

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, LLC FOR
COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

CASE NOS. 22251

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
JANUARY 20, 2022
SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
WILLIAM BRANCARD and TECHNICAL EXAMINER LEONARD LOWE on
Thursday, January 20, 2022, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
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A P P E A R A N C E S

For the Applicant:

ADAM RANKIN
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Santa Fe, NM 87501
505-954-7286

For V-F Petroleum:

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I N D E X

CASE CALLED	
SUMMARY OF CASE AND EXHIBITS	03
TAKEN UNDER ADVISEMENT	10
REPORTER CERTIFICATE	11

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

(Record left open for exhibits and Attachments.)

1 HEARING EXAMINER BRANCARD: With that, I will
2 call our only real hearing of the day. It's Item Number 52
3 on today's worksheet is Case 22251, Centennial Resource
4 Production.

5 MR. RANKIN: Good morning, Mr. Examiner. May it
6 please the Division, Adam Rankin appearing on behalf of the
7 applicant in this case with the Santa Fe office of Holland &
8 Hart.

9 HEARING EXAMINER BRANCARD: Thank you. V-F
10 Petroleum Inc.?

11 MS. HARDY: Yes, Mr. Examiner, Dana Hardy with
12 the Santa Fe office of Hinkle Shanor on behalf of V-F
13 Petroleum.

14 HEARING EXAMINER BRANCARD: Ms. Hardy, does V-F
15 have any objection to this case going ahead by affidavit?

16 MS. HARDY: It does not.

17 HEARING EXAMINER BRANCARD: Thank you. Are there
18 any other interested persons for Case 22251?

19 (No audible response.)

20 HEARING EXAMINER BRANCARD: Hearing none,
21 Mr. Rankin, are you able to proceed?

22 MR. RANKIN: Mr. Examiner, I will do my best from
23 memory. If there are any specific questions, I may ask for
24 a brief pause to collect the materials since I'm not at my
25 desk.

1 HEARING EXAMINER BRANCARD: Well, I have a
2 question, so be prepared.

3 MR. RANKIN: If I don't know the question off the
4 top of my head, I may ask for a brief break so I can pull
5 my materials together. In this case Centennial -- in fact,
6 why don't we take a quick break so I can print it out, so I
7 can --

8 HEARING EXAMINER BRANCARD: That would be fine.
9 We are cruising right along today.

10 MR. RANKIN: Give me five minutes if I might be
11 able to go back, I will be able to print out materials for
12 this case and the next series of cases and that way I can
13 properly address any questions and review the summary of the
14 testimony.

15 HEARING EXAMINER BRANCARD: With that, we will
16 take a break until 8:55.

17 MR. RANKIN: Thank you.

18 (Recess taken.)

19 HEARING EXAMINER BRANCARD: We are back on the
20 record on Oil Conservation Division hearings on January 20,
21 2022. Before we go back to this case, I noticed from my
22 screen that we had a few more people show up at our small
23 gathering this morning. We have gone through the agenda
24 rather quickly. We are now on Item 52, so I'm just throwing
25 it open if anybody had an issue with any of the previous

1 cases, please let us know. I see Ms. Ryan here for COG.

2 (No audible response.)

3 HEARING EXAMINER BRANCARD: Hearing none, we will
4 continue with our agenda. So back on the record on Case
5 22251, Centennial Resource Production. Mr. Rankin, you are
6 about to present your case.

7 MR. RANKIN: Mr. Examiner, thank you very much
8 for the brief respite. My computer seems to be behaving, so
9 I will proceed.

10 In case Mr. Examiner, Centennial Resources is
11 seeking the creation of a 480 acre more or less horizontal
12 spacing unit within the, within Sections 19 and 30 in
13 Township 21 South, Range 34 East, in Lea County, New Mexico.

14 The proposed spacing unit in this case will be
15 dedicated to three proposed wells that are identified in the
16 exhibits. In this case Centennial has two witnesses who
17 have previously testified.

18 The landman, Mr. Gavin Smith, reviews the
19 proposed acreage that they identified initial proposed
20 wells. He requests an overhead rate of \$8,000 while
21 drilling and \$800 per month while producing.

22 Mr. Smith identifies each of the pooled parties
23 that they are seeking to pool in this case. And I will note
24 that Centennial is continuing to work on a JOA with some of
25 these parties, and as they are able to reach agreement,

1 including with V-F Petroleum, they will notify the Division
2 that those parties can be dismissed from the pooling.

3 Separately, Centennial has also attempted --
4 continued to attempt to reach agreement with the pooled
5 parties, and you will see a summary of the contacts attached
6 as Exhibit C-5.

7 Centennial issued well proposal letters and AFEs
8 to all the working interest owners, and those are attached
9 as Exhibit C-4. And I think with that the rest of the
10 exhibits are standard for the land exhibits.

11 Also I will note that the -- if there is a
12 question about the NE/4 of Section 19 is already subject to
13 a Bone Spring spacing unit, so that acreage will not be
14 stranded.

15 Exhibit D in the packet is a copy of the
16 affidavit prepared by Centennial's geology witness, Ms.
17 Isabel Harper. She's previously testified. Her exhibits
18 D-1 through D-4 are the standard set of geology exhibits
19 identifying the location of the proposed well, target
20 formation, and her analysis showing there is no impediment
21 to horizontal development in the area.

22 Exhibit E is a copy of the affidavit prepared by
23 me and our office reflecting that notice was provided timely
24 to each of the parties identified in this case for pooling
25 back in October, along with a manifest indicating the status

1 of each of those mailings.

2 Exhibit F is a copy of the notice of publication
3 that was published in the newspaper back in October
4 reflecting each of the parties was identified by name and
5 given notice by publication.

6 With that, Mr. Examiner, I understand you may
7 have a question about this case, but we ask that these
8 exhibits be accepted into the record and that the case be
9 taken under advisement.

10 HEARING EXAMINER BRANCARD: Thank you. I will go
11 first to Ms. Hardy. Any questions?

12 MS. HARDY: No questions. No questions or
13 objections, Mr. Examiner.

14 HEARING EXAMINER BRANCARD: Thank you. Mr. Lowe,
15 questions?

16 TECHNICAL EXAMINER LOWE: I have one question.
17 Good morning, Adam.

18 MR. RANKIN: Good morning.

19 HEARING EXAMINER BRANCARD: I'm looking at your
20 C-102s for all three wells, and I want to get an
21 understanding of what the layout might be. It appears that
22 the surface location for the three wells are pretty much in
23 the same area, which is nothing is wrong with that, I just
24 want to clarify Exhibit C-2, it shows that the surface
25 location is in the bottom portion --

1 MR. RANKIN: Yes.

2 TECHNICAL EXAMINER LOWE: -- of the spacing unit.
3 Is that still correct?

4 MR. RANKIN: No, the C-102s are the correct
5 orientation of the wells north to south.

6 TECHNICAL EXAMINER LOWE: So basically C-2 is in
7 error then?

8 MR. RANKIN: Yeah, it looks like they had the
9 wrong location for the surface in that schematic. It was
10 intended to just be a representation of the laterals and not
11 a true representation of the layout of the wells.

12 TECHNICAL EXAMINER LOWE: Okay. Thank you for
13 clarifying that. That's all. Thank you.

14 MR. RANKIN: Yeah.

15 HEARING EXAMINER BRANCARD: Thank you. My
16 question, Mr. Rankin, then is Exhibit C-3 -- and you may
17 have covered this in your statement and I missed it --
18 indicates that you have one party that's an overriding
19 royalty interest. Is that party still being pooled?

20 MR. RANKIN: Mr. Examiner, no, that party will be
21 dismissed. I did not cover that from the pooling.

22 HEARING EXAMINER BRANCARD: Okay. All right.
23 Well, good, because you didn't mail them notice because
24 that's --

25 MR. RANKIN: Yeah.

1 HEARING EXAMINER BRANCARD: -- you are not
2 pooling them. So you are not pooling overriding royalty
3 interest owners in this matter?

4 MR. RANKIN: No, in this case we're not.

5 HEARING EXAMINER BRANCARD: So that's a
6 correction to your application, thank you. And then would
7 you be providing us with a new Exhibit C-2?

8 MR. RANKIN: I will do that. You mean C-2 to
9 show the location of the well?

10 HEARING EXAMINER BRANCARD: Yeah.

11 MR. RANKIN: Or to eliminate -- yeah, we can
12 correct that on the C-2.

13 HEARING EXAMINER BRANCARD: Yeah, and if you
14 could just, in your notice, indicate that you are not
15 pooling overriding royalty interests.

16 MR. RANKIN: Okay.

17 HEARING EXAMINER BRANCARD: That will clarify the
18 record.

19 MR. RANKIN: Okay.

20 HEARING EXAMINER BRANCARD: Are there any other
21 persons interested in Case 22251?

22 (No audible response.)

23 HEARING EXAMINER BRANCARD: Hearing none, Case
24 22251 will be taken under advisement and record left open to
25 replace Exhibit C-2. Thank you.

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(Taken under advisement.)

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico Certified Court Reporter, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this case.

I FURTHER CERTIFY that the Virtual Proceeding was of reasonable quality.

Dated this 20th day of January 2022.

/s/ Irene Delgado

Irene Delgado, NMCCR 253
License Expires: 12-31-22