

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. 16266
PRODUCTION, LLC TO RE-OPEN CASE NO.
16266 TO ADD ADDITIONAL INITIAL WELLS
UNDER THE TERMS OF COMPULSORY POOLING
ORDER R-20002, LEA COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

January 10th, 2019

Santa Fe, New Mexico

BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
 KATHLEEN MURPHY, TECHNICAL EXAMINER
 LEONARD LOWE, TECHNICAL EXAMINER
 DAVID K. BROOKS, LEGAL EXAMINER

 This matter came on for hearing before the
New Mexico Oil Conservation Division, William V. Jones,
Chief Examiner; Kathleen Murphy and Leonard Lowe,
Technical Examiners; and David K. Brooks, Legal
Examiner, on Thursday, January 10th, 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
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APPEARANCES

FOR APPLICANT CENTENNIAL RESOURCE PRODUCTION, LLC:

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EXHIBITS OFFERED AND ADMITTED

Centennial Resource Production, LLC Exhibit Numbers 1 and 2	7
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1 (3:16 p.m.)

2 EXAMINER JONES: Let's call Case Number
3 16266, application of Centennial Resource Production,
4 LLC, re-opened, to add addition initial wells under the
5 terms of Compulsory Pooling Order R-20002, Lea County,
6 New Mexico.

7 Call for appearances.

8 MS. KESSLER: Jordan Kessler, from the
9 Santa Fe office of Holland & Hart, on behalf of the
10 Applicant.

11 MR. BRUCE: Mr. Examiner, Jim Bruce of
12 Santa Fe representing MRC Permian Company. I have no
13 witnesses, and I do not object to the case being
14 presented by affidavit.

15 EXAMINER JONES: Okay. Thank you.

16 MS. KESSLER: So, Mr. Examiner, we had a
17 parallel case where an order was entered on the 601H
18 series. Now we're before you today asking that this
19 order -- Division Order R-20002 be re-opened to add two
20 new additional wells.

21 The first affidavit we have is from Gavin
22 Smith who testified in the original pooling case where
23 the spacing unit was formed. All of the interest owners
24 that were uncommitted were pooled. There was a single
25 initial well designated, and that would be the Duck Hunt

1 602H well. I've included behind Tab A a copy of that
2 original order for your references.

3 What they're asking to do now is add two
4 new additional wells. So behind Tab B, I've included
5 those two additional initial wells. 302H C-102 is in
6 here twice.

7 EXAMINER JONES: 302H and 502H?

8 MS. KESSLER: Yeah. So those are the two
9 additional initial wells. And then the 602H well will
10 also be drilled depending on batch drilling for the
11 three additional wells. They're all in the Bone Spring
12 Formation.

13 EXAMINER JONES: Okay. So I just need the
14 602H now?

15 MS. KESSLER: So the 602H is in the order.
16 We're adding the 302H and the 502H.

17 EXAMINER JONES: Gotcha.

18 EXAMINER BROOKS: Okay. Why -- why is a
19 hearing and order necessary to do that, in your opinion?

20 MS. KESSLER: For additional initial wells?
21 Mr. Examiner, so that the -- to authorize the Applicant
22 to drill all three wells at once so that they're not
23 drilled -- two wells are not drilled under the infill
24 well rule. The way that these wells have been proposed
25 now is to -- to preserve economic efficiencies, they

1 want to drill all three at once.

2 EXAMINER BROOKS: I've kind of forgotten
3 the intricacies of those provisions in the horizontal
4 well rule. I once knew them very well, but it's been a
5 few months. Particularly I remember there is a
6 distinction between the infill wells and additional
7 wells, and I don't remember exactly what it is.

8 MS. KESSLER: And, Mr. Examiner, this
9 hearing was originally brought before the horizontal
10 well rule was in effect.

11 EXAMINER BROOKS: Yeah.

12 MS. KESSLER: So this would be under the --

13 EXAMINER BROOKS: Under the old rules.

14 Okay. I think I should probably take this
15 case on because it seems to involve an issue of the
16 horizontal well rule that I need to study, so I probably
17 should take --

18 EXAMINER JONES: Sure. You can have all
19 these that you want, Mr. Brooks.

20 MS. KESSLER: And I think it's a pretty
21 straightforward proposition. It's just adding these two
22 additional wells.

23 EXAMINER BROOKS: Did you say you've
24 already done this for another series?

25 MS. KESSLER: We did.

1 EXAMINER BROOKS: What was that case?

2 MS. KESSLER: So it was the twin case of
3 this case. This is Case Number 16266. The other case
4 is 16265.

5 EXAMINER BROOKS: Okay. So that one's
6 already been --

7 MS. KESSLER: That one has already been
8 re-opened, and an order has already been issued.

9 EXAMINER BROOKS: Okay. That will help.

10 EXAMINER JONES: I drafted two or three of
11 them just like this recently. And basically I redid all
12 of the ordering paragraphs with the new numbers that we
13 came up with for our new --

14 EXAMINER BROOKS: Yeah. I'll look at what
15 you've done and probably do the same thing, but I want
16 to understand it because it involves the horizontal well
17 rule, and if I should understand anything, it should be
18 the horizontal well rule.

19 EXAMINER JONES: Well, more important for
20 me is if you look at it very close, then from now on, we
21 can incorporate what you see to change.

22 EXAMINER BROOKS: If I need to change
23 anything.

24 EXAMINER JONES: I'm sure you will.

25 EXAMINER BROOKS: Well, no. You just know

1 me, and you know I nearly always change something.

2 EXAMINER JONES: You add a lot of lawyerese
3 to things (laughter).

4 MR. BRUCE: It's his job (laughter).

5 MS. KESSLER: So anyway, Tab 2,
6 Mr. Examiners, is the geology affidavit for Mr. John
7 Harper, and he has a handful of exhibits, structure maps
8 and cross sections basically just to show each of the
9 targets in the Bone Spring. These are all three Bone
10 Spring wells, so he shows the additional two Bone Spring
11 targets and states in his affidavit that there are no
12 impediments to developing these two additional Bone
13 Spring targets.

14 With that, Mr. Examiners, I would move that
15 these exhibits be admitted into record and this case be
16 taken under advisement.

17 EXAMINER JONES: Any objection from MRC
18 Permian Company?

19 MR. BRUCE: No.

20 EXAMINER JONES: No objection.

21 So the exhibits in Case 16266, re-opened,
22 are admitted, and the case is taken under advisement.

23 (Centennial Resource Production, LLC
24 Exhibit Numbers 1 and 2 are offered and
25 admitted into evidence.)

1 (Case Number 16266 concludes, 3:22 p.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 31st day of January 2019.

21

22

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