

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

Application of CENTENNIAL RESOURCE
PRODUCTION, LLC for Compulsary
Pooling, Lea County, New Mexico Case Nos. 22687, 22688

REPORTER'S TRANSCRIPT OF PROCEEDINGS

THURSDAY, APRIL 7, 2022

COMMISSION HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq. Hearing Examiners, John Garcia, Technical Examiner, on Thursday, April 7, 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 PRODUCTIONS, LLC:

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C O N T E N T S

CASE NOS.	22687, 22688	PAGE
Cases Called:		3
Cases dismissed without prejudice:		15

1 (Time noted 2:08 p.m.)

2 EXAMINER BRANCARD: All right. With that I'd
3 like to call Cases 22687, 22688, Centennial Resource
4 Production.

5 MR. RANKIN: Mr. Examiner, good afternoon. May
6 it please the Division, Adam Rankin appearing on behalf of
7 the applicant in these two cases, Centennial Resource
8 Production.

9 EXAMINER BRANCARD: Are there any other
10 interested persons for Cases 22687, 22688? (Note:
11 Pause.)

12 Hearing none, Mr. Rankin I think you had a
13 late filing in this here.

14 MR. RANKIN: We recognized this morning that
15 there were checklists that were submitted that were
16 identical, so we resubmitted the checklist, Exhibit A, to
17 correct the -- make sure that both cases, checklists for
18 both cases were filed, and then subsequently make sure
19 that my signature appeared on both checklists.

20 So the file should be updated with correct
21 revised exhibits, with correct checklists for each case,
22 and my signature on both.

23 I believe.

24 EXAMINER BRANCARD: Okay. Were these filed into
25 the portal yet?

1 MR. RANKIN: They should have been. I believe
2 they were. I haven't yet checked myself but I believe
3 that's the case.

4 EXAMINER BRANCARD: Okay. So is this an
5 entirely new packet?

6 MR. RANKIN: I believe we just went ahead and
7 just submitted a new packet so that it was not confusing.

8 EXAMINER BRANCARD: Well, we are trying hard not
9 to get confused here, so I guess, Mr. Garcia, you got
10 that? You received this email?

11 EXAMINER GARCIA: I don't recall the email but I
12 see "Waiting for Approval Case 22687 and -688 Exhibit
13 Packets" in the OCD portal.

14 MS. SALVIDREZ: I just approved them.

15 EXAMINER BRANCARD: Thank you, Marlene. So can
16 you access them, Mr. Garcia?

17 EXAMINER GARCIA: Yes. And they are in the case
18 files now that Marlene approved them.

19 EXAMINER BRANCARD: Okay. Cool. I guess I need
20 to update my case file here. Yeah, there it is.

21 Okay. We will work off of that exhibit
22 packet.

23 MR. RANKIN: Thank you, Mr. Examiner. Thank
24 you, Marlene and Examiner Garcia.

25 So in these two cases Centennial seeks to

1 pool, in Case 22687 640 acres, approximately, consisting
2 of west half of Sections 6 and 31 in Township 22 South,
3 Range 35 East, within the Bone Spring Formation, and will
4 dedicate the proposed spacing unit to its Eric
5 Cartman State Com 601H, 602H and 603H wells with the 602H
6 being a proximity well allowing for the inclusion of the
7 adjacent tracts to form the expanded spacing unit.

8 In Case 22688 Centennial seeks to pool all
9 the uncommitted interest owners in a 640-acre spacing unit
10 comprised of the east half of the same sections within the
11 Bone Spring Formation. In this case they are seeking to
12 pool only from 10,388 feet to the base of the Bone Spring.
13 In this case they are not seeking to pool a portion of the
14 Bone Spring not because of depth severance ownership issue
15 but because of an existing overlapping spacing unit which
16 is described and identified in Mr. Smith's affidavit.

17 The proposed spacing unit here will be
18 dedicated to the Eric Cartman 6 State Com 604H and 605H
19 well, and the 604H will be a proximity well allowing the
20 inclusion of the adjacent tracts into the expanded spacing
21 unit.

22 The exhibit packet that was originally
23 filed on Tuesday and updated today includes in the packet
24 a Table of Contents which identifies each of the exhibits
25 submitted.

1 Exhibit A is the Compulsory Pooling
2 Application and Checklist with respect to each of the
3 cases, identifying the acreage, the wells, and in the case
4 of the second case, the east half case, the depths and
5 intervals they are seeking to pool.

6 In addition it refers to the exhibits, the
7 overhead rates and the requested risk charge that
8 Centennial is requesting in each of the cases.

9 Exhibit C is -- rather B are the
10 applications that were filed in each case.

11 Exhibit C is a copy of the affidavit of
12 Centennial's landman Gavin Smith, who has previously
13 testified.

14 In Exhibit C-1 he has provided a copy of
15 the Notice Letter that Centennial sent to each of the
16 working interest owners in the proposed spacing unit, as
17 well as the spacing unit which will be partially
18 overlapping this proposed spacing unit, that they are
19 proposing an overlapping spacing unit that would overlap
20 with the spacing unit identified in the Notice. They
21 provided that Notice 20 days in advance of today's hearing
22 and have not received an objection from any of the owners.

23 Exhibit C-2 is a copy of the C-102s that
24 was provided -- had been drafted, not yet submitted.

25 C-3 is a copy of the Land Tract Map for

1 each case.

2 C-4 is a breakdown of the ownership
3 interests by tract and on a spacing-unit basis identifying
4 each of the interest owners and the uncommitted owners
5 that Centennial seeks to pool.

6 Exhibit C-5 is a sample of the Well
7 Proposal Letters that were sent, along with the AFE for
8 each of wells proposed.

9 Exhibit C-6 is a summary of Chronology of
10 Contacts reflecting a summary of Centennial's effort to
11 reach agreement with each of the uncommitted owners they
12 seek to pool.

13 Exhibit D is a copy of the Affidavit of
14 Centennial's geology expert witness in this case. That
15 witness, Ms. Ali Sloan, has not previously testified.
16 We've provided a copy of her resume reflecting her
17 education and work experience, and I ask at this time that
18 Ms. Sloan be accepted as an expert witness in petroleum
19 geology before the Division.

20 EXAMINER BRANCARD: Any objections? (Note:
21 Pause.) Hearing none, so admitted.

22 MR. RANKIN: In Ms. Sloan's affidavit she
23 reviews as Exhibit D-2 a copy of the Locator Map that
24 shows Centennial's acreage in yellow and the paths of the
25 proposed wellbores, as well as surface and bottom hole

1 locations.

2 Exhibit D-3 is a Subsea Structure Map that
3 she prepared off the Third Bone Spring Sand Formation,
4 which is -- corresponds to the target interval. The
5 contour interval is 50 feet and the structure map shows
6 that the Bone Spring in this area is gently dipping to the
7 southwest. She testifies that she does not observe any
8 faulting or pinchouts or other impediments to development
9 of the acreage by horizontal wells

10 The next exhibit, D-4, is a line of
11 Cross-Section that shows three wells penetrating the Bone
12 Spring that she used to construct a Stratigraphic
13 Cross-Section in the next exhibit.

14 D-5 is that Cross-Section that she has
15 prepared showing the target interval for each well, and
16 that there are no impediments to drilling these wells and
17 that the interval is consistent in thickness and present
18 in each of the tracts across the proposed spacing unit.

19 She opines that it's in the best interest
20 of conservation and prevention of waste to approve these
21 applications, to grant them.

22 Exhibit E is a copy of the affidavit --
23 that we will improve upon next time, Mr. Examiner --
24 reflecting that we have provided Notice, as reflected in
25 the date of the attached letter, to each of the parties

1 identified on the Postal Service report on the next -- on
2 the following pages.

3 Following that is Exhibit F which
4 identifies that we have provided -- caused to be published
5 in the Hobbs News Sun, an advertisement that identifies
6 each of parties that Centennial seeks to pool by name, and
7 have done so within the 10 business days required before
8 the hearing.

9 So with that, Mr. Examiner, if there are no
10 questions -- or if there are any questions -- we ask that
11 Exhibits A through F and attachments be admitted to the
12 record.

13 EXAMINER BRANCARD: Thank you.

14 Mr. Garcia.

15 EXAMINER GARCIA: So just to clarify real quick:
16 You guys submitted a corrected exhibit packet, I believe
17 twice, so now we have three exhibits packets in our case
18 file?

19 MR. RANKIN: Mr. Garcia, one of them, the second
20 one that we filed, did not have my signature on the second
21 Checklist, so we sent the third to ensure that my
22 signature was present.

23 EXAMINER GARCIA; That's what I was hoping,
24 that that was all the changes. So the third packet in our
25 system is the one to use?

1 MR. RANKIN: That's correct, Mr. Garcia.

2 EXAMINER GARCIA: I was looking through those
3 pages, but I didn't get too deep into your application.

4 My only question for now is the existing
5 spacing unit. Was it established based off of the
6 Compulsory Pooling Order, or was it...

7 MR. RANKIN: The Carne Asada was formed through
8 compulsory pooling.

9 EXAMINER GARCIA: Okay. Do you know that Order
10 number by any chance?

11 MR. RANKIN: One moment.

12 Uhm, I am not 100 percent sure of -- if
13 this is the Wolfcamp or Bone Spring on that one.

14 It's the older form of Order, so I have to
15 see if I can -- I'm not sure it identifies -- one second.

16 EXAMINER GARCIA: Yeah, I think (inaudible)
17 right now.

18 MR. RANKIN: I can give you the Order. I'm
19 looking at it right now. It's R-20710. I'm not sure if
20 that's the Wolfbone Spring or Wolfcamp.

21 EXAMINER GARCIA: R-27 what was it?

22 MR. RANKIN: R-20710.

23 EXAMINER GARCIA: Thank you. I believe that's
24 all my questions for now.

25 EXAMINER BRANCARD: Thank you.

1 Mr. Rankin, I'm really confused. I don't
2 know where this unit is.

3 MR. RANKIN: Are you talking about the two units
4 that we are pooling in this case?

5 MR. BRANCARD: Yes. Let's start with a
6 checklist. Description: West half of Sections 6 and 31,
7 Township 22 South, Range 35 East.

8 You have a contiguous unit of Sections 6
9 and 31. They can't be in the same Township, but that's
10 what it says in your checklist.

11 MR. RANKIN: I will look at that, Mr. Examiner.

12 EXAMINER BRANCARD: That's what it says in your
13 application, that's what it says in all your Public
14 Notices.

15 I think your C-102 is your only document --
16 it even says it in your landman's affidavit. Your landman
17 ought to know where they are.

18 If you look at your C-102, that actually, I
19 think, gets it right.

20 MR. RANKIN: It appears that --

21 EXAMINER BRANCARD: 31 is in 21 South, and 6 is
22 22 South.

23 MR. RANKIN: It appears there was a typo that
24 was perpetuated, and it appears that it should have been
25 identifying 21 South as the township.

1 EXAMINER BRANCARD: And I don't even want to
2 get to Exhibit C-4, your Ownership Schedule, which puts it
3 like several townships away in 21 South, 34 East.

4 So a typo is one thing, but you basically
5 have put out Public Notices having the wrong locations.
6 It's in -- I checked the paragraph that went into our
7 Public Notice and -- on our website it's on there. I
8 checked your newspaper notification all the way at the end
9 here, and it's on there.

10 MR. RANKIN: Well, in the old days,
11 Mr. Examiner, we would file for an amendment and renotice
12 the case, which I understand is a distinction without a
13 difference in this day and age, you know, relative to a
14 new case. Other than the fact, you know, we wouldn't have
15 to necessarily present all the exhibits over again, we,
16 would simply be able to file the amendment and then, you
17 know, correct the exhibits.

18 So I guess I'll ask your direction on what
19 your preference is for how to resolve that issue.

20 EXAMINER BRANCARD: Well, given the Notice
21 problems you're going to have to file a new case. You've
22 done all the work so it's pretty easy. Once you get to
23 hearing there doesn't seem to be any opposition to it, but
24 you're going to have to file a new case.

25 So we will dismiss Cases 22687 -- you know,

1 I didn't even look at -688, but is that the same?

2 MR. RANKIN: Let's see.

3 EXAMINER BRANCARD: Yeah, that seems to be the
4 same problem.

5 MR. RANKIN: Yeah.

6 EXAMINER BRANCARD: Okay. All right. So Cases
7 22687, 22688 will be dismissed without prejudice to filing
8 a new application. Thank you.

9 (Time noted 2:29 p.m.)

10 (Note: Other cases were heard.)

11 (Time noted 3:12 p.m.)

12 MR. RANKIN: I'm -- before you guys rejoin --
13 have you guys already started?

14 EXAMINER BRANCARD: We are about to start.

15 MR. RANKIN: If I might inquire before the
16 hearing closes about Centennial's cases, to see if there's
17 a way we could, rather than having to dismiss and refile,
18 due to timing issues -- they have a lease expiration in
19 July -- if we could amend, which would give us the ability
20 to simply provide 20 days notice and get on the May 5th
21 docket.

22 EXAMINER BRANCARD: I think I have already ruled
23 they have been dismissed, then refile. So you got to get
24 all that Notice done.

25 MR. RANKIN: Yeah, Notice will be done -- okay,

1 that's fine. I appreciate the consideration. I guess my
2 next question would be if there's a way to get on the May
3 19th docket. I know that Marlene publishes Notice once
4 per month and that would require an individual Notice for
5 the docket for May 19th. So I understand that is not a
6 preference.

7 EXAMINER BRANCARD: Well, we do new cases the
8 first hearing of the month. That's the way it works.

9 MR. RANKIN: Okay. Very good.

10 EXAMINER BRANCARD: Thank you.

11 (Time noted 3:13 p.m.)

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1 STATE OF NEW MEXICO)

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REPORTER'S CERTIFICATE

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I, MARY THERESE MACFARLANE, New Mexico Reporter

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CCR No. 122, DO HEREBY CERTIFY that on Thursday, April 7,

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2022, the proceedings in the above-captioned matter were

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taken before me; that I did report in stenographic

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shorthand the proceedings set forth herein, and the

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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

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rules) any of the parties or attorneys in this case, and

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that I have no interest whatsoever in the final

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disposition of this case in any court.

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/S/CCR/Mary Therese Macfarlane

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MARY THERESE MACFARLANE, CCR

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