

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:

CASE NO. 16265  
16266

Application of Centennial Resource  
Production, LLC, for a non-standard oil  
spacing and proration unit and compulsory  
pooling, Eddy County, New Mexico.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, JULY 26, 2018

SANTA FE, NEW MEXICO

This matter came on for hearing before the  
New Mexico Oil Conservation Division, William B. Jones,  
Examiner, and David Brooks, Esq. Legal Examiner, on  
Thursday, July 26, 2018, 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 Therese Macfarlane  
New Mexico CCR 122  
PAUL BACA COURT REPORTERS  
500 Fourth Street NW, Suite 105  
Albuquerque, New Mexico 87102

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13 I N D E X

14 CASE NOS. 16265 AND 16266 CALLED PAGE

15 APPLICANT WITNESSES:

16 GAVIN SMITH

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22 CROSS-EXAMINATION BY MR. JONES:	53

23

24

25

1	E X H I B I T I N D E X	
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25		

1 (Time Noted: 2:48 p.m.)

2 MR. JONES: Let's call Cases No. 16265 and  
3 16266. Both are the application of -- actually, yeah,  
4 both are the Application of Centennial Resources  
5 Production, LLC for a non-standard spacing and proration  
6 unit and compulsory pooling in Lea County, New Mexico.

7 Call for appearance.

8 MS. KESSLER: Jordan Kessler of the Santa Fe  
9 office of Holland & Hart for the Applicant.

10 MS. JONES: Any other appearances?

11 MS. SHAHEEN: Sharon Shaheen of Montgomery &  
12 Andrews on behalf of Weldon Baird, Co-Trustee of the  
13 Beulah M. Baird Trust.

14 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe  
15 representing ConocoPhillips Company. I have no witnesses

16 MR. JONES: ConocoPhillips?

17 MR. BRUCE: Yeah.

18 MR. JONES: Any other appearances?

19 MR. BROOKS: I thought they had left the state.

20 MR. BRUCE: What is that?

21 MR. BROOKS: I thought ConocoPhillips had left  
22 the state.

23 MR. BRUCE: No.

24 MR. BROOKS: No, not entirely.

25 MR. BRUCE: They are just very quiet.

1 MR. JONES: Any witnesses for --

2 MS. SHAHEEN: No witnesses. I just have a few  
3 cross-examination questions for the landman.

4 MR. JONES: Any witnesses for ConocoPhillips?

5 MR. BRUCE: No.

6 MR. JONES: Okay. Will the court reporter  
7 please swear the witnesses for Centennial.

8 (Note: Whereupon the designated witnesses were  
9 duly sworn.)

10 GAVIN SMITH,  
11 having been duly sworn, testified as follows:

12 DIRECT EXAMINATION

13 BY MS. KESSLER:

14 Q. Please state your name for the record.

15 A. My name is Gavin Smith.

16 Q. By whom are you employed?

17 A. Centennial Resource Development.

18 Q. And in what capacity?

19 A. I'm a landman.

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

22 A. I have.

23 Q. Were your credentials as a petroleum landman  
24 accepted and made a matter of record?

25 A. They were.

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

3           A.    Yes.

4           Q.    Are you familiar with the status of the land in  
5   the subject area?

6           A.    Yes.

7                   MS. KESSLER:  Mr. Examiner, I would tender  
8   Mr. Smith as an expert in land matters.

9                   MR. JONES:  Any objections?

10                  MS. SHAHEEN:  No Objection.

11                  MR. BRUCE:  No objection.

12                  MR. JONES:  No objections.  He is so qualified.

13           Q.    Mr. Smith, please explain what Centennial seeks  
14   under these two applications.

15           A.    We seek to create two spacing units for the Duck  
16   Hunt wells, containing the east half of Section 12 and the  
17   southeast quarter of Section 1.  These Duck Hunt 1 State  
18   Com 601H spacing unit is going to be the east half of the  
19   east half of Section 12 and the east half of the southeast  
20   quarter of Section 1.

21                   The spacing unit for the Duck Hunt 1 State  
22   Com 602H is going to be on the west half of the east half  
23   of the 602 H -- or excuse me, Section 12, and the west  
24   half of the southeast quarter of Section 1.

25                   And that's all in Township 23 South, 34

1 east, Lea County.

2 Q. These are 240 acre spacing units, correct.

3 A. Correct.

4 Q. You're seeking to pool the uncommitted owners in  
5 the Bone Spring formation?

6 A. We do.

7 Q. Does Exhibit 1 contain two draft C-102s for each  
8 of the wells?

9 A. It does.

10 Q. Have the permits been approved or not?

11 A. They have. And we are -- the 601's approved,  
12 the 602 was originally approved. This plat is actually --  
13 we submitted a sundry and that's what this plat is. It's  
14 submitted and we are waiting to be approved.

15 Q. Does that change the heel and toe of the well?

16 A. It's actually a change of bottom hole location.  
17 It was a little close to the line. We changed it to 320.

18 Q. What is the ownership and the nature of the  
19 acreage?

20 A. The southeast quarter Section 1 is a State of  
21 New Mexico lease and all of Section 12 are multiple fee  
22 leases.

23 Q. Do you know what pool is involved in these  
24 spacing units?

25 A. It's the Antelope Bone Spring North Pool. It's

1 2205.

2 Q. 2205.

3 A. Uh-huh.

4 Q. And it's subject to Division statewide rules for  
5 oil wells, correct?

6 A. Yes.

7 Q. Will the completed interval for each well comply  
8 with the setback requirements?

9 A. It will.

10 Q. Let's turn to Exhibit 2. Exhibits 2 and 3  
11 contain land ownership maps of the 2H -- 1H and 2H wells;  
12 is that correct?

13 A. Yes.

14 Q. I'm looking at Exhibit 2, and the first page  
15 shows a map with the tracts, and the second page has a  
16 list of owners; is that correct?

17 A. Correct.

18 Q. Now, the unleased mineral interest owners versus  
19 working interest owners are not called out on this  
20 exhibit, correct?

21 A. Correct.

22 Q. Are Marathon, Energen, and ConocoPhillips  
23 working interest owners?

24 A. Yes.

25 Q. And everyone else is an unleased mineral



1     **interest owner?**

2             A.     Correct.

3             **Q.     Are there any overriding royalty interest**  
4     **owners?**

5             A.     There's one, but we have the authority to pool.

6                     And just a correction. The unleased  
7     mineral owners, there is the interest of Joseph Mark  
8     Gregory, Norma Baird Loving and Weldon Baird are currently  
9     leased.

10            **Q.     I understand that you have recently reached an**  
11     **agreement with Apache; is that correct?**

12            A.     That's correct.

13            **Q.     So they can be taken off this list of parties to**  
14     **pool?**

15            A.     That's right.

16            **Q.     Can you please explain the interest marked**  
17     **Pending Title Research?**

18            A.     Yes. Texas International, heirs of the Dwayne  
19     Ratliff and heirs of Velma Ward Kerr are interests that  
20     because that Section 12 is all fee, there's pretty messy  
21     title and there were over 1,000 documents in each quarter  
22     section to review. And there were a couple of interests  
23     that are leased of owners that we found some issues in  
24     title that we were not able to prove yet, and we wanted to  
25     include these names just in case further research shows

1     that they did own a mineral interest.  So it was just out  
2     of caution we included them.

3           Q.     So all of the interests of these heirs that you  
4     have identified have been leased, correct?

5           A.     Correct.

6           Q.     And you're not seeking to pool any of those  
7     heirs?

8           A.     Correct.

9           Q.     Let's look at Exhibit 3, and I'm turning to the  
10    second page of Exhibit 3.  Again, this exhibit does not  
11    show who is a working interest owner versus unleased  
12    mineral interest owner.  Do I correctly understand that  
13    Energen and Conoco are working interest owners?

14          A.     That's right.

15          Q.     Everybody else is unleased mineral interest  
16    owners?

17          A.     Yes.

18          Q.     And again you have reached an agreement with  
19    Apache, correct?

20          A.     Yes.

21          Q.     So they do not need to be compulsory pooled.

22          A.     Correct.

23          Q.     Does Exhibit 4 contain a sample of the Well  
24    Proposal Letters that you sent for each of the two wells?

25          A.     It does.

1           Q.    This is just a sample, but you sent a letter to  
2 each of the working interest owners and unleased mineral  
3 interest owners?

4           A.    That's right.

5           Q.    Did each of the letters include an AFE?

6           A.    They did.

7           Q.    When was this letter sent?

8           A.    May 9, 2018.

9           Q.    Looking at the AFEs, are the cost on these AFEs  
10 consistent with what Centennial has incurred for drilling  
11 similar horizontal wells in the area?

12          A.    They are.

13          Q.    What effort have you undertaken to reach a  
14 voluntary agreement generally with the working interest  
15 owners and unleased mineral interest owners?

16          A.    All the parties on this pool list have been  
17 contacted. We were in contact with before the Well  
18 Proposals were out. We contacted all the working interest  
19 owners and either tried to purchase their working interest  
20 or sign a JOA. All of which are in good shape.

21                   All the mineral owners we are attempting to  
22 lease. We sent leasing offers to them, as well as the  
23 Well Proposal.

24          Q.    What have your effort been with respect to  
25 ConocoPhillips?

1           A.    Conoco we are currently negotiating a JOA with,  
2   and should be signing one within the next few weeks, I  
3   would imagine.

4           **Q.    In the event you reach an agreement with Conoco**  
5   **will you notify the Division?**

6           A.    Yes.

7           **Q.    What about your efforts to lease or obtain a**  
8   **lease extension with the Baird Trust?**

9           A.    So the Weldon Baird Trust and the Norma Baird  
10   are currently leased to Centennial. We've been working  
11   since October of 2017, to obtain a lease extension. That  
12   lease expired in August and the fee Duck Hunt wells, the  
13   rig's coming to that location September 25th.

14          **Q.    What date in August does their lease expire?**

15          A.    I'm actually not sure. I think it's August 5th.

16          **Q.    Have you been in contact with the Baird Trust?**

17          A.    We have.

18          **Q.    Can you please outline your negotiations with**  
19   **them.**

20          A.    Sure. So we began talking in October of 2017  
21   for a lease extension, and contacted Norma Baird. We made  
22   an initial offer and they actually countered with an  
23   extension offer, which we accepted.

24                   At that point we tried to reach them again  
25   to paper up that deal and had issues getting in contact

1 with them.

2 After we accepted that counter, they said  
3 they weren't too sure about it anymore and that they would  
4 rather wait until closer to the lease expiration date to  
5 negotiate an extension.

6 So we waited a period of time to contact  
7 them and, contacted then more recently to negotiate it.

8 At the same time as we sent out the  
9 proposals, we were contacted by Brad Hellums, who told us  
10 he also represented those trusts. And originally Norma  
11 said she represented them. So there was some confusion.

12 Brad requested another offer in writing,  
13 which we provided in an overnight letter.

14 The original understanding was that  
15 providing that written offer, that they were no longer  
16 making an appearance in this hearing because they would  
17 have an offer from us.

18 Since sending that, I've tried to contact  
19 Brad Hellums every day pretty much, and sent a voicemail  
20 every time. So have not been able to get in contact with  
21 Brad at all since sending that letter to confirm.

22 **Q. Now, did Norma Baird actually return an AFE**  
23 **stating that she was not going to participate in the Duck**  
24 **Hunt 602H well?**

25 **A.** That's correct.

1           Q.    Okay.  Does May 21st sound like the correct  
2   date?

3           A.    Yes.

4           Q.    And you mentioned that you had come to terms  
5   with Ms. Baird back in October; is that correct?

6           A.    That is correct.

7           Q.    Can you please outline the content of that  
8   agreement.

9           A.    Sure.  It was a verbal agreement over the phone.  
10   And Norma had countered to extend our lease for \$7,000 an  
11   acre for three years.

12          Q.    7,000 an acre for three years?

13          A.    Correct.

14          Q.    What was your most recent offer to Mr. Hellums?

15          A.    The letter we sent that I referred to was an  
16   offer to extend the lease for one year for \$7,000 an acre.

17          Q.    Why for only one year?

18          A.    Uhm, that was -- when I spoke with Mr. Hellums  
19   after he contacted us about the proposal and he made the  
20   argument that there were some leases in New Mexico going  
21   for 15- or \$20,000 an acre, which, you know, we understand  
22   and we want to make sure we give market rates.  So the  
23   offer for one year and 7,000, the way we look at that is  
24   if a three-year lease is going for \$20,000 an acre a third  
25   of that is \$6,660, so that \$7,000 per acre for one year is

1 actually a better offer, especially since our rig on is on  
2 they way on September 25th to put a well on the property.

3 Q. So you offered a one-year lease because you have  
4 a spud date that's ...

5 (Note: Reporter inquiry.)

6 A. I can say it.

7 We offered a one-year lease because when we  
8 were negotiating a three-year lease that cost \$20,000.

9 (Note: Reporter inquiry.)

10 MS. BROGGI: We have a spud date in two months.

11 Q. Did he counter your offer?

12 A. He did not.

13 Q. And you explained on the phone to Mr. Hellums  
14 what the concept of your offer was going to include?

15 A. We did.

16 Q. At any point did he decline? You said he didn't  
17 counter.

18 A. There was no counter and no acceptance.

19 Q. And you said you had called him multiple times  
20 since last Friday?

21 A. It would have been sent a voice mail.

22 Q. Have you estimated overhead and administrative  
23 costs while drilling and producing each well?

24 A. We have. \$7,500 a day for drilling and \$750 a  
25 day for producing.

1 Q. Per month, correct?

2 A. Yeah. Sorry.

3 Q. Are these overhead rates consistent with what  
4 Centennial and other operators in the area charge for  
5 similar wells?

6 A. Yes.

7 Q. Does Exhibit 6 contain an affidavit and attached  
8 letters prepared by my office providing notice of this  
9 hearing?

10 A. It does.

11 Q. Were all of the parties that you seek to pool  
12 locatable?

13 A. No, they were not.

14 Q. Can you please describe the efforts that you  
15 undertook to obtain valid addresses.

16 A. We researched records, online data bases,  
17 telephone calls to family members to find the heirs.

18 Q. In your opinion have you conducted a diligent  
19 search to obtain those addresses?

20 A. We have.

21 Q. Are Exhibits 7 and 8 notices of Affidavits of  
22 Publication directed to parties that you seek to pool?

23 A. They are.

24 Q. Were Exhibits 1 through 5 five prepared by you  
25 or compiled under your direction and supervision?



1           A.     They were.

2                   MS. KESSLER:  Mr. Examiner, I move admission of  
3   Exhibits 1 through 7.  No, 1 through 8.

4                   MR. JONES:  1 through 8.

5                           Any objection?

6                   MR. BRUCE:  No objection.

7                   MS. SHAHEEN:  No objection.

8                   MR. JONES:  Exhibits 1 through 8 are admitted.

9                   MS. KESSLER:  I'll pass the witness.

10                  MR. JONES:  Ms. Shaheen.

11                  MS. SHAHEEN:  I do have some exhibits.

12                           Some of them are the same as the Applicant  
13   but it may be easier -- oh, I only have one for you guys.  
14   Is that okay?

15                  MR. JONES:  Yeah.

16                  MS. SHAHEEN:  It may be easier for us use to use  
17   these exhibits for expedience rather than go back to the  
18   Applicant Exhibits.

19                           CROSS-EXAMINATION

20   BY MS. SHAHEEN:

21                  **Q.   Mr. Smith, you're aware that Mr. Baird's**  
22   **interest is currently leased, correct?**

23                  A.     I am.

24                  **Q.   If you turn to Exhibit 1, is this the Operative**  
25   **Lease?**

1           A.    Yes.

2           Q.    And the parties to this lease are Weldon Baird,  
3 co-trustee of the Beulah M. Baird Trust, and GMT; is that  
4 correct?

5           A.    That's correct.

6           Q.    So Norma Baird is not a party to this lease.

7           A.    That is correct. There was a separate lease for  
8 Norma Baird.

9           Q.    So you testified that you contacted Norma back  
10 in October, correct?

11          A.    We did.

12          Q.    Did you contact Mr. Baird back in October?

13          A.    We did, and we were told by Norma to not contact  
14 him again and she would negotiate on his behalf.

15          Q.    Did she provide you any documentation that gave  
16 her the authority to negotiate on his behalf?

17          A.    She did not.

18          Q.    So you just took her word for it.

19          A.    We did.

20          Q.    How did you contact him at that time?

21          A.    He's who?

22          Q.    I'm sorry. Mr. Baird. How did you attempt to  
23 contact him back in October?

24          A.    A phone number.

25          Q.    Where did you get that phone number?

1           A.    I believe we already had it from GMT.

2           Q.    Do you know whether he ever received any message  
3   from you by phone?

4           A.    We left voicemails with him and sent letters to  
5   his address.

6           Q.    Do you know whether he received any of those  
7   messages or letters?

8           A.    I believe we have green cards showing receipt of  
9   those letters at his address.

10          Q.    In October.

11          A.    Yes.  Well, in October it was mainly phone  
12   calls.

13          Q.    So what time frame do you have the green cards  
14   for?

15          A.    Those are for the proposals themselves.

16          Q.    So that would have been in May of 2018?

17          A.    Yes.

18          Q.    So you made no effort between October and the  
19   time that the Well Proposals went out to contact  
20   Mr. Baird; is that correct?

21          A.    At the request of Norma.

22          Q.    Okay.  Moving on to Exhibit 2, this is the  
23   amendment to the lease; is that correct?

24          A.    Correct.

25          Q.    And the parties again are Weldon Baird, and not

1     **Norma Baird, and GMT.**

2                     **And the expiration date is what here?**

3             A.     August 5th.

4             **Q.     Okay. Turning to Exhibit 3, can you identify**  
5     **this for the record.**

6             A.     This is the Well Proposal for the Duck Hunt  
7     State Com 602H.

8             **Q.     And you did a similar letter with the Well**  
9     **Proposal for the 601H, correct?**

10            A.     That's correct.

11            **Q.     What date was that?**

12            A.     I believe it was the same date.

13            **Q.     If this interest was leased why did Centennial**  
14     **send an AFE to Mr. Baird?**

15            A.     Uh, per the interest we knew was going to come  
16     up for expiration on August 5th, and since negotiating  
17     since October without an extension, we wanted to make sure  
18     that we had all uncommitted parties on the docket in case  
19     this lease was not extended.

20            **Q.     So just to be clear, you didn't actually**  
21     **negotiate with Mr. Baird between October and May, did you.**

22            A.     With Weldon Baird?

23            **Q.     Yes.**

24            A.     We did not, because Norma requested us not to  
25     call him.

1           Q.   Did you ever attempt to inform Mr. Baird that  
2   you would be sending a Well Proposal to him?

3           A.   We did.

4           Q.   And when did you do that?

5           A.   In our phone calls when we were talking to  
6   Norma.

7           Q.   Back in October.

8           A.   In October we were talking about the extension,  
9   and then later in May we did try to make contact.

10          Q.   With Mr. Baird?

11          A.   Yes. Well, at Norma's number, and she blocked  
12   our calls. So we did attempt to notify them.

13          Q.   But you never attempted to call Mr. Baird  
14   himself?

15          A.   No.

16          Q.   And to Centennial's knowledge, is Mr. Baird, or  
17   the trust for which he served as a trustee, sophisticated  
18   in the matters of oil and gas?

19          A.   Can you repeat the question.

20          Q.   To Centennial's knowledge, is Mr. Baird or the  
21   trust sophisticated in the matters of the oil and gas  
22   business?

23          A.   All I know at this point, Brad Hellums indicated  
24   that he was Power of Attorney, which we just recently  
25   learned, after Brad contacted us for these proposals. So

1 it sounds like Brad Hellums is knowledgeable for  
2 Mr. Baird.

3 Q. What do you mean he's knowledgeable? He's  
4 knowledgeable about the oil and gas business?

5 A. Yes.

6 Q. Is he an operator of some sort?

7 A. I don't know.

8 Q. So, to your knowledge, you don't know that he's  
9 familiar with the oil and gas business, do you.

10 A. I do not.

11 Q. Are you aware that Mr. Hellums attempted to call  
12 Carl Messina, whose number is provided on the May 9th  
13 letters and Well Proposals?

14 A. Mr. Hellums did tell me he attempted to call  
15 Centennial. He never indicated he tried to call Carl. I  
16 did check with Carl to see if he had any voice mails of  
17 messages from Mr. Hellums. He did not.

18 Q. So you have no record of Mr. Hellums calling.  
19 Carl Messina on approximately May 12th?

20 A. I do not.

21 Q. To your knowledge Carl Messina never reached out  
22 to Brad Hellums.

23 A. No.

24 Q. If you turn to page -- let me back up for a  
25 minute here.

1                   Going back, talking about the AFE again,  
2    would you agree that receipt of an AFE would be confusing  
3    to a lessor who is not in the oil and gas business?

4           A.    Yes, it could be.

5           Q.    Would you agree that receipt of an AFE to a  
6    lessor who has a current lease would be confusing?

7           A.    Yes.

8           Q.    Would you agree that receipt of an AFE from an  
9    unknown operator could be confusing to a lessor who's  
10   leased with a third party?

11          A.    Yes.

12          Q.    Did you ever inform Mr. Baird that the GMT lease  
13   had been acquired by Centennial?

14          A.    No. No such notice is required.

15          Q.    Did anyone else at Centennial inform Mr. Baird  
16   that it had acquired the GMT lease?

17          A.    Not to my knowledge.

18          Q.    Did you consider Mr. Baird's ability to  
19   participate before you sent him an AFE?

20          A.    I did not.

21          Q.    When Centennial considers contributing its  
22   acreage to an outside-operated project, what analysis does  
23   it do?

24                   MS. KESSLER: I'm going to object to that. I  
25   believe it's outside his area of qualification.

1           MR. BROOKS: I'm going to sustain the objection.  
2 I think it's really irrelevant.

3           MS. SHAHEEN: I'm sorry. You think it's  
4 irrelevant?

5           MR. BROOKS: Yes.

6           MS. SHAHEEN: Well, I just -- may I?

7           MR. BROOKS: Yes.

8           MS. SHAHEEN: I'm just trying to establish that  
9 someone like Mr. Baird does not have the ability or the  
10 resources to conduct the type of analysis you would need  
11 to determine whether or not you should participate in a  
12 Well Proposal.

13           MR. BROOKS: Well, let me go back to a couple of  
14 questions that I -- when you responded as an attorney I  
15 did not actually focus on who you represent. Who is your  
16 client?

17           MS. SHAHEEN: Weldon Baird.

18           MR. BROOKS: Weldon Baird. Okay. You are not  
19 appearing for Mrs. Baird?

20           MS. SHAHEEN: No.

21           MR. BROOKS: I don't know if she is Mrs. Baird,  
22 but who is the other...

23           MS. SHAHEEN: She is Mr. Baird's sister. Her  
24 name is Norma Baird Loving.

25           MR. BROOKS: But you are not representing her?



1 MS. SHAHEEN: I am not representing Mrs. Loving.

2 MR. BROOKS: But you're representing Weldon  
3 Baird?

4 MS. SHAHEEN: That's correct.

5 MR. BROOKS: Well, I mean there are certain  
6 circumstances in which the agency has required that an  
7 offer be made to an owner of an interest to participate.  
8 And we could -- if this were a rulemaking proceeding and  
9 there were a proposal to change the rules as to what  
10 should be provided with an offer, were the offer to  
11 participate, I, uh, certainly, uh, would not express an  
12 opinion to which way, what way that ought to go, but I  
13 believe -- actually, I do not see the relevance of it to  
14 the question whether or not there actually is a lease  
15 between the trust and the applicant or whether or not the  
16 interest of your client or the applicant could be  
17 compulsory pooled.

18 We've never required that an owner have a  
19 sufficient degree of sophistication in the oil and gas  
20 business to know what he's doing as being a qualification  
21 that avoids the compulsory pooling action.

22 So for these reasons I would consider  
23 your --

24 MS. KESSLER: Mr. Examiner, I believe the  
25 Division has affirmatively required proposals be made to

1 mineral interest owners.

2 MR. BROOKS: And that's a permissible reading of  
3 the Oil and Gas Act.

4 There are many cases saying the word  
5 "shall". It says if the owner's have not agreed -- the  
6 statute says, if I recall rightly, that if the owners have  
7 not agreed, the Commission or the Division "shall" pool  
8 the interest. And there are many decisions of the New  
9 Mexico courts saying "shall" means "shall".

10 Now, I think there are some that say the  
11 reverse on that, but there are no decisions in regards to  
12 that statute.

13 But that's the way we've construed it. So  
14 I will continue to say I think we should sustain the  
15 objection on the grounds that this evidence would be  
16 irrelevant.

17 MS. SHAHEEN: At some point I would like to  
18 point to the law that I think supports our position there.  
19 I can do that now or I can...

20 MR. BROOKS: You may do that now if you wish.

21 MS. SHAHEEN: It is my understanding 7-2-18A  
22 requires the applicant to negotiate a voluntary agreement  
23 with other interest owners. It doesn't require the  
24 applicant to submit a Well Proposal. It doesn't limit  
25 such a voluntary agreement to a Well Proposal without, I

1 would note, without a JOA.

2 And then there are a couple of Orders  
3 R-13155 and Order No. R-13165 that provides clarification  
4 that the applicant has an obligation to make a diligent  
5 and good faith effort to reach a voluntary agreement.

6 My point here is that with Mr. Baird what  
7 type of voluntary agreement is appropriate and whether,  
8 assuming that it's sufficient to send him an AFE with no  
9 JOA and no explanation when he was a leased interest,  
10 whether that's a good faith and diligent effort to obtain  
11 a voluntary agreement.

12 That's why we are here today, and so that  
13 was one of the reasons that I asked that question.

14 I'll skip that question and go on to my  
15 remaining ones, unless you have more questions for me.

16 MR. BROOKS: No, I think I will stick by my  
17 ruling.

18 MS. KESSLER: I'd like the opportunity to  
19 briefly respond at some point to Ms. Shaheen's argument.

20 MR. BROOKS: You may respond.

21 MS. KESSLER: She is correct, and I do not have  
22 the Order number in hand that defines good faith. I do  
23 agree with her reading of the statute regarding voluntary  
24 agreement. The Division and Commission has specifically  
25 found good faith for mineral interest owners includes very

1 specifically sending a Well Proposal letter. I would like  
2 to point out that a Well Proposal letter was sent to lease  
3 interest owners whose lease was on the cusp of expiring.  
4 In addition, attempting to negotiate a lease extension is  
5 not evidence of bad faith. I would say it's evidence of  
6 good faith.

7 MR. BROOKS: So are you saying the evidence is  
8 relevant? Because if both sides think it's relevant I  
9 will change my ruling. I think that it should be admitted  
10 in that case.

11 MS. KESSLER: Let's just move on.

12 MR. BROOKS: Okay.

13 MS. SHAHEEN: And I would ask that Ms. Kessler  
14 provide me with the Order number.

15 MR. BROOKS: It is true if there is an interest  
16 that's unleased we have specifically said they should make  
17 an offer to lease, and I would -- I think perhaps you have  
18 got a point here, because this is a lease extension, this  
19 is not simply an interest-on-unleased-minerals situation.

20 Of course I'm unsure if the interest is  
21 actually leased now, because conveyances signed by one of  
22 multiple trustees, it's my understanding, is subject to  
23 question, unless you have -- as a title attorney I would  
24 require to see the trust instrument to see if one of  
25 multiple trustees can actually -- actually has the

1 authority to sign a lease.

2 So it seems to me the interest could be  
3 unleased, but I don't know that. It may be.

4 So if you wish to explore this, I'll -- I  
5 realize that we have had no testimony, as I understand it,  
6 what kind of offer was made to your client with regard to  
7 leasing, extending the lease. And that may -- at least  
8 not any that I have heard -- but take into consideration I  
9 don't hear very well.

10 So I'm going to modify my ruling in view of  
11 Jordan's point, and ask you -- and allow you to proceed if  
12 you wish to do so.

13 Go ahead.

14 MS. SHAHEEN: Okay. I'll go back.

15 **Q. When Centennial considers contributing its**  
16 **acreage to an outside-operated project, do you know what**  
17 **analysis it does?**

18 MR. BROOKS: Oh, no, I don't want to get into  
19 that. That's too far afield. I'll let you ask about the  
20 sophistication of your client, whether they gave any  
21 specific consideration to that or not.

22 MS. SHAHEEN: Okay.

23 **Q. Did you consider Mr. Baird's ability to**  
24 **participate before sending him an AFE?**

25 A. I did not.

1           Q.    Do you believe that -- do you know one way or  
2   another whether Mr. Baird has the ability and resources to  
3   make the type of analysis that would be necessary to  
4   determine whether or not he should participate in the Well  
5   Proposal?

6           A.    I do not know.  I will add that in a phone  
7   conversation with Brad Hellums, who represents to be the  
8   Power of Attorney for Weldon Baird, he did say he was very  
9   knowledgeable about the oil and gas industry and worked in  
10   and knows what's going on.

11          Q.    When did you first speak with Mr. Hellums?

12          A.    I believe -- I can't remember the exact date but  
13   it was, I believe, in June.  Last month, probably.

14          Q.    Do you have any record of that communication  
15   with Mr. Hellums?

16          A.    We do.

17          Q.    You do.  Is that in evidence today?

18          A.    It is not.

19          Q.    Would it surprise you to know that you first  
20   spoke with Mr. Hellums a week ago yesterday?

21          A.    Uhm, no.

22          Q.    Do you know what prompted -- I'm sorry.  I don't  
23   want to talk over you.

24          A.    That's okay.

25          Q.    Do you know what prompted -- my understanding is

1     you gave Mr. Hellums a call a week ago yesterday. Is that  
2     correct?

3             A.    I did. Because I received his contact  
4     information, I believe -- it was more recent, you're  
5     correct.

6             Q.    So your communication with Mr. Hellums was  
7     prompted by my phone call to Holland & Hart; is that  
8     correct?

9             A.    Yes.

10            Q.    And prior to that time you had never spoken with  
11     Mr. Baird?

12            A.    Right.

13            Q.    And prior to that time you had never attempted  
14     to negotiate an extension of the lease with Mr. Baird,  
15     other than with Ms. Norma Loving, who has a different  
16     lease. Correct?

17            A.    Correct. And she represented she negotiated for  
18     Weldon.

19            Q.    And when you first contacted Ms. Loving did you  
20     refer to Mr. Baird's lease when you spoke with her?

21            A.    We did.

22            Q.    Why did you do that?

23            A.    We were trying to extend both leases.

24            Q.    So you relied on Ms. Loving's representation  
25     that she would negotiate for Mr. Baird?

1           A.    We did, being his sister.

2           Q.    Do you think it would be helpful for a lessee  
3 unfamiliar -- excuse me, for a lessor unfamiliar with the  
4 oil and gas business to see a JOA before it would consider  
5 participating in a well?

6           A.    Can you repeat?

7           Q.    Do you believe it would be helpful for a lessor,  
8 or for any party, any nonsophisticated party, to see the  
9 JOA before it would determine whether it would participate  
10 in the Well Proposal?

11          A.    I do. And no request for a JOA was received by  
12 Centennial from Mr. Baird.

13          Q.    But, to your knowledge, Mr. Messina never  
14 returned any phone calls from Mr. Hellums?

15          A.    I don't know if he didn't receive any other --

16          Q.    But can you represent what Mr. Messina would  
17 have received in terms of voice mail?

18          A.    No.

19          Q.    So to your knowledge Mr. Hellums could have  
20 called and left a voice mail for Mr. Messina that was  
21 never returned.

22          A.    I asked Carl Messina if he received a call from  
23 Brad Hellums and he told me he did not.

24                MS. SHAHEEN: And that would be hearsay, so I  
25 would ask that be struck from the record.



1 MS. KESSLER: As we are aware, the Rules of  
2 Evidence do not strictly apply, and since Mr. Messina is  
3 not here and Ms. Shaheen keeps asking, we will ask  
4 Mr. Messina if --

5 MR. BROOKS: If I understand you correctly, you  
6 have no knowledge of contacts with Mr. Messina. Is that  
7 correct?

8 THE WITNESS: I'm sorry?

9 MR. BROOKS: If I understand correctly, you have  
10 no knowledge of contacts with Mr. Messina by anybody; is  
11 that correct?

12 THE WITNESS: Uhm, I have knowledge of other  
13 owners who had contact with Mr. Messina.

14 MR. BROOKS: But not Mr. Baird.

15 THE WITNESS: No, I do not.

16 MR. BROOKS: Okay. I think that's ir- -- I  
17 think that that is irrelevant, then, because if the  
18 witness has no knowledge there's no need to prolong that  
19 matter.

20 Q. (BY MS. SHAHEEN) So because you never spoke  
21 with Mr. Baird you never explained to him that a  
22 compulsory pooling application would be filed if you did  
23 not reach a voluntary agreement; is that correct?

24 A. Correct.

25 Q. Turning to Exhibits 4 and 5, can you identify

1     these exhibits for the record.

2           A.     These are the pooling applications for the Duck  
3     Hunt State Com 601H and 602H.

4           Q.     Actually, I haven't included the applications  
5     here, I've only included the cover letters. Do you see  
6     that?

7           A.     Okay.

8           Q.     If you look at Exhibit 4, which is more or less  
9     identical to Exhibit 5, you will see there's two letters;  
10    is that correct?

11          A.     That's correct.

12          Q.     And the first letter is directed towards someone  
13    who does have a mineral interest that would be compulsory  
14    pooled, right?

15          A.     Correct.

16          Q.     And the second letter is directed to someone who  
17    is -- whose interest is not being force pooled but who may  
18    have an interest because their mineral interests are  
19    nearby. Is that correct?

20          A.     That's correct.

21          Q.     And would you agree that sending both of these  
22    letters to a lessee could be confusing?

23          A.     No.

24          Q.     How does the lessor know whether or not it has  
25    an interest that would be force pooled?

1           A.    I don't know.

2           Q.    So there's no way to tell by looking at these  
3 letters, is there.

4           A.    No.

5           Q.    You testified earlier that you believe you first  
6 spoke with Mr. Baird's representative Mr. Hellums a week  
7 ago Wednesday, which would have been the seven- -- the  
8 18th of July. Is that correct?

9           A.    Sounds right.

10          Q.    Can you tell us what you discussed with  
11 Mr. Hellums in that first conversation.

12          A.    Yes. I called Mr. Hellums because we were  
13 notified of his appearance, and I wanted to see if we  
14 could negotiate a lease extension with him, if he was the  
15 party to negotiate with.

16                        So that's exactly what we did. We offered  
17 what we had previously agreed to with Norma Baird and went  
18 from there.

19          Q.    What was the substance of your offer on  
20 Wednesday, July the 18th?

21          A.    We ended at the offer that we submitted in  
22 writing, which was \$7,000 per acre for a one-year  
23 extension.

24          Q.    Did you tell Mr. Hellums that in your phone call  
25 on Wednesday, July 18?

1           A.    I think it was a later phone call at another day  
2   that I told him that offer.

3           Q.    Do you know when the terms of the lease  
4   extension offer went to Mr. Baird -- or Mr. Hellums?

5           A.    It arrived on a Saturday, last Saturday.

6           Q.    So five days ago Mr. Hellums received the offer  
7   for Mr. Baird's interest; is that correct?

8           A.    I believe the date of our first phone call he  
9   requested that an offer be submitted in writing.

10          Q.    In your opinion, Mr. Smith, does this  
11   last-minute offer to extend the lease received by Mr.  
12   Baird on the Friday represent a good-faith effort to reach  
13   an agreement with you prior to filing the application?

14          A.    Yes.

15          Q.    How does that represent good faith?

16          A.    We've contacted them since October of 2017.

17          Q.    We've already established that you did not  
18   contact Mr. Baird at any time.

19                MS. KESSLER:  Objection.  That wasn't the  
20   testimony.  The testimony was they attempted to contact  
21   multiple times.  And Ms. Shaheen is asking for a legal  
22   determination of good faith, so I would object to her  
23   question.

24                MR. BROOKS:  Well, if the witness's testimony  
25   has been misinterpreted he can correct it.  And we don't

1 have to worry about prejudice because we don't have a jury  
2 here.

3 You may proceed. Answer the question.

4 If you don't remember, we will ask her to  
5 restate.

6 MS. SHAHEEN: I'll start over.

7 Q. In your opinion does this last-minute offer  
8 received by Mr. Baird only five days, represent a  
9 good-faith effort to reach a voluntary agreement prior to  
10 filing the application to force pool?

11 A. Yes.

12 Q. And my question was: Even though you have never  
13 spoken with Mr. Baird or his representative prior to  
14 Wednesday, July 18 of 2018; is that correct?

15 A. Yes.

16 MS. SHAHEEN: I have no further questions. I  
17 would simply repeat my previous argument as a closing  
18 statement, if and when we get to that point.

19 MR. BROOKS: Let me ask you a question, then.

20 Is it your contention that your client  
21 Weldon Baird has the authority to act for the trust in  
22 these matters without the joinder of his co-trustees?

23 MS. SHAHEEN: My understanding -- well, first of  
24 all I understand that Ms. Loving has one lease and  
25 Mr. Baird has a separate please.

1           MR. BROOKS: That was the testimony, but that's  
2     confusing to me because I'm not aware of co-trustees  
3     having undivided interest. I always thought co-trustees  
4     have one interest and either one could act for both, or it  
5     required both of them, depending on the terms of the  
6     trust.

7           So the idea of them having separate leases,  
8     unless they are identical is very confusing to me. But  
9     I'm just going to ask the witness about that, also.

10           So I will -- are you -- you passed the  
11    witness, right?

12           MS. SHAHEEN: I passed the witness.

13           MR. BROOKS: Okay. Mr. Bruce?

14                           CROSS-EXAMINATION

15    BY MR. BRUCE:

16           Q.    Since some of the cases that were cited are  
17    mine, Mr. Smith -- I have been fighting these notice  
18    issues for 25-plus years, longer than that -- when you're  
19    negotiating with someone, whether it's -- whether it's  
20    Exxon Mobil or Joe Smith, do you ask people their net  
21    worth to figure out if they can join in the well?

22                    It might be kind of rude to ask that  
23    question, wouldn't it?

24           A.    I would think so.

25           Q.    And the lease from Mr. Baird, that was entered

1     into five years ago, correct?

2             A.     That's correct.

3             Q.     And he negotiated a one-fourth royalty lease.

4     That's a pretty good term on a lease, isn't it?

5             A.     Maybe.

6             Q.     And when it comes to Norma Loving, she's telling  
7     you one thing, and do you generally believe what people  
8     tell you?

9             A.     Sure.

10            Q.     And she said, "Don't contact him, contact me."

11            A.     Yes.

12            Q.     And they are both co-trustees, so...

13            A.     To answer Mr. Brooks' question, I believe they  
14     are two separate trusts, which is why there are two  
15     separate leases.

16                   MR. BROOKS: Well, that's an entirely viable  
17     possibility; however, the way they're listed as parties in  
18     their papers doesn't indicate that.

19                   MR. BRUCE: And all I will say, Mr. Examiner, is  
20     that Exhibit 1 submitted by Mr. Baird shows Weldon Baird  
21     as co-trustee of the Beulah M. Baird Trust. That's why  
22     I'm saying co-trustee.

23                   MR. BROOKS: That is what I was aiming at on was  
24     calling it co trustee, because usually co-trustees means  
25     they are trustees of the same trust.

1           Q.    (BY MR. BRUCE) And I might have misheard, but  
2   you had trouble getting hold of Mr. Baird himself?

3           A.    We did.

4           Q.    You tried several times?

5           A.    Yes.

6           Q.    And when you send out a Well Proposal to  
7   someone, in looking at it you don't go in there and say,  
8   "Hey, if you don't respond we are going to force pool  
9   you," do you?

10          A.    No.

11          Q.    That could be considered a threat, don't you  
12   think?

13          A.    Yes.

14          Q.    And when it comes to their exact interest in a  
15   well unit, or at least in a tract, don't you also assume  
16   people know what in the heck they own in a tract?

17          A.    Yes.

18          Q.    But they could have called you up and asked?

19          A.    Absolutely.

20          Q.    And you would have given them the information.

21          A.    Yes.

22                MR. BRUCE:  Thank you.

23                MS. KESSLER:  Mr. Examiner, if I may?  I would  
24   like redirect.

25                MR. BROOKS:  Yeah, I was going to say.  This is



1 not your witness.

2 MS. SHAHEEN: That's true.

3 MR. BROOKS: You may proceed, Ms. Kessler.

4 MS. KESSLER: Thank you.

5 REDIRECT EXAMINATION

6 BY MS. KESSLER:

7 Q. Mr. Smith, as Mr. Bruce was touching on, you  
8 sent letters to Mr. Baird; is that correct?

9 A. We did.

10 Q. You left voice mails for Mr. Baird?

11 A. We did.

12 Q. At any point did Mr. Hellums contact you to tell  
13 you that he represented Mr. Baird prior to you sending out  
14 the pooling letter?

15 A. No.

16 Q. I'm going to look at Ms. Shaheen's Exhibit 4, I  
17 think she pointed to.

18 This is the exhibit that contains both a  
19 letter to pool parties and also to offsets.

20 These two wells are side by side; is that  
21 correct, the 601H and the 602H.

22 A. That's correct.

23 Q. So Mr. Baird was in fact both a pooled party and  
24 an offset, right?

25 A. That's correct.

1           Q.   And is it your understanding that you are  
2   required to provide notice to both the offsets and the  
3   pooled parties under the old horizontal well rule?

4           A.   Yes.

5           Q.   These letters had your phone number on them,  
6   correct?

7           A.   They did.   They did.

8           Q.   Did he ever call you?

9           A.   No.

10           MS. KESSLER:   That's all I have.

11           MR. JONES:   Do you want to -- are you submitting  
12   these for admission today, these exhibits?

13           MS. SHAHEEN:   Yes, I would like to admit these  
14   for admission today.

15           MR. JONES:   Exhibits 1 through 6.   Any  
16   objections to Weldon Baird -- is it Baird Trust or Weldon  
17   Baird?

18           MS. SHAHEEN:   It's Weldon Baird as Co-Trustee of  
19   the Beulah M. Baird Trust.

20           MR. JONES:   Okay.   They are admitted.

21                        I trust everyone knows what they're talking  
22   about here.

23                               CROSS-EXAMINATION

24   BY MR. JONES:

25           Q.   I want to go back to -- the well names are

1 different than what you put in the application. You said  
2 you had a sundry in to change that bottom hole location --  
3 of both wells, is that right?

4 A. Just the 602H.

5 Q. Okay. And -- it's going to be called the Duck  
6 Hunt 1 State Com 601H and 602H?

7 A. Yes, sir.

8 Q. Okay. I'm sure of that.

9 And the pool, you said -- for some reason,  
10 when I print it cuts off my pool name here. I could go  
11 with a backup, but you said Antelope Ridge Bone Spring?

12 A. Antelope Ridge, Bone Spring. And I believe the  
13 pool code is 2205.

14 Q. Just four digits?

15 (Note: The reporter requested a recess to  
16 reboot her machine.)

17 MR. JONES: Sure. Do you want to take a  
18 five-minute break?

19 (Note: A brief recess was taken.)

20 MS. KESSLER: Mr. Examiner, if we are back on  
21 the record, I have one additional exhibit, with your  
22 permission.

23 MR. JONES: Okay.

24 (Note: Exhibit 13 marked.)

25 FURTHER REDIRECT EXAMINATION

1 BY MS. KESSLER:

2 Q. Mr. Smith, I have placed in front of you what I  
3 have marked as Exhibit 13. Is this the Return Receipt  
4 green card that accompanied the Well Proposal letter?

5 A. This is.

6 Q. To Mr. Weldon Baird, correct?

7 A. Correct.

8 Q. Whose signature is on this?

9 A. Brad Hellums.

10 Q. What is the date?

11 A. May 19.

12 Q. So he could have contacted you beginning May  
13 19th, but he did not; is that correct?

14 A. That's correct.

15 MS. KESSLER: That's all I have.

16 MR. JONES: Yeah. I was asking some questions.

17 CROSS-EXAMINATION

18 -CONTINUED-

19 BY MR. JONES:

20 Q. The Antelope Ridge Bone Spring North 2205.

21 And you put the surface hole location and  
22 the letter "I". Is that because of just -- this is state  
23 land so you just want to drill from the pad, is that the  
24 deal?

25 A. Yes, sir. We have existing roads around there

1     that own leases in the area so we want to make sure it's  
2     all in the same area.

3           **Q.     And mile-and-a-half wells instead of two-mile?**

4           **A.     Correct. That's based on the other ownership we**  
5     **have in the area and how it lines out so that we don't**  
6     **strand in different areas.**

7           **Q.     Okay. And these are standard locations?**

8                   **Working interest owners and unleased**  
9     **mineral interest owners. Okay. Mr. Brooks?**

10           MR. BROOKS: I've forgotten your name already.

11           THE WITNESS: Gavin Smith.

12                   CROSS-EXAMINATION

13     BY MR. BROOKS:

14           **Q.     Mr. Smith, do you know anything that will shed**  
15     **any light on these two trust leases and the trusts that**  
16     **those trustees represent?**

17           **A.     I don't. I think it will require further**  
18     **research from us. And it does look like both say**  
19     **co-trustees of the Beulah Baird Trust, I believe. So I**  
20     **don't think I do.**

21           **Q.     If I were writing a title opinion I would put in**  
22     **a discussion requirement in that opinion, but I am not**  
23     **righting a title opinion and I don't think I need it to**  
24     **write an Order in this case.**

25                   **So the question would be whether you're**

1     satisfied that you have jurisdiction, that you have  
2     properly notified both trustees, and presumably they  
3     know -- people are presumed to know what they own, whether  
4     they actually do or not, so I'm satisfied on that.

5                     And I would not require that the case be  
6     reopened for that purpose.

7                     That's all I have.

8             MR. JONES:   Okay.   Any other questions for this  
9     witness?

10            MS. KESSLER:   No.   We will call our next  
11     witness.

12            MR. JONES:   Okay.   Okay.

13            MR. BROOKS:   Did you admit Exhibit 13?

14            MS. KESSLER:   We would offer Exhibit 13.

15            MS. SHAHEEN:   No objection.

16            MR. JONES:   Exhibit 13 of Centennial is  
17     admitted.

18            MR. BROOKS:   Let me say one thing here.

19                     If the issue is whether or not the parties  
20     sufficiently negotiated in good faith, we've held in the  
21     past that the remedy -- well, it used to be dismissal back  
22     when Michael Stogner was running these hearings, but  
23     dismissal without prejudice to refiling. But since then  
24     we've usually done it with just granting a continuance.

25                     Would         that be -- would that create problems

1 for the Applicant if we were to continue this case, say  
2 for two weeks or four weeks, to allow the parties to  
3 further explore these matters?

4 MS. KESSLER: Mr. Examiners, the spud date is  
5 September 25th for this well.

6 (Note: Ms. Kessler conferred with the witness  
7 off the record.)

8 So it is likely that the well could be  
9 drilled, but an Order would be needed to complete the  
10 well.

11 Let's see. We are at the end of July right  
12 now. If we could still get an Order by around September  
13 25th, a two-week continuance would not prejudice.

14 MR. BROOKS: Well, I'm going to suggest, then,  
15 to the examiner that we continue it for two weeks, which  
16 doesn't give a chance to bring in additional parties but  
17 it does give a chance for the parties to further negotiate  
18 if they are so disposed.

19 MR. JONES: Any response to that?

20 MS. SHAHEEN: We would agree with that  
21 recommendation.

22 MR. JONES: Okay.

23 MR. BROOKS: And I will add because of what the  
24 examiner said to me in the hall that I will still be  
25 available to write the Order.

1           MS. KESSLER: I would simply ask in two weeks,  
2 Mr. Examiner, that if there is a continuance that at that  
3 time it be taken under advisement.

4           MR. BROOKS: We would presumably do so if the  
5 parties do not -- hopefully the parties can come to some  
6 understanding of this situation.

7                     It would be helpful to me if there would be  
8 a further land investigation about these trusts and  
9 whether or not they are actually one trust or two trusts  
10 and whether or not there's a trust instrument that's in  
11 your files anywhere.

12           MS. KESSLER: We can provide that.

13           MR. BROOKS: Thank you. That would be helpful.

14                     Other than that, I think it looks like a  
15 routine compulsory pooling case.

16                     And remind me that you will need it  
17 expedited when we come back to the next hearing, because I  
18 have to make a record of that or I forget which case it's  
19 been on.

20           MS. KESSLER: I will.

21           MR. JONES: Okay.

22           MS. KESSLER: May we proceed?

23           MR. JONES: Yes.

24                     JOHN HARPER,  
25       having been previously sworn, testified as follows:



1 DIRECT EXAMINATION

2 BY MS. KESSLER:

3 Q. Please state your name for the record.

4 A. John Harper.

5 Q. By whom are you employed?

6 A. Centennial Resource Development.

7 Q. In what capacity?

8 A. Geologist.

9 Q. Have you previously testified before the  
10 Division?

11 A. No.

12 Q. Can you please outline your educational  
13 background.

14 A. I received a Bachelor of Science degree from the  
15 University of Georgia in geology in 2013. I received a  
16 Master's of Science degree in geology, in geological  
17 engineering from the Colorado School of Mines in 2015.

18 Q. What has been your work history?

19 A. I formerly was employed by EOG Resources since  
20 2015. I have since -- while working for EOG Resources I  
21 was a geologist under EOG's office in Eddy County, the  
22 acreage position in New Mexico, and I have since left EOG  
23 Resources and joined Centennial Resource Development in  
24 April of this year.

25 Q. So you mentioned that your responsibilities at

1     **efforts EOG and now Centennial include the Permian Basin,**  
2     **correct?**

3             A.     Yes, both jobs include the Permian Basin.

4             **Q.     Are you familiar with the applications filed in**  
5     **theses cases?**

6             A.     Yes.

7             **Q.     Have you conducted a geologic study of the lands**  
8     **covered by this application?**

9             A.     Yes.

10            MS. KESSLER: Mr. Examiner, I would tender the  
11 witness as an expert in petroleum geology.

12            MR. JONES: Any objection?

13            MS. SHAHEEN: No objection.

14            MR. JONES: I used to work with a geologist from  
15 Georgia. He was always talking about the Bulldogs.

16                     He is so qualified. Sorry.

17            **Q.     (BY MS. KESSLER) What is the target formation?**

18            A.     The target formation is Third Bone Spring Sand.

19            **Q.     Have you prepared a structure map and cross**  
20     **section?**

21            A.     Yes, I have.

22            **Q.     If you turn to Exhibit 9. Is this a locator map**  
23     **showing the two wells?**

24            A.     Yes, it is.

25            **Q.     And it shows the Centennial acreage and the**

1     **proposed laterals, correct?**

2           A.    Yes.   Centennial in yellow and proposed laterals  
3   in the black lines.

4           **Q.    And also offset wells?**

5           A.    That's correct.   The wells in the red laterals  
6   are all Bone Spring wells in this area.

7           **Q.    Is Exhibit 10 a structure map of the Third Bone**  
8   **Spring Sands?**

9           A.    Yes, it is.

10          **Q.    Can you walk us through this exhibit.**

11          A.    This is a subsea structure map taken from the  
12   top of the Third Bone Spring Sand and the data points on  
13   the wells used to construct the structure map were shown  
14   here.   Again the acreage, this is Centennial's operating  
15   in yellow on the 601 and 602 are dashed in black lines.  
16   You can see structure indicating slight downdip for three  
17   laterals, and the structure is cohesive across both  
18   laterals.

19          **Q.    So no geologic hazards, no pinchouts, no**  
20   **faulting?**

21          A.    No.

22          **Q.    Is Exhibit 11 an exhibit showing the line of**  
23   **section used for your cross section exhibit?**

24          A.    Yes.   There's four wells included in this cross  
25   section A to A prime that traverses the expected

1 horizontal lateral for both these wells. We used these  
2 because they are the area and go deep enough. They have  
3 logs that cover the Third Bone Spring Sand.

4 **Q. Is Exhibit 12 your cross section exhibit?**

5 A. Yes, it is.

6 **Q. Please walk us through.**

7 A. This is a cross section that is shown on the  
8 previous page, A to A prime from left to right. This  
9 cross section is hung on the top of the Third Bone Spring  
10 Sand. The two tracks shown on these logs are track 1, the  
11 gamma ray, and then track 2 the deep resistivity separated  
12 by the depth column. The red line at the base shows the  
13 top of Wolfcamp location, and I have highlighted in this  
14 red bracket the target interval for both the 601 and 602.

15 **Q. In your opinion is the target interval**  
16 **continuous across the proposed spacing unit?**

17 A. Yes.

18 **Q. What conclusions have you drawn, based on your**  
19 **geologic study of this area?**

20 A. There are no geologic impediments in this area  
21 for developing one-and-a-half-mile horizontal wells. This  
22 area can be efficiently and economically developed using  
23 horizontal wells, and the acreage of this proposed unit  
24 will contribute more or less equally to the production  
25 from these wells.

1           Q.    In your opinion will the granting of  
2   Centennial's application be in the best interest of  
3   conservation, the prevention of waste, and the protection  
4   of correlative rights?

5           A.    Yes.

6           Q.    Were Exhibits 9 through 12 prepared by you or  
7   compiled under your direction and supervision?

8           A.    Yes.

9           MS. KESSLER:  I would move the admission of  
10   Exhibits 9 through 12.

11          MR. JONES:  Any objections?

12          MS. SHAHEEN:  No objection.

13          MR. JONES:  Exhibits 9 through 12 for Centennial  
14   will be admitted.

15          Ms.  Shaheen?

16          MS. SHAHEEN:  No questions for this witness.

17                   CROSS-EXAMINATION

18   BY MR. JONES:

19          Q.    Well, you hung this from the top of the Bone --  
20   this says the top of the Bone Spring.  Is it top of A  
21   certain one of the Bone Spring Sands?

22          A.    Top of the Third Bone Spring Sand.

23          Q.    So T means third?

24          A.    Yes, sir.

25          Q.    Okay.  And you you're basically going to drill

1 right at the -- right on top of the Wolfcamp. Is that not  
2 called Wolfbone in this area? There's a definite Antelope  
3 Ridge and they want to leave it in that pool; is that  
4 right?

5 A. I believe the pool is what Gavin mentioned, the  
6 Bone Spring Pool.

7 Q. I'm sure Paul will tell you if it's different.

8 It's already permitted so he already looked  
9 at it. He had to go through some medical issue recently  
10 but...

11 Anyway, I don't have any more questions.

12 Mr. Brooks?

13 MR. BROOKS: No questions.

14 MR. JONES: No more questions for this witness?

15 MS. KESSLER: No more questions for this  
16 witness.

17 MR. JONES: Okay. We did admit these exhibits,  
18 right?

19 MS. KESSLER: We did.

20 MR. JONES: Okay. We are going to continue both  
21 of these cases, Cases 16265 and 16266 to August the 9th,  
22 and the hearing is concluded.

23 (Time noted: 4:03 p.m.)

24

25

1     STATE OF NEW MEXICO             )  
2   ) SS  
3     COUNTY OF TAOS                 )

4

5   REPORTER'S CERTIFICATE

6                     I, MARY THERESE MACFARLANE, New Mexico Reporter  
7     CCR No. 122, DO HEREBY CERTIFY that on Thursday, July 26,  
8     2018, the proceedings in the above-captioned matter were  
9     taken before me; that I did report in stenographic  
10    shorthand the proceedings set forth herein, and the  
11    foregoing pages are a true and correct transcription to  
12    the best of my ability and control.

13                    I FURTHER CERTIFY that I am neither employed by  
14    nor related to nor contracted with (unless excepted by the  
15    rules) any of the parties or attorneys in this case, and  
16    that I have no interest whatsoever in the final  
17    disposition of this case in any court.

18

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