

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 NO. 16265
PRODUCTION, LLC TO RE-OPEN CASE
NO. 16265 TO ADD ADDITIONAL INITIAL
WELLS UNDER THE TERMS OF COMPULSORY
POOLING ORDER R-20001, LEA COUNTY,
NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 15, 2018

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
 KEITH W. HERRMANN, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Keith W. Herrmann, Legal Examiner,
on Thursday, November 15, 2018, at the New Mexico
Energy, Minerals and Natural Resources Department,
Wendell Chino Building, 1220 South St. Francis Drive,
Third Floor Meeting Room, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
 New Mexico CCR #20
 Paul Baca Professional Court Reporters
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 (505) 843-9241

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APPEARANCES

FOR APPLICANT CENTENNIAL RESOURCE PRODUCTION, LLC:

JORDAN L. KESSLER, ESQ.
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EXHIBITS OFFERED AND ADMITTED

Centennial Resource Production, LLC Exhibit Numbers 1 through 3	6
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1 (9:31 a.m.)

2 EXAMINER McMILLAN: Case 16265, re-opened,
3 application of Centennial Resource Production, LLC to
4 re-open Case Number 16265 to add additional initials
5 [sic] wells under the terms of Compulsory Pooling Order
6 R-20001 in Lea County, New Mexico.

7 Call for appearances.

8 MS. KESSLER: Mr. Examiner, Jordan Kessler,
9 from Holland & Hart, on behalf of the Applicant.

10 EXAMINER McMILLAN: Any other appearances?
11 Please proceed.

12 MS. KESSLER: Thank you.

13 Mr. Examiner, Exhibit 1 in this case is an
14 affidavit from Gavin Smith. He testified in the
15 original hearing for this case and states in paragraphs
16 four and five that what Centennial is seeking to do here
17 is to add two additional wells to the spacing unit.
18 Everything about the original order will remain the same
19 except that there will be two additional initial wells.

20 In paragraph six, he states that the three
21 initial wells will be the Duck Hunt 1 State Com #301H,
22 #501, and then the existing initial well is 601H. And I
23 say existing, but it's not been drilled. It's just
24 simply identified under the order as the initial well.

25 Exhibit A to Exhibit 1 -- or Attachment A

1 to Exhibit 1 is the original order.

2 Exhibit B is the two additional C-102s for
3 the additional initial wells. They'll all be within the
4 same pool, and that pool is identified in paragraph
5 seven as the Antelope Ridge; Bone Spring, North, Number
6 2205 Pool. Again, it's the same pool that's in the
7 original order.

8 Exhibit 1C contains well-proposal letters
9 and the AFEs for two additional initial wells, and these
10 were provided to all of the working interest owners,
11 including all of the parties pooled under the original
12 order.

13 The well costs will remain the same,
14 Mr. Examiner, as identified in the original order, and
15 that's in paragraph ten. The original order approved
16 \$7,500 per month while drilling and 750 a month while
17 producing and imposed a 200 percent risk penalty on the
18 uncommitted interest owners.

19 And so, Mr. Examiner, I'll move to the
20 affidavit from the geologist, John Harper, who states in
21 his affidavit that he believes that the two additional
22 targets are free of geologic hazards and will contribute
23 production to each of the wells on a uniform basis. He
24 attaches a lot of exhibits -- let's see -- a
25 cross-section map, a structure map for the 1st Bone

1 Spring, which is the target for the 301H, and a
2 cross-section exhibit, and 3rd Bone Spring Carb
3 structure map, which I understand pertains to the 501H
4 well as stated in his affidavit, and it's a 2nd Bone
5 Spring target.

6 The cross-section exhibit shows the
7 lateral -- if I look at Exhibit 2, Tab C, this includes
8 the lateral interval for the 501H, which shows that it's
9 just above the 3rd Bone Spring Carb in the 3rd Bone
10 Spring.

11 Exhibit 3 is my affidavit in which I
12 provided notice to all of the parties that were pooled
13 under the original order. There were a couple of
14 unlocatable parties.

15 Have I included those?

16 Yes, Mr. Examiner. In paragraph 11 of
17 Exhibit 1, certain letters were returned as
18 undeliverable, Texas International Company and the heirs
19 of Rufus Sanders Ward. We did publish notice directed
20 to those parties, and it's the last page of Exhibit 3.

21 And with that, Mr. Examiner, I would ask
22 that Exhibits 1 through 3 be included as part of the
23 record and that this case be taken under advisement.

24 EXAMINER McMILLAN: Exhibits 1 through 3
25 may now be accepted as part of the record.

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

4 EXAMINER McMILLAN: The question I've got
5 is: Why are you re-opening the case when the existing
6 order has something about -- deals with infill wells?

7 MS. KESSLER: Mr. Examiner, the infill
8 wells have to be drilled and then completed before
9 the -- I'm sorry -- the initial well must be drilled and
10 completed before infill wells can be proposed.

11 EXAMINER McMILLAN: "The initial well must
12 be drilled" before -- okay.

13 MS. KESSLER: That's in the existing order.

14 EXAMINER McMILLAN: Okay.

15 MS. KESSLER: And so these wells will be
16 pad drilled and batch completed. So we're requesting
17 that they all be deemed initial wells so that that
18 timing lines up.

19 EXAMINER McMILLAN: But then how is the
20 election working?

21 MS. KESSLER: The election will be sent for
22 each of the wells at the same time separately. And I
23 would be happy to send you an email confirming that the
24 separate elections will be given for each well.

25 EXAMINER McMILLAN: Yes. That will be

1 required.

2 Okay. So what's the target for the 601H?

3 MS. KESSLER: I believe it's the 3rd Bone
4 Spring. I'll look at the order to see if it identifies
5 that. I don't believe it does (reading).

6 It doesn't. It should be in the
7 transcript, though.

8 EXAMINER McMILLAN: And the completed
9 interval will be orthodox?

10 MS. KESSLER: For all of the wells.

11 EXAMINER McMILLAN: And each
12 quarter-quarter section can be expected to contribute
13 equally?

14 MS. KESSLER: Yes. That's in the affidavit
15 of the geologist.

16 EXAMINER McMILLAN: Okay. So the 601 has
17 an API already assigned?

18 MS. KESSLER: That's correct.

19 EXAMINER McMILLAN: And the other two do
20 not?

21 MS. KESSLER: Correct.

22 And the API for the original well is in the
23 order, which is included as Exhibit A.

24 EXAMINER McMILLAN: It's 44963?

25 MS. KESSLER: Yes.

1 EXAMINER McMILLAN: Depth severances?

2 MS. KESSLER: In the original testimony,
3 no, Mr. Examiner, there are none. That's included in
4 the original transcript.

5 EXAMINER McMILLAN: Okay.

6 MS. KESSLER: Thank you. I would ask that
7 this case be taken under advisement.

8 EXAMINER McMILLAN: Okay. Case 16265 shall
9 be taken under advisement.

10 Okay. Let's take a break.

11 (Case Number 16265 concludes, 9:41 a.m.)

12 (Recess, 9:41 a.m. to 9:53 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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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 18th day of December 2018.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2018
Paul Baca Professional Court Reporters

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