

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

**APPLICATION OF TITUS OIL & GAS PRODUCTION, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. _____

APPLICATION

Titus Oil & Gas Production, LLC (“Titus”), through its undersigned counsel Montgomery & Andrews, P.A. (Sharon T. Shaheen and John F. McIntyre), hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order pooling all mineral interests in the 2nd Bone Spring formation (Salt Lake [53560]) in a standard 800-acre, more or less, horizontal spacing and proration unit (“HSU”) comprised of the W/2 of Sections 24 and 25 and the NW/4 of Section 36, Township 20 South, Range 32 East, NMPM, in Lea County, New Mexico (“2.5-Mile HSU”), or in a standard 640-acre HSU comprised of the W/2 of Sections 24 and 25, Township 20 South, Range 32 East, NMPM, in Lea County, New Mexico (“2-Mile HSU”), if potash needs require 2-mile wells, instead of 2.5-mile wells. In support of its application, Titus states as follows:

1. Titus is a working interest owner in the proposed HSU and has the right to drill thereon.
2. Titus proposes to drill the following wells in the 2.5-Mile HSU:
 - **Pakse South 24-25-36 Fed Com 221H** well, to be horizontally drilled from an approximate surface hole location 250’ FNL and 1030’ FWL of Section 24-T20S-R32E, to an approximate bottom hole location 2650’ FSL and 1030’ FWL of Section 36-T20S-R32E.

- **Pakse South 24-25-36 Fed Com 222H** well, to be horizontally drilled from an approximate surface hole location 250' FNL and 2310' FWL of Section 24-T20S-R32E, to an approximate bottom hole location 2650' FSL and 2310' FWL of Section 36-T20S-R32E.

3. In the alternative, Titus proposes to drill the same wells, with different bottom-hole locations in Section 25, as 2-mile laterals in the 2-Mile HSU, and with alternative well names of Pakse South 24-25 Fed Com 221H and Pakse South 24-25 Fed Com 222H.

4. The completed intervals and first and last take points in either HSU will meet the setback requirements set forth in the statewide rules for horizontal oil wells.

5. The purpose of the alternative proposals is to satisfy potash development concerns.

6. Titus has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the HSU.

7. Approval of the HSU and the pooling of all mineral interest owners in the Bone Spring formation underlying the HSU will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

8. In order to permit Titus to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this HSU should be pooled and Titus should be designated the operator of the HSU.

WHEREFORE, Titus requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 14, 2019, and that, after notice and hearing as required by law, the Division enter an order:

A. Creating a standard 800-acre, more or less, horizontal spacing and proration unit comprised of the W/2 of Sections 24 and 25 and the NW/4 of Section 36, Township 20 South,

Range 32 East, NMPM, in Lea County, New Mexico (“2.5-Mile HSU”), or alternatively a standard 640-acre HSU comprised of the W/2 of Sections 24 and 25, Township 20 South, Range 32 East, NMPM, in Lea County, New Mexico (“2-Mile HSU”);

- B. Pooling all mineral interests in the 2nd Bone Spring formation underlying the HSU;
- C. Allowing the drilling of the 2.5-mile Pakse Southwest Fed Com 221H well and the 2.5-mile Pakse South **24-25-36** Fed Com 222H well in the HSU, or in the alternative, the 2-mile Pakse South **24-25** Fed Com 221H well and the 2-mile Pakse South **24-25** Fed Com 222H well.
- D. Designating Titus as operator of the HSU and the wells to be drilled thereon;
- E. Authorizing Titus to recover its costs of drilling, equipping and completing the wells;
- F. Approving the operating charges and costs of supervision while drilling of \$8,000/month and, after completion, \$800/month, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by Titus in drilling and completing the wells against any interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

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