

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

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

Application of Titus Oil & Gas
Production, LLC for approval of
Production Allocation,
Lea County, New Mexico

Case No. 21872

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

THURSDAY, JUNE 17, 2021

This matter came on for hearing before the
New Mexico Oil Conservation Division, Legal
Examiner William Brancard, Technical Examiner
Leonard Lowe, on Thursday, June 17, 2021, via
the Webex virtual Conferencing platform.

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(Time noted 10:47 a.m.)

EXAMINER BRANCARD: With that I will call our next Case 21872, Titus Oil & Gas, Montgomery & Andrews.

MS. SHAHEEN: Thank you, Mr. Examiner. Sharon Shaheen on behalf of the Applicant Titus Oil & Gas Production.

EXAMINER BRANCARD: All right. The Oil Conservation Division has entered an appearance.

MR. AMES: Good morning, Mr. Examiner. Eric Ames for the Oil Conservation Division.

EXAMINER BRANCARD: Thank you.

Are there any other interested persons in Case 21872?

MR. RANKIN: Good morning, Mr. Examiner. Adam Rankin within the lawfirm for Holland & Hart appearing on behalf of EOG Resources.

EXAMINER BRANCARD: Thank you. Had you filed an Entry of Appearance, Mr. Rankin?

MR. RANKIN: I believe we have, Mr. Examiner, but I will double check and confirm. If we have not, I'll make sure it has been filed through the portal.

EXAMINER BRANCARD: You're here. That's good.

Any other parties interested in Case 21872?

(Note: Pause.)

1 Hearing none, Ms. Shaheen you have
2 something interesting for us today, so let us hear what it
3 is.

4 MS. SHAHEEN: I will.

5 Titus seeks an Order approving the
6 production allocation of minerals in the Wolfcamp
7 Formation underlying a standard
8 280-acre horizontal spacing unit comprised of the east
9 half/east half of Section 29, and the northeast quarter,
10 the northeast quarter of Lot 1 on irregular Section 32,
11 Township 26 South, Range 35 East in Lea County, New
12 Mexico, in conjunction with Lot 1 of Irregular Section 25,
13 Lot C24 in Loving County, Texas.

14 The well will cross the New Mexico/Texas
15 border and it will produce in the Wolfcamp Formation on
16 both sides of the border, in Texas and in New Mexico.

17 We have submitted our exhibits, including
18 affidavits of the landman, the geologist and the engineer,
19 and we do have all of our witnesses here to stand for
20 questions. I can walk them through their affidavits, if
21 that would be helpful for the Division, or I can simply
22 ask that they be admitted into the record and then they
23 can stand for questions, whichever the Division prefers.

24 EXAMINER BRANCARD: Thank you.

25 Mr. Ames, what is OCD's position here

1 today?

2 You're muted.

3 MR. AMES: I only got the video on. Excuse me.

4 Mr. Hearing Examiner, the Division would
5 like to hear the testimony.

6 MS. SHAHEEN: Great. Thanks.

7 EXAMINER BRANCARD: Mr. Rankin, what is your
8 position in this case?

9 MR. RANKIN: Thank you, Mr. Examiner. At this
10 point EOG has no objection to the case proceeding, and is
11 merely preserving its rights in this case. Thank you.

12 EXAMINER BRANCARD: Okay. I'll just open up the
13 mic once again if there's anybody here from the Texas
14 Regulatory Authority. (Note: Pause.)

15 Hearing nothing, I guess you may proceed
16 with your witnesses, Ms. Shaheen.

17 MS. SHAHEEN: Thank you.

18 Mr. Jones are you on?

19 MR. JONES: Yes. Can you hear me?

20 MS. SHAHEEN: We can. Your video is showing us
21 that you are, but...

22 MR. JONES: Let's see here. I don't think you
23 want to see that. Here we go. Can you see me now.

24 MS. SHAHEEN: I can.

25 WALTER P. JONES,

1 having been duly sworn, testified as follows:

2 EXAMINER BRANCARD: Ms. Shaheen.

3 DIRECT EXAMINATION

4 BY MS. SHAHEEN:

5 **Q. Mr. Jones, please state your full name for the**
6 **record.**

7 A. Walter Park Jones.

8 **Q. And you're appearing today as an expert in**
9 **petroleum land matters on behalf of Titus Oil & Gas**
10 **Production today; is that right?**

11 A. That's correct.

12 **Q. Have you previously testified before the**
13 **Division and had your testimony accepted of record as an**
14 **expert witness?**

15 A. I have.

16 **Q. And you've provided in your affidavit a summary**
17 **of your background; isn't that correct?**

18 A. That's correct.

19 MS. SHAHEEN: With that, Mr. Examiner, I ask
20 that Mr. Jones be permitted to testify as an expert in
21 petroleum land matters in this matter.

22 EXAMINER BRANCARD: Are there any objections?

23 Hearing none, he's allowed to testify as an
24 expert.

25 MS. SHAHEEN: Thank you.

1 **Q. Turning to your affidavit at page 2, paragraph**
2 **5, could you describe for the Division the proposal that**
3 **Titus has made in this application.**

4 A. Yes. Titus is proposing the drilling of a
5 Wolfcamp Well, the El Campeon Fed Com 404H with a surface
6 location in Southern Lea County, particularly the surface
7 location will be 558 feet from the --

8 (Note: Sound freeze.)

9 EXAMINER BRANCARD: You froze there for a
10 second, so if you could start with that description of the
11 location again.

12 A. Yes. Sorry.

13 So our surface location will be in
14 Section 20 of 26 South, 35 East, and drilling south with
15 an anticipated proration unit being the east half of the
16 east half of Section 29, and the northeast of the
17 northeast in Lot 1 of the Irregular Section 32 in 26
18 South, 35 East, and the horizontal portion of the well
19 continuing into -- across the state line, the New
20 Mexico/Texas state line, and having a bottomhole located
21 in Lot 1 of the Irregular Section 25, Block C24 of Loving
22 County, Texas.

23 **Q. And Titus is the sole working interest owner in**
24 **the New Mexico portion of this proposed spacing unit; is**
25 **that correct?**

1 A. That's correct.

2 **Q. And on the Texas side who is the owner of those**
3 **minerals?**

4 A. OXY or Occidental Petroleum owns 100 percent of
5 the working interests.

6 **Q. And have they taken a position on this proposal?**

7 A. At this point they are not opposed, and we are
8 near execution of a JOA that will govern this proration
9 unit and the drilling of this well.

10 **Q. And they received Notice of this hearing today,**
11 **correct?**

12 A. They did.

13 **Q. And they didn't enter an appearance to protest**
14 **the application; is that correct?**

15 A. That's correct.

16 **Q. And they are aware of the proceeding in Texas as**
17 **well; is that correct?**

18 A. Yes, that's correct.

19 **Q. They attended that hearing, did they not?**

20 A. They did.

21 **Q. Is this proposed spacing unit a standard spacing**
22 **unit under New Mexico rules?**

23 A. Yes, I believe it is.

24 **Q. And that's because it consists of contiguous**
25 **40-acre tracts, each of which is penetrated by the**

1 **completed lateral, correct?**

2 A. Yes.

3 **Q. And that completed lateral also complies with**
4 **the standard setback in the statewide rules; is that**
5 **right?**

6 A. Yes.

7 **Q. And the proposed first and last take points also**
8 **satisfy the statewide setback requirements for oil wells,**
9 **correct?**

10 A. Correct.

11 **Q. And has Titus -- did Titus file an application**
12 **for a non-standard location?**

13 A. I believe we did, just for administrative notice
14 and just in the interests of keeping the process moving
15 along.

16 **Q. And to your knowledge no one has protested that**
17 **administrative application, have they?**

18 A. That's correct. I don't believe there's been
19 any protests.

20 **Q. Turning to your Exhibit A-1.**

21 A. Okay.

22 **Q. Can you describe for the hearing examiners what**
23 **we find here in Exhibit A-1.**

24 A. This is just a general location map where you
25 can find our proposed El Campeon well, just a zoomed-out

1 map showing where it is in real estate to both New Mexico
2 and Texas, and in particular the township it is located
3 in.

4 **Q. Thank you. And turning to your exhibit A-2, can**
5 **you please describe what we find there.**

6 A. These are the three tracts that will make up the
7 proposed proration unit. Tract 1, it just reflects that
8 Titus Oil & Gas owns 100 percent of both Tract 1 and Tract
9 2, the working interest; and OXY USA owns 100 percent of
10 the working interest of Tract 3.

11 **Q. And turning to Exhibit A-3, I believe this shows**
12 **us the leases that are in question.**

13 A. That's correct. That's correct. So in the east
14 half of the east half of Section 29, that's a federal
15 lease, BLM Lease No. NMNL12500 of the east half -- or I
16 should say the northeast quarter in Lot 1 of Section 32 is
17 covered by the State of New Mexico VB-2563, and then the
18 portion in Texas is fee minerals that's covered by fee
19 leases.

20 And then where it says Unit Ownership,
21 that's the breakdown of ownership, a blended breakdown of
22 ownership among the entire proration here, working
23 interest ownership.

24 **Q. And Exhibit A-4, can you take a look at Exhibit**
25 **A-4, please.**

1 A. Yes. This is the -- would be the contract area
2 and the interest owners under the contract area, and in
3 the associated -- more information about the associated
4 oil and gas leases.

5 **Q. And you have actually spoken with a number of**
6 **the mineral interest owners on the Texas side; isn't that**
7 **right?**

8 A. That's correct, I have. Thus far all
9 conversations have been very positive. They have been
10 very excited about the prospect of having their land
11 developed.

12 **Q. Turning to Exhibit A-5.**

13 A. This is a Draft C-102. It just reflects the
14 anticipated surface location and bottomhole location and
15 proration unit of the proposed well.

16 **Q. And this C-102 illustrates this is a standard**
17 **spacing unit and a standard location of a well under the**
18 **New Mexico Rules. Correct?**

19 A. Correct.

20 **Q. Turning to Exhibit A-6, this is the Notice**
21 **Letter that went out with the Application.**

22 **Taking a look at paragraph 19 of your**
23 **affidavit, how did you determine what parties should be --**
24 **should receive Notice of this application?**

25 A. We checked the public records and notified

1 all -- or collected that information of who the owners
2 were, provided that list to our attorney, who then
3 notified all the interested parties; mineral owners,
4 working interest owners, override owners. Everyone that
5 we could think of.

6 Q. And is it your understanding that the Division
7 recommended that we provide Notice to all parties who
8 would have been entitled to Notice if the proration unit
9 were non-standard?

10 A. Yes, that's correct.

11 Q. And in addition you sent Notice to your lessees,
12 the Bureau of Land Management and the New Mexico State
13 Land Office; is that right?

14 A. Yes.

15 Q. And neither of those parties have entered an
16 appearance in this case, correct?

17 A. That's correct. Not to my knowledge.

18 Q. And you have also -- you also sent Notice to the
19 Railroad Commission as well as the Texas Comptroller of
20 Public Accounts; is that right?

21 A. That's correct.

22 Q. Tell us a little bit about your discussions with
23 the Railroad Commission and the hearing that was
24 previously held there.

25 A. We had a very productive hearing. Obviously

1 this is something that's new for the Railroad Commission,
2 as it is for the Oil Conservation Division. And, yeah,
3 had a productive call. It's something they would like
4 us -- and they requested that we get a JOA in place with
5 OXY, and once we provide that, which again should be
6 happening, I anticipate, in the next week or two, that
7 they would proceed with their review. And as far as any
8 major issues or challenges, it did not seem like they had
9 any big concerns, just on a high level conceptually.

10 Q. And prior to the hearing held before the
11 Railroad Commission -- I'm taking a look at your paragraph
12 21 of your Affidavit -- Titus notified the Energy,
13 Minerals and Natural Resources Department, the New Mexico
14 Taxation and Revenue Department, the Bureau of Land
15 Management, both in Santa Fe and Hobbs, and the New Mexico
16 State Land Office of the hearing before the Railroad
17 Commission; is that correct?

18 A. Yes, that's correct.

19 Q. And OXY was also in attendance at that hearing,
20 right?

21 A. That's correct. They did attend. They had one
22 representative.

23 Q. And you attached a copy of the exhibits that
24 were submitted at the Railroad Commission as an exhibit to
25 this affidavit. I believe it's Exhibit A-7. Do you see

1 that?

2 A. Yes, I do.

3 Q. And in addition, for the Division's information,
4 you also attached an Exhibit A-8, which is the transcript
5 of the Railroad Commission hearing, right?

6 A. Yes.

7 Q. Turning back to Exhibit A-7, and the Exhibit
8 No. 2 in that package.

9 A. Uh-huh. Yes.

10 Q. If anyone is in dire need I can do a quick
11 search for a .pdf page.

12 This illustrates Titus' development plan
13 for Section 29, irregular Section 32 in New Mexico, and
14 their regular Section 25, Block C, Lot 24 in Texas; is
15 that correct?

16 A. It is. It's a representation really for these
17 wells. Their actual underlying, could be multiple, or
18 there will be multiple targets in each of these drilling
19 lanes or drilling slots, and that would be the anticipated
20 surface location. Actually, those are already approved.
21 A general location of the approved surface locations.

22 So these may not represent actual well
23 bores as they are planned, but it's a concept of the
24 drilling lanes.

25 Q. Going back to the acreage that will be developed

1 in New Mexico, about how many acres will that consist of?

2 And I'm looking now at your paragraph 22 of
3 your affidavit.

4 A. That's going to be -- I believe it's around 230.
5 Let's see.

6 Q. Actually, I may be referring you to the wrong
7 paragraph.

8 A. In this unit -- your question is how many acres
9 in this proposed well would be in New Mexico?

10 Q. Yes.

11 A. It's going to be 233.64 in New Mexico.

12 Q. And how many acres in Texas?

13 A. Approximately 49.2.

14 Q. And how does Titus propose to allocate
15 production between the two states?

16 A. We propose allocating based on the proration
17 unit, so just -- New Mexico would use their 40-acre
18 spacing and then just continue that down to the lease line
19 or the section line of Section 25, and allocating to each
20 tract its associated production based on the surface acres
21 in that proration unit.

22 Q. How does Texas allocate production?

23 A. Often they will do -- they'll do it both ways.
24 I've seen it done on a proration basis, meaning the
25 surface acres as part of the proration unit. It's not

1 uncommon to see it done on an actual completed
2 lateral-foot basis. So that would really come after the
3 fact, after the well has been drilled and completed. It's
4 a calculation of exactly how many perforations in each
5 individual tract.

6 **Q. And with respect to API numbers, what is your**
7 **understanding of how that would work in each state?**

8 A. So our understanding is that each state would
9 have -- the portion of each well, of the well's lateral,
10 would have its own dedicated API. So New Mexico would
11 have an API from the surface location to the state line,
12 and that would be its own New Mexico API; and then
13 starting at the state line to the terminus or the
14 bottomhole, that would have its own Texas API.

15 **Q. And all of the requisite information that must**
16 **be reported to the State would be allocated to each**
17 **State's API number, right?**

18 A. That's correct.

19 **Q. And what is Titus' understanding as to authority**
20 **over regulatory and environmental compliance between the**
21 **two states?**

22 A. Our understanding would be that because the
23 surface location is located in the State of New Mexico,
24 that they would have full oversight and authority in
25 oversight of the well.

1 **Q. Does Titus have a drilling permit for this well?**

2 A. We have an existing drilling permit that stops
3 at the state line, so there is an approved permit but it
4 does not go across the state line at this point.

5 **Q. And that's an approved permit from BLM, correct?**

6 A. That's correct.

7 **Q. Have you conferred with BLM about extending the
8 length of that lateral into Texas?**

9 A. We have spoken to the BLM. They don't foresee
10 that it would be a problem to simply sundry the existing
11 approved permit -- to sundry it to have a bottomhole in
12 Texas.

13 **Q. Can you tell us a little bit about your
14 conversations with the State Land Office about this
15 proposal?**

16 A. Yes. We've had a few conversations with the
17 State Land Office, the New Mexico State Land Office, and
18 they stand to benefit from -- it makes our project more
19 economically feasible and attractive...

20 EXAMINER BRANCARD: We seem to have lost
21 Mr. Jones.

22 MS. SHAHEEN Should I have him call in by
23 telephone? Would that be acceptable?

24 EXAMINER BRANCARD: Absolutely.

25 MS. SHAHEEN: Okay. Let me --

1 EXAMINER BRANCARD: He's back.

2 MS. SHAHEEN: Okay.

3 THE WITNESS: Sorry about that.

4 MS. SHAHEEN: Well, if it happens again, maybe
5 you could call in by telephone, if that's easier.

6 THE WITNESS: Okay. Yeah. Sure.

7 Sorry. I think I caught when I -- when it
8 dropped, but did you hear? Tell me where to continue.

9 MS. SHAHEEN: Yes. You were talking about your
10 conversations with the State Land Office and how this
11 proposal would be more attractive to the State Land
12 Office, and I believe you were going to tell us why.

13 A. Yeah. There's a couple of advantages. There
14 will be no new additional surface disturbance, meaning you
15 don't have to drill new wells in Texas. This is something
16 that -- just extending laterals enables us to more
17 efficiently develop, and it enables us -- there is going
18 to be less road traffic spread out amongst multiple
19 developments.

20 It also means more royalties for the State
21 of New Mexico.

22 And, you know, I think it's something that
23 because we're not using state surface and we're developing
24 state minerals, it enables us to potentially develop more,
25 just, state minerals; that it's something that they appear

1 to be, or sound to be, or seem to be on board with.

2 **Q. You have done a little bit of research recently**
3 **about other horizontal wells in the nation, in the country**
4 **that cross state boundaries, have you not?**

5 A. Yes, I have. I spoke with a representative at
6 CNX Energy, and they are a Marcellus Shale Company. They
7 have drilled wells with a surface location in Ohio and
8 bottomhole locations in West Virginia, and they did that a
9 few times.

10 I just kind of -- I talked to the landman
11 that oversaw the project and asked kind of what process
12 they went through. His feedback was that I believe
13 they -- just kind of similar to what we've done, they
14 permitted it, in that instance in Ohio, and then provided
15 or made the request to West Virginia to extend the
16 bottomhole into West Virginia. And west Virginia was on
17 board with that and allowed the permits to proceed, and
18 the wells have been drilled and are producing.

19 **Q. Going back just for a second to Exhibit A-7,**
20 **which is the exhibits that were submitted to the Railroad**
21 **Commission, in determining how production would be**
22 **allocated I believe you submitted a chart to the Railroad**
23 **Commission that was a comparison of allocation based on**
24 **surface acreage and allocation based on completed lateral.**
25 **It was Exhibit No. 8 for the Railroad Commission.**

1 **Do you have that?**

2 A. I do, yes.

3 **Q. And can you explain to the hearing examiners**
4 **what this comparison showed?**

5 A. Yes. So the way that we propose to handle the
6 allocation is shown on the left under Surface Acreage, so
7 that would be allocating production and royalties and
8 taxes and all of the associated items that come along with
9 production would be allocated as to the surface acreage
10 breakdown. So on the left side of that schedule you can
11 see New Mexico has the previously mentioned 233.64 gross
12 acres, which would make up 82.61 percent of this unit; and
13 Texas has 49.2, which makes up 17.39 percent of the unit.

14 And comparing that to allocating on a
15 completed lateral basis on the right side of the
16 schedule -- and this is actually an assumption.
17 Assumptions have to be made because the well has not been
18 drilled and the completions have not been performed, and
19 so generally if you're allocating on a completed lateral
20 basis it's a look-back, it's after the fact of actual
21 completion and perforations.

22 So with that understanding that this is an
23 estimate, the breakdown is that New Mexico would have
24 7,616.8 feet of completed or perforated lateral, which
25 makes up 84.34 percent, compared to Texas's 1,414.64,

1 which makes up approximately 15.66 percent of the -- if
2 you were to allocate in that manner.

3 Q. Thank you, Mr. Jones.

4 Is there any other direct testimony that
5 you would like to provide, any additional information that
6 you think the Division may like to know about with respect
7 to land?

8 A. No, there's not. I will say we would want to
9 hear from our engineer. He has to catch a flight shortly,
10 so maybe if he could go next, I guess.

11 MS. SHAHEEN: I think that would be fine.

12 Mr. Examiner, would that be acceptable to
13 you and to the Division and to Mr. Ames?

14 EXAMINER BRANCARD: Mr. Ames?

15 MR. AMES: Thank you, Mr. Hearing Examiner. I
16 do have some questions for Mr. Jones, but as long as
17 Mr. Jones remains available we would not object to another
18 witness proceeding.

19 THE WITNESS: Yes, I will remain available.

20 MS. SHAHEEN: Thank you.

21 EXAMINER BRANCARD: Mr. Rankin, were you looking
22 to ask questions?

23 MR. RANKIN: No, Mr. Brancard, not at this time.
24 No objection to Ms. Shaheen proceeding as she requested.

25 EXAMINER BRANCARD: Ms. Shaheen I think I agree

1 with Mr. Ames that if Mr. Jones is available for
2 questioning -- and frankly, to be recalled after we hear
3 from the State -- it may be helpful, just because we are
4 trying to get as much information out in this proceeding
5 as possible.

6 MS. SHAHEEN: I'm sure Mr. Hickey appreciates
7 being able to go early in this proceeding.

8 Mr. Hickey, are you on? Here we are.

9 MR. HICKEY: Yes, ma'am. This is Marshall
10 Hickey.

11 EXAMINER BRANCARD: Mr. Hickey.

12 MR. SHAHEEN: Should we swear him in?

13 EXAMINER BRANCARD: Yes. I need to get my
14 picture here.

15 MARSHALL HICKEY,
16 having been first duly sworn testified as follows:

17 EXAMINER BRANCARD: Please state your name.

18 THE WITNESS: I'm Marshall Hickey.

19 EXAMINER BRANCARD: Can you spell that last
20 name -- or both names, actually.

21 THE WITNESS: Yes, sir. M-a-r-s-h-a-l-l, last
22 name Hickey, H-i-c-k-e-y.

23 EXAMINER BRANCARD: Thank you. Ms. Shaheen.

24 DIRECT EXAMINATION

25 BY MS. SHAHEEN:

1 Q. Who are you employed with, Mr. Hickey?

2 A. Titus Oil & Gas.

3 Q. And you serve as the chief executive officer; is
4 that correct?

5 A. That's correct.

6 Q. I understand you have not previously testified
7 before the Division, but you do have some credentials to
8 offer.

9 Could you please summarize your experience
10 and education, which you can find in paragraph 3 of your
11 affidavit.

12 Q. Yes, ma'am. I am an engineer, petroleum
13 engineer from the University of Texas, graduated with
14 Honors. After undergraduate school I went to work for
15 Marathon Oil Company, where I worked in a variety of
16 engineering roles, including as a completions engineer in
17 the Eagle Ford, and as a reservoir engineer covering the
18 Permian Basin, amongst other areas.

19 I have also worked for EnCap Investments,
20 LLC, who is a capital provider in the energy space, as an
21 engineer focused on valuation.

22 And since 2017 I have been chief executive
23 officer at Titus Oil & Gas and served as the primary
24 reservoir engineer for the company until late 2020 when we
25 hired a new reservoir engineer.

1 Q. Thank you, Mr. Hickey.

2 And with that summary of education and
3 **experience, I would ask the Division to allow Mr. Hickey**
4 **to testify as an expert in petroleum engineering matters.**

5 EXAMINER BRANCARD: Thank you. Are there any
6 objections to Mr. Hickey testifying as an expert? (Note:
7 Pause.) Hearing none, Mr. Hickey is admitted as an expert
8 in these matters.

9 Q. Mr. Hickey, I understand that you have taken a
10 look at the engineering and economics of drilling here
11 with respect to -- particularly with respect to
12 irregular-shaped Section 25 in Loving County, Texas. I'm
13 looking at paragraphs 4, 5 and 6.

14 Can you summarize your conclusions in light
15 of your analysis of these issues.

16 A. Yes, ma'am. Section 25 in Loving County, Texas,
17 is an irregular-shaped section in the form of a polygon,
18 with the longest distance from one side to the other of
19 that section being in the east/west direction. The
20 primary maximum stress in this area is undoubtedly
21 east/west, therefore drilling should take place in a
22 north/south direction, such that the fractures can
23 propagate in the east/west direction, and be prop'd
24 against the minimum stress which is north/south.

25 That has been shown by, I believe, every

1 single operator in the area. I'm not aware of any
2 east/west laterals in the entire area.

3 Furthermore, Titus's lease is such that
4 longer laterals, because this is the deepest,
5 highest-pressure part of the Delaware Basin, will increase
6 and enhance economics, allowing for proper development and
7 more reserve recovery.

8 **Q. And what is the likelihood of development in**
9 **that irregular-shaped Section 25 in Texas if these**
10 **laterals aren't drilled into Texas?**

11 A. Very low.

12 **Q. And why is that?**

13 A. It's due to that stress direction. So fractures
14 cannot propagate in the proper direction and therefore
15 recovery would be very low, the wells would be likely very
16 poor performers, and therefore the wells likely do not get
17 drilled, evidenced by the fact that they have not been
18 drilled to date, and there are no other east/west wells,
19 to my knowledge, in the area.

20 **Q. And did you also determine that the proposed**
21 **development across the state line will result in more**
22 **recoverable hydrocarbons in New Mexico?**

23 A. Yes, ma'am, it will because we can justify the
24 development of additional wells.

25 **Q. Do you have any other information that you'd**

1 **like to share with the Division today?**

2 A. No, ma'am, I do not.

3 MS. SHAHEEN: Thank you, Mr. Hickey.

4 I pass the witness.

5 EXAMINER BRANCARD: Thank you.

6 Mr. Ames, any questions of this witness?

7 MR. AMES: One moment. My video is doing
8 something.

9 Thank you, Mr. Examiner. Yes, I do have
10 maybe one or two questions of Mr. Hickey.

11 EXAMINER BRANCARD: You may proceed.

12 MR. AMES: Thank you.

13 CROSS-EXAMINATION

14 BY MR. AMES:

15 **Q. Good morning, Mr. Hickey.**

16 A. Good morning.

17 **Q. You just testified that drilling this well would**
18 **result in more recoverable hydrocarbons; is that correct?**

19 A. That's correct. It is our intention that we
20 would drill additional wells across the state line once we
21 are able to drill this well.

22 **Q. So drilling this well would result in more wells**
23 **recovering more hydrocarbons in Texas; is that correct?**

24 A. In both Texas and New Mexico.

25 **Q. How would drilling this well into Texas result**

1 **in more recoverable hydrocarbons in New Mexico?**

2 A. Because to the extent we can continue to drill
3 wells from New Mexico into Texas we will be able to
4 economically justify more wells than we otherwise would be
5 able to.

6 MR. AMES: Okay. Thank you.

7 THE WITNESS: You're welcome.

8 MS. SHAHEEN: If I may follow up with one
9 redirect question.

10 EXAMINER BRANCARD: Let me just check and see if
11 Mr. Rankin has any questions.

12 MR. RANKIN: Mr. Hearing Examiner, no questions,
13 as I find my unmute button. No questions.

14 EXAMINER BRANCARD: Thank you.

15 Mr. Garcia, do you have questions?

16 MR. GARCIA: I do.

17 I'm going to ask Mr. Jones --

18 EXAMINER BRANCARD: Mr. Garcia, we can barely
19 hear you, and we can't see you, more importantly.

20 We just see the board room.

21 MR. GARCIA: Is that better now?

22 EXAMINER BRANCARD: Yes.

23 MR. GARCIA: Okay. I changed the microphone.

24 CROSS EXAMINATION

25 BY EXAMINER GARCIA:

1 Q. I was going to ask Mr. Jones, so maybe you can
2 help answer: If OXY doesn't execute the JOA, would those
3 wells still be drilled.

4 A. No.

5 MR. GARCIA: Okay. And then I think that's
6 about it. I didn't have too many questions on
7 engineering.

8 That's all I have.

9 EXAMINER BRANCARD: Thank you.

10 Ms. Shaheen, you had some redirect?

11 MS. SHAHEEN: I just wanted to make one
12 clarification. I'm no engineer, I'll start with that.

13 REDIRECT EXAMINATION

14 BY MS. SHAHEEN:

15 Q. But my understanding is one of reasons there
16 will be more recoverable hydrocarbons in New Mexico is
17 because the completed lateral will go all the way to and
18 across the state line, so it's not going to be 100 feet
19 from the Texas state line, and in that sense there will be
20 more recoverable hydrocarbons in New Mexico because the
21 completed lateral goes all the way to the state line.

22 Is that fair to say?

23 A. Yes, that is correct. I did not intentionally
24 omit that. That is correct.

25 MS. SHAHEEN: Thank you, Mr. Hickey.

1 No further questions from me.

2 EXAMINER BRANCARD: Thank you.

3 Seeing no further questions, Mr. Hickey you
4 are free to go.

5 THE WITNESS: Thank you.

6 EXAMINER BRANCARD: Okay. How would we like to
7 proceed here? Do we want to go back to questioning
8 Mr. Jones?

9 Yes? I guess I see a nod from Mr. Ames.

10 So are you in position, Mr. Jones?

11 MR. JONES: I am.

12 EXAMINER BRANCARD: Thank you. So we will
13 return to questioning of Mr. Jones.

14 Mr. Ames. You're muted, Mr. Ames.

15 MR. AMES: That's the reason Mr. Jones wasn't
16 answering my greeting.

17 WALTER P. JONES,
18 previously sworn, testified further as follows:

19 CROSS-EXAMINATION

20 BY MR. AMES:

21 **Q. Good morning.**

22 A. Good morning.

23 **Q. I just have a few questions for you?**

24 **Titus, as I understand your written**
25 **testimony, because I didn't actually hear you say it**

1 earlier, is the sole working interest owner in the New
2 Mexico acreage; is that correct?

3 A. That's correct.

4 Q. And the BLM has already approved a permit to
5 drill the El Campeon well?

6 A. They have, that would stop at the state line.

7 Q. So the federal government has already approved a
8 1.5-mile lateral; is that correct?

9 A. That's correct.

10 Q. And that 1.5-mile lateral is all in New Mexico?

11 A. Yes.

12 Q. So that well could be drilled.

13 A. It could be drilled, yes.

14 Q. Okay. You indicated that, uh, there's -- some
15 of the acreage in New Mexico is State Trust land; is that
16 right?

17 A. That's correct. Section 32.

18 Q. And Titus has consulted with the State Land
19 Office, I believe.

20 A. Yes. We had a meeting with them, yes, but we
21 don't have any agreement in place or anything; they wanted
22 to wait until we get everything cleared through the OCD.
23 But yes, we've had conversations with them.

24 Q. I believe you indicated that the -- you didn't
25 say it this clearly but I think you indicated that the

1 **State Land Office was looking favorably at Titus'**
2 **proposal. Is that correct?**

3 A. That's just my interpretation of it. I can't
4 really speak to exactly, you know, where they are
5 currently, but just judging by feedback, questions, uhm --
6 on a broader project, the scope of this project, in other
7 words future wells, future development, the State of New
8 Mexico and the Trust lands in particular stand to benefit
9 significantly from more economic wells for Titus, and so
10 in that regard I believe that that is something that they
11 would like to have more royalty, more -- you know, for the
12 State of New Mexico.

13 Q. So it's just your feeling, though, because the
14 **State Land Office actually hasn't said that to Titus; is**
15 **that right?**

16 A. That's correct.

17 Q. Thank --

18 A. They have not.

19 Q. Thank you. Sorry. I didn't mean to interrupt
20 you.

21 And as I see in paragraph 26 of your
22 testimony it says Titus has conferred with the Land Office
23 but it doesn't say anything in there about what the State
24 Land Office has told Titus regarding its proposal.
25 Correct?

1 A. That's correct.

2 Q. So I believe Ms. Shaheen asked you whether
3 Titus' proposal to drill into Texas made the El Campeon
4 well more feasible and attractive to the State Land
5 Office. And I don't think -- it sounded to me like your
6 answer was it made it more attractive to Titus. Did you
7 actually mean to say that drilling into Texas made the El
8 Campeon well more feasible and attractive to the State
9 Land Office?

10 A. Well, not in exclusion of it being more
11 attractive to Titus.

12 I do believe that just having more treated
13 laterals. So instead of us having to stop our
14 perforations For our completion process, as it currently
15 stands we would have to leave the last 100 feet of the
16 wellbore uncompleted to stay away from -- or to observe
17 the necessary setback per the OCD rules, so we would have
18 to stop our lateral 100 feet from the state line, which
19 that is State of New Mexico minerals. So that would be
20 100 feet of uncompleted minerals.

21 So by way of extending the laterals,
22 drilling across the state line, we are then able to
23 perforate and complete and produce that additional 100
24 feet of state minerals.

25 Q. Okay. So I'd like to talk about this a little

1 bit more, because I'm having a little hard time
2 understanding it.

3 My question is: How does drilling lands in
4 Texas benefit the State of New Mexico?

5 And I think one thing you just offered the
6 extra 100 feet of wellbore, and I believe Mr. Hickey
7 indicated that if Titus was able to drill into Texas for
8 the El Campeon it would be able to pursue a similar
9 strategy for other wells, which would ultimately benefit
10 the State of New Mexico.

11 Is that essentially Titus' position on the
12 extent of the benefit to New Mexico of drilling into
13 Texas?

14 A. Yes, that's correct.

15 So if we are able to not only have this
16 well be approved but we do have future plans for multiple
17 future wells, that some of the wells and their economic
18 feasibility, they're not feasible apart from crossing --
19 having longer laterals. And in order to have longer
20 laterals, in this instance because we're up against the
21 state line we would need to drill into Texas.

22 So the State of New Mexico and how it sees
23 benefit is that you're basically opening up more
24 development than otherwise would be available, at least
25 from Titus' perspective.

1 Q. Okay. So the focus of this particular hearing
2 is the El Campeon well, correct?

3 A. That's correct.

4 Q. So let's put aside the rest of Titus' program.

5 If I understand correctly, the argument for
6 prevention of waste here is the stranding of 100 feet of
7 wellbore in New Mexico if Titus were not authorized to
8 drill into Texas. Is that correct?

9 A. Uh, yes, I believe that's correct.

10 Q. Okay. Thank you. All right.

11 Back to that tricky JOA. I believe you
12 testified that it's very near execution with OXY. Is that
13 correct?

14 A. That's correct.

15 Q. What is the deadline set by Texas to execute
16 that JOA?

17 A. We had a hearing on April 13th with the Railroad
18 Commission and they gave us 90 days from April 13th. So
19 it should be around July 12th, I believe.

20 Q. Sounds about right.

21 What happens to the Texas case if Titus is
22 unable to execute a JOA with OXY?

23 A. If it's -- do you mean that the execution is
24 delayed further or OXY actually says no?

25 Q. Both.

1 A. I believe if OXY says no, then we would drop
2 our -- the project. You know, this is not -- we wouldn't
3 continue to pursue it. That feels very unlikely based on
4 my conversations with OXY.

5 As far as delay, I've been advised by our
6 Texas regulatory attorney that he feels like we could get
7 an extension, if necessary.

8 So it would not be a drop -- I don't
9 anticipate it being a mid July drop-dead date as far as
10 the Railroad Commission is concerned.

11 **Q. Titus has drilled other horizontal wells in New**
12 **Mexico, right?**

13 A. We have.

14 **Q. How many of those are 1-1/2-mile laterals?**

15 A. I believe we are drilling our first -- we
16 drilled five 2-mile -- actually that's not true. We
17 drilled eight 2-mile and -- 2-mile wells in New Mexico,
18 and we are currently drilling our first
19 one-and-a-half-mile pad. So there would be multiple wells
20 on the pad.

21 **Q. Do you have any one-mile?**

22 A. Uhm, trying to make sure here. We do in Texas
23 but I do not believe we do in New Mexico.

24 **Q. How many one-mile laterals do you have in all of**
25 **Titus' holdings?**

1 A. I believe it's 10.

2 Q. How about 1 1/2?

3 A. 1 1/2 we are currently drilling our first
4 three-well pad of 1 1/2 milers.

5 Q. Do you remember the name of the well family?

6 A. Cattleman, C-a-t-t-l-e-m-a-n, one word.

7 Q. All right. Thank you. Let's see.

8 You testified that you spoke to a company
9 that had drilled from Ohio, and I think you said into West
10 Virginia. Is that right?

11 A. That's correct.

12 Q. When you started that sentence I missed the name
13 of the company. Could you say it again?

14 A. Yes. It's CNX.

15 Q. CNX?

16 A. Yes. I believe they are based in Pittsburgh,
17 but a quick Google search could help you figure out where
18 they are based.

19 Q. When did you talk to them?

20 A. It would have been last week.

21 Q. And when did they -- and how many wells did they
22 drill?

23 A. I'm not sure, to be honest. I was just looking
24 on a map. I believe it was maybe three to five wells. It
25 looked like one project, but as it was showing on the map

1 it was hard to differentiate exactly how many wells were
2 drilled versus permitted.

3 Q. When did they do this?

4 A. I believe that this was in 2017.

5 Q. Do you have the name of a contact at CNX? The
6 person you spoke with.

7 A. I do. Let me see if I could...

8 His name is --

9 Q. I will --

10 A. Sorry.

11 Q. Go ahead. Please go ahead.

12 A. All right. His name is Dan Bitz.

13 Q. Do you have a telephone number for him?

14 A. You know, I actually don't. I do have an email
15 that I can provide after the hearing, if you would like.

16 Q. That would be appreciated. You could provide it
17 to Ms. Shaheen, and she and I can speak. That would be
18 great. Thank you.

19 A. Okay.

20 Q. You said that the wells were drilled in Ohio
21 into West Virginia, but your testimony says West Virginia
22 and Pennsylvania. Which is it?

23 A. You know what, I may have misspoken.

24 I do believe that it was, the surface
25 locations were Pennsylvania and the bottomholes were West

1 Virginia. I know the bottomhole locations were West
2 Virginia.

3 It kind of -- if you look at a map, it --
4 the three states get -- it kind of sandwiches together,
5 and West Virginia kind of bisects Ohio and Pennsylvania.

6 So it's very close. I could look into
7 that, and when I provide you his contact information I
8 could more particularly describe those wells for you.

9 Q. Okay. And in paragraph 27 you say that upon
10 information and belief the states did not enter into an
11 MOU or other agreement.

12 That's based on Mr. Bitz' representation to
13 you and not on your own investigation; is that correct?

14 A. That's correct. I also spoke with another
15 representative, that has not done this but they were
16 looking into it in the Marcellus, and they were not aware
17 of any Memorandum of Understanding or any other agreement
18 between the states.

19 Q. Okay. Thank you.

20 Paragraph 24 you state that Titus
21 anticipates the states will confer after permits are
22 approved by each state to determine how authority or
23 regulatory compliance will be allocated.

24 Who for the State of New Mexico told you
25 that, or anything like that, that would allow you to

1 **testify that Titus anticipates that the State would issue**
2 **a permit before it negotiated an MOU?**

3 A. Uhm, I'm not sure where that came from. I
4 guess -- I think it was more of my own -- my thought
5 process in how this would play out is that the regulatory
6 bodies -- we need to take to the full end regulatory
7 approvals, and then if there are any conditions to those
8 approvals, so any conditions to approval of the well
9 permits, that those could be worked out after the fact.

10 But it kind of feels like neither -- each
11 state wants the other to be on board before proceeding, so
12 in my mind that would mean approved permits with necessary
13 conditions of approval, if that's needed, if the
14 regulatory body feel that's needed, but once those permits
15 are in place the two regulatory bodies could begin
16 whatever discussions they need to have.

17 **Q. So would it be fair to say that Titus would like**
18 **the state to issue the permits and then negotiate the MOU,**
19 **rather than OCD having told Titus that's how it would**
20 **proceed. Is that correct?**

21 A. Yes, I believe that's fair.

22 **Q. Thank you.**

23 A. I apologize if that is the way it was perceived.
24 That wasn't the intention.

25 MR. AMES: Thank you. I appreciate your

1 clarification. I don't have any further questions.

2 Mr. Jones, thank you.

3 THE WITNESS: Thank you.

4 EXAMINER BRANCARD: Thank you.

5 Mr. Rankin, did you have any questions of
6 this witness?

7 MR. RANKIN: I have no questions for Mr. Jones.
8 Thank you.

9 EXAMINER GARCIA: Mr. Garcia.

10 MR. GARCIA: I have a few.

11 CROSS EXAMINATION

12 BY MR. GARCIA:

13 Q. Mr. Jones when you spoke to the State Land
14 Office, did they have any views on the surface allocation
15 versus completed allocation?

16 A. They asked some questions about it. As I
17 recall, I provided the same breakdown that I discussed
18 earlier. I don't think that they -- at least from my --
19 the way -- my interpretation of the conversation is that I
20 don't think they had made a decision on what they
21 necessarily preferred.

22 Q. Okay. The reason I ask -- and I guess your
23 views are the numbers -- that's a 2 percent difference,
24 roughly. I know the completed can change. But Titus says
25 they may drill four wells, or it could be five, could be

1 100. Other operators can try to drill more wells. So
2 that 2 percent, I mean, could add up to be significant on
3 the numbers once you start looking at, say, 100 wells.

4 So what are your views on completed versus
5 lateral, or surface versus completed length?

6 A. So if we are talking about future development
7 more on a project-based scope, the proration number versus
8 completed lateral, because it's a trapezoid in Texas it
9 tends to -- it can flow. You know, that number can
10 benefit, if we want to call it "benefit" one state in one
11 proration unit and then a different state in the next. So
12 it isn't a ubiquitous 2 percent spread across the entire
13 project. It actually changes as you continue to develop
14 on the broader scale.

15 So I haven't -- sorry. Go ahead.

16 Q. In this case the trapezoid would be essentially
17 the same directin the whole way if we went east. If we
18 know they were both east it would be 2 percent consistent
19 one direction. It wouldn't change until we get mid
20 Section 31, which according to some of these exhibits have
21 wells drilled in, so we won't worry about that.

22 The exhibits show four or five wells being
23 drilled in, they would all be 2 percent one way or the
24 other.

25 A. I believe -- it could be loosely that.

1 Because these are irregular tracts, we
2 don't -- I just can't speak to it until we actually go and
3 send a surveyor out there.

4 **Q. Okay. And the next question is just more for**
5 **clarity for me.**

6 I believe you said since surface hole
7 location is in New Mexico, you may have said OCD would
8 basically fall under a jurisdiction of (inaudible). So
9 things for like sundries or (inaudible), anything like
10 that, would you send sundries to both states of just OCD,
11 just BLM?

12 A. Our plan would be to send to all parties. Now,
13 as far as who would actually oversee the surface, that
14 would be New Mexico, the State of New Mexico. And of
15 course this is just my -- to me this is what makes sense
16 to me, so I cannot speak for the states -- you know, on
17 their behalf. But to me it makes sense that the surface
18 location, because it's located in New Mexico, that is who
19 is overseeing that.

20 As far as reporting, we would report to all
21 necessary entities, being the State of New Mexico, the
22 State of Texas, the BLM, because these are federal wells.
23 So everybody would be -- there would be a lot more
24 reporting on that end, but we are okay with doing that.

25 **Q. Okay. But a scenario I'm triggered on, like**

1 **Something happens to Titus, bankruptcy, et cetera, do you**
2 **think it would be OCD's job to plug wells, or Texas?**

3 A. Well, if something were to happen, I mean I
4 think we are bonded for that, so I believe, you know,
5 anything as far as plugging liability, that's something
6 that's addressed in other matters, or in other ways, as
7 being an operator in New Mexico.

8 So I do believe that we would fall under
9 that.

10 **Q. Okay. I think one last question.**

11 **Mr. Hickey had said that if OXY doesn't**
12 **execute the JOA, these wells likely would not be drilled.**
13 **Is that due to economics?**

14 A. This well -- I mean, he's our CEO, so he has
15 more of an economic high-level view.

16 This particular well, it's likely to be
17 drilled even if we had to stop at the state line, but the
18 larger, broader project, which could be upward of 40
19 wells, there could be half of those wells that are not
20 economically viable if we are not able to drill across the
21 state line.

22 **Q. Are those 40 wells roughly the same area?**

23 A. Yes, it's right here. It all includes this one
24 section in Texas, Section 25.

25 **Q. What would stop the other wells from drilling**

1 more north into New Mexico? Because Exhibit B-3, this
2 Section 20/21 -- and I can't see, 19 maybe -- they are
3 pretty much wide open according to these exhibits.
4 There's very little development there.

5 A. Sorry, sir. Could you repeat the question.

6 Q. What would stop those wells from just being
7 drilled more in New Mexico? Because you could drill a
8 two-and-a-half-mile in New Mexico, according to these
9 exhibits, because there's no development in those
10 sections, at all, north of this well.

11 A. So in the westernmost lane of Section 20 up to
12 the north there is an existing well, the Grevey well, that
13 actually has a terminus in the west half of the northwest
14 of Section 29, so it kind of cuts down through there.

15 And then as far as further development
16 moving east in Section 29 and 32 and Section 20, those
17 are -- this is part of the larger development plan for
18 Titus that has 1-1/2-milers, two additional
19 one-and-a-half-mile development lanes.

20 So, you know, we are trying to maximize
21 longer laterals. So this doesn't exist in a vacuum. It's
22 part of the larger development plan for us.

23 MR. GARCIA: I think that's all my questions.

24 Thank you.

25 THE WITNESS: Thank you.

CROSS-EXAMINATION

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BY EXAMINER BRANCARD:

Q. Mr. Jones, I'm a little confused. Is the State Land Office acreage unleased?

A. It's not. We had it under lease. It's been extended by the State Land Office.

Q. Okay. So you have a lease from the State Land Office for that section, that irregular section.

A. That's correct, Section 32.

EXAMINER BRANCARD: Okay. All right. I have a lot more questions but they are more higher level that I think I'll direct at the attorneys.

But I believe Mr. Lowe has some questions.

CROSS-EXAMINATION

BY EXAMINER LOWE:

Q. Good morning, Mr. Jones. This is Leonard Lowe with the Oil Conservation Division.

A. Good morning.

Q. I have a question pertaining to your, uhm -- you have a well question here.

The C-102 on page 19 of your exhibits, and I think it was presented in all this testimony that your acreage that you're seeking for this horizontal spacing unit is approximately 280 acres, give or take due to the irregular section.

1 I have an NSL application for this well and
2 I'm not too sure how we are going to be processing this as
3 far as recognizing the spacing unit in New Mexico. So I'm
4 going to have to get with the districts to find out
5 exactly how we can move forward on the C-102 as how it's
6 annotated currently, how it is, because now it's the
7 entire acreage for the well, and I'm not sure if we are
8 going to have to change that to reflect only the spacing
9 unit that's in New Mexico.

10 But I just wanted to clarify: In your
11 exhibits here, is there -- is it noted anywhere in your
12 exhibits the entire acreage for the New Mexico side of
13 horizontal spacing unit of, I think you said, 233.64
14 acres? Is that correct?

15 A. That's correct. I'm not sure -- well, I mean I
16 have -- it is noted in the Railroad Commission, as far as
17 their exhibits. I don't know if that, you know, is
18 sufficient for you guys. That was one of the exhibits
19 that Sharon pointed out and I discussed.

20 Let me see if I can -- sorry, I've got a
21 lot of papers here.

22 Q. Okay. Yeah. I just wanted to make sure if it's
23 noted anywhere in the exhibits of the spacing unit that's
24 in New Mexico. Because that's pretty much what I
25 calculated on my side, but the NSL application that was

1 submitted references the entire spacing unit, which isn't
2 bad but it won't reflect on what our NSL application is
3 meant for. So I'm going to have to maybe get with the
4 districts, the Hobbs District to verify and clarify that,
5 and then, if I need to, I will request Ms. Shaheen to
6 update the C-102 for the NSL application.

7 But I will probably get to that when I
8 discuss with the districts.

9 A. Okay. Yeah, we would be happy to provide you
10 with whatever information would be helpful.

11 Yeah, you know, I don't think that the
12 C-102 is -- necessarily calls that out, so if we need to
13 add that, we can.

14 Q. Another question. Just curious to know how this
15 would work under this scenario. How would the bonds work
16 out under this scenario for New Mexico and Texas?

17 A. Our plan -- we are an operator. I think one
18 thing that is beneficial for us in pursuing this project,
19 is that we operate multiple horizontal wells in both Texas
20 and New Mexico, so we are obviously going to bond it
21 accordingly for each state.

22 If there are additional bonds that would be
23 requested, that's certainly a discussion we could have,
24 but as far as Titus Oil & Gas Production, we are properly
25 bonded in both states.

1 Q. Okay. I was just wondering how this is going to
2 work in the future, as far as, say, people go -- companies
3 go bankrupt and we are all not in the OCD; on our side, we
4 are not there no more.

5 I'm thinking something needs to be put in
6 the Order to indicate how we are going to close this well
7 as far as communication between Texas and New Mexico,
8 because I've seen a lot of Orders and different factions
9 that have loose ends, and when New Mexico has to P&A a
10 well, uhm, there is what we could have found in closure
11 for a well.

12 So I think unless that's already been in
13 motion or verified or put forth from Texas and our New
14 Mexico side.

15 But I think that might need to be noted
16 just to verify in 20 years how we are going to close this
17 well, and we make sure our communications are all there.

18 That's all I have for questions for now.
19 Thank you.

20 THE WITNESS: Thank you.

21 EXAMINER BRANCARD: Thank you.

22 Ms. Shaheen, I'm looking to take a break
23 here. Did you want to do any redirect of Mr. Jones?

24 MS. SHAHEEN: I don't have any more Redirect for
25 Mr. Jones. I'm just assuming we will go forward with Mr.

1 Brierson after the break.

2 EXAMINER BRANCARD: So you do have another
3 witness.

4 MS. SHAHEEN: We do have a geologist.

5 EXAMINER BRANCARD: Mr. Ames, do you have any
6 witnesses?

7 MR. AMES: No. Mr. Brancard, we do not. We did
8 not file a Prehearing Statement. We have no witnesses.

9 EXAMINER BRANCARD: Thank you. So we are going
10 to take a break until 11:15 here and then continue with
11 the witnesses for Titus.

12 MS. SHAHEEN: Thank you.

13 (Note: In recess from 11:08 a.m. to 11:17 a.m.)

14 EXAMINER BRANCARD: Ms. Shaheen, are you ready
15 to proceed?

16 Obviously not, because you're muted.

17 MS. SHAHEEN: How about now?

18 EXAMINER BRANCARD: Now you're fine. Thank you.

19 MS. SHAHEEN: Okay.

20 EXAMINER BRANCARD: We are back on the record in
21 Case 21872, Application of Titus Oil & Gas.

22 Ms. Shaheen, I believe you had another
23 witness.

24 MS. SHAHEEN: Yes, we do. We have our geologist
25 Allen Frierson. I'm hoping he is there in Mr. Jones'

1 office or nearby.

2 There he is.

3 MR. FRIERSON: I'm here.

4 EXAMINER BRANCARD: All Right.

5 ALLEN FRIERSON,

6 having been duly sworn, testified as follows:

7 DIRECT EXAMINATION

8 BY MS. SHAHEEN:

9 Q. Mr. Frierson, can you please state your full
10 name for the record.

11 A. Allen Frierson.

12 Q. And who are you employed by?

13 A. Titus Oil & Gas.

14 Q. And what is your position there?

15 A. Vice President of Geology.

16 Q. And you're a petroleum geologist by trade,
17 correct?

18 A. That is correct.

19 Q. And you have previously testified before the
20 Division and had your credentials accepted as an expert;
21 is that correct?

22 A. Correct. That is correct.

23 Q. We have provided a summary of your experience
24 and education in paragraph 3 of your affidavit.

25 A. Sure. My education -- oh, sorry.

1 **Q. No, I'm sorry. I just wanted you to acknowledge**
2 **that it's there. If Mr. Brancard or someone else from the**
3 **Division wants to hear it all again, they can ask for it.**

4 **But it's there, right?**

5 **A. Correct.**

6 **Q. Okay. Thank you.**

7 **Turning to your Exhibit B-1, can you**
8 **describe what you provided here in Exhibit B-1.**

9 **A. Sure. This is just a summary of the request on**
10 **behalf of Titus Oil & Gas seeking an Order from the**
11 **Division approving the production allocation of minerals**
12 **in the Wolfcamp Formation at the previously mentioned**
13 **location. The dedicated well will be the El Campeon Fed**
14 **Com 404H to be drilled from the surface hole location**
15 **previously described in Section 20 of Township 26 South,**
16 **Range 35 East in Lea County, to an approximate bottomhole**
17 **location 10 feet from the south line and 1912 feet from**
18 **the east side of Section 25, Box C24 in Loving County.**

19 **The proposed well will target the Wolfcamp**
20 **A Shale at an approximate true vertical depth of 12,581**
21 **feet. The well will be drilled from north to south for**
22 **the reasons previously stated by Mr. Hickey, and the**
23 **following exhibits provide more detail on that.**

24 **Q. And turning to Exhibit B-2, just briefly**
25 **describe what we have provided to the Division here.**

1 A. Exhibit B-2 is just a general Locator Map with
2 the location of the proposed horizontal spacing unit
3 outlined by a red dashed line and the location of a
4 two-well cross section, which I will explain later,
5 denoted by a blue line going from A to A prime from the
6 northwest to; the southeast direction, including the
7 Beckham 19-1 and the Sorrel Horse 1 wells.

8 **Q. And turning to Exhibit B-3.**

9 A. B-3 is just a zoomed-in version of the previous
10 exhibit with the addition of the approximate location of
11 the proposed El Campeon Fed Com 404H wellbore.

12 **Q. And I believe Exhibit B-4 is a Wolfcamp**
13 **Structure Map. Could you tell us a little bit about that.**

14 A. That is correct. The structure contours are the
15 green lines in the map, with the corresponding subsea TVDs
16 labeled. The cross section is also again displayed on
17 this map, and it's worth mentioning that the contour lines
18 in green are generated using the values denoted in pink or
19 dark red there from the nearby well control.

20 In this particular drilling unit there's
21 monoclinial dip to the west. It's not suggestive of any
22 faulting in the area so rather benign structurally.

23 **Q. And turning to Exhibit B-5, we have your Isopach**
24 **Map here?**

25 A. That's correct. Exhibit B-5 is an Isopach Map

1 of the Wolfcamp area, or a thickness map. The contour
2 intervals are 10 feet, and the proposed wellbore here
3 would just suggest that the thickness of the Wolfcamp A is
4 consistently greater than 300 feet from surface hole
5 location to bottomhole location.

6 **Q. And that would be in both New Mexico and Texas,**
7 **correct?**

8 A. That's correct.

9 **Q. Turning now to your Exhibit B, can you tell us**
10 **about your cross section.**

11 A. Sure. This is a (inaudible) cross section with
12 the wells at the northwest, the Beckham 19-1 being closer
13 to A and on the left-hand side, and then the well down in
14 Texas in Block C24 of Section 13, being split on the
15 right-hand side of the cross section.

16 This is shown to just provide some clarity
17 as to the consistency of the reservoir going from New
18 Mexico into Texas. The logs displayed are your basic
19 triple combo logs that are used to analyze and identify,
20 quote/unquote "pay" within the reservoirs, and what this
21 shows is if you -- from the Wolfcamp in shorthand the WFMP
22 top down through the WFMP_200 top of the Wolfcamp B, that
23 the proposed linal (phonetic) target denoted by the blue
24 on the left-hand side of the image is where this potential
25 El Campeon Fed Com 404H wellbore would land, and held that

1 faces (phonetic) is consistent from New Mexico, which
2 would be represented by the log on the left, moving into
3 Texas which is represented by the log on the right.

4 **Q. Finally turning to your Exhibit B-7, I believe**
5 **you have a gunbarrel diagram here.**

6 A. That's correct. This is just a representative
7 or illustration of a cross-sectional view. And it's worth
8 mentioning that the width of this particular block or cube
9 that you see in the center of the exhibit, it's just a
10 half section in width, and the wellbore is denoted by the
11 blue circle in the bottom-right-hand corner of that, which
12 is 330 feet from the east line of the section.

13 This is more or less representative of the
14 wellbore would be moving in and out of the page for some
15 perspective.

16 And the log on the right is the Beckham
17 19-1 well on the New Mexico side that you saw in the
18 previous two well cross sections.

19 **Q. Turning back to your affidavit, in paragraphs 11**
20 **and 12 you talk about the measured depth and the true**
21 **vertical depth. Can you explain that to the Division?**

22 A. Yes. As I mentioned earlier in a summary in
23 Exhibit B-1, the true vertical depth is approximately
24 12,581 feet. For this well that would be the depth from
25 surface and in a vertical sense to the lateral landing

1 zone within the Wolfcamp Bay. And then adding to that the
2 lateral length of the well to get to the total measured
3 depth would approximately be 21,460 feet.

4 **Q. And finally taking a look at your paragraph 13,**
5 **could you explain to the Division your conclusions in**
6 **light of your geologic study.**

7 A. Sure. The horizontal spacing and proration unit
8 is justified from a geologic standpoint. There don't
9 appear to be any big changes from the surface hole
10 location to the bottomhole location. There are no
11 structural impediments or faulting that would interfere
12 with this horizontal wellbore, and each quarter/quarter
13 section within the unit, including lands in New Mexico and
14 in Texas, will contribute more or less equally to
15 production, which is supported by the cross section
16 exhibiting the triple combo logs in both New Mexico and
17 Texas.

18 The preferred well orientation in this area
19 is north to south. As Mr. Hickey mentioned earlier, this
20 is because the inferred orientation of maximum horizontal
21 stress is roughly east to west in this area. And that's
22 supported by published literature and data in the area.

23 **Q. And finally, in your opinion, Mr. Frierson, this**
24 **proposed well would be in the interest of conservation and**
25 **the protection of correlative rights and the prevention of**

1 **waste, is that right?**

2 A. That's right.

3 MS. SHAHEEN: Thank you very much.

4 I have no further questions of Mr.
5 Frierson, and I pass the witness.

6 EXAMINER BRANCARD: Thank you.

7 Mr. Ames, any questions.

8 MR. AMES: I do not, Mr. Hearing Examiner.
9 Thank you.

10 EXAMINER BRANCARD: Mr. Rankin, any questions?

11 MR. RANKIN: No questions.

12 EXAMINER BRANCARD: Mr. Garcia.

13 MR. GARCIA: I have no questions.

14 EXAMINER BRANCARD: Mr. Lowe.

15 EXAMINER LOWE: I have no questions. Thank you.

16 EXAMINER BRANCARD: I have no questions.

17 So where are we in your presentation of
18 your case, Ms. Shaheen?

19 MS. SHAHEEN: That concludes my presentation of
20 the case. I would like to ask that all of the testimony,
21 and the written testimony and the exhibits be admitted
22 into the record.

23 EXAMINER BRANCARD: Are there any objections?

24 Seeing none, the exhibits are admitted into
25 the record.

1 MS. SHAHEEN: Then Titus asks that the Division
2 enter an Order approving production allocation between New
3 Mexico and Texas for minerals produced from the Wolfcamp
4 Formation underlying the horizontal spacing unit on both
5 the New Mexico and the Texas side.

6 If you have no further questions, that
7 concludes our presentation today.

8 EXAMINER BRANCARD: So the production allocation
9 would be based on the surface acreage formula that you
10 gave us?

11 MS. SHAHEEN: That's the intent, assuming that
12 Texas agrees with it.

13 We believe -- they do use -- I believe Mr.
14 Jones explained that in some circumstances they do use
15 surface acreage, so they seemed amendable to that idea.

16 HEARING EXAMINER BRANCARD: Well, reading the
17 transcript from the Railroad Commission hearing, they
18 seemed quite happy with it, because Texas seemed to
19 benefit from the surface acreage formula.

20 So I can now understand, seeing the
21 numbers, why they were happy with it.

22 It's my understanding that the Railroad
23 Commission Hearing Examiner -- well, Administrative Law
24 Judge -- is waiting for an agreement between Titus and
25 OXY. Is that correct?

1 MS. SHAHEEN: That's correct. A written
2 acknowledgement that they are amenable to Titus drilling
3 into their mineral interest on the Texas side.

4 EXAMINER BRANCARD: My understanding from
5 reading the transcript from the Railroad Commission is
6 that's because Titus has no interest on the Texas side and
7 therefore the Railroad Commission wants somebody with an
8 interest on the Texas side to sign off on this.

9 MS. SHAHEEN: That's my understanding from
10 listening in on the Railroad Commission hearing.

11 EXAMINER BRANCARD: Okay. And then beyond that
12 it's my understanding that the ALJ will make some sort of
13 recommendation to the full Railroad Commission, and there
14 may be another proceeding before the full Railroad
15 Commission.

16 MS. SHAHEEN: I wasn't anticipating another
17 proceeding before the Commission. My understanding, and
18 Mr. Jones can jump in and correct me if I am wrong, that
19 once we have something in writing with OXY that they will
20 make a recommendation to the Commission and the Commission
21 will rule on the application.

22 EXAMINER BRANCARD: Okay. It seemed that Texas
23 was also interested in some sort of agreement between
24 Texas and New Mexico. I think that they seemed to be
25 thinking that would be something that the full Commission

1 would need to see.

2 Is that your understanding?

3 MS. SHAHEEN: If you don't mind I'd like to
4 defer to Mr. Jones here, as he's got more experience in
5 Texas regulatory work than I do.

6 EXAMINER BRANCARD: Well, I'm sure he does have
7 experience, but I think both for New Mexico and Texas we
8 are dealing with some new ground here. So please,
9 Mr. Jones.

10 MR. JONES: Yes. Some of the feedback that we
11 did receive -- of course, the big qualifier for the
12 Railroad Commission was that they didn't really want to
13 continue moving until we had something in place with OXY.
14 But with the assumption that that would come -- and again
15 I do believe that will come -- their feedback was they
16 would want to get some sort of what I believe would be
17 some sort of simple Memorandum of Understanding between
18 Texas and New Mexico. And as far as when specifically
19 they want to see that, I am not sure.

20 MR. AMES: Mr. Hearing Examiner.

21 EXAMINER BRANCARD: Yeah. Mr. Ames, let me just
22 work with Titus first and then I'll let you -- give you
23 OCD's perspective on this, just so we have the issues in
24 front of us.

25 It's my understanding from what I can

1 grasp, and that this makes intuitive sense, that an
2 understanding between Texas and New Mexico could involve
3 perhaps either two sections of one agreement or two
4 agreements, because we are dealing with, on the one hand,
5 compliance and regulatory issues that the Railroad
6 Commission and OCD would deal with, but on the other hand
7 we are dealing with revenue issues that other agencies
8 within each state would deal with.

9 So is it your understanding that Texas is
10 expecting agreements on both of those points?

11 I know they were both raised during the
12 hearing, and as the ALJ put it several times, he was very
13 concerned about, you know, putting the cart before the
14 horse in this matter.

15 MR. JONES: Yeah, I believe that they would want
16 that to be part of the understanding between the two
17 entities -- or between Texas and New Mexico and whatever
18 underlying regulatory bodies.

19 EXAMINER BRANCARD: Okay. Ms. Shaheen, I know
20 you have asked for approval of a production allocation
21 here, but I guess we are going to need to figure out what
22 steps need to be done next.

23 And I'll go to Mr. Ames in a second here
24 for OCD's perspective on that.

25 But did you have any other comments beyond

1 what Mr. Jones has said here?

2 MS. SHAHEEN: I would just say that we would
3 like to avoid the chicken-and-the-egg problem here, we
4 believe that if we could get approval of the production
5 allocation, an Order approving that, subject to whatever
6 conditions are needed, that kind of helps us along with
7 the chicken-and-the-egg problem. So with that I'll stand
8 down.

9 EXAMINER BRANCARD: Thank you. Yes. I believe
10 the Texas ALJ did refer to the chicken-and-egg problem,
11 also.

12 So Mr. Ames, what is the OCD's perspective
13 on this and where we go with this, assuming we want to
14 move forward. Let's just assume that for discussion's
15 sake.

16 MR. AMES: Well, Mr. Hearing Examiner, we
17 appreciate the concern you've raised. I'm not going to
18 get into poultry here, but we have talked to the attorney
19 for the Texas Railroad Commission on the case. There was,
20 at least in the conference call we had a couple of weeks
21 ago, a general agreement that an MOU would be required in
22 order for us to move forward.

23 I wish we could share Mr. Jones' optimism
24 that such an agreement would be simple, but in discussion
25 with Texas counsel we've identified several topics that

1 would need to be addressed in an MOU in order for us to
2 move forward, including allocation, reporting, financial
3 assurance, permitting, environmental issues -- both air
4 and releases -- notice, inspection, plugging and
5 abandonment, and so forth.

6 So there is a number of issues that need to
7 be addressed. Texas and New Mexico, while neighbors and
8 share the -- neighbors and co-owners of the Basin at issue
9 here, have very different regulatory structures that need
10 to be regularized so that each state is comfortable
11 knowing that regardless where a well is drilled from one
12 state into the other that the state's various interests
13 are adequately protected.

14 So, like I said, I'm not going to comment
15 on chickens and eggs here. I can just state for the
16 record that at this point in time OCD believes that an MOU
17 will be required in order to move forward.

18 EXAMINER BRANCARD: So how would you like to
19 leave this case, then, today?

20 MR. AMES: I believe Ms. Shaheen has asked that
21 the case be taken under advisement, or if she didn't
22 actually say that, I imagine that would be what she would
23 request, and that would seem appropriate.

24 EXAMINER BRANCARD: Okay. Yeah.

25 Mr. Rankin, one last chance for you to

1 suddenly have an opinion here.

2 MR. RANKIN: I wish I could take you up on that
3 offer, Mr. Brancard. No opinion on this at this point.
4 We are just observing and preserving EOG'S interest and
5 rights in this case. Thank you.

6 EXAMINER BRANCARD: Okay. Mr. Lowe, I think you
7 may have a comment here. I'll check with Mr. Garcia also
8 about where we want to go with this.

9 Mr. Lowe.

10 EXAMINER LOWE: Yes. Hi. Good morning again.

11 Ms. Shaheen, I want to give you an update
12 on the NSL application for this well, for this whole
13 scenario. I need to get an update of your C-102. The
14 C-102 for this horizontal spacing unit needs to reference
15 only the acreage that's in New Mexico as the pool for the
16 C-102 only as based in New Mexico.

17 So once I get your updated C-102 I will
18 receive your NSL application and initiate processing it,
19 which in this case I don't think will require a Public
20 Notice, require the time frame, as long as all your ducks
21 are in a row I will move forward and grant your Order.

22 Pending. Pending the Hearing Order.

23 Would that be okay?

24 MS. SHAHEEN: Thank you, Mr. Lowe. I will make
25 sure you have that, hopefully sometime next week.

1 EXAMINER LOWE: Thank you. That's all I have.

2 EXAMINER BRANCARD: Mr. Lowe, the NSL is to
3 basically allow them to continue the well to the state
4 line?

5 EXAMINER LOWE: Yes. Technically it infringes
6 upon the acreage, the encroachment area. Technically
7 that's where it's held at. But the whole point for the
8 NSL is to provide Public Notice to the acreage that's
9 being encroached upon. In this case it's Texas, another
10 state, so we have no jurisdiction for Texas to say, "Hey,
11 you're being encroached upon," so more in a general -- uh,
12 historically is the process that we would go through. So
13 technically it's, you know, the acreage required,
14 reportage required.

15 EXAMINER BRANCARD: Thank you.

16 Mr. Garcia, did you have any thoughts on
17 this case?

18 EXAMINER GARCIA: I guess I'm just concerned
19 about putting in an Order before there would be an
20 agreement with the Railroad Commission. To me,
21 essentially an Order would give them authority to start
22 drilling into Texas but we may not have the details lined
23 out about some of the things I talked about: bonds,
24 allocation methods, et cetera.

25 And I guess I would have a question for

1 Ms. Shaheen.

2 If the well was drilled and if an Order
3 was issued and you did drill a well, would Titus be
4 willing to keep the well shut in until an agreement was
5 made with the Railroad Commission?

6 MS. SHAHEEN: My understanding is that the
7 production allocation approval would be subject to the
8 condition -- and again this is my personal understanding,
9 I don't -- I cannot rely on anything that anyone has told
10 me, but that an Order here approving the production
11 allocation would be subject to a condition of execution,
12 full execution of an MOU that addresses all the issues
13 that both states have raised.

14 So my understanding is you wouldn't be able
15 to get an allowable without satisfying the condition.
16 That would be part of the Order in this case.

17 EXAMINER GARCIA: Yeah. I guess the answer to
18 your question, Bill, is I feel like there's a lot of
19 moving parts, and to me it would probably be best to make
20 sure we know what all these moving parts are before
21 issuing an Order is my thoughts. But I will leave that to
22 your decision.

23 MR. JONES: If I -- this is Walt with Titus.

24 If I may interject on, I guess, our
25 high-level thoughts.

1 This process -- it's obviously taking a
2 long time, and that's not anybody's fault, it's such a
3 unique project. And so it is beginning to affect our
4 drill schedule and just -- you know, the plans. We have
5 an upcoming expiration of the State of New Mexico lease,
6 so if it's not drilled then we could potentially lose that
7 lease. I do believe the State Land Office -- we may be
8 able to work with them but there's no guarantee of that.

9 So in the interest of continuing to move --
10 I do believe we would be open to drilling, if possible, if
11 approved, but not producing the wells until there's
12 something in place between the states.

13 MR. AMES: Mr. Hearing Examiner, if I might just
14 add a thought here, uhm, from my perspective, because of
15 the drilling and not producing is a very bad precedent to
16 set. Once an operator has drilled a well, expended a
17 tremendous amount of money, invested a tremendous amount
18 of money, it adversely affects the ability of the agency
19 to make a rational decision, and that would -- I would
20 recommend to my client not to proceed down that road.

21 However, if Titus were prepared to drill
22 the well wholly in New Mexico, as I believe Mr. Garcia
23 suggested, that may be a different matter.

24 EXAMINER BRANCARD: Right. Our authority, the
25 State of New Mexico acting on our own, ends at the state

1 line, so there's no way we can approve on our own the
2 drilling of a well that would enter into Texas.

3 I really appreciate the idea that was
4 mentioned earlier in the testimony that the portions of
5 the well on each side of the state line would have a
6 separate API number. I think that would really help
7 administering this concept

8 You know, I understand your concern, Mr.
9 Jones, but really this is not only unique but this is a
10 huge precedent we could set here. And it seems like Titus
11 is ready to take advantage of the precedence and drill a
12 number of other wells in a similar situation. I hope
13 that, you know, if there's an agreement between New Mexico
14 and Texas as it relates not just to this well but to
15 future wells. And possibly coming back the other way,
16 which is why I think both states are concerned about how
17 this could be interpreted.

18 You know, with that I'm going to throw out
19 some options here and see where we go.

20 I think we have -- I appreciate Titus'
21 efforts today. We have a fair amount of good testimony in
22 the record right now, and one benefit of that is that one
23 option, as I see it, is to ask the Director to refer this
24 case to the full Commission, with the understanding that
25 the Commission can accept the testimony that's already

1 been provided to the Division so they don't need to have
2 their own separate hearing on this matter, unless there
3 are new issues that come up.

4 I think that it may be better for the State
5 that if a full decision on agreements, especially between
6 the two states come forward that it be looked at by the
7 Commission itself, rather than just a lowly hearing
8 examiner here.

9 So that's certainly one option. I don't
10 know that that would cause any great delays. Once you
11 have agreements between the states I think this would move
12 pretty quickly, but I think that really is the issue here.

13 For now we may want to simply continue this
14 matter to have a status conference on it at some point in
15 the next month or two, just so we can check in and see
16 where we are, so if we need to do something like send it
17 up to the Commission or are in a better position to move
18 forward with an Order, we will know.

19 But at this point I don't think the State
20 has the ability to move forward with a comprehensive Order
21 supporting development here, you know, absent a full
22 agreement between Texas and New Mexico.

23 That's sort of my opinion right now.

24 But I don't want to lose track of this
25 case. I think it's something that we need to keep tabs on

1 and keep checking with the parties as to where we are in
2 this matter.

3 So I don't know what would be a good time
4 to check in on this, whether a month or two months is a
5 good time. I have no idea.

6 Mr. Ames, are there really good discussions
7 going on between Texas and New Mexico, or is this just
8 theoretical at this point?

9 MR. AMES: Mr. Hearing Examiner, I think we are
10 somewhere between theoretical and actual. We've had one
11 discussion with Texas counsel. We've exchanged -- we
12 provided a list of topics for an MOU.

13 Texas counsel advised that they want to see
14 what happens on or about July 12th with the OXY MOU, and
15 then they'll go back to the Commission.

16 My understanding from Texas counsel is that
17 she believed that the MOU would be required but ultimately
18 it's the Commission's decision to direct the staff to
19 actually begin negotiations. And that has not yet
20 occurred and probably will not occur until the July
21 12th/July 13th date.

22 EXAMINER BRANCARD: Well, that's true. We do
23 have a whole deadline for Titus before the Railroad
24 Commission Examiner.

25 Why don't we schedule this for the July

1 15th docket. I know it's a full docket, but I think what
2 we're talking about is a check-in here.

3 If in advance of that date, you know, the
4 parties can provide something in writing that just sort of
5 says, "Here we are, and we request to come back to you in
6 a month," or "We are ready to go," or whatever, that would
7 be helpful.

8 So we will set it up for a status
9 conference on July 15th in this case.

10 I'm leaving the record open because, you
11 know, there may be further evidence that comes that we
12 want to have in this record, particularly if it goes up to
13 the Commission.

14 Ms. Shaheen, any comments?

15 MS. SHAHEEN: No. I appreciate your time today.
16 I know it took more time than I anticipated, but it's
17 encouraging that we had the opportunity to present the
18 case today.

19 The only logistical question I would have
20 is: I'm assuming that I should be filing a motion for
21 continuance to that July 15th docket. Is that a fair
22 assumption?

23 HEARING EXAMINER BRANCARD: We will just
24 continue it. It's our decision to continue it.

25 MS. SHAHEEN: Great. Thank you.

1 MR. GARCIA: Bill, I have one more question.

2 EXAMINER BRANCARD: Sure. Mr. Garcia.

3 MR. GARCIA: I think it's assumed, but until
4 that OXY JOA is executed on the July 12th deadline, will
5 OCD get some Notice that it was executed, or a copy of it,
6 just so we are aware of the deadline, too? Because it's
7 hard for us to go out to check Texas files, et cetera.

8 EXAMINER BRANCARD: Yeah. That's part of what I
9 would like to see from the parties, particularly Titus, is
10 an update in writing, you know, prior to walking in on
11 July 15th, so we have something that we can see.

12 MR. GARCIA: Thank you.

13 MS. SHAHEEN: And that update would be with
14 respect to the agreement with OXY; is that right?

15 EXAMINER BRANCARD: And any other matters. You
16 know, I mean if OCD has updates on how negotiations are
17 going -- you know, an agreement is imminent or Texas and
18 New Mexico slapped each other in the face and walked away.
19 You know, whatever. Let us know.

20 MS. SHAHEEN: Will do.

21 EXAMINER BRANCARD: I doubt CNN is covering your
22 negotiations, so we have to learn from you how it's going.

23 MS. SHAHEEN: Okay.

24 MR. AMES: They better not be covering our
25 negotiations.

1 MS. SHAHEEN: Thank you all again. Appreciate
2 your time.

3 EXAMINER BRANCARD: Thank you.

4 (Time noted 11:50 a.m.)

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1 STATE OF NEW MEXICO)
2 : SS
3 COUNTY OF TAOS)
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5 REPORTER'S CERTIFICATE

6 I, MARY THERESE MACFARLANE, New Mexico Reporter
7 CCR No. 122, DO HEREBY CERTIFY that on Thursday, June 17,
8 2021, the proceedings in the above-captioned matter were
9 taken before me; that I did report in stenographic
10 shorthand the proceedings set forth herein, and the
11 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
15 rules) any of the parties or attorneys in this case, and
16 that I have no interest whatsoever in the final
17 disposition of this case in any court.

18 /s/ Mary Macfarlane
19 _____

20 MARY THERESE MACFARLANE, CCR
21 NM Certified Court Reporter No. 122
License Expires: 12/31/2021

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