

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

**APPLICATION OF TITUS OIL & GAS PRODUCTION, LLC
FOR APPROVAL OF PRODUCTION ALLOCATION,
LEA COUNTY, NEW MEXICO**

**Case No. 21872
Order No. R-21831-A**

ORDER

The New Mexico Oil Conservation Commission (“Commission”), having heard this matter on September 28, 2021, and after considering the testimony, other evidence, and argument presented at the September 28 hearing and at the hearing before the Oil Conservation Division (“Division”) on June 17, 2021, issues the following Order.

FINDINGS OF FACT

1. Titus Oil & Gas Production, LLC (“Operator” or “Titus”) submitted an application (“Application”) for an order approving the production allocation of minerals in the Wolfcamp formation (WC-025 G-09 S263619C; Wolfcamp [98234]) underlying a standard 280-acre, more or less, horizontal spacing and proration unit (“Unit”) comprised of the E/2 E/2 of Section 29 and the NE/4 NE/4 & Lot 1 of irregular Section 32, Township 26 South, Range 35 East, NMPM, in Lea County, New Mexico, and Lot 1 of irregular Section 25, Block C24, Public School Land Survey, Abstract No. 701, in Loving County, Texas.
2. Titus is the sole working interest owner in the New Mexico portion of the Unit and has the right to drill thereon.
3. OXY USA Inc. (“OXY”) is the sole working interest owner in the Texas portion of the Unit and has the right to drill thereon.
4. Titus and OXY have entered into a joint operating agreement effective May 1, 2021.
5. Titus proposes to dedicate the Unit to the **El Campeon Fed Com 404H** well (“Well”), to be horizontally drilled from an approximate surface hole location 558’ FSL and 590’ FEL of Section 20, T26S-R35E, Lea County, New Mexico, to an approximate bottom hole location 10’ FSL and 1912’ FEL of Section 25, Block C24, Public School Land Survey, Abstract No. 701, Loving County, Texas.

6. The Division entered an appearance in this matter, opposing approval of the Application.
7. EOG Resources, Inc. also entered an appearance in this matter, as an interested party, but took no position on the Application at the hearing before the Commission. [Tr. 9/28/21 at 20:22-4]
8. In addition, the New Mexico State Land Office (“SLO”) entered an appearance in this matter. The SLO and Titus reached agreement in the form of a stipulation between Titus and the SLO, including a draft memorandum of understanding attached to the stipulation. As further outlined in the stipulation and its attached draft memorandum of understanding, Titus agreed to support certain regulatory conditions and in exchange the SLO has withdrawn its opposition and takes no position on the Application.
9. Pegasus Resources, LLC, Fortis Minerals II, LLC, and Santa Elena Minerals IV, LP, which collectively have interests in the Unit, entered an appearance in this matter and support approval of the Application. [*Id.* at 21:13-22:6]
10. Titus’s application for permit to drill in the State of Texas was approved by the Railroad Commission of Texas on or about August 24, 2021.
11. Titus previously presented testimony and exhibits before a hearing examiner with the Division, on June 17, 2021. The Commission takes judicial notice of the record made before the Division.

CONCLUSIONS OF LAW

12. The Commission has jurisdiction to issue this Order pursuant to NMSA 1978, Sections 70-2-6, 70-2-11, 70-2-12, and 70-2-17.
13. Titus is the owner of an oil and gas working interest within the Unit.
14. Titus properly provided notice to all working interest owners in adjacent acreage as instructed by the Division.
15. Titus has the right to drill the Well to a common source of supply at the depth and location in the Unit described in the Application.
16. The proposed Well will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.
17. In order to permit Titus and other New Mexico mineral interest owners to obtain their just and fair share of the oil and gas underlying the subject lands, the Application should be approved, subject to the conditions set forth below.
18. The Commission is charged with preventing waste and protecting correlative rights.

The Commission requires a level of certainty to satisfy this charge, which will come in the form of an agreement to be negotiated and executed between the interested governmental agencies located in New Mexico and Texas addressing, among other things, applicability of certain regulatory requirements and the allocation of production (“MOU”). [*Id.* at 137:9-20, 139:6-8]

ORDER

19. The Application is approved.
20. The Unit shall be dedicated to the Well described above.
21. Allocation of all oil and gas production and its associated revenues, royalties, taxes, and any other related allocations shall be made in the manner agreed upon in the MOU.
22. Operator shall obtain a New Mexico API# and a Texas API# for the Well. The portion of the Well in New Mexico shall be associated with the New Mexico API#, while the portion of the Well in Texas shall be reported under the Texas API#. Operator shall comply with all New Mexico reporting requirements through the New Mexico API#.
23. Operator’s permitting and subsequent operations shall be subject to the rules and regulations of New Mexico and Texas in the manner agreed upon in the MOU.
24. Operator shall report to New Mexico and Texas’s appropriate regulatory agencies the gross production volumes from the entire wellbore and the production volumes from the Well, allocated in the manner agreed upon in the MOU, to lands located within each state’s borders, as applicable. Operator shall report to each state’s regulatory agencies all other required information in the manner agreed to in the MOU.
25. Operator shall obtain the OCD’s approval for a non-standard location in New Mexico.
26. Operator shall maintain the appropriate financial assurances, bonds, and any other applicable financial and insurance requirements required by both the State of New Mexico and the State of Texas in the manner agreed to in the MOU.
27. The Operator shall commence drilling the Well within one (1) year after the date of this Order and complete the Well no later than one (1) year after the commencement of drilling of the Well. Operator shall not commence production from the Well until the interested agencies in New Mexico and Texas have executed a broader agreement, likely the MOU addressing the issues that have been presented by the parties in this case. [*Id.* at 136:5-8]

28. Any substantially similar proposals from Titus or other applicants should be filed directly with the Commission. [*Id.* at 136:9-11]
29. The Division shall provide a written update to the Commission and parties of record in this matter two business days prior to the January 13, 2022 Commission hearing and appear at the January 13, 2022 hearing, to provide an update on the status of the MOU. Thereafter, the Division shall continue to provide similar updates to the Commission and all parties of record in this matter, including the written update, two days prior to the regularly scheduled meeting as well as appearing at the regularly scheduled Commission hearing, every 90 days, until a MOU is executed. [*Id.* at 136:12-25]
30. This Order is not intended as precedent for future cases and applies exclusively to the facts and the parties present before the Commission in this matter. [*Id.* at 141:23-142:2]

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**



ADRIENNE SANDOVAL, COMMISSIONER



TERRY WARNELL, COMMISSIONER



ESTEVAN BACA, COMMISSIONER