

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 PRODUCTION for
compulsory Pooling, Case No. 22463
Lea County, New Mexico Case No. 22464

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, JANUARY 6, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Hearing Examiner, John Garcia Technical Examiner, on Thursday, January 6, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department.

Reported by: Mary Therese Macfarlane
New Mexico CCR #122
PAUL BACA COURT REPORTERS
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A P P E A R A N C E S

FOR CENTENNIAL RESOURCE PRODUCTION, LLC:

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C O N T E N T S

CASE NOS. 22463, 22464	PAGE
CASE CALLED:	3
TAKEN UNDER ADVISEMENT PENDING INFORMATION:	9

I N D E X O F E X H I B I T S

CENTENNIAL RESOURCE PRODUCTION EXHIBITS:	ADMITTED
A Compulsory Pooling Application	9
B Application	9
C Affidavit of Gavin Smith, Landman C-1 through C-5	9
D Affidavit of Isabel Harper, Geologist D-1 through D-4	9
E Notice Affidavit	9

1 (Time noted 11:20 a.m.)

2 EXAMINER BRANCARD: With that I would like to
3 call Cases 22463, 22464, Centennial Resources Production.

4 MR. RANKIN: May it please the Division,
5 Mr. Examiner, Adam Rankin of the Santa Fe office of
6 Holland & Hart appearing on behalf of the Applicant in
7 these two cases.

8 MR. BRUCE: Mr. Examiner, Jim Bruce representing
9 MRC Permian Company in these cases.

10 MRC has no problem with the cases being
11 presented by affidavit. Thank you.

12 EXAMINER BRANCARD: Thank you. Are there any
13 other interested persons for Cases 22463, 22464?

14 Hearing none, Mr. Rankin you may proceed.

15 MR. RANKIN: Thank you very much, Mr. Examiner.

16 In these cases, which have been
17 consolidated for purpose of hearing, Centennial seeks to
18 pool all uncommitted interest owners in two 240-acre
19 horizontal well spacing units within the east half of
20 Section 19 and 18 in Township 21 South, Range 34 East in
21 Lea County, New Mexico.

22 Centennial is targeting the Bone Spring
23 Formation in both cases. In both cases Centennial has
24 proposed a 1 1/2 mile horizontal well spacing unit. The
25 well will be standard location and oriented from south to

1 north.

2 Exhibit A in the exhibit packet that was
3 filed on Tuesday in these cases are Compulsory Pooling
4 Checklists for each of the two cases.

5 Exhibit B are the Applications that were
6 filed for each case.

7 Exhibit C is the Landman Affidavits
8 prepared by Mr. Gavin Smith, who has previously testified
9 and been accepted as an expert in petroleum land issues,
10 and he identifies the specific acreage for each spacing
11 unit and the proposed wells that will be dedicated to
12 them. Attached to the affidavits are the Draft C-102s for
13 each well.

14 He identifies the tracts of land that
15 comprise each of the two spacing units, the ownership
16 interest on a tract basis and a unit-wide basis for the
17 two spacing units.

18 He also identifies the uncommitted
19 interests that Centennial is seeking to pool in both
20 cases.

21 Also attached are the Well Proposals and
22 AFEs identifying the costs. Centennial is seeking
23 overhead rates of \$8,000 while drilling and \$800 while
24 producing.

25 In addition he's got a summary of the

1 contacts made with the parties that they're seeking to
2 reach agreement with.

3 Exhibit D is the Affidavit of Centennial's
4 geologist Ms. Isabel Harper. She has previously testified
5 and had her credentials in petroleum geology accepted.

6 Her exhibits include a map identifying the
7 spacing units and surrounding Bone Spring production, as
8 well as a Structure Map, a Cross Section Map, and
9 Stratigraphic Cross Section that identifies the target
10 interval in each case.

11 In her testimony she confirms that there
12 are no impediments and that the acreage is suitable for
13 horizontal and that the orientation of both wells is
14 appropriate.

15 Going to Exhibit D, the Affidavit of Notice
16 identifies that we provided Notice to the parties and the
17 addresses prepared and provided to us by Centennial before
18 the Application hearing in a timely way, by December 17th;
19 however you'll note that one of the parties was identified
20 as having -- the Notice was undeliverable to them, GMT,
21 and as with the other situations noted today, we were
22 unable to get an Affidavit of Publication back from the
23 Hobbs News Sun; however, we did confirm with them that the
24 Notice was published.

25 And at this point, Mr. Examiner, I would

1 like to have a short discussion with you because I think
2 we need clarification, I guess, on how to calculate in
3 light of the Holidays. But I do understand from the Hobbs
4 News Sun that the affidavit was published on December
5 22nd.

6 My understanding, based on the statutes,
7 the legal holidays are identified in the last -- these
8 holidays fell on the weekend so I guess my question is
9 whether or not in light of the statute identifying
10 holidays, you know, whether -- my understanding would be
11 then the December 22nd date would give us 10 business days
12 in advance of the hearing.

13 So I guess I wanted to get your input on
14 whether or not that's considered timely under the
15 Division's computation of the same rule today, then
16 depending on what you say I may or may not dismiss GMT
17 from the forced pooling.

18 EXAMINER BRANCARD: Mr. Garcia, any questions?

19 EXAMINER GARCIA: No.

20 MR. RANKIN: Just to facilitate, I'm referring
21 to I guess the statute would be 12 -- just a second.

22 EXAMINER GARCIA: I've got a question that's not
23 related to the calculation. I'll leave that to Bill
24 Brancard to answer.

25 MR. RANKIN: Okay. You know, the statute I'm

1 referring to is 12-5-2. NMSA 12-5-2.

2 EXAMINER GARCIA: I don't want to have the wrong
3 information so I'll defer to Bill.

4 My last was on your last page, 47 of the
5 .pdf, Table of Notice. I was curious, in the title it
6 says nonstandard. To me that's a case No. 22290. I guess
7 I'm just curious. Is this the correct table for these
8 cases? (Inaudible).

9 MR. RANKIN: I don't know. I don't know why
10 that's is in there. I think we may be confused with your
11 file because there was an earlier case that was dismissed.
12 So I can confirm.

13 But the notice was Sent out on December 17.

14 EXAMINER GARCIA: Okay. I tried to go through
15 these exhibits but it's hard when there is this many
16 cases.

17 You are not seeking a nonstandard in this
18 case, though, are you?

19 MR. RANKIN: No.

20 EXAMINER GARCIA: I believe that's all my
21 questions, and I'll let Bill take it.

22 EXAMINER BRANCARD: And the date in that
23 exhibit, that date on the last page, there are dates in
24 October. So you may have slipped in the wrong page in
25 there. It's talking about things being delivered in

1 October.

2 MR. RANKIN: I will double check that and if
3 there is a difference I will make sure that's updated and
4 inform the Division.

5 EXAMINER GARCIA: I think most counsel -- I mean
6 if you do correct an exhibit, will you do a short
7 affidavit that just clarifies the record for future use
8 five years from now when we will ask: How come there's
9 duplicate exhibits?

10 MR. RANKIN: Yes, sir.

11 EXAMINER BRANCARD: Well, so Mr. Rankin, you're
12 saying that if your Notice is not timely, instead of
13 continuing the case you want going to drop a party?

14 MR. RANKIN: Mr. Examiner, yes. GMT is an
15 overriding royalty interest and when I identified that
16 there may have been a Notice issue in light of the
17 publication days, I conferred with Centennial's landman
18 Mr. Gavin Smith, and Mr. Smith confirmed that they have --
19 he believes they have authority under their instruments to
20 pool that overriding interest, but included them in this
21 application out of an abundance of caution, but if it's
22 a -- you know, if your determination is that the
23 publication of the 22nd would render Notice by Publication
24 untimely then we would dismiss GMT from the pooling in
25 order to avoid a delay.

1 EXAMINER BRANCARD: Yes. I was considering the
2 21st as the deadline for publication, so I think your
3 publication would be untimely. You have to get us
4 exhibits anyway, so --

5 So we need a revised mailing exhibit, a
6 last page. And you have a newspaper affidavit. No?

7 You may want to continue this case to the
8 20th.

9 MR. RANDALL: No, Mr. Examiner, we would prefer
10 not to continue, but we will also supplement the revised
11 postal report, and would dismiss GMT, New Mexico Royalty
12 Company, LLC, from the pooling and let Centennial's
13 position that they have authority to pool that override.

14 EXAMINER BRANCARD: All right. If you could
15 provide all of that to us in a nice little package where
16 you explain your decision, along with the information. We
17 ask you to submit that in the portal.

18 MR. RANKIN: Yes.

19 EXAMINER BRANCARD: Are there any persons
20 interested in Cases 22464, 22463?

21 Hearing none, these cases will be taken
22 under advisement and the record kept open to supplement
23 the information on those.

24 (Time noted 11:32 a.m.)

25

1 STATE OF NEW MEXICO)

2 : ss

3 COUNTY OF TAOS)

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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday,
8 January 6, 2022, the proceedings in the above-captioned
9 matter were taken; 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

/s/ Mary MacFarlane

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MARY THERESE MACFARLANE, CCR
NM Certified Court Reporter No. 122
License Expires: 12/31/2022

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