

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:

CASE NOS: 22252, 22253

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

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS
EXAMINER HEARING
February 3, 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 DYLAN ROSE-COSS on
Thursday, February 3, 2022, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
500 Fourth Street, NW, Suite 105
Albuquerque, NM 87102
505-843-9241

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

A P P E A R A N C E S

For the Applicant:

ADAM RANKIN
HOLLAND & HART
110 North Guadalupe, Suite 1
Santa Fe, NM 87501

For Matador and MRC Permian:

JAMES BRUCE
P.O. Box 1056
Santa Fe, NM 87504-1056
505-982-2151

I N D E X

CASE CALLED	
SUMMARY OF CASE AND EXHIBITS	03
TAKEN UNDER ADVISEMENT	12
REPORTER CERTIFICATE	13

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

	Admitted
Exhibits and Attachments	13

1 HEARING EXAMINER BRANCARD: So case -- I'm now
2 calling Items 19 and 20 on the docket, Cases 22252 and
3 22253, Centennial Resources.

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

8 HEARING EXAMINER BRANCARD: Thank you. And so I
9 have an entry of appearance for one of these cases for
10 Matador Production Company.

11 MR. BRUCE: Mr. Examiner, Jim Bruce on behalf of
12 Matador and also MRC Permian Company, and, yes, the second
13 case is the only one they are interested in. They are not
14 opposing the applications and don't object to them moving
15 forward by affidavit.

16 HEARING EXAMINER BRANCARD: Thank you. Are there
17 any other interested persons for Cases 22252 and 22253?

18 (No audible response.)

19 HEARING EXAMINER BRANCARD: Hearing none, for the
20 record, this case was set for contested hearing, but the
21 party who was objecting to Centennial's application has
22 withdrawn, and so I believe it's okay for you to move
23 forward with this case by affidavit.

24 MR. RANKIN: Thank you very much. That is my
25 understanding as well, Atlas has withdrawn its objection and

1 withdrawn from the case. And so we have previously filed
2 the affidavits and exhibits for each of the corresponding
3 cases and I will just walk through them briefly.

4 HEARING EXAMINER BRANCARD: Please proceed.

5 MR. RANKIN: In Case 22291, Centennial is seeking
6 to pool -- sorry -- Centennial is seeking to pool all
7 uncommitted interests in the Bone Spring Formation
8 underlying a 640 acre, more or less, horizontal spacing unit
9 in Lea County and will dedicate three wells to the spacing
10 units according to 6 State Com 601, 602 and 603 wells.
11 Centennial is seeking to charge for risk involved in the
12 drilling of these wells.

13 Submitted on back in November are the exhibits
14 that go along with each of these cases. With this case,
15 Exhibit A is a copy of the, is a copy of the compulsory
16 pooling checklist, Exhibit B is a copy of the application.

17 C is a copy of the affidavit of Centennial's
18 landman, Gavin Smith, who identifies the spacing units, the
19 efforts we made to reach voluntary agreement, a copy of the
20 well proposal and the AFEs, as well as a demonstration of
21 the interests of each -- of the ownership in the spacing
22 units that they are seeking to pool including some
23 overriding royalty interests. Exhibit C-5 is a copy of his
24 summary of his efforts to reach voluntary agreement.

25 And in that case Exhibit D is a copy of the

1 affidavit of their geologist Isabel Harper. She previously
2 testified, and she lays out her geologic exhibits
3 identifying the spacing units and has determined in her
4 opinion that the proposed interval in the Bone Spring is
5 suitable for development by horizontal wells and that there
6 are no impediments, that each tract will contribute more or
7 less equally to production.

8 Exhibit E is a copy of the affidavit prepared by
9 my former colleague, Kaitlyn Luck, identifying that we
10 provided notice to each of the parties identified to us by
11 Centennial by certified mail, as well as a copy of the
12 notice -- the affidavit of publication reflecting that we
13 have timely provided notice by publication to each of the
14 parties as well.

15 Case 22253, Centennial seeks pooling all
16 uncommitted interest in the Bone Spring Formation as well in
17 a 640 acre spacing unit also in Lea County. That spacing
18 unit will be dedicated to two wells, the Tostada 7 State Com
19 601H Well and the 602H well. Centennial seeks to charge for
20 the drilling of those wells as well.

21 In the same packet of exhibits, Exhibit A is a
22 compulsory pooling checklist identifying the elements of the
23 case and the pooling requirements. Exhibit B is a copy of
24 the application. C is the affidavit of Mr. Gavin Smith that
25 identifies the spacing unit the well is dedicated to it, the

1 AFEs, well proposals that were sent out, parties that we are
2 seeking to pool and efforts to reach voluntary agreement.

3 Exhibit D is a copy of the geologist testimony
4 identifying the spacing unit and that there are no
5 impediments to developing horizontal wells. And Exhibit E
6 and F are the notice exhibits identifying the parties we are
7 seeking to pool.

8 And with that, Mr. Examiner, I would ask that
9 these Exhibits A through F and their attachments be accepted
10 into this record.

11 HEARING EXAMINER BRANCARD: Thank you. We will
12 start with you, Mr. Bruce. Questions or concerns?

13 MR. BRUCE: None.

14 HEARING EXAMINER BRANCARD: All right. Mr.
15 Rose-Coss, questions?

16 TECHNICAL EXAMINER ROSE-COSS: The question that
17 I have comes to mind, there was an operation that contested
18 this initially and now they are not. Can I get a brief
19 summary of what happened there or what was the nature of the
20 protest and how it was dropped?

21 MR. RANKIN: Well, in fact the parties are still
22 engaged in some litigation, but for purposes of this
23 pooling, Atlas, as I understand, they decided they were
24 going to withdraw their objections and protest.

25 There is still some ongoing litigation that has

1 been removed to federal court that involves some of the
2 Atlas's claims regarding ownership interest in the spacing
3 unit, but they decided that it was, apparently, you know,
4 that they did not object to Centennial proceeding for
5 purposes of this pooling hearing.

6 TECHNICAL EXAMINER ROSE-COSS: So it was a matter
7 of ownership or title?

8 MR. RANKIN: That's right, and that's what our
9 position has been from the beginning. As a reminder, I
10 guess, Mr. Rose-Coss and Mr. Examiner, and I mentioned this
11 earlier, as I stated previously, when Atlas was contesting
12 this case, Centennial has a -- has a billing rig contract to
13 start spudding the Bonita wells in Case 22252 at the end of
14 this month.

15 And so time was and is of the essence, so
16 Centennial intends to proceed with its drilling plan at the
17 end of the month to spud the first of its wells in the Bone
18 Spring spacing unit.

19 TECHNICAL EXAMINER ROSE-COSS: I will make a note
20 of that. And which exhibit is it again that kind of
21 reflects the land ownership or kind of --

22 MR. RANKIN: C-2 is the land plat that identifies
23 the separate tracts that comprise each of the spacing units,
24 and C-3 is the exhibit that identifies the various interests
25 that are equal in the case, and it includes Atlas, which is

1 the party that previously objected in this proceeding.

2 TECHNICAL EXAMINER ROSE-COSS: Well, now that we
3 have that on the record, that is all my questions.

4 HEARING EXAMINER BRANCARD: Thank you. Mr.
5 Rankin, you had some substitute exhibits, too; correct?

6 MR. RANKIN: Oh, thank you very much, Mr.
7 Examiner. On Tuesday, after having reviewed exhibits that
8 were previously filed in November, we identified there were
9 some corrections that needed to be made.

10 So we filed a notice of filing regarding Exhibit
11 A for case Number 22253 in which we submitted a corrected
12 compulsory pooling checklist that was revised to correctly
13 reflected dedicated acreage spacing unit, the pool name and
14 pool code.

15 And we also submitted revised Exhibit C-2 for
16 both cases, 22252 and 22253, that correctly reflect the
17 surface locations are in the north end of the spacing unit.

18 HEARING EXAMINER BRANCARD: Thank you. So I have
19 a couple of questions about your exhibits. You know, I will
20 apologize, I'm a lawyer, I should never look at the
21 geologist exhibits, but I did in this case. If you go to
22 Exhibit D-3, Page 40.

23 MR. RANKIN: Yes.

24 HEARING EXAMINER BRANCARD: There appear to be
25 wells in the Tostada unit, existing wells. Are we talking

1 about overlapping spacing units here?

2 MR. RANKIN: Mr. Examiner, I don't know if those
3 wells are completed in the same zone. So in other words, I
4 don't know if they actually are a spacing unit in the
5 Tostada. I suspect they are not, but they were used for,
6 for purposes of creating the log interval. I would have to
7 confirm whether or not they are completed in the same
8 formation. But I guess I suppose the issue there would be
9 it's only a concern if there is an objection to the, the
10 overlap.

11 HEARING EXAMINER BRANCARD: Well, and to make
12 sure that anybody whose is overlapping is noticed.

13 MR. RANKIN: Yeah. I don't know the answer to
14 that question, that they are actually completed in the, in
15 the same Bone Spring zone or not.

16 HEARING EXAMINER BRANCARD: They seem to be
17 drilled through the Bone Spring. That's why you got those
18 nice little pictures on the next exhibit.

19 MR. RANKIN: I can look into that, Mr. Examiner,
20 and identify whether or not they actually are completed in
21 the same pool.

22 HEARING EXAMINER BRANCARD: Okay. I was your
23 curious in, let's see, I think it's 22252, Exhibit C,
24 wherever you list your interests, people who have interests.

25 MR. RANKIN: C-3.

1 HEARING EXAMINER BRANCARD: There's a lot of
2 people here in C-3, and then we go down to your who got
3 mail. I'm looking at one of these exhibits that didn't seem
4 to --

5 MR. RANKIN: I went through, and I think everyone
6 did get mail. Give me one minute and make sure that mail
7 went out.

8 HEARING EXAMINER BRANCARD: Okay. All right. So
9 if you could just confirm that we don't have overlapping
10 spacing units here, that you are not imposing on somebody
11 else's acreage.

12 MR. RANKIN: I will do that.

13 HEARING EXAMINER BRANCARD: So, let me see, one
14 other thing. I write these little notes down here, I have
15 to figure out what they mean. So I'm looking at your well
16 603H, the C-102.

17 MR. RANKIN: The Tostada?

18 HEARING EXAMINER BRANCARD: I'm not sure.

19 MR. RANKIN: The 6-0 -- all right. I'm with you.

20 HEARING EXAMINER BRANCARD: Is that a
21 non-standard location? It's awfully close to that --
22 that's like 100 feet there. Let's see, it's --

23 MR. RANKIN: I believe that would be, if it's a
24 standard -- it's not a standard section, Mr. Examiner, so I
25 can't -- I can't tell you right now whether that is or

1 isn't a non-standard location, because you will see what is
2 the (inaudible) W/2 W/2 for all lots, and so based on the
3 distance from the western boundary of that section, at
4 247 -- 2437 feet, I can't tell you as I sit here whether or
5 not that proposal completed interval is a standard or
6 non-standard location.

7 So I would have to confer with the geologist in
8 the company to tell me if that's going to be more than 330
9 or less than 330 off that center line.

10 HEARING EXAMINER BRANCARD: I mean, if it is, you
11 just have to apply for a non-standard location. If you
12 could just confirm that.

13 MR. RANKIN: I will do that.

14 HEARING EXAMINER BRANCARD: So, anything else,
15 Mr. Rose-Coss?

16 TECHNICAL EXAMINER ROSE-COSS: Nothing additional
17 for me. Thank you, Mr. Brancard.

18 HEARING EXAMINER BRANCARD: Are there any other
19 persons here in Cases 22252 and 22253?

20 (No audible response.)

21 HEARING EXAMINER BRANCARD: Hearing none, your
22 exhibits will be admitted into the record including your
23 amended exhibits, Mr. Rankin, and the case will be taken
24 under advisement with the proviso that you will provide us
25 answers to the questions of are there overlapping spacing

1 units and is there a non-standard location?

2 MR. RANKIN: Will do. Thank you very much.

3 HEARING EXAMINER BRANCARD: Thank you.

4 (Exhibits admitted.)

5 (Taken under advisement pending requested

6 information.)

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico Certified Court Reporter, CCR 253, 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 poor to good quality.

Dated this 3rd day of February 2022.

/s/ Irene Delgado

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