

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

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

CASE NO. 16265

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 240-acre, more or less, spacing and proration unit comprised of the E/2 SE/4 of Section 1 and the E/2 E/2 of Section 12, Township 23 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 **Duck Hunt State Com No. 601H Well**, which will be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 1 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 12.
3. The completed interval for this well will be at an unorthodox location because it is closer to the southern and southeastern boundaries of the proposed spacing and proration unit

than allowed by the statewide rules. 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 July 12, 2018 and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 240-acre, more or less, spacing and proration unit comprised of the E/2 SE/4 of Section 1 and the E/2 E/2 of Section 12, Township 23 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;

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- 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 _____:

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 240-acre, more or less, spacing and proration unit comprised of the E/2 SE/4 of Section 1 and E/2 E/2 of Section 12, Township 23 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 **Duck Hunt State Com No. 601H Well**, which will be horizontally drilled from a surface location in the NE/4 SE/4 (Unit I) of Section 1 to a bottom hole location in the SE/4 SE/4 (Unit P) of Section 12. The completed interval for this well will be at an unorthodox location because it is closer to the southern and southeastern boundaries of the proposed spacing and proration unit than allowed by the statewide rules. 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 18 miles southwest of Eunice, New Mexico.