

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

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

Case No. 21872

**APPLICANT'S STATUS REPORT AND
REQUEST FOR ORDER OF APPROVAL OR,
IN THE ALTERNATIVE, REFERRAL TO THE COMMISSION**

TITUS OIL & GAS PRODUCTION, LLC ("Titus") hereby provides an update on the status of this matter in preparation for the status conference on August 19, 2021. In light of the current status and the order of approval from the Texas Railroad Commission expected to be entered on August 24, 2021, Titus requests that an order approving the application be entered or, in the alternative, that the matter be referred to the Commission for consideration on September 16, 2021. In support of this request, Titus states as follows:

1. The application in this matter was filed on April 6, 2021, for hearing on May 6, 2021. The application requests approval of production allocation between New Mexico and Texas for a proposed well, El Campeon Fed Com 404H, that will cross the interstate line and produce oil and gas underlying lands within New Mexico and Texas. Titus proposes that production be allocated between New Mexico and Texas based on surface acreage.
2. At the request of the Division, hearing on the instant matter was continued to May 20, 2021, and again to June 17, 2021, at which time the matter was heard.
3. Titus is the only working interest owner in the pertinent New Mexico lands. OXY USA Inc. ("OXY") is the only working interest owner in the pertinent Texas lands. A joint

operating agreement (“JOA”) between Titus and OXY was fully executed on July 8, 2021, effective May 1, 2021. A copy of the JOA was filed in this matter as Supplemental Exhibit A-9 on July 9, 2021 and provided by email to the hearing examiners and Division counsel.

4. The Hearings Division of the Railroad Commission of Texas (“RRC”) first considered Titus’s request for a Texas application to drill on April 13, 2021. The matter was taken under advisement pending execution of the JOA. After receiving the executed JOA, the Texas hearing examiner recommended that the RRC approve the Texas application via the RRC’s Oil and Gas Consent Agenda to be considered on August 24, 2021. *See* Notice of Meeting, Item No. 72, attached hereto as Exhibit 1. Titus anticipates that the Texas application will be approved accordingly and that an order of approval will issue on or about August 24, 2021 (“Texas Order”).

5. When the Texas Order has been issued, Titus will have all necessary Texas approvals to drill the El Campeon Fed Com 404H into Texas. Titus understands that Texas requires a memorandum of understanding with New Mexico only for the purpose of guidance for similar wells that may be proposed in the future, so that applications to drill such wells will not need to be referred to the RRC for hearing.

6. Titus has submitted the revisions to its pending administrative application for a non-standard location, which were requested by the hearing examiner at the hearing on June 17, 2021.

7. Titus prepared a draft memorandum of understanding (“MOU”) in light of its conferences with Division and RRC counsel, which was circulated to Division counsel on July 15, 2021. Titus has made efforts to set up a meeting between Division counsel and RRC counsel

to discuss the MOU, but has not been successful. Titus has not received any feedback from the Division regarding the draft MOU.

8. Titus has the El Campeon Fed Com 404H on its current drilling schedule and anticipates spudding the well in September 2021.

In light of these circumstances, Titus requests that the Division enter an order approving the application within sufficient time for Titus to drill the El Campeon 404H in accordance with its current drilling schedule. Titus attaches hereto as Exhibit 2 a draft order for the Division's consideration. The draft order addresses the issues previously raised by the Division. In the alternative, Titus requests that the Director refer this matter to the Commission for hearing on September 16, 2021, pursuant to 19.15.4.20 NMAC.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on the following counsel of record by electronic mail on August 18, 2021:

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NOTICE OF MEETING

RAILROAD COMMISSION OF TEXAS

Pursuant to Texas Government Code, Chapter 551, the following matters will be taken up for discussion and/or decision by the Railroad Commission of Texas at the William B. Travis Building, 1701 North Congress, Room 1-111, First Floor, Austin, Texas, on **Tuesday, August 24, 2021, commencing at 10:00 a.m.**

Webcast. Commission open meetings are webcast and may be accessed from the Commission's website at <https://www.rrc.texas.gov/> by clicking on "Open Meetings" and then "webcast home page", or by going directly to http://www.adminmonitor.com/tx/rrc/open_meeting/.

Register to Address the Commission on an Agenda Item. If you would like to register to address the Commission on an agenda item numbered below, please call 512-463-7865 or email RRCconference@rrc.texas.gov. Whether registering by phone or email, please include the following:

- (1) the agenda item number;
- (2) your name and affiliation;
- (3) your address;
- (4) your phone number;
- (5) whom you represent (self or company/client); and
- (6) whether you are available for questions from the Commissioners on a specific item on the agenda or are requesting to address the Commission during the Public Input item.

You must register **no later than noon (12 p.m.) on August 23rd**. Late registration by email could result in loss of the opportunity to participate on your item.

Auxiliary Aids or Services for Persons with a Disability. Any individual with a disability who plans to attend this meeting and who requires auxiliary aids or services should notify the Commission as far in advance as possible so that appropriate arrangements can be made. Requests may be made to the Human Resources Department of the Railroad Commission of Texas by mail at P.O. Box 12967, Austin, Texas 78711-2967; by telephone at 512-463-6981 or TDD No. 512-463-7284; by e-mail at ADA@rrc.texas.gov; or in person at 1701 North Congress Avenue, Suite 12-110, Austin, Texas.

HEARINGS DIVISION

GAS SERVICES

- 1. GUD No. 10606: Formal complaint of CNOOC Energy USA, LLC, against Williams MLP Operating, LLC and Mockingbird Midstream Gas Services, LLC.

SURFACE MINING AND RECLAMATION

- 2. SMRD C16-0014-SC-11-F: Application by San Miguel Electric Cooperative, Inc. for various phases of release of reclamation obligations on an aggregate 107.9 acres, Permit No. 11H, San Miguel Lignite Mine, Atascosa and McMullen Counties, Texas.

OIL AND GAS

- 3. OG-20-00002722: Complaint of Debra Christian that Basa Resources, Inc. (Operator No. 053974) does not have a good faith claim to operate the Jones, Callie (06123) Lease, Well Nos. 7, 8, 9, 10 and 13, East Texas Field, Gregg County, Texas; District 6E.
- 4. OG-20-00002724: Complaint of Debra Christian that Basa Resources, Inc. (Operator No. 053974) does not have a good faith claim to operate the Jones, George (06683) Lease, Well No. 12, East Texas Field, Gregg County, Texas; District 6E.
- 5. OG-20-00003058: Complaint of Debra Christian that Basa Resources, Inc. (Operator No. 053974) does not have a good faith claim to operate the Christian, J. M. -A- R/A -A- (07510) Lease, Well Nos. 3 & 4, East Texas Field, Gregg County, Texas; District 6E.
- 6. OG-20-00004451: Single Signature P-4 Filing of Asante Operating Company, LLC (Operator No. 033877) for the Sneed -A- (13662) Lease, Well Nos. 1, 2, 3, and 4, Buchanan Field, Caldwell County, Texas, to change the operator from Red Shell Inc. (Operator No. 696756) to Asante Operating Company, LLC; District 01.
- 7. OG-20-00002426: Enforcement action against BEP Operating, LLC (Operator No. 066718) for violations of statewide rules on the Butler, J. D. (23141) Lease, Well Nos. 2 and 3, Baylor County Regular Field, Baylor County, Texas; District 09.

OIL AND GAS CONSENT AGENDA (82 items; numbers 8 - 89)

- 8. OG-21-00005149: Application of Assent Energy Partners, LLC (Operator No. 035486) to consider permanent field rules for the Short Grass Prairie (Cong) Field, Hardeman County, Texas; District 09.
- 9. OG-20-00004502: Application of Verdugo-Pablo Energy, LLC (Operator No. 884574) for an exception to 16 TAC §3.32 for the Connie West (71078) Lease and Vito (71072) Lease, Platang (San Andres) Field, Yoakum County, Texas; District 8A.
- 10. OG-21-00005539: Application of U.S. Energy Development Corp. (No. 875462) for an exception to 16 TAC §3.32 for the Monte Lenoso B Pad (19738) Lease in the Briscoe Ranch (Eagleford) Field, Frio County, Texas; District 01.
- 11. OG-20-00005394: Application of Tall City Operations III LLC (No. 835518) for an exception to 16 TAC §3.32 for the Mothball 154-153-Unit W (53545) Lease, Hoefs T-K (Wolfcamp) Field, Reeves County, Texas; District 08.

67. OG-20-00003312: Exco Operating Company, Lp (Operator No. 256915) pursuant to 16 TAC §3.32 for an exception to flare gas for the Coleman Unit Zav E (18314) Lease, Well Nos. 2H and 4H, Briscoe Ranch (Eagleford) Field, Zavala County, Texas; District 01.
68. OG-20-00004861: Application of ER Operating Company (Operator No. 238075) pursuant to 16 TAC §3.32 for an exception to flare gas for the Googins 249 (71606) Lease, Platang (San Andres) Field, Yoakum County, Texas; District 8A.
69. OG-21-00005811: Application of James Lake Midstream LLC (Operator No. 429665) pursuant to 16 TAC §§3.36 and 3.46 to amend its commercial permit to inject fluid containing hydrogen sulfide gas into a reservoir productive of oil or gas for the James Lake Injection (45572) Lease, Well No. 1, Goldsmith (Ellenburger) Field, Ector County, Texas; District 08.
70. OG-21-00005946: Application of Windland Energy, LLC (Operator No. 931601) pursuant to 16 TAC §3.95 for a permit to create, operate, and maintain an underground liquid hydrocarbon storage facility for the Notrees Storage Unit Lease, Well Nos. 1, 2, and 3, Salado (Storage) Field, Ector County, Texas; District 08.
71. OG-20-00005461: Application of Prasad, Hari Production Co. (Operator No. 675948) to consider unitization and secondary recovery authority for the Fullerton East Glorieta Clearfork Unit Lease, Fullerton Field (Field ID No. 33230001), Andrews County, Texas; District 08.
72. OG-21-00006089: Request by Titus Oil & Gas Production, LLC (Operator No. 800622) to contest drilling permits unit denial of administrative approval for the El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field, Loving County, Texas; District 08.
73. OG-21-00006695: Single Signature P-4 Filing of Tesuque Oil & Gas LLC (Operator No. 844127) for the Mireles, Johnnie (02996) Lease, Well No. 1, Minerva-Rockdale Field, Milam County, Texas, to change the operator from Price Operating, LLC (Operator No. 676856) to Tesuque Oil & Gas LLC; District 01.
74. OG-21-00006856: Single Signature P-4 Filing of Tower Resources Inc. (Operator No. 862857) for the Garrison, E.V. et al (11848) Lease, Well Nos. 2608, 2609, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2627, 2628, 2629, 2630, 2631, 2632, 2633, and 2634, Slocum Field, Anderson County, Texas, to change the operator from Leverage Operating, LLC (Operator No. 498751) to Tower Resources Inc.; District 06.
75. OG-21-00006532: Single Signature P-4 Filing of Tall Dune Resources, LLC (Operator No. 835525) for the Foster, R. T. 17 (Gas ID No. 132635) Lease, Well No. 4, Conger (Penn) Field, Sterling County, Texas, to change the operator from Siana Oil & Gas (Operator No. 779259) to Tall Dune Resources, LLC; District 08.
76. OG-21-00006533: Single Signature P-4 Filing of Tall Dune Resources, LLC (Operator No. 835525) for the Foster, R. T. 17 (Gas ID No. 071245) Lease, Well No. 2C, Conger (Penn) Field, Sterling County, Texas, to change the operator from Siana Oil & Gas (Operator No. 779259) to Tall Dune Resources, LLC; District 08.

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[PROPOSED] ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on June 17, 2021, and after considering the testimony and evidence and the recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

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

EXHIBIT 2

6. The Division entered an appearance intervening in this matter. EOG Resources, Inc. also entered an appearance in this matter, but does not object to approval of the Application.
7. Titus's application for permit to drill in the State of Texas was approved by the Railroad Commission of Texas on or about August 24, 2021.

CONCLUSIONS OF LAW

8. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
9. Operator is the owner of an oil and gas working interest within the Unit.
10. Titus properly provided notice to all working interest owners in adjacent acreage as instructed by the Division.
11. Operator has the right to drill the Well to a common source of supply at the depth and location in the Unit described in the Application.
12. The proposed production allocation between New Mexico and Texas will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.
13. In order to permit Titus and other New Mexico mineral interest owners to obtain their just and fair share of the oil and gas underlying the subject lands, production should be allocated between New Mexico and Texas as proposed.

ORDER

14. The Unit shall be dedicated to the Well described above.
15. Allocation of all oil and gas production and its associated revenues, royalties, taxes, and any other related allocations shall be made on a surface acre proration unit basis.
16. Operator shall obtain a New Mexico API# and a Texas API# for the Well. Operator shall comply with all New Mexico reporting requirements through the New Mexico API#.
17. Operator's permitting and subsequent operations shall be subject to the rules and regulations of the OCC and all other applicable State of New Mexico regulatory agencies as it pertains to compliance with all environmental, surface activity, permitting, drilling, completion, production, plugging, abandonment, and any other regulatory requirements.
18. Operator shall report to each state's appropriate regulatory agencies the gross production volumes from the entire wellbore and shall also report to each state's appropriated regulatory agencies the production volumes allocated to lands located within each state's borders, as applicable. Operator shall report to each state's

regulatory agencies all required information for that portion of the wellbore located within each state's borders.

19. Operator shall obtain the OCD's approval for a non-standard location in New Mexico.
20. Operator shall maintain the appropriate financial assurances, bonds, and any other applicable financial and insurance requirements required by both the State of New Mexico and the State of Texas.
21. The Operator shall commence drilling the Well within one (1) year after the date of this Order and complete the Well no later than one (1) year after the commencement of drilling the Well.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

ADRIENNE SANDOVAL DIRECTOR