

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:

APPLICATIONS OF CENTENNIAL
RESOURCE PRODUCTION, LLC FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NOS. 22265, 22266

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
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For V-F Petroleum:

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I N D E X

CASE CALLED	
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1 HEARING EXAMINER BRANCARD: With that, I will
2 call Items 53 and 54, Cases 22265, 22266, Centennial
3 Resource Production.

4 MR. RANKIN: Good morning, Mr. Examiner. Adam
5 Rankin appearing on behalf of the applicant in these cases
6 with the Santa Fe office of Holland & Hart.

7 HEARING EXAMINER BRANCARD: Thank you. V-F
8 Petroleum?

9 MS. HARDY: Dana Hardy with the Santa Fe office
10 of Hinkle Shanor on behalf of V-F Petroleum.

11 HEARING EXAMINER BRANCARD: Ms. Hardy, do you
12 have any objections to these cases going forward by
13 affidavit today?

14 MS. HARDY: I do not. Thank you.

15 HEARING EXAMINER BRANCARD: Are there any other
16 interested persons for Cases 22265, 22266?

17 (No audible response.)

18 HEARING EXAMINER BRANCARD: Hearing none,
19 Mr. Rankin, you may proceed.

20 MR. RANKIN: Thank you very much, Mr. Examiner.
21 In these cases the applicant, Centennial, is seeking pooling
22 of two approximately 242 acre spacing units within the
23 Section 36, Township 21 South, Range 34 East, and Section 1,
24 Township 22 South, Range 34 East in Lea County.

25 In Case 22265, the proposed spacing unit within

1 the Bone Spring formation will be dedicated to the Margarita
2 36 State Com 601H Well. And in the companion case, 22666,
3 the proposed spacing unit will be in the Bone Spring
4 formation and dedicated to the Margarita 36 State Com 603H
5 well.

6 In this case we filed exhibits this week
7 reflecting that Exhibits A, B, C, D, E and F, the standard
8 set of exhibits, the landman has previously testified
9 before. Mr. Smith's affidavit reviews the proposals for
10 each of these proposed spacing units, the acreage, the
11 parties that they are seeking to pool, and the tracts that
12 comprise the proposed spacing units, as well as the efforts
13 to reach agreement.

14 Mr. Smith requests that Centennial be able to
15 collect overhead rates of \$8,000 per month while drilling
16 and \$800 per month while producing. He also asks for a 200
17 percent risk charge assessed against non-consenting pool
18 parties. His exhibits are C-1 through C-5.

19 Exhibit D is the affidavit of Ms. Isabel Harper.
20 She has previously testified. Her exhibits D-1 through D-4
21 are the standard geology exhibits identifying target
22 formation, spacing unit, and then cross section showing
23 there are no impediments to horizontal development. She
24 confirms in her opinion that she believes these spacing
25 units are appropriate for development by horizontal wells.

1 Exhibit E is a copy of our affidavit that was
2 prepared by me reflecting that notice of these applications
3 was sent out back in October to each of the parties that we
4 were seeking to pool, along with a copy of the mailing
5 reports for each of the notices that were sent out.

6 Exhibit F is a copy of the affidavit of
7 publication reflecting that each of the parties was
8 identified by name and in the publications giving them
9 notice. As with the prior case, Mr. Examiner, Centennial
10 continues to work towards voluntarily agreement with the
11 parties including V-H Petroleum, and as of when they are
12 able to reach an agreement, they will give notice to the
13 Division that those parties are being dismissed from the
14 pooling.

15 With that, Mr. Examiner, I would move the
16 admission of Exhibits A through F and ask that these cases
17 be taken under advisement.

18 HEARING EXAMINER BRANCARD: Thank you. Ms.
19 Hardy, any questions or objections?

20 MS. HARDY: I do have one question or a
21 statement, really, and it's that I believe that the land
22 ownership information on Centennial's exhibit hasn't been
23 updated to reflect a couple of assignments, so I believe
24 that Centennial is planning to update that information.

25 MR. RANKIN: Thank you, I had forgotten to

1 mention that. Mr. Examiner, we will be filing a revised
2 Exhibit C-3 to reflect a change in ownership. There was an
3 assignment made from Mr. Mark Newburg and Ms. Sandra Wallace
4 into Lodge Exploration LLC. Their interests were fully
5 conveyed to Lodge, and so what we will do is, we have an
6 updated Exhibit C-3 that I wasn't able to get put together
7 in time for today's hearing, but we will be submitting into
8 the record to replace that exhibit showing the update to the
9 interests of those parties.

10 HEARING EXAMINER BRANCARD: Thank you. Anything
11 else, Ms. Hardy?

12 MS. HARDY: I do not have anything else, Mr.
13 Examiner.

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

16 TECHNICAL EXAMINER LOWE: I have one question.
17 I'm still kind of reading through your exhibits here, the
18 two -- you mention that the two wells that you have for
19 22265, are these two cases separated per well?

20 MR. RANKIN: Yes.

21 TECHNICAL EXAMINER LOWE: Okay. And the 22265
22 pertains to which well?

23 MR. RANKIN: That pertains to the 601H well.

24 TECHNICAL EXAMINER LOWE: And each of these wells
25 are seeking their own pools; correct?

1 MR. RANKIN: Yeah, each would be dedicated to
2 their own approximately 242 acre spacing unit.

3 TECHNICAL EXAMINER LOWE: What pools are they
4 seeking?

5 MR. RANKIN: They will be in the Bone Spring
6 formation, and the pool is the Grama Ridge Bone Spring
7 Northeast Pool.

8 TECHNICAL EXAMINER LOWE: Okay, that's what I was
9 looking for.

10 MR. RANKIN: Pool code is 28435.

11 TECHNICAL EXAMINER LOWE: Thank you. That's all
12 I have.

13 HEARING EXAMINER BRANCARD: Thank you. Are there
14 any other interested persons then for Cases 22265 or 22266?

15 (No audible response.)

16 HEARING EXAMINER BRANCARD: Hearing none, the
17 exhibits will be admitted into the record and Cases 22265
18 and 22266 will be taken under advisement, the record left
19 open for the submittal of a replacement Exhibit C-3. Is
20 that correct?

21 MR. RANKIN: That is correct. That is correct.
22 We will get that filed today.

23 HEARING EXAMINER BRANCARD: Thank you. With
24 that, we have reached the end of our agenda. If you weren't
25 here earlier, Cases 55 through 60 were dismissed at the

1 request of the party -- parties -- so we have already
2 handled that. Are there any other persons with items today?
3 I know some people have come on late here?

4 (No audible response.)

5 HEARING EXAMINER BRANCARD: Hearing none, thank
6 you all for a proficient agenda today, and we will be back
7 in a few weeks. Thank you.

8 (Exhibits admitted.)

9 (Taken under advisement.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 REPORTER'S CERTIFICATE

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

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

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

17 Dated this 20th day of January 2022.

18

/s/ Irene Delgado

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

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