wells that shows a
20 slight dip to the southeast of this Wolfcamp well.

21 Q. Thank you.

22 And does this map also identify the
23 surface-hole, bottom-hole locations of the proposed
24 Wolfcamp well?

25 A. It does.

1 Q. And are there any geologic hazards that you
2 observe on this map?

3 A. No.

4 Q. Please turn to Centennial Exhibit Number 6 and
5 explain what this map shows.

6 A. Exhibit Number 8?

7 Q. I'm sorry. Exhibit Number 8.

8 A. Exhibit Number 8 is a cross-section map showing
9 from A to A prime, which is north to south along our
10 proposed wellbore.

11 Q. And did you prepare a cross section of logs to
12 determine the relative thickness and porosity of the
13 Wolfcamp in this area?

14 A. I did.

15 Q. And do you consider these wells to be
16 representative of the Wolfcamp for the area near this
17 proposed spacing unit?

18 A. I do.

19 Q. Could you please turn to what's been marked as
20 Centennial Exhibit Number 9 and identify the logs on
21 that exhibit?

22 A. Exhibit 9 is a cross section from A to A prime,
23 which is north to south along our proposed wellbore.
24 I've hung this cross section on the Wolfcamp top
25 highlighted in this blue color. Track number one is the

1 gamma ray. Track number two is the resistivity curve.

2 And I've highlighted the Cheddar Federal Com #701H

3 target interval, which is the Upper Wolfcamp.

4 Q. And do you observe continuity throughout the
5 landing interval?

6 A. I do.

7 Q. And have you concluded that the Wolfcamp in
8 this area is suitable for development by horizontal
9 wells?

10 A. Yes.

11 Q. And is the proposed orientation of the
12 horizontal well appropriate for this area?

13 A. Yes, it is.

14 Q. Do you expect each quarter-quarter section
15 within the proposed standard spacing unit to contribute
16 more or less equally to production from the wellbore?

17 A. I do.

18 Q. In your opinion, is the granting of
19 Centennial's application in the best interest of
20 conservation, the prevention of waste and the protection
21 of correlative rights?

22 A. Yes.

23 MS. LUCK: And with that, Centennial would
24 move the admission of Exhibits 7 through 9.

25 EXAMINER DAWSON: Exhibits 7 through 9 will

1 be admitted to the record at this time.

2 (Centennial Resource Production, LLC
3 Exhibit Numbers 7 through 9 are offered and
4 admitted into evidence.)

5 MS. LUCK: Thank you.

6 EXAMINER DAWSON: Do you have any
7 questions, Mr. Brooks?

8 EXAMINER BROOKS: No.

9 CROSS-EXAMINATION

10 BY EXAMINER DAWSON:

11 Q. I just have one question. You have these --
12 the Bilbrey 33 Feds. Those wells are depicted on the
13 map as producing Bone Spring wells?

14 A. Yes, sir.

15 Q. Are those pretty good wells?

16 A. They are newer wells. Yes. They are in the
17 2nd Bone Spring Sand. They're pretty good.

18 Q. They're commercial wells?

19 A. Yes.

20 Q. And you expect these wells to be commercial
21 wells?

22 A. Yes, sir.

23 Q. That's all the questions I have. Thank you.

24 MS. LUCK: With that, I'd ask the witness
25 to turn to Case 20517.

1 EXAMINER DAWSON: When you're ready,
2 Ms. Luck.

3 MS. LUCK: Thank you.

4 CONTINUED DIRECT EXAMINATION

5 BY MS. LUCK:

6 Q. Mr. Harper, please identify Exhibit Number 6
7 and tell us what it shows.

8 A. Exhibit 6 is a location map of the Centennial
9 acreage in yellow. I've also shown the bottom-hole
10 location for the proposed lateral for the Carne Asada
11 State Com #501H. I've also highlighted other producing
12 Bone Spring wells in the area.

13 Q. And this map shows the surface-hole and
14 bottom-hole locations for this as well?

15 A. Yes.

16 Q. Please turn to Exhibit Number 7 and explain
17 what this map shows.

18 A. This is a subsea structure map on the 3rd Bone
19 Spring Carbonate, which is directly below our target
20 interval. The dip is roughly to the southwest, and I've
21 highlighted data points on the associated vertical
22 wells.

23 Q. And do you observe any geologic hazards on this
24 well?

25 A. I do not.

1 **Q. Please turn to Centennial Exhibit Number 8 and**
2 **identify it.**

3 A. Exhibit Number 8 is a cross-section map showing
4 A to A prime, which is roughly north to southeast, that
5 traverses our proposed lateral.

6 **Q. And could you identify what have been used as**
7 **the data points on this map?**

8 A. Data points are still associated with the 3rd
9 Bone Spring Carbonate structure map of the previous
10 exhibit.

11 **Q. Thank you.**

12 **And did you prepare a cross section of logs**
13 **to determine the relative thickness and porosity of the**
14 **Bone Spring in this area?**

15 A. I did.

16 **Q. And do you consider these wells to be**
17 **representative of the Bone Spring for the area near the**
18 **proposed spacing unit?**

19 A. I do.

20 **Q. Can you please turn to Exhibit Number 9 and**
21 **identify those logs on this exhibit?**

22 A. Exhibit 9 is a cross section from A to A prime
23 to roughly north to southeast. I've hung this cross
24 section on the 3rd Bone Spring Carbonate, which is what
25 the structure map was associated with in the previous

1 exhibits. Track number one is a gamma ray. Track
2 number two is a resistivity curve. And I've highlighted
3 the proposed target interval for the Carne Asada State
4 Com 501H in red.

5 Q. And do you identify [sic] the continuity
6 throughout the landing interval?

7 A. I do.

8 Q. And have you concluded that the Bone Spring in
9 this area is suitable for development for horizontal
10 wells?

11 A. Yes.

12 Q. And is the proposed orientation of this
13 horizontal well appropriate for the area?

14 A. Yes.

15 Q. And do you expect each quarter-quarter section
16 within the proposed standard spacing unit to contribute
17 more or less equally to production from the wellbores?

18 A. I do.

19 Q. And in your opinion, is the granting of
20 Centennial's application in the best interest of
21 conservation, the prevention of waste and the protection
22 of correlative rights?

23 A. Yes.

24 MS. LUCK: And with that, I would move
25 admission of Centennial Exhibits 7 through 9 in this

1 case.

2 EXAMINER DAWSON: Any objections?

3 MR. BRUCE: No objection.

4 EXAMINER DAWSON: Okay. At this point
5 Exhibit 7 through 9 will be admitted to the record.

6 (Centennial Resource Production, LLC
7 Exhibit Numbers 7 through 9 are offered and
8 admitted into evidence.)

9 MS. LUCK: Thank you, Mr. Hearing Examiner.

10 EXAMINER DAWSON: Do you have any
11 questions, David?

12 EXAMINER BROOKS: No questions.

13 MS. LUCK: And with that, I'd ask to turn
14 to the final case with this witness, 20519, if there are
15 no further questions.

16 EXAMINER DAWSON: Okay. When you're ready.
17 No further questions.

18 CONTINUED DIRECT EXAMINATION

19 BY MS. LUCK:

20 **Q. Mr. Harper, please turn to Exhibit Number 7 and**
21 **identify what is shown on this exhibit.**

22 A. Exhibit 7 a location map highlighting
23 Centennial's acreage in yellow in the proposed Hagberry
24 9 State Com 501H. I've highlighted the surface-hole
25 location and the proposed lateral, which is drilling

1 from north to south. I've also highlighted other
2 producing Bone Spring wells in the area.

3 Q. Thank you.

4 Please turn to Exhibit Number 8 and explain
5 what this map shows.

6 A. Exhibit 8 is a subsea structure map on top of
7 the 3rd Bone Spring Carbonate. I've highlighted the
8 data points used here in blue along the verticals. The
9 structure is dipping slightly to the southwest.

10 Q. Thank you.

11 And the contour interval is 50 feet?

12 A. Oh, yes. Sorry. Yes, 50 feet.

13 Q. And do you observe any geologic hazards on this
14 map?

15 A. I do not.

16 Q. Please turn to Exhibit Number 9 and identify
17 what is shown here.

18 A. Exhibit Number 9 is a cross-section map from A
19 to A prime, which is roughly north to southwest. This
20 cross section will traverse our proposed lateral.

21 Q. Thank you.

22 And did you prepare a cross section of logs
23 to determine the relative thickness and porosity of the
24 Bone Spring in this area?

25 A. Yes, I did.

1 **Q. Did you consider these wells to be**
2 **representative of the Bone Spring for the area near the**
3 **proposed spacing unit?**

4 A. I do.

5 **Q. Could you please turn to Exhibit Number 10 and**
6 **identify those logs on this exhibit?**

7 A. Exhibit 10, this is a cross section from A to A
8 prime, which is roughly north to southwest. I've hung
9 this cross section on the 3rd Bone Spring Carbonate,
10 which the subsea structure map was associated with
11 previously. Track number one is a gamma ray track.
12 Track number two is a resistivity track. I've also
13 highlighted the proposed target interval for the
14 Hagberry 9 State Com 501H in red.

15 **Q. And the interval is also continuous throughout?**

16 A. Yes.

17 **Q. And have you concluded that the Bone Spring in**
18 **this area is suitable for development by horizontal**
19 **wells?**

20 A. Yes.

21 **Q. And the proposed orientation of the horizontal**
22 **well is appropriate in this case?**

23 A. Yes.

24 **Q. And do you expect each quarter-quarter section**
25 **to contribute more or less equally to the production**

1 from this wellbore?

2 A. I do.

3 Q. And in your opinion, is the granting of
4 Centennial's application in the best interest of
5 conservation, the prevention of waste and the protection
6 of correlative rights?

7 A. Yes.

8 Q. Thank you.

9 MS. LUCK: And with that, I would move the
10 admission of Centennial Exhibits 7 through 10 in this
11 case.

12 EXAMINER DAWSON: Any objections?

13 MR. BRUCE: No objection.

14 EXAMINER DAWSON: Okay. At this point
15 Exhibits 7 through 10 will be admitted to the record.

16 (Centennial Resource Production, LLC
17 Exhibit Numbers 7 through 10 are offered
18 and admitted into evidence.)

19 MS. LUCK: Thank you, Mr. Hearing Examiner.
20 And if there are no further questions, we'd
21 ask the case be taken under advisement.

22 EXAMINER DAWSON: Do you have any further
23 questions, Mr. Brooks?

24 EXAMINER BROOKS: No.

25 EXAMINER DAWSON: I just have a couple of

1 questions -- or one question.

2 CROSS-EXAMINATION

3 BY EXAMINER DAWSON:

4 Q. On your maps --

5 A. Yes, sir.

6 Q. -- do you have your CDEV operating acreage?

7 A. Yes. That's short for Centennial Resource
8 Development.

9 Q. On this map, it's a 240-acre horizontal spacing
10 unit.

11 A. 320-acre.

12 Q. Oh, it's 320?

13 A. I believe so.

14 Hagberry.

15 MR. SMITH: Hagberry? It's 240. Sorry.

16 Q. (BY EXAMINER DAWSON) Yeah. The map is kind of
17 confusing here because it's -- that's your acreage?
18 It's not the horizontal spacing unit of the wells, is my
19 question?

20 A. Yes, sir. Yes, sir. That's our acreage.

21 Q. So the horizontal spacing unit, the well is the
22 west half of the west half of 9 and the west half of the
23 northwest quarter of 16, correct?

24 A. I believe so. Yes.

25 Q. Okay. I was just a little confused because the

1 **operating -- the maps, but I understand what you're**
2 **trying to depict here.**

3 A. Yes. Sorry.

4 **Q. That's all the questions I have. Thank you.**

5 MS. LUCK: Thank you, Mr. Hearing Examiner.

6 And if you'd like, we can ask Mr. Smith to
7 return to the stand to answer any questions about --

8 EXAMINER BROOKS: Yes.

9 EXAMINER DAWSON: Thank you, Mr. Harper.

10 Mr. Smith, if you could come back on the
11 stand for a minute.

12 GAVIN SMITH,

13 after having been previously sworn under oath,
14 was re-called and testified as follows:

15 MR. SMITH: The question was to override
16 owners. Case 20519 is the only case we're pooling
17 override owners. All the others, we have either no
18 override owners or authority to pool them already
19 throughout their agreements.

20 CROSS-EXAMINATION

21 BY EXAMINER BROOKS:

22 **Q. And in 20519, where you have override owners,**
23 **they're included on your interests schedule?**

24 A. Yes, sir.

25 **Q. And you've given notice to all of them?**

1 A. Yes, sir.

2 **Q. Or each of them?**

3 A. Yes, sir.

4 **Q. Thank you.**

5 A. Thank you.

6 EXAMINER DAWSON: Seeing no further
7 questions, you may be excused. Thanks, Mr. Smith.

8 MS. LUCK: Thank you, Mr. Hearing Examiner.

9 And with that, we would ask that all four
10 cases be taken under advisement. And, again, we're
11 requesting for an expedited order in Case Number 20519
12 and Case Number 20517.

13 EXAMINER DAWSON: Okay. All right. And
14 you're requesting --

15 MS. LUCK: For the case to be taken under
16 advisement.

17 EXAMINER DAWSON: Yes. I think you said
18 that.

19 At this point Case Numbers 20515, 20516,
20 20517 and 20519 will be taken under advisement.

21 MS. LUCK: Thank you, Mr. Hearing Examiner.

22 EXAMINER DAWSON: Thank you.

23 (Case Numbers 20515, 20516, 20517 and 20519
24 conclude, 9:33 a.m.)

25 EXAMINER DAWSON: Can we take like a

1 ten-minute break?

2 MS. LUCK: That sounds great.

3 EXAMINER DAWSON: Come back at 9:45, and at
4 9:45, we will continue with Case Number 20518.

5 (Recess, 9:33 a.m. to 9:53 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

4 CERTIFICATE OF COURT REPORTER

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

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

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

20 DATED THIS 30th of June 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
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