

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

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

Case No. 21619-21620

**APPLICATION OF MATADOR PRODUCTION
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case Nos. 21748-21751

AMENDED PRE-HEARING STATEMENT

TITUS OIL & GAS PRODUCTION, LLC (“Titus”) provides this amended Pre-Hearing Statement in the above-referenced cases as required by the rules of the Division.

APPEARANCES

APPLICANT

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PRODUCTION, LLC

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OPPONENT

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OTHER INTERESTED PARTY

COLGATE OPERATING, LLC

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STATEMENT OF THE CASE

These cases concern competing proposals for compulsory pooling to develop the Yeso formation. Titus Oil & Gas Production, LLC filed its applications in Case Nos. 21619 and 21620 on December 8, 2020. MRC Permian Company ("Matador") filed subsequent competing applications in Case Nos. 21748-21751 on February 25, 2021. As will be established at hearing, Titus has the better development plan and is better situated for development of this HSU.

Most notable is the difference in the applicants' respective interests. Titus controls approximately 57% of the interest in the proposed spacing unit, while Matador controls only about 8%. Matador belatedly proposed the same number of wells, to be drilled in the Bone Spring and the Wolfcamp. However, Matador proposes to drill in the Third Bone Spring and the Wolfcamp, which Titus views to be in communication with each other with no distinct barrier between the two. In addition, it appears that Matador's design for the proposed wells may not satisfy application design requirements. Matador's apparent lack of compliance is the primary driver in the differences between the respective AFEs.

In **Case No. 21619**, Titus seeks an order from the Division pooling all uncommitted interests in the Bone Spring formation (Salt Lake; Bone Spring [53560]) underlying a standard 560-acre, more or less, horizontal spacing and proration unit (“HSU”) comprised of the E/2 of Section 22 and the NE/4 and N/2 SE/4 of Section 27, all within Township 20 South, Range 32 East, NMPM, in Lea County, New Mexico. Applicant proposes to drill the following wells: **Thai Curry Fed Com 223H** well, to be horizontally drilled from an approximate surface hole location 376’ FNL and 593’ FEL of Section 22, T20S-R32E, to an approximate bottom hole location 1330’ FSL and 2310’ FEL of Section 27, T20S-R32E; and **Thai Curry Fed Com 224H** well, to be horizontally drilled from an approximate surface hole location 376’ FNL and 533’ FEL of Section 22, T20S-R32E, to an approximate bottom hole location 1330’ FSL and 990’ FEL of Section 27, T20S-R32E. The completed intervals and first and last take points for these wells will meet statewide setback requirements for horizontal wells. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs, the designation of Applicant as Operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately twenty-seven miles northeast of Loving, New Mexico.

In **Case No. 21620**, Titus seeks an order from the Division pooling all uncommitted interests in the Wolfcamp formation (Salt Lake; Wolfcamp [53570]) underlying a standard 560-acre, more or less, horizontal spacing and proration unit (“HSU”) comprised of the E/2 of Section 22 and the NE/4 and N/2 SE/4 of Section 27, all within Township 20 South, Range 32 East, NMPM, in Lea County, New Mexico. Applicant proposes to drill the following wells: **Thai Curry Fed Com 433H** well, to be horizontally drilled from an approximate surface hole location 30’ FNL and 488’ FEL of Section 22, T20S-R32E, to an approximate bottom hole location 10’ FSL

and 2310' FEL of Section 27, T20S-R32E; and **Thai Curry Fed Com 434H** well, to be horizontally drilled from an approximate surface hole location 30' FNL and 458' FEL of Section 22, T20S-R32E, to an approximate bottom hole location 10' FSL and 990' FEL of Section 27, T20S-R32E. The completed intervals and first and last take points for these wells will meet statewide setback requirements for horizontal wells. Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs, the designation of Applicant as Operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately twenty-seven miles northeast of Loving, New Mexico.

In **Case No. 21748**, *Application of Matador Production Company for Compulsory Pooling, Lea County, New Mexico*, Matador seeks an order pooling all uncommitted interests in the Bone Spring formation underlying a standard 280-acre, more or less, horizontal spacing unit comprised of the W/2 E/2 of Section 22, the W/2 NE/4 and the NW/4 SE/4 of Section 27, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico. Matador seeks to dedicate to the above-referenced horizontal spacing unit the proposed initial **Wray Trust 2227 #133H** well, to be horizontally drilled from a surface location in the NW/4 NE/4 (Unit B) of Section 22 to a bottom hole location in NW/4 SE/4 (Unit J) of Section 27.

In **Case No. 21751**, *Application of Matador Production Company for Compulsory Pooling, Lea County, New Mexico*, Matador seeks an order pooling all uncommitted interests in the Wolfcamp formation underlying a standard 280-acre, more or less, horizontal spacing unit comprised of the E/2 E/2 of Section 22, the E/2 NE/4 and the NE/4 SE/4 of Section 27, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico. Matador seeks to dedicate to the above-referenced horizontal spacing unit the proposed initial **Wray Trust 2227 #204H** well, to be

horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) of Section 22 to a bottom hole location in NE/4 SE/4 (Unit I) of Section 27.

In Case Nos. 21748-21751, Matador seeks to develop the same or overlapping lands.

MATERIAL FACTS

The parties agree as follows:

Proposed Undisputed facts:

- The parties propose horizontal wells to be drilled in the same lands, as described in their respective proposed HSUs.
- The parties agree that wells should be drilled in the Bone Spring and in the Wolfcamp.
- The parties agree that there is no significant difference in the geology relating to the parties' competing proposals.
- The parties agree that a 200% risk charge is appropriate in these cases.

Proposed Disputed facts:

- The parties dispute the appropriate targeted depths.
- The parties may dispute their respective percentages of working interest in the proposed spacing unit.
- The parties dispute which proposal is the better proposal, as more specifically stated in their respective pre-hearing statements and pre-filed written testimony, in light of the factors to be considered by the Division as set forth in its prior orders.

PROPOSED EVIDENCE

APPLICANT TITUS

| WITNESSES | TIME | EXHIBITS |
|--------------------------|--------------------------------|----------|
| Landman John McBroom | Dependent on cross-examination | 9-10 |
| Geologist Allen Frierson | Dependent on cross-examination | 7-8 |
| Engineer Will Tindol | Dependent on cross-examination | 3-4 |

OPPONENT/APPLICANT MRC/MATADOR

WITNESSES

TIME

EXHIBITS

TBD

OTHER INTERESTED PARTY

WITNESSES

TIME

EXHIBITS

TBD

PROCEDURAL MATTERS

Case Nos. 21619 and 21620, and Case Nos. 21748 and 2175, respectively, are competing applications set to be heard on October 7, 2021, pursuant to the Pre-Hearing Order entered July 15, 2021 (“Pre-Hearing Order”). In accordance with paragraph 4(d) in the Pre-Hearing Order, Titus is providing concurrently, by separate submission, a full narrative of direct testimony and exhibits for each witness.

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 September 30, 2021:

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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
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QUESTIONS

Action 53393

QUESTIONS

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|---|--|
| Operator: Titus Oil & Gas Production, LLC 420 Throckmorton St, Ste 1150 Fort Worth, TX 76012 | OGRID: 373986 |
| | Action Number: 53393 |
| | Action Type: [HEAR] Prehearing Statement (PREHEARING) |

QUESTIONS

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| Testimony | |
| <i>Please assist us by provide the following information about your testimony.</i> | |
| Number of witnesses | 3 |
| Testimony time (in minutes) | 30 |