

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

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

CASE NOS: 20897 - 20899

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

FEBRUARY 20, 2020

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, EXAMINERS FELICIA ORTH and LEONARD LOWE on Thursday, February 20, 2020, at the New Mexico Energy, Minerals, and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

Reported by: Irene Delgado, NMCCR 253  
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A P P E A R A N C E S

For the Applicant:

SHARON SHAHEEN  
MONTGOMERY & ANDREWS  
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SANTA FE, NM 87501

For EOG:

ERNEST PADILLA  
PADILLA LAW FIRM  
1512 S. ST. FRANCIS DRIVE  
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For COG:

MICHAEL RODRIGUEZ  
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I N D E X

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W I T N E S S E S

WALTER JONES

Direct by Ms. Shaheen  
Cross by Mr. Padilla  
Examiner Questions

14  
22  
24

ALLEN FRIERSON

Direct by Ms. Shaheen  
Examiner Questions

26  
32

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

Admitted

Exhibits 1 through 9, 14 and Attachments

22

Exhibits 10 through 14 and Attachments

32

1 HEARING EXAMINER ORTH: We move now to matters  
2 18, 19 and 20, which are cases 20897, 20898 and 20899, Titus  
3 Oil & Gas compulsory pooling for the well called Pakse  
4 South. Appearances, please.

5 MS. SHAHEEN: Sharon Shaheen, Montgomery &  
6 Andrews for Titus Oil & Gas Production LLC.

7 MR. RODRIGUEZ: Michael Rodriguez appearing for  
8 COG Operating LLC. We are entering an appearance, but  
9 strictly to preserve a right to appeal. We don't have an  
10 issue in this matter.

11 HEARING EXAMINER ORTH: For COG?

12 MR. RODRIGUEZ: COG.

13 MR. PADILLA: Ernest Padilla, Santa Fe, New  
14 Mexico for EOG Resources.

15 HEARING EXAMINER ORTH: EOG, thank you very much.

16 We have, let's see, the applicant proposing two  
17 witnesses for about an hour and a half total, as I  
18 understand it, for the hearing.

19 And I also saw a motion to dismiss, Mr. Padilla,  
20 and a response from you, Ms. Shaheen, and would it make  
21 sense to address that first?

22 MS. SHAHEEN: It probably would. And I would  
23 note that I understand that if the motion to dismiss is  
24 denied, that EOG does not object to the development,  
25 provided we have a certain provision with respect to payment

1 that the parties have agreed to. And so the good news is  
2 that we will not take an hour and a half if we present the  
3 hearing today.

4 HEARING EXAMINER ORTH: Thank you very much. Mr.  
5 Padilla, the motion to dismiss is yours, if you would,  
6 please.

7 MR. PADILLA: Ms. Examiner, the basis of EOG's  
8 motion is that all of the acreage involved here is federal  
9 acreage, and it's in the potash designated area. The  
10 primacy and determination of what the designated area for  
11 drilling on federal land is exclusively within the province  
12 of the Bureau of Land Management. It would be premature to  
13 have a compulsory pooling hearing without knowing what lands  
14 are included in the designated area, drilling area.

15 There's the secretary's Order Number 3324 that is  
16 pretty clear and should be followed in terms of determining  
17 and having the BLM determine what is the designated drilling  
18 area. So we're here on a compulsory pooling case that EOG  
19 is not really contesting, but it doesn't know what lands are  
20 going to be included in the designated area.

21 In addition to that, you have APDs that are going  
22 to be dependent on the designated area. Those APDs are not  
23 determined by the Oil Conservation Division, they are  
24 determined by the Bureau of Land Management, and we have a  
25 forced pooling application hearing that should be continued

1 until the designated area is determined so that EOG can say,  
2 "We want to participate as a non-operating party," or  
3 contest the BLM proceeding, which they have, they have  
4 post -- they have entered an appearance before the BLM to,  
5 to preserve their rights in terms of the designated drilling  
6 area.

7 Now, if we turn to the Division's Order R-111  
8 series, specifically R-111P, that order clearly states that  
9 on federal land the BLM designates the drilling area. On  
10 state and private land, the OCD and the Land Office  
11 determine the drilling area. So the OCD itself by  
12 Commission Order R-111P is clear.

13 At Page 11 of that order, the language is,  
14 "Drilling applications on federal lands will be processed  
15 for pool by the BLM," first sentence. There is no mistake  
16 on that. This Order R-111 is still very effective and  
17 should be followed in any kind of proceeding in the potash  
18 area.

19 In addition to that, Order 3324 is to be followed  
20 by the BLM and the applicant for drilling in the potash  
21 area, and that is not being done. What's being done here is  
22 that we have a compulsory pooling application that is  
23 totally subject to change by the BLM if the designated  
24 drilling area does not conform to the compulsory pooling  
25 order. It's very clear.

1           It's not -- while EOG doesn't challenge  
2 compulsory pooling, the compulsory pooling application, it,  
3 it doesn't know what land is going to be included in that  
4 drilling program, and so that's an exclusive BLM decision.  
5 And I don't think the BLM can put it to the Oil Conservation  
6 Division to make some kind of a decision where the drilling  
7 area should be when it's exclusively within the BLM's  
8 authority.

9           HEARING EXAMINER ORTH: Thank you, Mr. Padilla.  
10 Ms. Shaheen.

11           PLAINTIFF COUNSEL: I respectfully disagree with  
12 Mr. Padilla. It is not clear from either of the orders that  
13 the compulsory pooling applications cannot go forward under  
14 these circumstances. In fact, I have been unable to find  
15 any case -- excuse me -- any order that actually addresses  
16 that issue.

17           The Order Number R-111P addresses applications  
18 for permits to drill. This is not an application for permit  
19 to drill, this is a request for a compulsory pooling, and I  
20 don't believe that R-111P applies here. Similarly, the  
21 secretary's Order 3324, does not address compulsory  
22 pooling.

23           And my understanding is, I found no order in  
24 which the Division has previously dismissed any application  
25 for forced pooling on the basis that a development area has

1 not been approved.

2 I'm sure the Division is well aware of the time  
3 that it takes. The process is long, it's drawn out to get  
4 the necessary approvals from BLM, and in the meantime, Titus  
5 is trying to move the process forward by filing its  
6 compulsory pooling application and getting that on the way  
7 so that they can be ready to move when the development area  
8 is approved.

9 That is one reason why, if you look at the  
10 application, we have proposed this in the alternative, a two  
11 and a half mile spacing unit, or, in the alternative, a two  
12 mile spacing unit. What's of note is that the extra acreage  
13 there is 100 percent owned by Titus, and they will be the  
14 only party that will be impacted if the development area  
15 does not include the entire two and a half mile area.

16 As I mentioned, my understanding is it's never  
17 been the practice for the Division to require status of the  
18 development area approval when they are considering a  
19 compulsory pooling application, and I don't believe it's  
20 appropriate now to institute a new policy that would require  
21 the Division to dismiss an application because the  
22 development area has not yet been approved.

23 I would note that the drilling area -- excuse  
24 me -- the drilling island has been approved, and it is only  
25 the development area approval that has been held up because

1 of EOG's protest at BLM with respect to that development  
2 area.

3 It seems a little inconsistent to take the  
4 position that they don't object to this development in the  
5 forced pooling proceeding, and yet take the position with  
6 BLM that they oppose the proposed development area that  
7 Titus has provided to BLM.

8 I have found no provisions in the compulsory  
9 pooling rules or in the horizontal rules that would prohibit  
10 the Division from taking this under consideration at this  
11 time prior to approval of the development area, and that  
12 what we will establish at hearing today if possible, Titus  
13 satisfies all the requirements for compulsory pooling  
14 requests and satisfies all the requirements under the  
15 horizontal rule. And for those reasons this case should not  
16 be dismissed.

17 HEARING EXAMINER ORTH: Okay. Thank you, Ms.  
18 Shaheen. Mr. Rodriguez, do you have anything to add?

19 MR. RODRIGUEZ: No, ma'am.

20 HEARING EXAMINER ORTH: Thank you. Mr. Lowe, do  
21 you have questions around the argument to dismiss or  
22 continuing the case until the development plan is resolved  
23 by BLM?

24 EXAMINER LOWE: Just a get me up on all -- you  
25 are indicating you are still working on the working interest

1 owner portion of the spacing unit for this whole area, that  
2 was your concern for all of this?

3 MR. PADILLA: Well, EOG has an interest in this  
4 area that is being force pooled. They know what their  
5 interest is, but Ms. Shaheen's argument says we are filing  
6 this application in the alternative for two mile lateral,  
7 and two and a half mile lateral, and they don't know what  
8 they are filing for, you know, what comes first, the chicken  
9 or the egg.

10 I'm saying that you have to have a designated  
11 drilling area named by the BLM so you don't have to guess  
12 whether or not you are going to drill a two mile lateral or  
13 two and a half mile lateral. It certainly impacts EOG in  
14 terms of knowing what lands are going to be included in the  
15 wells that they are proposing under the compulsory pooling  
16 order.

17 So I think -- I think when you argue that you  
18 are -- you are bringing an application in the alternative,  
19 that means they don't know what the drilling area,  
20 ultimately to be determined by the BLM and the APD, is going  
21 to be.

22 So for that reason, we believe it's not  
23 applicable -- it shouldn't be heard today. And we're  
24 not -- EOG is not trying to delay anything here, we are  
25 simply trying to figure out what the plan of development is

1 if ultimately approved by the BLM. We don't know that, and  
2 neither does the Division.

3 If it issues a compulsory pooling order, it  
4 issues in the blind and in the alternative.

5 HEARING EXAMINER ORTH: Do you have any other  
6 questions, Mr. Lowe?

7 EXAMINER LOWE: No, I don't. Thank you.

8 HEARING EXAMINER ORTH: Would you like to  
9 respond?

10 MS. SHAHEEN: One point, EOG knows exactly which  
11 land it has an interest in that will be force pooled. It  
12 will be the same land regardless of whether it's a two mile  
13 lateral or a two and a half mile lateral. It will be EOG's  
14 only -- EOG'S interest exists in the two mile lateral, so  
15 they are going to be pooled whether it's a two mile lateral  
16 or two and a half mile lateral.

17 HEARING EXAMINER ORTH: Okay, thank you.

18 Mr. Lowe, would you have anything to put on the  
19 record? And I want you to assume that requesting something  
20 in the alternative does not actually have facts, but would  
21 you want to put anything on the record in terms of whether  
22 OCD typically inquired into development status?

23 EXAMINER LOWE: In that sense, I don't -- I don't  
24 recall. I am thinking, from what little I have seen, we can  
25 move forward on this, and if things develop thereafter --

1 not develop, but we can still move things around on our  
2 side, but being we are here, I think we can go forward.

3 HEARING EXAMINER ORTH: That's how I feel as  
4 well, that without an express provision -- I mean, any  
5 project of significant size is going to require a variety of  
6 governmental approvals and other approvals, and without an  
7 express provision saying it has to come in this order, which  
8 I'm not hearing it's true, I believe the applicant just  
9 bears the risk of either getting all the approvals to  
10 conform or not and moving forward when they do.

11 So the motion to dismiss is denied, and if you're  
12 ready to proceed to hearing, we can do that.

13 MS. SHAHEEN: We are ready to proceed to hearing.  
14 I did bring a flash drive that we can put the exhibits on  
15 the monitor. If you like, we can do that, and if not, I  
16 have hard copies for everyone.

17 HEARING EXAMINER ORTH: All right. Should we  
18 take a short break then?

19 MS. SHAHEEN: Yes.

20 HEARING EXAMINER ORTH: All right. Let's take  
21 ten minutes.

22 (Recess taken.)

23 HEARING EXAMINER ORTH: Let's prepare to come  
24 back from the break, please.

25 Okay. We are back from the break, and we'll

1 proceed with the hearing in Case Numbers 20897, 20898 and  
2 20899. This is Titus Oil & Gas, compulsory pooling for the  
3 Pakse South Wells.

4 Ms. Shaheen has a presentation loaded up on the  
5 screen. Ms. Shaheen?

6 MS. SHAHEEN: Sharon Shaheen For Titus Oil & Gas  
7 Production LLC, we would ask that the Division consolidate  
8 hearing for 20897, 20898 and 20899.

9 HEARING EXAMINER ORTH: Any objection?

10 MR. PADILLA: No objection.

11 MR. RODRIGUEZ: No objection.

12 HEARING EXAMINER ORTH: All right. They are  
13 consolidated, thank you. Please go ahead.

14 MS. SHAHEEN: I have two witnesses, Mr. Jones and  
15 Mr. Frierson.

16 HEARING EXAMINER ORTH: I'm going to swear you  
17 both in. Would you raise your right hands, please.

18 Do you swear or affirm that the testimony you are  
19 about to give will be the truth, the whole truth, and,  
20 nothing but the truth?

21 THE WITNESSES: (Collectively.) I do.

22 HEARING EXAMINER ORTH: Thank you. That was both  
23 Mr. Jones and Mr. Frierson.

24 MS. SHAHEEN: The hard copy is exactly the same  
25 as what you have on the screen.

1 WALTER JONES

2 (Sworn, testified as follows:)

3 DIRECT EXAMINATION

4 BY MS. SHAHEEN:

5 Q. Would you please state your full name and place  
6 of residence for the record?

7 A. Walter Park Jones, and Ft. Worth Texas.

8 Q. By whom are you employed?

9 A. Titus Oil & Gas LLC.

10 Q. What is your capacity there at Titus?

11 A. Vice president of land.

12 Q. Are you authorized to testify today on behalf of  
13 Titus Oil & Gas Production LLC?

14 A. I am.

15 Q. Have you previously testified before the Division  
16 or one of its Hearing Examiners?

17 A. I have not.

18 Q. Would you please provide a brief summary of your  
19 education and work experience?

20 A. Graduated from the University of Mississippi in  
21 2005 with a business degree in marketing. 2007-2009 I  
22 worked as an independent broker in the Barnett Shale in the  
23 Ft. Worth area. And then from 2009 to 2017, worked for  
24 Bopco LP, the Bass family's oil and gas company in Ft.  
25 Worth, and then 2017 to present I have been with Titus.

1           **Q.     Has part of your experience involved lands in**  
2 **southeast New Mexico?**

3           A.     It has.

4           **Q.     Are you familiar with the applications filed in**  
5 **these cases?**

6           A.     I am.

7           MS. SHAHEEN:   I would offer Mr. Jones as an  
8 expert witness in petroleum land matters.

9           HEARING EXAMINER ORTH:   Objections?

10          MR. PADILLA:   No objection.

11          MR. RODRIGUEZ:   No objection.

12          HEARING EXAMINER ORTH:   Do you have any  
13 objections about his qualifications?

14          EXAMINER LOWE:   Your time frame in Titus, has it  
15 always been a landman status.

16          THE WITNESS:   It has, and also at Bopco.

17          HEARING EXAMINER ORTH:   He is recognized then as  
18 an expert in petroleum land matters.

19          BY MS. SHAHEEN:

20          **Q.     Mr. Jones, could you briefly tell us what Titus**  
21 **seeks in Case Number 20897?**

22          A.     Yes.   We are seeking to pool the First Bone  
23 Spring in the W/2 of Sections 24 and 25, and in the NW of  
24 Section 36, all in 20 South, 32 East.  And alternatively, we  
25 seek to pool just the W/2 of 24 and -- Section 24 and 25 of

1 20 South, 32 East.

2 Q. And similarly, can you tell us what Titus seeks  
3 in Case Number 20898?

4 A. Yes, we seek to pool the Second Bone Spring and  
5 aforementioned legal description.

6 Q. And with respect to Case 20899, what is Titus  
7 seeking?

8 A. Seeks to pool the Third Bone Spring formation.

9 Q. Could you explain to us why Titus included  
10 alternative proposals in these applications?

11 A. Yes, because in the development process, it was  
12 clear these lands are going to be developed from established  
13 drilling islands with the BLM, and they will be drilling  
14 north to south. The only question is, will it be two mile  
15 laterals or two and a half mile laterals, and the only party  
16 affected by the change in lateral length is Titus.

17 Q. And that's because Titus owns 100 percent in that  
18 extra --

19 A. That's right.

20 Q. Has the drilling island been approved?

21 A. It has.

22 Q. Has Titus determined which alternative is  
23 preferable?

24 A. Two and a half mile.

25 Q. And so today are you asking the Division to issue

1 an order providing for two and a half mile spacing units?

2 A. I am.

3 Q. Have you prepared certain exhibits for  
4 introduction in this case?

5 A. I have.

6 Q. Turning to Exhibit 1, briefly tell me what we  
7 have here.

8 A. It's just a general location map for the proposed  
9 development.

10 Q. And the Pakse development is indicated by the  
11 yellow star kind of center of the map; is that correct?

12 A. That's correct. I don't know that my packet has  
13 that. So they might not have it in theirs.

14 HEARING EXAMINER ORTH: I have no Exhibit 1. I  
15 have it behind Exhibit Tab 4.

16 MS. SHAHEEN: I'm sorry. It's a little confusing  
17 because the exhibit numbers don't correspond to the tab  
18 numbers, so if you look at the table of contents, you will  
19 see -- and it looks like we should redo our table of  
20 contents in the future, but we put the applications in Tab  
21 1, Tab 2, Tab 3, so Exhibit 1 doesn't start until Tab 4.

22 HEARING EXAMINER ORTH: Thank you.

23 BY MS. SHAHEEN:

24 Q. Going on to Exhibit 2, which is Tab 5, Mr. Jones,  
25 can you tell us about this exhibit?

1           A.       This would be the wellbore diagram, the surface  
2       locations in the N/2 of the N/2, or N/2 of the NW of Section  
3       24 and the bottom hole locations in the S/2 of the NW/4 of  
4       Section 36.

5           **Q.       Turn now to Exhibit 3, which is Tab 6.**

6           A.       This is a tract map of each individual lease, and  
7       it's accompanied by, on the second page, an ownership  
8       breakdown tract by tract.

9           **Q.       This indicates Titus' interest in these tracts;**  
10       **correct.**

11          A.       That's correct, and other working interest owner  
12       parties.

13          **Q.       Turning to Exhibit 4A, 4B and 4C, these are the**  
14       **C-102s, and those are behind Tab -- note -- behind Tab --**

15          A.       Seven.

16          **Q.       -- 7. Are the first and last take points**  
17       **reflected in the draft C-102?**

18          A.       They are.

19          **Q.       What are the building blocks for these**  
20       **proposed units?**

21          A.       40 acres.

22          **Q.       So we are talking oil; right?**

23          A.       Correct.

24          **Q.       Turning to Exhibit 5, we have a chronology of**  
25       **your communications with the non-joined working interest**

1 owners. Can you tell us about Titus' efforts to obtain the  
2 voluntary participation of the unjoined working interest  
3 owners?

4 A. Yes, everyone was contacted. There were a few  
5 requests for additional information, geological prognoses  
6 and JOAs. Any request that was made was provided.

7 Q. And that included your discussions with EOG?

8 A. Correct.

9 Q. Turning to Exhibit 6 at Tab 9, can you tell us  
10 what this exhibit illustrates?

11 A. This is going to be more of a unit based  
12 interest. So for the two and a half mile unit, it will be a  
13 blended interest, the working interest owners and the  
14 override owners.

15 Q. And this is in the two and a half mile --

16 A. That's correct.

17 Q. -- proposed unit? Are there any unleased mineral  
18 interests?

19 A. There are not.

20 Q. Any unlocatable parties?

21 A. Not to my knowledge.

22 Q. Are there any depth severances?

23 A. There are not.

24 Q. In your opinion did Titus make a good-faith  
25 effort to identify all of the owners in each tract?

1 A. Yes.

2 Q. Turn to Exhibit 7A, 7B, 7C that's at Tab 10,  
3 would you confirm that these are copies of the sample well  
4 proposal letters that you sent to the working interest  
5 owners with respect to each application?

6 A. Yes.

7 Q. Again, turning to Tab 11, Exhibit 8A, 8B and 8C,  
8 are these copies of the AFEs that you provided to the  
9 working interest owners?

10 A. They are.

11 Q. What are the anticipated costs of the proposed  
12 wells?

13 A. Each well is around \$12.5 million.

14 Q. Is that for the two and a half mile well?

15 A. It is.

16 Q. Are those costs in line for what other operators  
17 are incurring in the area for drilling similar wells?

18 A. Yes, to my knowledge.

19 Q. Turning to Exhibit 9, Tab 12, is this an example  
20 of the notice letter that went out with the applications?

21 A. It is.

22 Q. Does Titus also seek the imposition of a 200  
23 percent risk penalty against those unjoined working  
24 interests?

25 A. We do.

1 Q. Does Titus seek to be designated operator for  
2 these wells?

3 A. We do.

4 Q. Is Titus asking the Division to approve operating  
5 charges and cost of supervision while drilling 48000 a  
6 month, and after completion of \$800 a month?

7 A. We are.

8 Q. And to your knowledge, is this similar to  
9 ordinary rates charged by other operators in the area?

10 A. Yes.

11 Q. Is Titus requesting that the order issued in the  
12 this case provide for an adjustment of the drilling and  
13 producing overhead rates in accordance with the current  
14 COPUS?

15 A. We are.

16 Q. In your opinion would Titus' proposal result in  
17 prudent operation of the property and prevention of waste?

18 A. Yes.

19 Q. In your opinion, would the granting of Titus'  
20 applications be in the best interest of conservation, the  
21 prevention of waste and protection of correlative rights?

22 A. Yes.

23 Q. Were Exhibits 1 through 9 prepared by you or at  
24 your direction and control?

25 A. Yes.

1           Q.     And turning quickly to Exhibit 15, that's at Tab  
2 18, you will find the affidavit of notice. Can you confirm  
3 that that affidavit was signed by me and illustrates that  
4 Titus properly provided notice to all interested, unjoined  
5 parties?

6           A.     Yes.

7           MS. SHAHEEN: That affidavit of notice does  
8 include copies of green cards, and both those that were  
9 received, those that were returned, and a copy of the  
10 affidavit of publication which was directed to all parties  
11 in an abundance of caution. So I would ask that Exhibits 1  
12 through 9 and Exhibit 15 be admitted into the record.

13           HEARING EXAMINER ORTH: Objection?

14           MR. PADILLA: No objection.

15           HEARING EXAMINER ORTH: Thank you.

16           MS. SHAHEEN: With that I pass the witness.

17           HEARING EXAMINER ORTH: Exhibits 1 through 9 and  
18 15 are admitted.

19           (Exhibits 1 through 9 and 15 admitted.)

20           HEARING EXAMINER ORTH: Mr. Padilla, if you have  
21 questions of Mr. Jones?

22                                   CROSS-EXAMINATION

23           By MR. PADILLA:

24           Q.     Mr. Jones, you have a number of AFEs here in Tab  
25 11. Are those for the two mile laterals or two and a half

1 **mile laterals?**

2 A. These AFEs are for the two and a half mile  
3 laterals.

4 **Q. And if you drill two mile laterals, what will be**  
5 **the difference?**

6 A. I think it's probably best if I provided you with  
7 two mile lateral AFEs, and the Division, just because that's  
8 not my area of expertise.

9 **Q. Do you have a ballpark figure?**

10 A. I think it would -- it's probably going to be  
11 around 9.5 million.

12 **Q. So the additional half mile is going to cost**  
13 **about 3 million?**

14 A. Potentially.

15 **Q. When will you know whether you are going to drill**  
16 **two mile laterals or two and a half mile laterals?**

17 A. I would anticipate within the next couple of  
18 weeks.

19 **Q. And how do you know that?**

20 A. We are working through the development area with  
21 one party that has -- that brought up an issue that they  
22 would like to adjust, and so if we get that worked out with  
23 them, assuming EOG doesn't have an issue with the  
24 development area as proposed, the two and a half mile  
25 development area, then it should be approved.

1           Q.     Do you have any objection to EOG staying within  
2     90 days of the call for money?

3           A.     We do not.

4           MR. PADILLA:   And I have no further questions.

5           HEARING EXAMINER ORTH:   Thank you, Mr. Padilla.  
6     And Mr. Rodriguez?

7           MR. RODRIGUEZ:   No questions, Madam Examiner.

8           HEARING EXAMINER ORTH:   Mr. Lowe, do you have any  
9     questions?

10          EXAMINER LOWE:   Good morning, Mr. Jones.

11          THE WITNESS:    Good morning.

12          EXAMINER LOWE:   Are any of these wells indicated  
13     to be unorthodox?

14          THE WITNESS:    No, not to my understanding.

15          EXAMINER LOWE:   For the 111 well -- actually the  
16     setback for the pool that you are seeking, what are the  
17     setbacks?

18          THE WITNESS:    I'm not sure off the top of my  
19     head.   We have a regulatory manager that oversees all the  
20     setbacks.

21          EXAMINER LOWE:   Because I, I think I calculated  
22     290 feet to each line on the 111 well, indicating unorthodox  
23     to the west and east.   But I mean, I have yet to look at all  
24     of them, but just briefly looking at what I have -- 800  
25     acres in all the wells?   Is that what you are seeking?

1 THE WITNESS: That's correct, yeah.

2 EXAMINER LOWE: And your proposal -- what you  
3 presented on your behalf today was for all of the wells in  
4 this area for all the cases; right?

5 THE WITNESS: That's correct.

6 EXAMINER LOWE: Okay. And just to be -- if it is  
7 unorthodox, does it indicate what procedure you are going to  
8 go from that, what you are doing here from that? If it is  
9 unorthodox, then I guess I would advise you to submit an  
10 application administratively to OCD's office so that we can  
11 process that administratively.

12 THE WITNESS: Okay.

13 EXAMINER LOWE: Thank you. That's all the  
14 questions I have.

15 HEARING EXAMINER ORTH: Thank you. Ms. Shaheen,  
16 any follow-up?

17 MS. SHAHEEN: I do not believe so. We'll address  
18 the issues that were raised by Mr. Padilla and Mr. Lowe.

19 HEARING EXAMINER ORTH: Fine. Thank you very  
20 much. Thank you, Mr. Jones.

21 THE WITNESS: Thank you.

22 MS. SHAHEEN: We call our geologist witness,  
23 Mr. Frierson, and watch your step there with the cord.

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ALLEN FRIERSON

(Sworn, testified as follows:)

DIRECT EXAMINATION

BY MS. SHAHEEN:

**Q. Mr. Frierson, could you please state your full name and place of residence for the record?**

A. Sure. Allen Nicholson Frierson. I live in Ft. Worth, Texas.

**Q. And could you spell your last name for the court reporter?**

A. Yes, it's F, as in Frank, r-i-e-r-s-o-n.

**Q. By whom are you employed?**

A. Titus Oil & Gas LLC.

**Q. And in what capacity?**

A. Geology manager.

**Q. Are you authorized to testify today on behalf of Titus Oil & Gas Production?**

A. Yes.

**Q. Have you previously testified before the Division?**

A. No.

**Q. Can you tell us a little bit about your educational background and your work experience?**

A. Sure. I have a bachelor of science degree from Washington University, master of science degree in geology

1 from Colorado School of Mines, an MBA from the University of  
2 Oklahoma. I worked at Devon Energy in Oklahoma City from  
3 about 2013 to 2017 and then at Titus from 2017 to present.

4 Q. And does your experience include work in  
5 southeast New Mexico?

6 A. Yes.

7 Q. Are you familiar with the applications filed in  
8 these cases?

9 A. Yes.

10 Q. Are you familiar with the lands and geology that  
11 are the subject matter of these applications?

12 A. Yes.

13 Q. Have you conducted a geologic study of the Salt  
14 Lake pool within the Bone Spring formation that lies  
15 underneath the proposed spacing unit?

16 A. I have.

17 Q. And have you prepared certain exhibits as a  
18 result of your study?

19 A. Yes.

20 Q. So we are going to take a look at these exhibits  
21 starting with the locator map with cross sections. And if  
22 you're interested in using the pointers, the high-tech  
23 pointers that we have, please feel free to do so.

24 A. So the first exhibit is just a locator map,  
25 zoomed in from the map that you saw earlier.

1 EXAMINER LOWE: What tab is this?

2 HEARING EXAMINER ORTH: 13.

3 THE WITNESS: Sorry, Tab 13.

4 MS. SHAHEEN: I didn't write that down.

5 A. Yeah, sorry. Exhibit Number 10, you will see on  
6 the legend in the upper left corner the red dash line  
7 outlines the proposed development area. Federal units are  
8 outlined in green, and boundary which you don't see on this  
9 map would be outlined in red. As well, another thing  
10 highlighted on this map is a three-well cross section from A  
11 to A prime, including starting at A, the Hanson State Number  
12 1 well, the Snotty -- the Sam H Federal 1 and Salt Lake  
13 South Deep Number 1.

14 Q. Turning to the next exhibit?

15 A. Tab 14.

16 Q. Tab 14, Exhibit 11.

17 A. This is the image of the cross section in the  
18 previous map from A to A prime, A being on the left, A prime  
19 on the right. It's a three-well cross section. Here  
20 depicts your, your basic petrophysical log suite column,  
21 including a gamma ray log in the far left-hand track, the  
22 neutron and density porosity logs in the center track, and  
23 then the deep resistivity logs on the right-hand side of  
24 each log track. Pictured formations include the Lower  
25 Brushy Sand down through the Wolfcamp zone.

1           **Q.     Turning to the next tab, the next exhibit, which**  
2 **is Exhibit Number 12.**

3           A.     Exhibit 12 is our internal gun barrel view of the  
4 proposed development of the W/2 of the aforementioned  
5 sections and development area, including First Bone Sand  
6 wells numbered 111 and 112, Second Bone Sand wells Number  
7 221, 222 in green, and then the Third Bone Sand wells Number  
8 321 and 322.

9                     The proposed spacing on these wells is roughly  
10 1320 feet between wells on plane, and then the vertical  
11 separation between the First and Second Bone is 900 feet,  
12 and the Second Third Bone, 1020 feet. Titus believes these  
13 are proven spacing for these targets in the area based on  
14 offset operators and development units and really across the  
15 basin.

16           **Q.     Turn to Exhibit 13A, and 13A, 13B, 13C are all**  
17 **behind Tab 16.**

18           A.     These are structure maps for the First Bone Sand,  
19 Second Bone Sand and Third Bone Sand formations, which are  
20 the targets of proposed laterals or horizontal wells.  
21 Really the main point with these is just to note that there  
22 is not any -- there are no identified faulting in the area  
23 or faults. And that will further be proven by the isopach  
24 maps that we will show later.

25           **Q.     So unless anyone has a -- do you want to talk**

1     **about each one?**

2           A.     I mean, they are really kind of repetitive, but  
3     the data, the control points are posted on the map for each  
4     structure map, and it's the same cross section, it's just  
5     looking at a different surface as you step down, but you  
6     will notice the structure between the First, Second and  
7     Third Bone doesn't really change or vary that much between  
8     the targets over the development unit.

9           **Q.     Turning to the next exhibit, Exhibits 14A, 14B,**  
10    **14C, Tab 17, are these isopachs for each formation?**

11          A.     That is correct.

12          **Q.     This is 14A. Do you want to talk at all about**  
13    **your isopach map?**

14          A.     Really, it's just showing any thickness change in  
15    the formation. It maintains a thickness of over 300 feet  
16    over the proposed development unit, so no concerns of any  
17    lateral pinchouts or anything of the formation  
18    discontinuities or unconformities.

19          **Q.     In your opinion are the proposed horizontal wells**  
20    **the most economical method for producing each of the 40 acre**  
21    **building blocks that make up the spacing unit?**

22          A.     Yes.

23          **Q.     Is the Salt Lake Pool Bone Spring formation**  
24    **continuous across Sections 24, 25 and 36?**

25          A.     Yes.

1           **Q.     And why did Titus choose to orient its**  
2 **development from north to south?**

3           A.     Really based on offset operators in the area have  
4 mostly been developing N/S, so the logical way to infill  
5 would be N/S. I have also looked at far field maximum  
6 stress orientation within the Basin, and within this area  
7 it's really striking NE SW, so there's not really any rhyme  
8 or reason there to orient your laterals north to south or  
9 east to west based on that.

10          **Q.     In your opinion, Mr. Frierson, will Titus'**  
11 **development plan for these wells allow Titus to obtain**  
12 **optimal recovery of hydrocarbons in the spacing unit in both**  
13 **an economic and efficient manner?**

14          A.     Yes.

15          **Q.     Will the development plan help minimize surface**  
16 **disturbance?**

17          A.     Yes.

18          **Q.     In your opinion, will Titus' proposals result in**  
19 **prudent operation of the property and prevention of waste?**

20          A.     Yes.

21          **Q.     And would Titus' applications be in the best**  
22 **interest of conservation, prevention of waste and protection**  
23 **of correlative rights?**

24          A.     Yes.

25          **Q.     Were Exhibits 10 through 14 prepared by you or at**

1     **your direction and control?**

2             A.       Prepared by me.

3             MS. SHAHEEN:   And with that, I would offer  
4 Exhibits 10 through 14 into the record.

5             HEARING EXAMINER ORTH:   Objection?

6             MR. PADILLA:   No objection.

7             MS. SHAHEEN:   And I pass the witness.

8             HEARING EXAMINER ORTH:   Exhibits 10 through 14  
9 are admitted.

10            (Exhibits 10 through 14 admitted.)

11            HEARING EXAMINER ORTH:   Mr. Padilla, do you have  
12 any questions?

13            MR. PADILLA:   I don't have any questions.

14            HEARING EXAMINER ORTH:   Mr. Rodriguez?

15            MR. RODRIGUEZ:   No questions.

16            HEARING EXAMINER ORTH:   Mr. Lowe?

17            EXAMINER LOWE:   I have a question.   On your Tab  
18 15, Exhibit 12 --

19            THE WITNESS:   Uh-huh.

20            EXAMINER LOWE:   I just want you to explain to  
21 me -- your map to me.

22            THE WITNESS:   Yeah, sure.   So this is really an  
23 illustrative look at if you were to take a cross section  
24 through the formations in the subsurface, and the -- these  
25 bullet points here that are colored designating the wells

1 111, 112 and so on, would be looking down the barrel of the  
2 well. So the well will be drilled in and out of the page.

3 On the far right is the type log that I used to  
4 conduct a petrophysical analysis in determining where to  
5 land the wells. So if you follow those wells from the left  
6 side of the page over to that type log on the right, that's  
7 the approximate landing zone based on the petrophysical  
8 analysis that I conducted based on that data on the right.

9 And on the far left of the illustration are just  
10 shorthand nomenclature of designating the formations. So  
11 one, for instance 1BSSS would be First Bone Spring  
12 Sandstone. And then also the entire, at the top of the page  
13 below the title from West to East, the dash line is  
14 indicating the amount of footage for a full section, 5,280  
15 feet. And then between each wellbore and from west line of  
16 the section, the offset distances are noted with dash lines  
17 and footage calls.

18 EXAMINER LOWE: So the, the First Bone Spring and  
19 Second Bone Spring formation and wells are separated by the  
20 feet that you indicate there?

21 THE WITNESS: Correct. The landing zones, yes,  
22 sir.

23 EXAMINER LOWE: Okay. Okay.

24 HEARING EXAMINER ORTH: Would it be helpful to  
25 put on the record what each of these acronyms are.

1 EXAMINER LOWE: Sure.

2 HEARING EXAMINER ORTH: I heard you say the first  
3 one was Bone Spring.

4 THE WITNESS: The 2BSLM is Second Bone Spring  
5 Limestone. The 2BSSS is Second Bone Spring Sandstone. The  
6 3BSLM is Third Bone Spring Limestone. The 3BS Shale is  
7 Third Bone Spring Shale. The 3BSSS is the Third Bone Spring  
8 Sandstone. The WFMPXY is Wolfcamp XY and WFMP Shale is the  
9 Wolfcamp Shale, and the UPS is the Upper Pen Shale.

10 HEARING EXAMINER ORTH: Okay. Thank you.

11 EXAMINER LOWE: Thank you very much.

12 THE WITNESS: Yes.

13 HEARING EXAMINER ORTH: Any follow up, Ms.  
14 Shaheen?

15 MS. SHAHEEN: I don't believe so. If there are  
16 no further questions, I would ask that the Division take  
17 Case Numbers 20897, 20898 and 20899 under advisement.

18 HEARING EXAMINER ORTH: All right. Thank you,  
19 Mr. Frierson. Thank you, Ms. Shaheen. Mr. Padilla, is  
20 there anything further from you?

21 MR. PADILLA: Nothing from us. Thank you.

22 HEARING EXAMINER ORTH: Anything Mr. Rodriguez?

23 MR. RODRIGUEZ: No.

24 HEARING EXAMINER ORTH: In that case, these three  
25 matters 20897, 98 and 99 will be taken under advisement.

1 (Cases taken under advisement.)

2 MR. PADILLA: Ms. Examiner, I just wanted to  
3 emphasize that Titus has the 90-day provision for payment.

4 HEARING EXAMINER ORTH: That's on the record.

5 MR. PADILLA: Okay.

6 HEARING EXAMINER ORTH: Thank you. Was there any  
7 documentation? Did you mention you had documentation  
8 related to a negotiated provision around that, or did I  
9 misunderstand?

10 MS. SHAHEEN: I don't believe there is any  
11 documentation, but we agree with Mr. Padilla that EOG will  
12 have 90 days to make payment after cash call is made.

13 HEARING EXAMINER ORTH: Okay.

14 MS. SHAHEEN: And then there is a little bit of  
15 follow-up here for Hearing Examiner Lowe regarding the  
16 setbacks for 111H, and we would -- once the determination  
17 is made as to whether two and a half miles or two miles, we  
18 will inform the Division, as well as any parties.

19 HEARING EXAMINER ORTH: All right. Thank you  
20 very much.

21 MS. SHAHEEN: Thank you.

22 (Concluded.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

I, IRENE DELGADO, New Mexico Certified Court Reporter, CCR 253, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings that were reduced to printed form by me to the best of my ability.

I FURTHER CERTIFY that the Reporter's Record of the proceedings truly and accurately reflects the exhibits, if any, offered by the respective parties.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties of attorneys in this case and that I have no interest in the final disposition of this case.

Dated this 20th day of February 2020.

\_\_\_\_\_  
Irene Delgado, NMCCR 253  
License Expires: 12-31-20