

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:

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)

4
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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**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

Oil and Gas Docket No. 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**

FINAL ORDER

The Commission finds that after statutory notice the captioned proceeding was heard by an Administrative Law Judge Ezra A. Johnson and Technical Examiner Austin Gaskamp on April 13, 2021. The proceeding having been duly submitted to the Railroad Commission of Texas ("Commission") at conference held in its offices in Austin, Texas, the Commission makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. On February 22, 2021, Titus Oil & Gas Production, LLC ("Titus"), filed a Form W-1 ("Application") for the El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field ("Field"), Loving County, Texas.
2. The minimum lease-line spacing applicable to the Field is 330 feet perpendicular to the path of a horizontal well and 100 feet from the first and last take point parallel to the path of a horizontal well.
3. Titus's Form P-5 is Active. Titus has a \$50,000 bond as its financial assurance.
4. On March 5, 2021, Staff with the Drilling Permits Department of the Commission ("Staff") informed the Hearings Division, that "Staff does not feel that this application can be administratively approved, and the applicant wishes the matter to go to hearing."
5. On March 23, 2021, the Hearings Division sent a Notice of Hearing ("Notice") to Titus, the Texas Comptroller of Public Accounts, the New Mexico State Land Office, the New Mexico Energy, Minerals and Natural Resources Department, the New Mexico Taxation and Revenue Department and the United States Bureau of Land Management, setting a hearing for April 13, 2021. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted.
6. The hearing was held on April 13, 2021, as noticed. Applicant appeared and participated at the hearing, along with Occidental Petroleum and Staff. No one appeared in protest.

EXHIBIT 3

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7. The off-lease surface location of the subject well is proposed to be located 558 feet from the south survey line and 590 feet from the east survey line of Section 20, T26S-R35 East, Lea County New Mexico.
8. The off-lease penetration point and first take point of the subject well in the proposed correlative interval will be located off lease 100 feet from the north survey line and 330 feet from the east survey line of Section 29 T26S-R35 East, Lea County New Mexico ("Section 29").
9. The last take point of the subject well in the proposed correlative interval will be located 100 feet from the south survey and lease line and 1,883 feet from the east survey and lease line in Section 25, Bock C24, Public School Land Survey ("Texas Section 25").
10. The terminus of the subject well in the proposed correlative interval will be located 10 feet from the south survey and lease line and 1,912 feet from the east survey and lease line in Texas Section 25.
11. The United States Bureau of Land Management has authority to manage 100% of the mineral rights in and to Section 29.
12. The State of New Mexico holds 100% of the mineral rights in and to Section 32, T26S-R35 East, Lea County New Mexico ("Section 32").
13. Titus holds 100% ownership interest in contractual leasehold rights as to Section 29 and Section 32.
14. Pegasus Resources, LLC; Chisos Minerals, LLC and Fortis Minerals II, LLC, own 253 net royalty acres in Texas Section 25 and filed an amicus curiae in support of the Application.
15. Occidental Petroleum ("OXY") holds 100% ownership interest in contractual leasehold rights as to Texas Section 25.
16. Titus and OXY have entered into a joint operating agreement ("JOA") for the drilling and operation of the subject well in Texas Section 25. Titus is designated in the JOA as "Operator," and OXY is designated as "Non-Operator".
17. The standard for determining whether the operator is entitled to a permit is whether the operator has a "good faith claim" to operate.
18. A "good faith claim" is defined in Commission Statewide Rule (15)(a)(5) as "a factually supported claim based on a recognized legal theory to a continuing possessory right in the mineral estate, such as evidence of a currently valid oil and gas lease or a recorded deed conveying a fee interest in the mineral estate."
19. Titus provided evidence sufficient to show a factually supported claim to a continuing right to operate the subject well on Texas Section 25.

20. Titus proposes to allocate production from the well based on either surface acreage assigned to the well or wellbore length within the acreage assigned.
21. The proposed alternatives for allocation of production from the subject well are reasonable.
22. Production from the subject well will be allocated on a basis mutually acceptable to public agencies having jurisdiction in Texas and New Mexico.
23. Titus requested an exception to Statewide Rule 37¹ in order to perforate the subject well within one foot of the north lease line, being the north boundary of Texas Section 25.
24. State Rule 37 requires and applicant seeking an exception to the minimum lease-line spacing requirement to file a list of the mailing addresses of all affected persons, who, for tracts closer to the well than the minimum lease-line spacing distance, include: (i) the designated operator; (ii) all lessees of record for tracts that have no designated operator; and (iii) all owners of record of unleased mineral interests.
25. OXY is the only affected person under Statewide Rule 37. OXY was not provided notice of the hearing but participated as an observer and later signed the JOA.
26. Texas Section 25 an irregular polygon (its West to East distance at its longest point is significantly longer than its North to South distance at its longest point). The northern Boundary of Texas Section 25 lies directly on the Texas-New Mexico state line.
27. All of the wells targeting the Wolfcamp Formation in the area of Texas Section 25 are drilled with horizontal laterals on a north/south axis.
28. Texas Section 25 runs about 4,200 feet in the longest portion of a north/south orientation.
29. Factoring in the required lease-line spacing minimums, it is not economical to drill a horizontal completion solely within Texas Section 25 on a north/south axis.
30. Lands adjacent to Texas Section 25 are leased to third parties and the acreage is assigned to existing horizontal wells permitted in the Field.
31. If the Application is not approved, available hydrocarbon reserves under Texas Section 25 may go unrecovered.
32. The subject well, as proposed, will promote orderly development of the field, prevent waste, and protect correlative rights.

¹ 16 Tex. Admin Code §3.37.

- 33. The Applicant has waived the issuance of a Proposal for Decision and Examiners' Report in this docket.

CONCLUSIONS OF LAW

- 1. Proper notice of hearing was timely issued to appropriate persons entitled to notice, or has been waived in writing by executing a joint operating agreement.
- 2. Resolution of this docket is a matter committed to the jurisdiction of the Commission. Tex. Gov't Code § 81.051.
- 3. Titus has a good faith claim to drill the El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field, Loving County, Texas.
- 4. The subject well, as proposed, will prevent waste and protect correlative rights.
- 5. The requested exception to Statewide Rule 37 is unopposed and should be granted pursuant to 16 Tex. Admin Code §3.37(h)(2).

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of Titus Oil & Gas Production, LLC for a permit and exception to Statewide Rule 37 to drill the El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field, Loving County, Texas is hereby **APPROVED**, subject to the conditions identified below, at the following location:

- **Surface Location:** (Off lease) 558 feet from the south survey line and 590 feet from the east survey line of Section 20, T26S-R35 East, Lea County New Mexico.
- **Penetration Point Location:** (Off lease) 100 feet from the north survey line and 330 feet from the east survey line of Section 29 T26S-R35 East, Lea County New Mexico.
- **Terminus Location:** 10 feet from the south survey and lease line and 1,912 feet from the east survey and lease line in Section 25, Bock C24, Public School Land Survey, Loving County, Texas.

As shown on Attachment A attached to this order.

CONDITIONS

The following conditions are subject to change upon further consultation with the relevant public agencies having jurisdiction over drilling, operating, and producing the subject well.

- 1. **Fresh Water Sand Protection.** The operator must set and cement sufficient surface casing to protect all usable-quality water as defined by the Railroad Commission of Texas (RRC) Groundwater Advisory Unit (GAU). Before drilling a well, the operator must obtain a letter from the Railroad Commission of Texas

- stating the depth to which water needs protection. Write: Railroad Commission of Texas, Groundwater Advisory Unit (GAU), P.O. Box 12967, Austin, Texas 78711-3087. File a copy of the letter with the appropriate district office.
2. **Permit at Drilling Site.** A copy of the Form W-1 (Drilling Permit Application), the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout the drilling operations.
 3. **Notification of Setting Casing.** The operator MUST call in notification to the appropriate district office a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification MUST be able to advise the district office of the docket number.
 4. **Producing Well.** Statewide Rule 16 requires that the operator submit a Form W-2 (oil well) or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this order voids the order for all other fields included in the order unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date of this order.
 5. **Dry or Noncommercial Hole.** Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or noncommercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).
 6. **Intention to Plug.** The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.
 7. **Notification of Plugging a Dry Hole.** The operator MUST call to notify the appropriate district office a minimum of four (4) hours prior to beginning plugging operations. The individual giving notification MUST be able to advise the district office of the docket number and all water protection depths for that location as stated in the Texas Commission On Environmental Quality letter.
 8. **Plugged Wells.** Should this well ever be plugged and abandoned, the Commission will consider such plugging and abandonment as prima facie

evidence that production from said well is no longer necessary to prevent confiscation of applicant's property or to prevent waste; and upon such plugging and abandonment, the authority for such well as granted under this permit shall cease.

9. **Permit Expiration.** This permit expires two (2) years from the date this order becomes administratively final unless actual drilling operations have begun. The permit period will not be extended.
10. **Acreage Designation.** The applicable sections of Form P-16 (relating to Acreage Designation) will capture only acreage that is being assigned to the well from tracts in Texas. The total acreage being assigned to the well from New Mexico tracts and Texas tracts will be provided in the "Remarks" section of P-16.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the order is signed, unless the time for filing a motion for rehearing has been extended under Tex. Gov't Code § 2001.142, by agreement under Tex. Gov't Code § 2001.147, or by written Commission order issued pursuant to Tex. Gov't Code § 2001.146(e). If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to Tex. Gov't Code § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law is hereby extended until 100 days from the date the parties are notified of this order in accordance with Tex. Gov't Code § 2001.144.

Signed August 24, 2021.

**Railroad Commission of Texas (Order approved
and signatures affixed by Hearings Division
Unprotested Master Order dated August 24, 2021)**

TIFFANY A. POLAK
Tiffany.Polak@state.nm.us
505-476-3441

SKILLS

Results-driven, reliable, and energetic leader with more than 20 years of diverse industry experience including conventional, unconventional, international/domestic, operations and development. An integrator and collaborative leader with excellent communication skills and broad understanding of business strategy and processes with demonstrated experience managing large cross-disciplinary teams through technical and cultural challenges to achieve results.

AREAS OF EXPERTISE

Project management, leadership, people development, strategic planning, unconventional subsurface, development planning, business planning, budget management, reserves & resource management, integrated cross disciplinary technical studies, process improvement.

EMPLOYMENT

**NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT,
OIL CONSERVATION DIVISION, SANTA FE, NEW MEXICO**

• **Deputy Director, April 2020 - Present**

- Direct the administrative aspects of OCD's operations, including the development of oil and gas regulations
- Supervise the Environmental Bureau and Engineering Bureaus
- Responsible for developing and implementing policies and recommending improvements in OCD business practices, directing long term and contingency planning, allocating resources, and coordinating collaboration with other federal, state, and local agencies
- Coordinate bill analysis, ensure OCD's recommendations are in line with administration and department policies, and present testimony before legislative committees
- Develop legislation that allows OCD to continue the effective development and regulation of the oil and gas industry

MARATHON OIL COMPANY, HOUSTON, TEXAS

• **Development Director - Permian Asset, April 2019- April 2020**

- Managed development team tasked with planning, executing, and optimizing Northern Delaware asset.
- Responsible for management of reservoir engineering, geoscience, production engineering, portfolio and regulatory teams which handled well planning and well management, \$500 MM asset budget and forecast, drill schedule, reserve/resource changes and reliable technology updates, type curve generation and asset forecasting, subsurface tools and databases, competitor analysis, outside-operated businesses (including evaluation, participation and forecasting), integrated discipline trials and data acquisition programs, subsurface technical studies (including internal and external ex. JIP), preparation of internal

and external presentations, regulatory compliance workflows, communications with state and federal agencies, and regular interactions with executive level management.

- **Development Manager - Permian Asset, March 2018 – April 2019**

- Managed operations, production, facility and subsurface teams for Northern Delaware asset.
- Responsibilities included managing nine direct reports and oversight of ~100+ employees and contractors in both field and office locations for new corporate asset, planning, execution and surveillance of well program from inception to life (excluding drilling and completions), business planning (production, capital and expense forecasting), safety culture, metrics & regulations, stand up of asset workover team.

- **Subsurface Manager - Eagle Ford Asset, 2016 – 2018**

- Managed subsurface teams for Eagle Ford asset.
- Responsible for reservoir engineering and geoscience teams which handled working well planning and well management, drill schedule, reserve/resource changes, reliable technology updates, type curve generation, asset forecasting, subsurface tools and databases, competitor analysis, outside-operated business (including evaluation, participation and forecasting), integrated discipline trials and data acquisition programs, subsurface technical studies (including internal and external ex. JIP), preparation of internal and external presentations, and regular interactions with executive level management.

- **Integrated Process Team Manager, 2015 – 2016**

- Managed technical expert teams supporting Bakken, Eagle Ford and Mid Continent assets.
- Responsible for project management, technical oversight, external consortium/conference/JIP management, and data acquisition planning, execution and analysis.
- Assigned additional subsurface leadership roles for Eagle Ford assets.

HESS CORPORATION, HOUSTON, TEXAS

- **Reservoir Engineer, 2009 - 2013**

- Responsible for plan of development, well surveillance, forecasting, type curve creation, well and business planning, data analytics, reserves and resource booking for Bakken and Utica shale plays.

- **Reservoir Engineering Tech Specialist, 2001-2009**

- Responsible for database management, AFE generation, cost variance analysis and tracking, project management, data room support on both A&D sides for GOM & Bakken assets.

OCEAN ENERGY, HOUSTON TEXAS

- **Engineering & GeoScience Technician, 1998 – 2001**

- Responsible for West African business included: database management, mapping, seismic loading, cross section creation, log interpretation, AFE generation, cost variance analysis and tracking.

UNITED MERIDIAN CORPORATION, HOUSTON, TEXAS

- **Engineering & GeoScience Technician, 1997 – 1998**

- Responsible for West African business, including database creation and management, mapping, log digitizing, new business development data room support on both A&D sides, and transition support for merger with Ocean Energy.

EDUCATION

- 2010 M.S. Petroleum Engineering, Texas A&M University, College Station, Texas
- 2001 M.P.H., Disease Control Epidemiology, University of Texas Health Science Center, Houston, Texas
- 1997 B.S., Professional Zoology, University of Oklahoma, Norman, Oklahoma

AWARDS

- 2020 Hart's Energy Investor Top 25 Most Influential Women in Oil and Gas
- 2020 Named Energy Council Global Female Influencer & Top Female Execs List

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



El Campeon Fed Com 404H

June 17, 2021

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TAB 1

**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

APPLICATION

Titus Oil & Gas Production, LLC (“Titus”), through its undersigned counsel Montgomery & Andrews, P.A. (Sharon T. Shaheen and John F. McIntyre), hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, §70-2-17, 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 (“HSU”) 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. The well will cross the New Mexico/Texas border, continuing to produce in the Wolfcamp formation (Phantom; Wolfcamp [Texas Field No. 71052900]). In support of its application, Titus states as follows:

1. Titus is the sole working interest owner in the New Mexico portion of the HSU and has the right to drill thereon.
2. Occidental Petroleum (“OXY”) is the sole working interest owner in the Texas portion of the HSU and has the right to drill thereon. OXY supports Titus’s plan to drill the subject well described below.

3. Titus proposes to dedicate this spacing unit to the **El Campeon Fed Com 404H** 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.

4. The completed interval and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells.

5. Production will be allocated to New Mexico and Texas prorated on the basis of surface acreage in the proration unit or in any other manner mutually acceptable to the Division and to the Railroad Commission of Texas.

6. The Railroad Commission of Texas will conduct a hearing on April 13, 2021 regarding approval of the production allocation on behalf of Texas.

7. The proposed production allocation between New Mexico and Texas will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

8. 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.

WHEREFORE, Titus requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 6, 2021, and that, after notice and hearing as required by law, the Division enter an order approving the production allocation between New Mexico and Texas for minerals produced from the Wolfcamp formation underlying the HSU.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

/s/ Sharon T. Shaheen

Sharon T. Shaheen

John F. McIntyre

Post Office Box 2307

Santa Fe, NM 87504-2307

(505) 986-2678

sshaheen@montand.com

jmcintyre@montand.com

Attorneys for Titus Oil & Gas Production, LLC

TAB 2

**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

AFFIDAVIT OF LANDMAN WALTER JONES

I, being duly sworn on oath, state the following:

1. I am a landman employed as Vice President of Land with Titus Oil & Gas Production, LLC (“Titus”), and I am familiar with the subject application and the lands involved.

2. This affidavit and the attached exhibits are submitted in connection with the filing of the above-referenced application, pursuant to 19.15.4 NMAC and the public health emergency protocols implemented by the Division for virtual hearings.

3. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record previously. My education and work experience are as follows: I graduated from the University of Mississippi in 2005 with a business degree in marketing. From 2007 through 2009, I worked as an independent landman for a broker in the Barnett Shale in the Fort Worth area. From 2009 to 2017, I worked for BOPCO, LP, overseeing assets predominately in Eddy and Lea Counties, New Mexico. I have been with Titus from 2017 to present. I have been working on New Mexico oil and gas matters for approximately 12 years.

4. The purpose of this application is to obtain Division approval of the production allocation between the State of New Mexico and the State of Texas for the El Campeon Fed Com

Exhibit A

Titus Oil & Gas Production LLC
NMOCD NO. 21872

JUNE 17, 2021

404H well (“El Campeon 404H”), a horizontal well that Titus proposes to drill across the state line between New Mexico and Texas and from which production will occur in both states.

5. The proposed El Campeon 404H will produce oil from the Wolfcamp formation underlying a standard 280-acre, more or less, horizontal spacing and proration unit (“HSU”) 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 (WC-025 G-09 S263619C; Wolfcamp [98234]), and Lot 1 of irregular Section 25, Block C24, in Loving County, Texas (Phantom; Wolfcamp [Texas Field No. 71052900]).

6. Titus is the sole working interest owner in the New Mexico portion of the HSU and has the right to drill thereon.

7. Occidental Petroleum (“OXY”) is the sole working interest owner in the Texas portion of the HSU and has the right to drill thereon. OXY is not opposed to Titus’s plan to drill the El Campeon 404H, and the parties are currently finalizing a joint operating agreement (“JOA”).

8. The surface hole location is approximately 558’ FSL and 590’ FEL of Section 20, T26S-R35E, Lea County, New Mexico. The completed lateral crosses the state line at approximately 0’ FSL and 330’ FEL of Section 32, T26S-R35E. The bottom hole location is approximately 10’ FSL and 1912’ FEL of Section 25, Block C24, Public School Land Survey, Abstract No. 701, Loving County, Texas.

9. The first take point will be located at approximately 100’ FNL and 330’ FEL of Section 29, T26S-R35E, Lea County, New Mexico. The last take point will be approximately 100’ FSL and 1883’ FEL of Section 25, Block C24, Public School Land Survey, Abstract No. 701, Loving County, Texas.

10. The proposed HSU is a standard spacing unit for an oil well, as defined in 19.15.16.15(B)(a) NMAC. The proposed HSU consists of contiguous tracts, each of which is a governmental quarter-quarter section or equivalent and each of which will be penetrated by the completed interval. *See id.*

11. The completed interval complies with the state-wide setback requirements for oil wells set forth in 19.15.16.15(C)(1)(a) NMAC.

12. The proposed first and last take points satisfy the state-wide setback requirements for oil wells set forth in 19.15.16.15(C)(1)(b) NMAC.

13. Nonetheless, because the last take point is located on the Texas side of the state line, in an abundance of caution, Titus filed an administrative application for approval of a non-standard location (“NSL”) on April 16, 2021 (“NSL Application”). The only “affected person” for purposes of the NSL is OXY. *See* 19.15.16.15(C)(6) NMAC; 19.15.15.13(C) NMAC; 19.15.2.7(A)(8) NMAC. Additionally, Titus provided notice of the NSL Application to OXY’s lessors. To date, no affected person has objected.

14. A general location map, including the basin, is attached as **Exhibit A-1**.

15. A map illustrating the tracts in the proposed HSU and the ownership of each individual tract can be found in **Exhibit A-2**. Tract 1 consists of a federal lease in New Mexico. Tract 2 consists of a state lease in New Mexico. Tract 3 consists of fee leases held by OXY as the lessee.

16. The ownership breakdown of working interests in the proposed HSU can be found at **Exhibit A-3**.

17. A chronology of contacts with noticed parties is attached as **Exhibit A-4**.

18. The location of the proposed well within the HSU is depicted in the draft C-102 Form attached as **Exhibit A-5**. The draft C-102 Form also indicates the location of the surface hole, the bottom hole, and the first and last take points.

19. In light of communications with the Division, Titus sent notice of the application to all parties who would have been entitled to notice if the proration unit were non-standard. *See* 19.15.16.15(B)(5)(b)(2) NMAC. Titus also sent notice to its lessees, the Bureau of Land Management and the New Mexico State Land Office. In addition, Titus sent notice to the Railroad Commission of Texas (“RRC”) and the Texas Comptroller of Public Accounts. **Exhibit A-6** includes a copy of the notice letter that was sent with the application to all such parties.

20. Titus has sought approval of the proposed well, including approval of production allocation, from the RRC. A hearing before the RRC was held on April 13, 2021 (“RRC Hearing”), in RRC Docket No. OG-21-00006089. A copy of the exhibits submitted at the RRC Hearing is attached hereto as **Exhibit A-7**. The transcript of the RRC Hearing is attached hereto as **Exhibit A-8**. The RRC hearing examiners are holding the record open for 90 days, while Titus and OXY finalize the JOA. Once the JOA is in place, the RRC hearing examiners will submit a report to the RRC, who will then take the matter under consideration.

21. On March 23, 2021, notice of the RRC Hearing was mailed to the Division, the New Mexico Energy, Minerals and Natural Resources Department, the New Mexico Taxation & Revenue Department, the Bureau of Land Management (Santa Fe and Hobbs offices), and the New Mexico State Land Office, among others. *See* **Exhibit A-8** at pdf page 5. OXY also attended the RRC Hearing.

22. RRC Hearing Exhibit No. 2 illustrates Titus’s development plan for Section 29 and irregular Section 32, T26S-35E, in Lea County, New Mexico and irregular Section 25, Block C24,

in Loving County, Texas (“Section 25”). *See id.* at pdf page 6. Irregular Section 32 in New Mexico consists of roughly a half-section. Section 25 in Texas is an irregular section of approximately 636 acres in the shape of a trapezoid, the eastern boundary of which is approximately 982’ long. *Id.* at pdf 16. That portion of Section 25 that will be developed by the El Campeon Fed Com 404H consists of approximately 49 acres and extends from the state line to the southern boundary of Section 25. *See id.; see also id.* at pdf page 15. In the future, Titus will propose additional wells in the same or other formations with similar well paths as those indicated on RRC Hearing Exhibit No. 2.

23. Titus proposes to allocate production between New Mexico and Texas based on proration unit surface acres. Although Texas ordinarily allocates production based on completed lateral length, in this instance, the allocation based on surface acres and the allocation based on completed lateral length is nearly the same. *See id.* at pdf page 19 (RRC Exhibit No. 8).

24. Titus anticipates that a New Mexico API# will be assigned for reporting purposes related to production allocated to New Mexico and that a Texas API # will be assigned for reporting purposes related to production allocated to Texas. All production, royalties, taxes, etc. will be allocated to the well’s proration unit acreage in each state and reported to each state’s API#. Titus further anticipates that the States will confer after permits are approved by each State to determine how authority over regulatory and environmental compliance will be allocated between the States.

25. Titus has already received a federal permit for drilling the proposed well as a 1.5-mile well fully in New Mexico. Titus has conferred with the Bureau of Land Management about drilling the proposed well as a 2-mile well across the state line and, as a result, understands that a sundry notice can be filed to extend the well across the state line as outlined herein.

26. Titus has also conferred with the New Mexico State Land Office, who received notice of this application. As of this date, the State Land Office has not entered an appearance in this proceeding.

27. Similar horizontal wells cross the state boundary between West Virginia and Pennsylvania, recovering hydrocarbons underlying both states. Inquiry with operators of such wells revealed that the wells were permitted in Pennsylvania (surface location) and subsequently approved by West Virginia as permitted in Pennsylvania. Upon information and belief, the states did not enter into a memorandum of understanding or other agreement between the states.

28. The Exhibits to this Affidavit were prepared by me, or compiled from Titus's business records.

29. The granting of the Application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

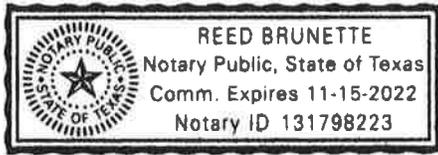
30. The foregoing is correct and complete to the best of my knowledge and belief.

FURTHER AFFIANT SAYETH NAUGHT

Walter P. Jones
Walter P. Jones

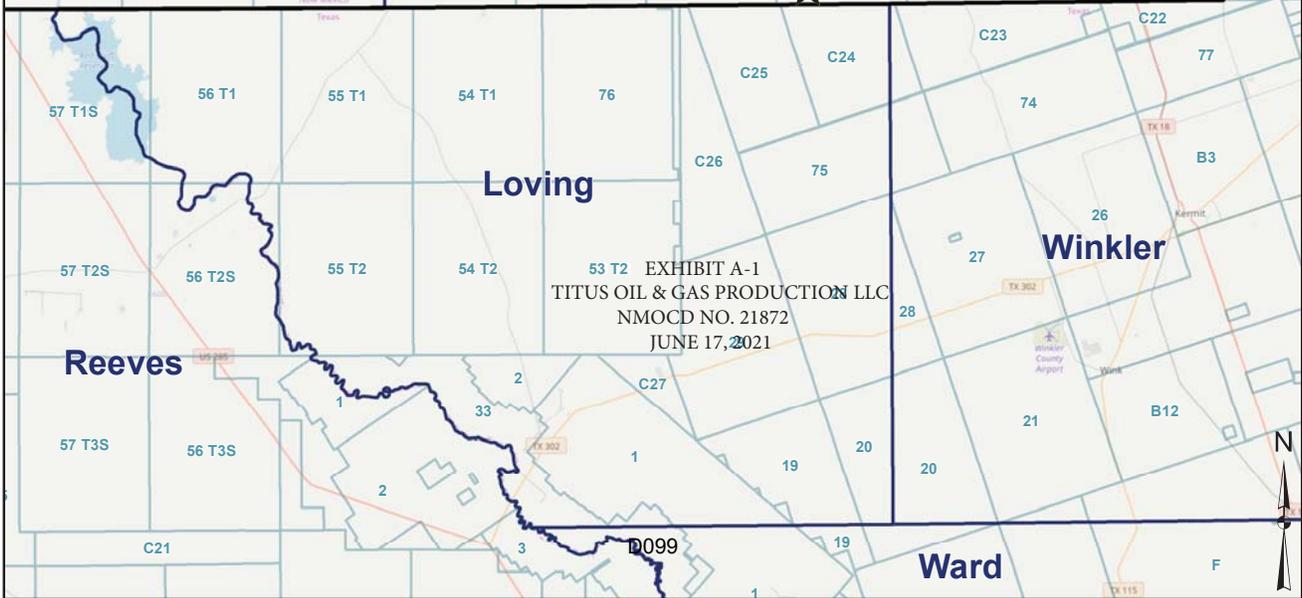
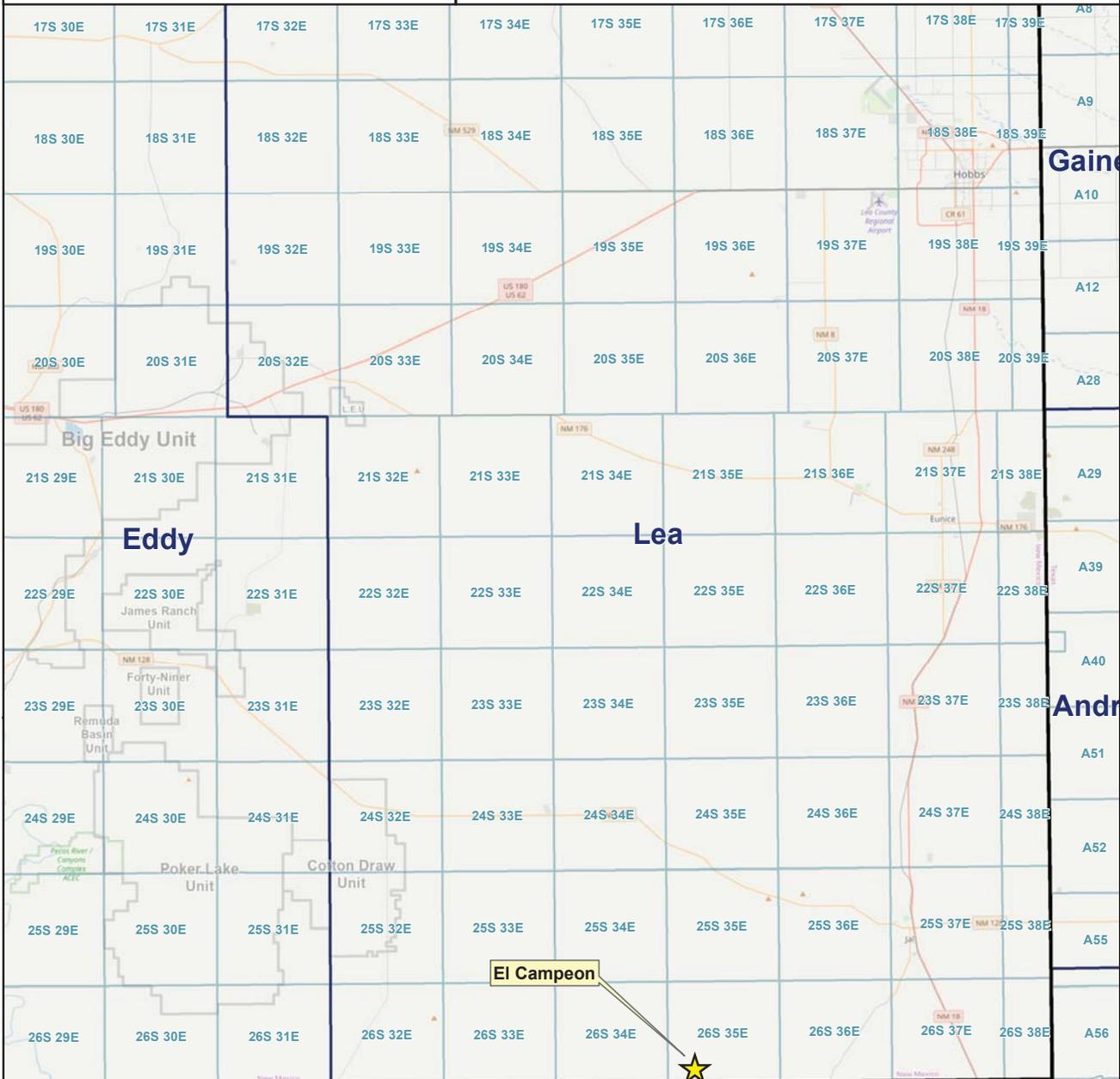
STATE OF TEXAS)
)ss
COUNTY OF TARRANT)

Subscribed to and sworn before me this 15th day of June, 2021.



Reed Brunette
Notary Public

My Commission expires 11-15-2022.



19

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21

26S 35E

Tract 1
Titus Oil & Gas Production, LLC - 100%

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29

28

Tract 2
Titus Oil & Gas Production, LLC - 100%

31

32

33

NEW MEXICO

TEXAS

Tract 3
Oxy USA Inc. - 100%

25

14

EXHIBIT A-2
TITUS OIL & GAS PRODUCTION LLC
NMOCD NO. 21872
JUNE 17, 2021

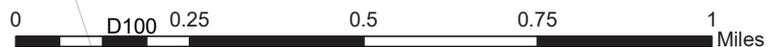
C24

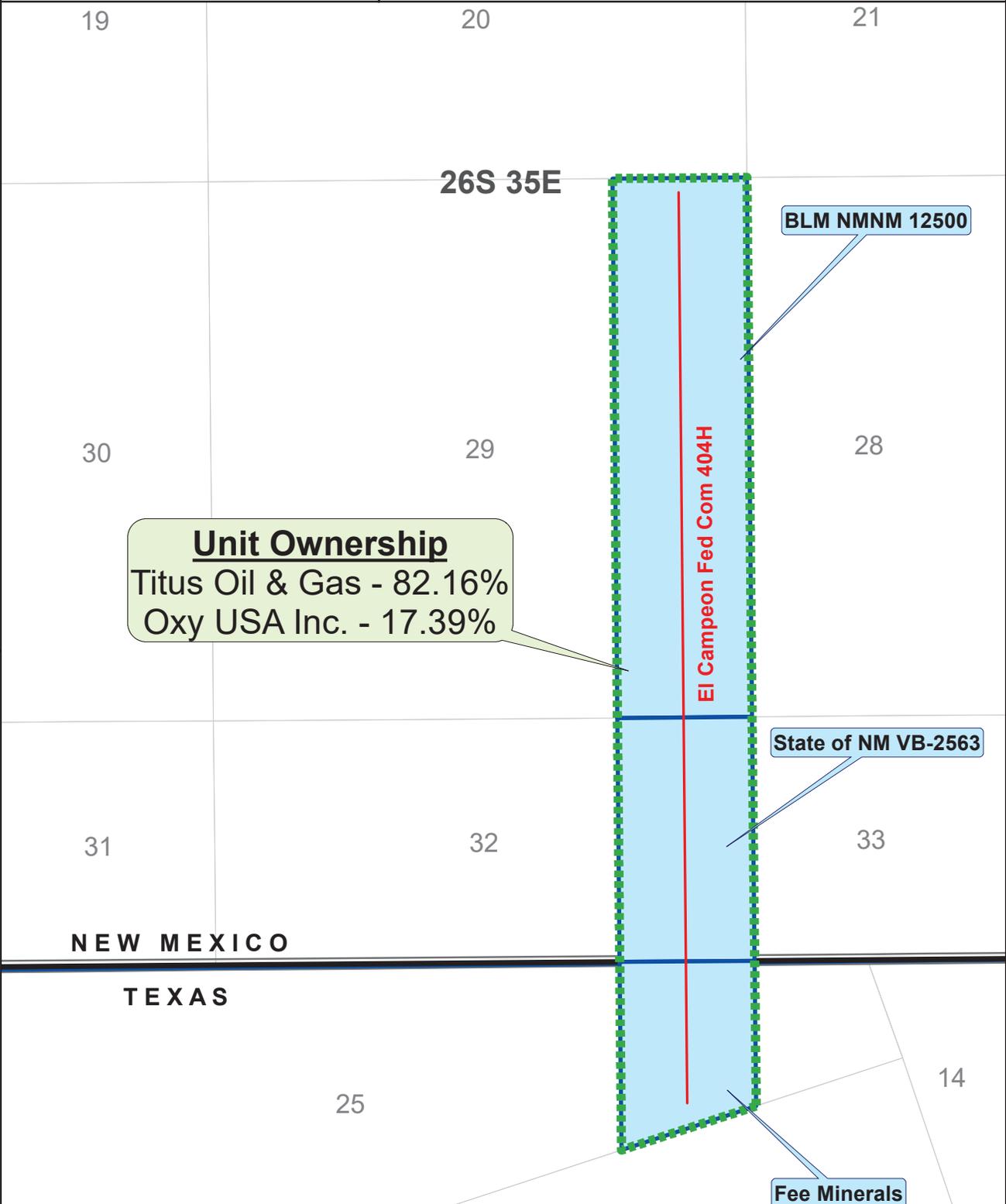
15

24



Tracts - El Campeon - 21872





Unit Ownership
Titus Oil & Gas - 82.16%
Oxy USA Inc. - 17.39%

BLM NMNM 12500

El Campeon Fed Com 404H

State of NM VB-2563

Fee Minerals

— Planned Wellbore

▭ Tracts

▭ Unit

EXHIBIT A-3
TITUS OIL & GAS PRODUCTION LLC
NMOCD NO. 21872
JUNE 17, 2021



CONTRACT AREA:

280 acres, more or less, being Section 29: E/2 E/2 and Section 32: NE/4 NE/4, Lot 1 of Township 26 South, Range 35 East, Lea County, New Mexico and Section 25: Lot 1, Block C-24, Loving County, Texas

DEPTH RESTRICTIONS

All Depths

INTEREST OF THE PARTIES:

Interest Owners	Working Interest
Titus Oil & Gas Production, LLC 420 Throckmorton Street, Suite 1150 Fort Worth, TX 76102	82.60501%
Oxy USA Inc. 5 Greenway Plaza, Suite 110 Houston, Texas 77046-0521	17.39499%
Total:	100.00%

OIL AND GAS LEASES:

Lessor: Santa Fe Energy Resources, Inc.
Lessee: BLM NMNM 125400
Lease Date: December 1, 1996
Legal Description: E/2 E/2 of Section 29, T26S-35E, Lea County, New Mexico

Lessor: Reagan Smith Energy Solutions, Inc.
Lessee: State of NM VB-2563
Lease Date: August 1, 2015
Legal Description: NE/4 NE/4 and Lot 1 of Section 32, T26S-35E, Lea County, New Mexico

Lessor: Virginia Howell, a widow, the sole heir of Grover M. Howell, Jr.
Lessee: Wayne Newkumet
Lease Date: September 23, 2003
Recording: Volume 34; Page 108
Legal Description: Lot 1 of Section 25, Block C-24, Loving County, Texas

Lessor: Kathleen Howell Cone
Lessee: Wayne Newkumet
Lease Date: September 25, 2003
Recording: Volume 34; Page 200
Legal Description: Lot 1 Section 25, Block C-24, Loving County, Texas

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office
 AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code		3 Pool Name	
4 Property Code		5 Property Name EL CAMPEON FED COM			6 Well Number 404H
7 OGRID No.		8 Operator Name TITUS OIL & GAS PRODUCTION LLC			9 Elevation 3172'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	20	26-S	35-E		558'	SOUTH	590'	EAST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Block (TX)	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County (TX)
1	25	C24			10'	SOUTH	1912'	EAST	LOVING

12 Dedicated Acres 282.84	13 Joint or Infill Y	14 Consolidation Code	15 Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

16

SURFACE HOLE LOCATION (SHL)
NEW MEXICO EAST - NAD 83
X=835919.34 LAT.= 32.02304186° N
Y=373417.21 LONG.= 103.38281420° W
NEW MEXICO EAST - NAD 27
X=794730.99 LAT.= 32.02291525° N
Y=373360.00 LONG.= 103.38235455° W
558' FSL, 620' FEL - SECTION 20

FIRST TAKE POINT (FTP)
NEW MEXICO EAST - NAD 83
X=836185.78 LAT.= 32.02123139° N
Y=372760.87 LONG.= 103.38197323° W
NEW MEXICO EAST - NAD 27
X=794997.40 LAT.= 32.02110476° N
Y=372703.68 LONG.= 103.38151371° W
100' FNL, 989' FEL - SECTION 29
100' FNL, 330' FWL - LEASE

STATE LINE CROSSING (SLC)
NEW MEXICO EAST - NAD 83
X=836258.60 LAT.= 32.00029491° N
Y=365144.42 LONG.= 103.38195460° W
NEW MEXICO EAST - NAD 27
X=795069.89 LAT.= 32.00016817° N
Y=365087.43 LONG.= 103.38149624° W
0' FSL, 330' FEL - SECTION 32
0' FSL, 330' FEL - LEASE

LAST TAKE POINT (LTP)
NEW MEXICO EAST - NAD 83
X=836272.12 LAT.= 31.99640645° N
Y=363729.85 LONG.= 103.38195113° W
NEW MEXICO EAST - NAD 27
X=795083.39 LAT.= 31.99627969° N
Y=363672.90 LONG.= 103.38149287° W
100' FSL, 1883' FEL - SECTION 25
100' FSL, 330' FEL - LEASE

BOTTOM HOLE LOCATION (BHL)
NEW MEXICO EAST - NAD 83
X=836273.03 LAT.= 31.99614532° N
Y=363634.85 LONG.= 103.38195089° W
NEW MEXICO EAST - NAD 27
X=795084.30 LAT.= 31.99601855° N
Y=363577.90 LONG.= 103.38149265° W
10' FSL, 1912' FEL - SECTION 25
10' FSL, 330' FEL - LEASE

17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey _____

Signature and Seal of Professional Surveyor

 Certificate Number _____



**MONTGOMERY
& ANDREWS**
LAW FIRM

SHARON T. SHAHEEN
Direct: (505) 986-2678
Email: sshaheen@montand.com
www.montand.com

April 16, 2021

Via U.S. Certified Mail, return receipt requested

TO: ALL INTEREST OWNERS ON ATTACHED LIST

Re: Case No. 21872 – Application of Titus Oil & Gas Production, LLC for Approval of Production Allocation, Lea County, New Mexico – **EI Campeon Fed Com 404H (WC)**

Dear Interest Owner:

This will advise that pursuant to NMSA 1978, § 70-2-17, Titus Oil & Gas Production, LLC (“Titus”) has filed an Application with the New Mexico Oil Conservation Division for an order regarding the proposed well described below. You are receiving this notice because you may have an interest in this well or in a tract adjoining the proposed spacing unit. In addition to considering the allocation of production under Section 70-2-17, the Division may also consider whether approval of a non-standard spacing unit is required under 19.15.16.15(B)(5) NMAC.

Case No. 21872. Application of Titus Oil & Gas Production, LLC for Approval of Production Allocation, Lea County, New Mexico. Applicant in the above-styled cause seeks an order from the Division 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 (“HSU”) 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. The HSU will be dedicated to the **EI Campeon Fed Com 404H** 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. The well will cross the New Mexico/Texas border, continuing to produce in the Wolfcamp formation (Phantom; Wolfcamp [Texas Field No. 71052900]). Production will be allocated to New Mexico and Texas prorated on the basis of surface

EXHIBIT A-6

Titus Oil & Gas Production, LLC

NMOCD Case No. 21872

JUNE 17, 2021

All Interest Owners
April 16, 2021
Page 2

acreage in the proration unit or in any other manner mutually acceptable to the Division and to the Railroad Commission of Texas. The completed interval and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells. The well and lands are located approximately 14 miles southwest of Jal, New Mexico.

The attached application will be set for hearing before a Division Examiner at the New Mexico Oil Conservation Division. During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. The hearing will be conducted on **May 6, 2021** beginning at 8:15 a.m. To participate in the electronic hearing, see the instructions posted on the docket for the hearing date: <http://www.emnrd.state.nm.us/OCD/hearings.html>. You are not required to attend this hearing, but as an owner of an interest that may be affected, you may appear and present testimony.

Failure to appear at that time and become a party of record will preclude you from challenging this application at a later time. If you intend to present testimony or evidence at the hearing, you must enter your appearance by **April 28, 2021**, and serve the Division, counsel for the Applicant, and other parties with a pre-hearing statement by **April 29, 2021**, in accordance with Division Rule 19.15.4.13 NMAC.

Please feel free to contact me if you have any questions about these Applications.

Very truly yours,

Sharon T. Shaheen
Sharon T. Shaheen

STS/lt
Enclosures
cc: Titus Oil & Gas Production, LLC, *via email*

EXHIBIT A

Occidental Petroleum
5 Greenway Plaza, Suite 110
Houston, TX 77046

Texas Comptroller of Public
Accounts
P.O. Box 13528, Capitol Station
Austin, TX 78711-3528

Railroad Commission of Texas
1701 N. Congress
Austin, Texas 78701

Bureau of Land Management
414 W. Taylor
Hobbs, NM 88240-1157

State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87501

NM Taxation & Revenue Dept.
1100 South St. Francis Drive
Santa Fe, NM 87504

Devon Energy Production Company, LP
333 W Sheridan Ave
Oklahoma City, OK 73102

Chevron U.S.A., Inc.
6001 Bollinger Canyon Road
San Ramon, CA 94583

McCombs Energy, LLC
755 E. Mulberry, Suite 600
San Antonio, TX 78212

EOG Resources, Inc.
PO Box 4362
Houston, TX 77210

Oxy USA, Inc.
5 Greenway Plaza, Suite 110
Houston, Texas 77046

Franco-Nevada Texas, LP
1745 Shea Center Dr., Suite 400
Highland Ranch, CO 80129

Newkumet, Ltd.
PO Box 11330
Midland, Texas 79702

Blue River Minerals, LLC
5950 Cedar Springs Rd Suite 100
Dallas, Texas 75235

Sammy L. Morrison, Trustee of Sammy
& Sibyl Morrison Mineral Trust
4617 Breezeway Ct.
Midland, Texas 79707

Pegasus Resources, LLC
2821 West 7th Street, Suite 500
Fort Worth, Texas 76107

McMullen Minerals, LLC
2821 West 7th Street, Suite 500
Fort Worth, Texas 76107

Docket # OG-21-06089
Applicant: Titus Oil & Gas Production, LLC
Hearing Date: 4/13/2021
Drilling Permit Approval - Campeon FED COM # 404H

<u>Exhibit #</u>	<u>Description</u>	<u>Offered</u>	<u>Admitted</u>	<u>Denied</u>	<u>Withdrawn</u>
1	Notice of Hearing				
2	Drilling Schematic				
3	Form W-1, "As Submitted"				
4	Lorenzo Garza 3/5/2021 Memo				
5	Form W-1, "Pending Approval"				
6	Well Plat, Campeon FED COM # 404H				
7	Phantom (Wolfcamp) Field Rule Printout				
8	Allocation Comparison				
9	Application for Allocation Order, New Mexico				
10	Base Map				
11	Form G-1, OXY - Medicine Man # 1				
12	Form W-2, EOG - Connie Mack # 1H				
13	Form W-2, RSP - Pistol 24-24 # 2H				
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EXHIBIT A-7
Titus Oil & Gas Production, LLC
NMOCD Case No. 21872
JUNE 17, 2021

on calendar
RECEIVED

MAR 29 2021

GEORGE C. NEALE
ATTORNEY AT LAW

RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

Oil and Gas Docket No. 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
§

March 23, 2021

NOTICE OF HEARING

Date, Location, and Place of Hearing- Notice is hereby given that a public hearing will be held at 1:30 p.m. on Tuesday, April 13, 2021. Pursuant to the Amended COVID-19 Emergency Response Order issued by the Director of the Hearings Division on March 23, 2020, **THE HEARING WILL BE CONDUCTED REMOTELY BY VIDEO CONFERENCE.** If the hearing is not concluded on the day it commences, it will be continued from day to day until concluded.

Attendance- Parties to this matter must submit the enclosed Notice of Intent to Appear not later than five days prior to the hearing date. Persons who do not intend to appear as a party but wish to observe are encouraged to complete and return the enclosed Notice of Intent to Appear prior to the date of the hearing. Information regarding access to the hearing by video conference will be provided to those who submit a Notice of Intent to Appear. All persons intending to appear are further encouraged to submit the enclosed Consent to Electronic Service form.

Purpose of Hearing- The purpose of the hearing is to allow the parties to present evidence and consider all issues of fact and law raised in or relevant to the Application. The issues that may be addressed at the hearing include, but are not limited to, the following:

1. A statement of the matters asserted, and the nature of the Applicant's hearing request is in the attached Appendix A.
2. Any other issues raised in the pleadings, evidence, or argument that are necessary for the Commission to render a final decision on the merits of this case.

Failure to Appear- All parties, protestants or persons intending to participate at the hearing **must attend the hearing.** Failure to appear at any prehearing conference or the hearing in this case may result in **dismissal of that party's claim or protest,** or default against that party/protestant and claims. See, e.g., Tex. Gov't Code § 2001.056, 16 Tex. Admin. Code § 1.107.

Appearance at Hearing- All persons or parties supporting, opposing or protesting this Application and intending to participate in the hearing must complete and file with Docket Services the enclosed Notice of Intent to Appear at Hearing Protest form at least **five business days** prior to the hearing date in this Notice of Hearing. **This form is required even if a prior written response was submitted to the previously issued "Notice of Application."** A copy of the form should be served on the Applicant and any other parties of record.

Legal Authority and Jurisdiction- The Commission has jurisdiction over Applicant and over the matters at issue in this proceeding pursuant to Tex. Nat. Res. Code title 3, subtitles A, B and C, Tex. Water Code chapters 26, 27 and 29, and Tex. Gov't Code chapter 2001.

Docket # OG-21-06089
Titus Oil & Gas Prod., LLC
Date: April 13, 2021
Exhibit No. 1

Particular Statutes and Rules Involved- The statutes and rules applicable to this proceeding include but are not limited to the following:

- Tex. Nat. Res. Code, title 3, subtitles A, B and C;
- Commission rules in 16 Tex. Admin. Code chapters 1 and 3;
- Tex. Water Code chapters 26, 27 and 29; and
- Statutes and rules referenced in Appendix A, if any, of this Notice of Hearing.

Continuance of Hearing- Any request for continuance of this hearing must be filed in Docket Services **no later than five business days prior to the hearing date**. Copies of such request must be served to all parties shown on the service list. 16 Tex. Admin. Code § 1.45(a)(1).

Ex parte Communications Prohibited- Ex parte communications (e.g. phone calls and emails) with the examiners and Commissioners are prohibited. Tex. Gov't Code § 2001.061, 16 Tex. Admin. Code § 1.7.

Written Transcript of the Hearing- **If a case is protested or becomes protested, the party requesting commission action in this case will need to obtain a court reporter no later than 21 days before the hearing. Typically, this would include the applicant, complainant, and similarly situated parties in other types of cases.** See 16 Tex. Admin. Code § 1.111. If an examiner or party requests a written transcript, the Commission may assess the cost to one or more parties. This includes paying the court reporter's fees for the preparation of the original transcript for the Commission's official records and one copy for use by the examiners in preparing their written recommendation. To obtain a court reporter, contact Dave Howard & Associates Court Reporters at 512-282-0313 or dave@howardreporters.com.

Hearing Exhibits- All exhibits must be clearly marked and submitted in duplicate. If a party wants to offer an exhibit admitted in a prior proceeding, the party must provide a properly identified copy as an exhibit for the record in this proceeding. Additionally, if a court reporter is used, a copy of all exhibits must be given to the court reporter at the time of the hearing.

Auxiliary Aids or Services for Persons with a Disability- Any individual with a disability who needs auxiliary aids and services to have an equal opportunity to effectively communicate and participate in the hearing must request such aids or services at least two weeks prior to the hearing by notifying the Commission's Docket Services by mail at P. O. Box 12967, Austin, Texas 78711-2967 or by telephone at (512) 463-6848 or TDD No. (800) 735-2989.

Audio/Visual Computer Presentations- All requests for setting up a presentation need to be made in writing no less than three business days prior to the hearing date. Please contact Docket Services to complete a Presentation Setup Help Desk Questionnaire Form.

Service List- The Applicant shall review this Notice of Hearing and the attached Certificate of Service for accuracy and completeness and shall immediately notify Docket Services of any discrepancy or omission.

APPENDIX A

This hearing is held to consider the application of Titus Oil & Gas Production, LLC for an exception to Statewide Rule 37 for the El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field, in Loving County, Texas; District 08.

The Applicant seeks the following:

1. Titus Oil & Gas Production, LLC requests a drilling permit for the El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field, Loving County, Texas; District 08.
2. Titus Oil & Gas Production, LLC requests an Exception to Statewide Rule 10 for the Phantom (Wolfcamp) Field and the New Mexico field/pool code 98234 (WC-025 G-09 S263619C; Wolfcamp).
3. Titus Oil & Gas Production, LLC requests an Exception to Statewide Rule 37 for the El Campeon Fed Com Lease, Well No. 404H, Phantom (Wolfcamp) Field, Loving County, Texas; District 08.

Documents filed in a case are viewable in the RRC Cases online portal. To access the portal, go to <https://www.rrc.texas.gov/hearings/rrc-cases/>, click on "Find a Case" and enter the last four digits of the docket number in the search box in the upper right-hand corner of the screen that appears.

If you have questions regarding this Application, please contact the Applicant's representative, George Neale, at (512) 477-1976. If you have any questions regarding the hearing procedure, please contact Docket Services at (512) 463-6848 or at Room 12-123. Additional information about the hearing process can be found at www.rrc.texas.gov/hearings.

To access the Commission's Statewide Rules, start from the Commission's Home Page, click on "General Counsel" (upper right side of page) and follow the path: Rules, Current Rules, T.A.C. Chapter 3, Rule Number.

It is required that the enclosed Notice of Intent to Appear (or a copy thereof) be filed by each party for this case not later than five days prior to the hearing. Failure to do so by the applicant or complainant **may lead to the hearing being canceled**. In protested matters, failure by a protestant to timely file a Notice of Intent to Appear **may result in dismissal of the protest**. All Persons intending to observe or participate in this matter are strongly encouraged to file the enclosed Consent to Electronic Service and Notification together with the Notice of Intent to Appear.

Information regarding access to the hearing by video conference will be provided to those who submit a notice of intent to appear. Instructions for the pre-filing of evidence will be transmitted to the parties within a reasonable time prior to the hearing date.

In the event the Austin Offices of the Railroad Commission of Texas reopens to the public, the assigned Administrative Law Judge may order the hearing to be converted from video conference to in-person. Such order will be transmitted to the parties within a reasonable time prior to the hearing date.

Check the Weekly Hearing Schedule on the Commission website at: <http://www.rrc.texas.gov/hearings/hearing-schedules/> the day prior to the hearing to confirm that it will go forward as scheduled.

CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing Notice of Hearing in Oil and Gas Docket No. **OG-21-00006089** was served on each of the persons named below by depositing same in the United States Mail, Inter-Agency Mail, or Inter-Agency E-Mail, as follows:

GEORGE NEALE
FOR TITUS OIL & GAS PRODUCTION LLC
PO BOX 1945
AUSTIN TX 78767

NEW MEXICO STATE LAND OFFICE
310 OLD SANTA FE TRAIL
SANTA FE NM 87501

TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
P.O. BOX 13528, CAPITOL STATION
AUSTIN, TEXAS 78711-3528

JESSICA MENDOZA
STAFF ATTORNEY
GENERAL COUNSEL
RRC - AUSTIN
Via Intra-Agency Email

NEW MEXICO ENERGY, MINERALS AND NATURAL
RESOURCES DEPARTMENT
1220 SOUTH ST. FRANCIS DRIVE
SANTA FE, NM 87505

LORENZO GARZA
ASSISTANT DEPUTY DIRECTOR
ADMINISTRATIVE COMPLIANCE
RRC - AUSTIN
Via Intra-Agency Email

NEW MEXICO ENERGY, MINERALS AND NATURAL
RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DRIVE
SANTA FE, NM 87505

JOE STASULLI
ASSISTANT DEPUTY DIRECTOR
ADMINISTRATIVE COMPLIANCE
RRC - AUSTIN
Via Intra-Agency Email

BUREAU OF LAND MANAGEMENT,
NEW MEXICO STATE OFFICE, MINERALS DIVISION
301 DINOSAUR TRAIL
SANTA FE, NM 87508

OLIN MACNAMARA
GEOLOGIST
FIELD OPERATIONS
RRC - AUSTIN
Via Intra-Agency Email

BUREAU OF LAND MANAGEMENT
414 W. TAYLOR
HOBBS, NM 88240-1157

PAUL DUBOIS
ASSISTANT DIRECTOR
O&G DIVISION TECHNICAL PERMITTING
RRC - AUSTIN
Via Intra-Agency Email

NEW MEXICO TAXATION & REVENUE DEPARTMENT
1100 SOUTH ST. FRANCIS DRIVE
SANTA FE, NM 87504

On this the **23rd** day of **March, 2021**.

Melissa Stovall

Docket Services, Hearings Division
Railroad Commission of Texas

El Campeon State Line PoD

Lea County, New Mexico

0 500 1,000 1,500 2,000 Feet

Docket # OG-21-06089
Titus Oil & Gas Prod., LLC
Date: April 13, 2021
Exhibit No. 2

19

20

21

Surface
Location

Surface
Location

Surface
Location

26S 35E

Surface
Location

Federal/BLM
Minerals

30

29

28

State Line Crossing Well #1

State Line Crossing Well #2

State Line Crossing Well #3

State Line Crossing Well #4

31

32

33

NEW MEXICO

State of NM
Minerals

TEXAS

TX Fee (Private)
Minerals

25

C24

15

Legend

State Line Crossing Wells

Possible El Campeon Unit

TOG Pad Sites

TOG Leasehold

24

D112

TITUS
OIL GAS LLC

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

API No. _____
Application Status # 867822
SWR Exception Case/Docket No. _____

FORM W-1 07/2004
Permit Status: **As Submitted**
The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

1. RRC Operator No. 880622
2. Operator's Name (as shown on form P-5, Organization Report)
TITUS OIL & GAS PRODUCTION, LLC
3. Operator Address (include street, city, state, zip):
420 THROCKMORTON ST., STE 1150
FORT WORTH, TX 76102-0000

4. Lease Name
EL CAMPEON FED COM
5. Well No. 404H

GENERAL INFORMATION
6. Purpose of filing (mark ALL appropriate boxes):
 New Drill Recompletion Reclass Field Transfer Re-Enter
 Amended Amended as Drilled (BHL) (Also File Form W-1D)

7. Wellbore Profile (mark ALL appropriate boxes):
 Vertical Horizontal (Also File Form W-1H) Directional (Also File Form W-1D) Sidetrack
8. Total Depth 12581
9. Do you have the right to develop the minerals under any right-of-way? Yes No
10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? Yes No

SURFACE LOCATION AND ACREAGE INFORMATION
11. RRC District No. 08
12. County LOVING
13. Surface Location Land Bay/Estuary Inland Waterway Offshore
14. This well is to be located 20 miles in a NW direction from Kernit which is the nearest town in the county of the well site.

15. Section 24 16. Block C24 17. Survey PSL 18. Abstract No. A-912
19. Distance to nearest lease line: _____ ft. 20. Number of contiguous acres in lease, pooled unit, or unitized tract: 636

21. Lease Perpendiculars: 1 ft from the NORTH line and _____ line.
22. Survey Perpendiculars: 1 ft from the NORTH line and _____ line.
23. Is this a pooled unit? Yes No 24. Unitization Docket No: _____ 25. Are you applying for Substandard Acreage Field? Yes No (attach Form W-1A)

FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.

26. RRC District No.	27. Field No.	28. Field Name (exactly as shown in RRC records)	29. Well Type	30. Completion Depth	31. Distance to Nearest Well in this Reservoir	32. Number of Wells on this lease in this Reservoir
08	71052900	PHANTOM (WOLFCAMP)	Oil or Gas Well	12581	200.00	3

BOTTOMHOLE LOCATION INFORMATION
Remarks
See W1 Comments attached
Docket # OG-21-06089
Titus Oil & Gas Prod., LLC
Date: April 13, 2021
Exhibit No. 3

ND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)
Certificate:
I certify that information stated in this application is true and complete, to the best of my knowledge.
Name of filer Ryan DeLong, Regulatory Manager Date submitted Feb 22, 2021
Phone (817)8526370 E-mail Address (OPTIONAL) rdelong@titusoil.com

Permit Status: **As Submitted**

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

Status # 867822

Approved Date:

1. RRC Operator No. 880622	2. Operator's Name (exactly as shown on form P-5, Organization Report) TITUS OIL & GAS PRODUCTION, LLC	3. Lease Name EL CAMPEON FED COM	4. Well No. 404H
Lateral Drainhole Location Information			
5. Field as shown on Form W-1 PHANTOM (WOLFCAMP) (Field # 71052900, RRC District 08)			
6. Section 24	7. Block C24	8. Survey PSL	9. Abstract 912
10. County of BHL LOVING			
11. Terminus Lease Line Perpendiculars 10 ft. from the South line, and 330 ft. from the East line			
12. Terminus Survey Line Perpendiculars 10 ft. from the South line, and 1912 ft. from the East line			
13. Penetration Point Lease Line Perpendiculars 1 ft. from the North line, and 330 ft. from the East line			

21

Permit Status: As Submitted

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION

W-1 Comments

Status # 867822

Approved Date:

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

[Feb 17, 2021 11:32 AM]: Commission Staff expresses no opinion as to whether a 100% ownership interest in each of the leases alone or in combination with a "production sharing agreement" confers the right to drill across lease/unit lines or whether a pooling agreement is also required. However, until that issue is directly addressed and ruled upon by a Texas court of competent jurisdiction it appears that a 100% interest in each of the leases and a production sharing agreement constitute a sufficient colorable claim to the right to drill a horizontal well as proposed to authorize the removal of the regulatory bar and the issuance of a drilling permit by the Commission, assuming the proposed well is in compliance with all other relevant Commission requirements.

Issuance of the permit is not an endorsement or approval of the applicant's stated method of allocating production proceeds among component leases or units. All production must be reported to the Commission as production from the lease or pooled unit on which the wellhead is located and reported production volume must be determined by actual measurement of hydrocarbon volumes prior to leaving that tract and may not be based on allocation or estimation. Payment of royalties is a contractual matter between the lessor and lessee. Interpreting the leases and determining whether the proposed proceeds allocation comports with the relevant leases is not a matter within Commission jurisdiction but a matter for the parties to the lease and, if necessary, a Texas court of competent jurisdiction.

The foregoing statements are not, and should not be construed as, a final opinion or decision of the Railroad Commission.

31

CHRISTI CRADDICK, CHAIRMAN
WAYNE CHRISTIAN, COMMISSIONER
JIM WRIGHT, COMMISSIONER



DANNY SORRELLS
ASSISTANT EXECUTIVE DIRECTOR
DIRECTOR, OIL AND GAS DIVISION
LORENZO GARZA
DEPUTY ASSISTANT DIRECTOR
ADMINISTRATIVE COMPLIANCE

RAILROAD COMMISSION OF TEXAS OIL AND GAS DIVISION

March 5, 2021

FILED
4:31 pm, Mar 08, 2021
DOCKET SERVICES
RAILROAD COMMISSION OF TEXAS

DANA AVANT LEWIS
DIRECTOR, HEARINGS DIVISION

RE: Hearing request by TITUS OIL & GAS PRODUCTION, LLC for the EL CAMPEON FED COM- Well # 404H for issuance of a drilling permit administratively denied by staff in the PHANTOM (WOLFCAMP) FIELD in LOVING COUNTY, TEXAS.

The Drilling Permits department has received a drilling permit application from TITUS OIL & GAS PRODUCTION, LLC for the EL CAMPEON FED COM- Well # 404H. This well is proposed to be drilled and completed as a horizontal well in which the well will be perforated and completed in both New Mexico and Texas. In the past the Drilling Permits department has issued drilling permits in which a horizontal well has traversed the state boundary between both states. In these instances, the well would only be perforated and completed in one state, not both. Staff does not feel that this application can be administratively approved, and the applicant wishes the matter to go to hearing.

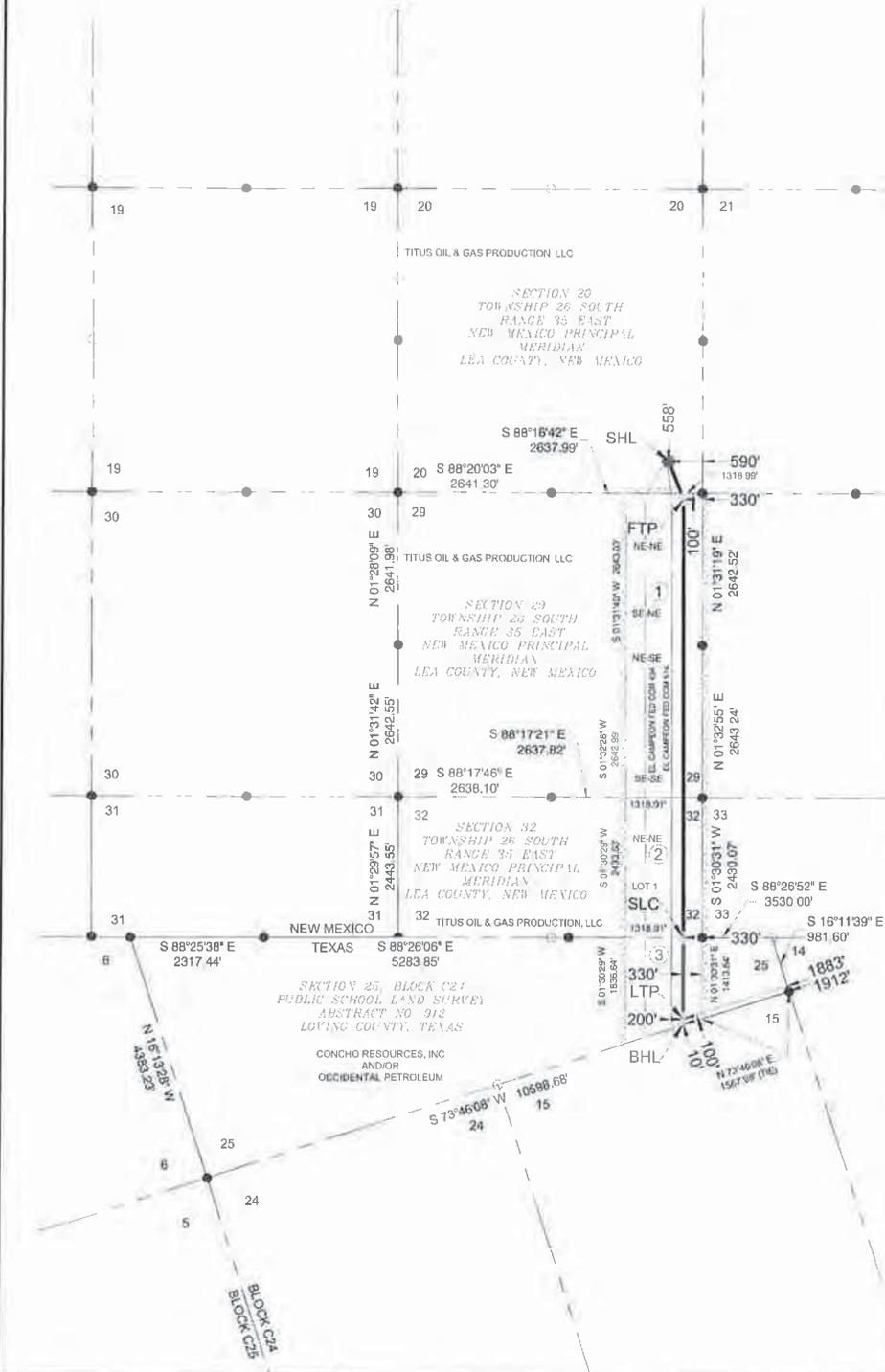
Lorenzo Garza

A handwritten signature in cursive script that reads "Lorenzo Garza".

Manager, Drilling Permits
Lorenzo.Garza@rrc.texas.gov

Docket # OG-21-06089
Titus Oil & Gas Prod., LLC
Date: April 13, 2021
Exhibit No. 4

LOVING COUNTY, TEXAS



SURFACE HOLE LOCATION	
ELEVATION=	3172.14'
TEXAS CENTRAL - NAD 83	
NORTHING	10712513.96
EASTING	1351511.11
LATITUDE	32.02304100
LONGITUDE	-103.38281477
TEXAS CENTRAL - NAD 27	
NORTHING	869934.66
EASTING	1055048.78
LATITUDE	32.02291440'
LONGITUDE	-103.38235512'

FIRST TAKE POINT	
TEXAS CENTRAL - NAD 83	
NORTHING	10711848.40
EASTING	1351753.61
LATITUDE	32.02123058'
LONGITUDE	-103.38197385'
TEXAS CENTRAL - NAD 27	
NORTHING	869269.12
EASTING	1055291.25
LATITUDE	32.02110395'
LONGITUDE	-103.38151432'

STATE LINE CROSSING	
TEXAS CENTRAL - NAD 83	
NORTHING	10704234.31
EASTING	1351550.64
LATITUDE	32.00029469'
LONGITUDE	-103.38195530'
TEXAS CENTRAL - NAD 27	
NORTHING	861655.26
EASTING	1055087.96
LATITUDE	31.00016796'
LONGITUDE	-103.38149694'

LAST TAKE POINT	
TEXAS CENTRAL - NAD 83	
NORTHING	10702820.18
EASTING	1351512.95
LATITUDE	31.99640634'
LONGITUDE	-103.38195184
TEXAS CENTRAL - NAD 27	
NORTHING	860241.16
EASTING	1055050.24
LATITUDE	31.99627958'
LONGITUDE	-103.38149358'

BOTTOM HOLE LOCATION	
TEXAS CENTRAL - NAD 83	
NORTHING	10702725.21
EASTING	1351510.42
LATITUDE	31.99614521'
LONGITUDE	-103.38195160'
TEXAS CENTRAL - NAD 27	
NORTHING	860146.19
EASTING	1055047.71
LATITUDE	31.99601844'
LONGITUDE	-103.38140335'

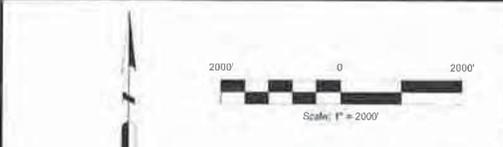
LATERAL OFFSET	
BHL - 500' FEL - 500' FEL - SECTION 30	
FTP - 100' FEL - 100' FEL - SECTION 30	
BLC - 100' FEL - SECTION 37 - 100' FEL	
LTP - 100' FEL - 100' FEL - SECTION 24	
LTP - 100' FEL - 100' FEL - LEASE	
BHL - 10' FEL - 10' FEL - SECTION 25	
BHL - 10' FEL - 10' FEL - LEASE	

CALLED ACRES TOTALS	
TRACT 102	ACRES
1	100.03
2	73.64
3	49.30
TOTAL ACRES	223.97

EL CAMPEON FED COM 404H WELL BORE SUMMARY
 SHL TO FTP=S 20°01'12" E, 708.36'
 FTP TO SL=S 01°31'37" W, 7616.80'
 SL TO LTP=S 01°31'37" W, 1414.64'
 LTP TO BHL=S 01°31'37" W, 95.01'

NOTES:
 1. BEARINGS AND COORDINATES SHOWN HEREON ARE REFERENCED TO THE TEXAS COORDINATE SYSTEM OF 1983 CENTRAL ZONE 4203
 2. LATITUDE & LONGITUDE ARE NAD 83 AND NAD 27 GEOGRAPHIC
 3. THIS IS AN EXHIBIT AND DOES NOT REPRESENT A TRUE BOUNDARY SURVEY. THIS SURVEY IS BASED ON OWNERSHIP AND EASEMENT INFORMATION PROVIDED BY TITUS OIL & GAS PRODUCTION, LLC. SURVEYOR DID NOT ABSTRACT SUBJECT TRACT AND THERE MAY BE EASEMENTS OR OTHER ENCUMBRANCES THAT AFFECT THE SUBJECT TRACT THAT ARE NOT SHOWN HEREON.

- LEGEND**
- ⊙ DENOTES HORIZONTAL SURFACE LOCATION AND POINT OF PENETRATION
 - DENOTES FIRST TAKE POINT LOCATION LAST TAKE POINT LOCATION AND BOTTOM HOLE LOCATION & TERMINUS POINT
 - ↻ DENOTES BEARING CHANGE
 - DENOTES FOUND MONUMENT
 - ⊕ DENOTES CALCULATED CORNER
 - DENOTES PRODUCING WELL
 - DENOTES PERMITTED WELL
 - DENOTES SECTION LINE
 - - - DENOTES PROPOSED LATERAL NEW MEXICO
 - DENOTES PROPOSED LATERAL TEXAS
 - DENOTES PROPOSED WELL PAD
 - DENOTES ABSTRACT LINE
 - DENOTES 800' BOUNDARY BOX
 - DENOTES LEASE
 - DENOTES TRACT



02/18/2021
 GARRETT JAMES SMLERKER TEXAS R.P.L.S. NO. 6870

THE SURFACE HOLE IS LOCATED APPROXIMATELY 20 MILES NORTHWEST OF KERMIT, TEXAS

TITUS OIL & GAS PRODUCTION, LLC

WELL LOCATION PLAT
 EL CAMPEON FED COM 404H
 SITUATED IN
 SECTION 20, TOWNSHIP 26 SOUTH, RANGE 35 EAST
 NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO
 SECTION 29, TOWNSHIP 26 SOUTH, RANGE 35 EAST
 NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO
 SECTION 32, TOWNSHIP 26 SOUTH, RANGE 35 EAST
 NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO
 SECTION 25, BLOCK C24
 PUBLIC SCHOOL LAND SURVEY 912
 LOVING COUNTY, TEXAS

2

API No. <u>42-301-35346</u> Application Status # <u>867822</u> SWR Exception Case/Docket No. _____	RAILROAD COMMISSION OF TEXAS OIL & GAS DIVISION APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER <i>This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.</i>	FORM W-1 07/2004 Permit Status: Pending Approval <i>The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.</i>
1. RRC Operator No. <u>880622</u> 2. Operator's Name (as shown on form P-5, Organization Report) <u>TITUS OIL & GAS PRODUCTION, LLC</u> 3. Operator Address (include street, city, state, zip): <u>420 THROCKMORTON ST., STE 1150</u> <u>FORT WORTH, TX 76102-0000</u>		4. Lease Name <u>EL CAMPEON FED COM</u> 5. Well No. <u>404H</u>
GENERAL INFORMATION 6. Purpose of filing (mark ALL appropriate boxes): <input checked="" type="checkbox"/> New Drill <input type="checkbox"/> Reclass <input type="checkbox"/> Field Transfer <input type="checkbox"/> Re-Enter <input type="checkbox"/> Amended <input type="checkbox"/> Amended as Drilled (BHL) (Also File Form W-ID)		
7. Wellbore Profile (mark ALL appropriate boxes): <input type="checkbox"/> Vertical <input checked="" type="checkbox"/> Horizontal (Also File Form W-1H) <input type="checkbox"/> Directional (Also File Form W-ID) <input type="checkbox"/> Sidetrack		8. Total Depth <u>12581</u> 9. Do you have the right to develop the minerals under any right-of-way? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 10. Is this well subject to Statewide Rule 36 (hydrogen sulfide area)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
SURFACE LOCATION AND ACREAGE INFORMATION 11. RRC District No. <u>08</u> 12. County <u>LOVING</u> 13. Surface Location <input checked="" type="checkbox"/> Land <input type="checkbox"/> Bay/Estuary <input type="checkbox"/> Inland Waterway <input type="checkbox"/> Offshore 14. This well is to be located <u>20</u> miles in a <u>NW</u> direction from <u>Kermit</u> which is the nearest town in the county of the well site.		
15. Section <u>16</u> , Block <u>17</u> , Survey <u>NEW MEXICO PRINCIPAL MERIDIAN S20 T26S R35E</u> 18. Abstract No. <u>A-</u> 19. Distance to nearest lease line: <u>590</u> ft. <u>590</u> ft. <u>590</u> ft. 20. Number of contiguous acres in lease, pooled unit, or unitized tract: <u>49.2</u>		21. Lease Perpendiculars: <u>558</u> ft from the <u>SOUTH</u> line and <u>590</u> ft from the <u>EAST</u> line. 22. Survey Perpendiculars: <u>558</u> ft from the <u>SOUTH</u> line and <u>590</u> ft from the <u>EAST</u> line. 23. Is this a pooled unit? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 24. Unitization Docket No.: _____ 25. Are you applying for Substandard Acreage Field? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (attach Form W-1A)
FIELD INFORMATION List all fields of anticipated completion including Wildcat. List one zone per line.		
26. RRC District No. <u>08</u> 27. Field No. <u>71052900</u> 28. Field Name (exactly as shown in RRC records) <u>PHANTOM (WOLFCAMP)</u>	29. Well Type <u>Oil or Gas Well</u> 30. Completion Depth <u>12581</u>	31. Distance to Nearest Well in this Reservoir <u>0.00</u> 32. Number of Wells on this lease in this Reservoir <u>1</u>
BOTTOMHOLE LOCATION INFORMATION Remarks See W1 Comments attached		
AND AMENDED AS DRILLED PERMIT APPLICATIONS (see W-1H attachment)		
I certify that information stated in this application is true and complete, to the best of my knowledge.		
Name of filer <u>Ryan DeLong, Regulatory Manager</u> Phone <u>(817)8526370</u> E-mail Address (OPTIONAL) <u>rdelong@itusoil.com</u>		Date submitted <u>Feb 22, 2021</u>

Docket # OG-21-06089
 Titus Oil & Gas Prod., LLC
 Date: April 13, 2021
 Exhibit No. 5

**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION**

Form W-1H
Supplemental Horizontal Well Information

07/2004

Permit Status: Pending Approval

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

Status # 867822

Approved Date:

1. RRC Operator No. 880622	2. Operator's Name (exactly as shown on form P-5, Organization Report) TITUS OIL & GAS PRODUCTION, LLC	3. Lease Name EL CAMPEON FED COM	4. Well No. 404H
Lateral Drainhole Location Information			
5. Field as shown on Form W-1 25	PHANTOM (WOLFCAMP) (Field # 71052900, RRC District 08)		
6. Section 25	7. Block C24	8. Survey PSL/ RUSSELL, W B	9. Abstract 701
10. County of BHL LOVING			
11. Terminus Lease Line Perpendiculars 10 ft. from the <u>South</u> line. and <u>330</u> ft. from the <u>East</u> line			
12. Terminus Survey Line Perpendiculars 10 ft. from the <u>South</u> line. and <u>1912</u> ft. from the <u>East</u> line			
13. Penetration Point Lease Line Perpendiculars 1 ft. from the <u>North</u> line. and <u>330</u> ft. from the <u>East</u> line			

21

RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION

W-1 Comments

Permit Status: Pending Approval

The RRC has not approved this application. Duplication or distribution of information is at the user's own risk.

APPLICATION FOR PERMIT TO DRILL, RECOMPLETE, OR RE-ENTER

Status # 867822

Approved Date:

This facsimile W-1 was generated electronically from data submitted to the RRC. A certification of the automated data is available in the RRC's Austin office.

[Feb 17, 2021 11:32 AM]: Commission Staff expresses no opinion as to whether a 100% ownership interest in each of the leases alone or in combination with a "production sharing agreement" confers the right to drill across lease/unit lines or whether a pooling agreement is also required. However, until that issue is directly addressed and ruled upon by a Texas court of competent jurisdiction it appears that a 100% interest in each of the leases and a production sharing agreement constitute a sufficient colorable claim to the right to drill a horizontal well as proposed to authorize the removal of the regulatory bar and the issuance of a drilling permit by the Commission, assuming the proposed well is in compliance with all other relevant Commission requirements.

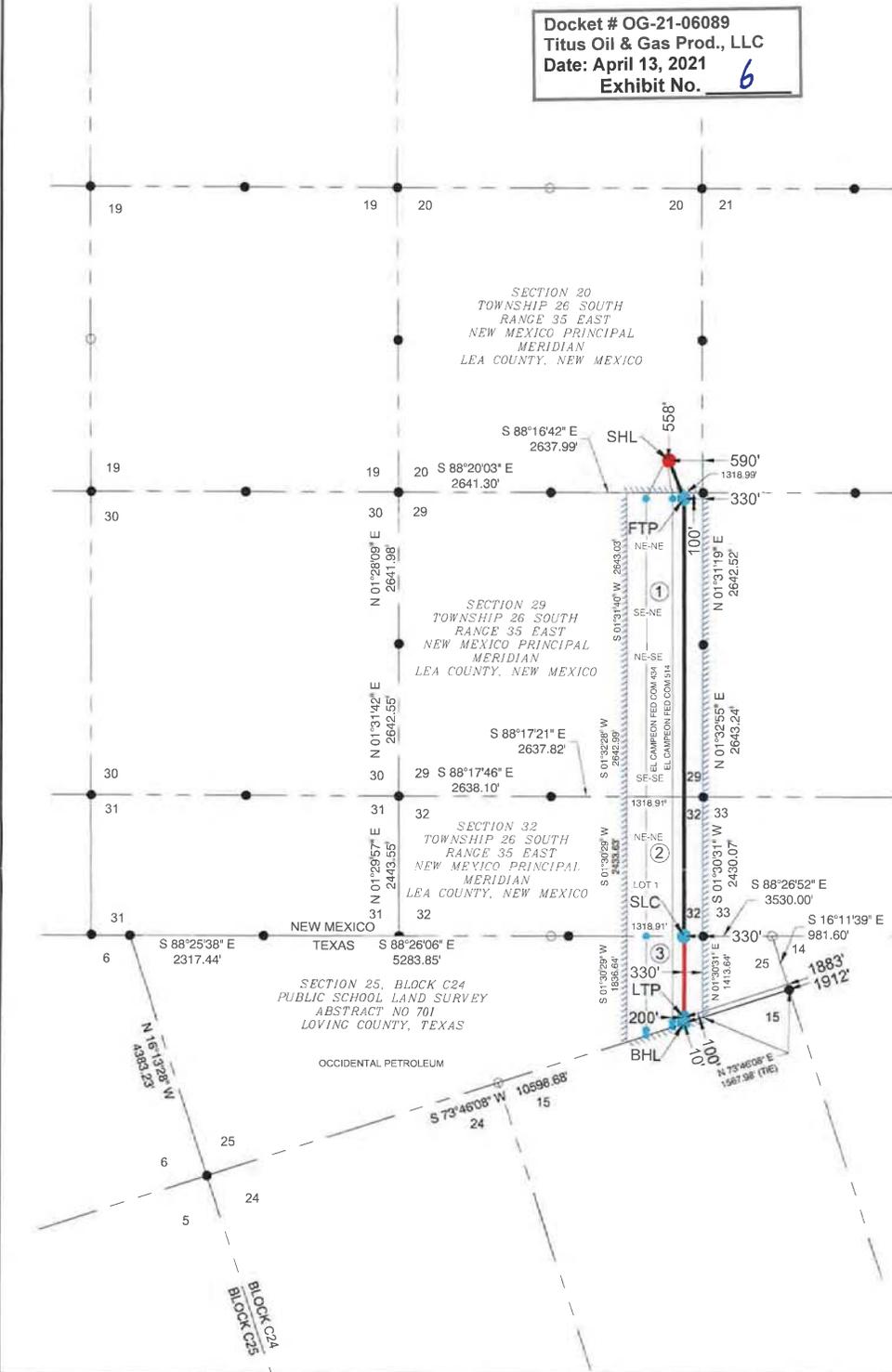
Issuance of the permit is not an endorsement or approval of the applicant's stated method of allocating production proceeds among component leases or units. All production must be reported to the Commission as production from the lease or pooled unit on which the wellhead is located and reported production volume must be determined by actual measurement of hydrocarbon volumes prior to leaving that tract and may not be based on allocation or estimation. Payment of royalties is a contractual matter between the lessor and lessee. Interpreting the leases and determining whether the proposed proceeds allocation comports with the relevant leases is not a matter within Commission jurisdiction but a matter for the parties to the lease and, if necessary, a Texas court of competent jurisdiction.

The foregoing statements are not, and should not be construed as, a final opinion or decision of the Railroad Commission.; [RRC STAFF Feb 22, 2021 9:53 AM]: Changed coordinates per plat.; [RRC STAFF Feb 22, 2021 10:04 AM]: There have been problems identified with this permit (see problem letter attachment). Notification sent.; [RRC STAFF Apr 7, 2021 4:23 PM]: The surface location of the proposed well is in Lea County, New Mexico. When mapped into the Commission's GIS system the surface location of the well will appear to be located on the boundary line between the two states.

3

LOVING COUNTY, TEXAS

Docket # OG-21-06089
 Titus Oil & Gas Prod., LLC
 Date: April 13, 2021
 Exhibit No. **6**



SURFACE HOLE LOCATION

ELEVATION= 3172.14'

TEXAS CENTRAL - NAD 83

NORTHING 10712513.96
 EASTING 1351511.11
 LATITUDE 32.02304100
 LONGITUDE -103.38281477

TEXAS CENTRAL - NAD 27

NORTHING 869934.66
 EASTING 1055048.78
 LATITUDE 32.02291440
 LONGITUDE -103.38235512

FIRST TAKE POINT

TEXAS CENTRAL - NAD 83

NORTHING 10711848.40
 EASTING 1351753.61
 LATITUDE 32.02123058
 LONGITUDE -103.38197385

TEXAS CENTRAL - NAD 27

NORTHING 869269.12
 EASTING 1055291.25
 LATITUDE 32.02110395
 LONGITUDE -103.38151432

STATE LINE CROSSING

TEXAS CENTRAL - NAD 83

NORTHING 10704234.31
 EASTING 1351550.64
 LATITUDE 32.0029469
 LONGITUDE -103.38195530

TEXAS CENTRAL - NAD 27

NORTHING 861655.25
 EASTING 1055087.96
 LATITUDE 31.00016796
 LONGITUDE -103.38149694

LAST TAKE POINT

TEXAS CENTRAL - NAD 83

NORTHING 10702820.18
 EASTING 1351512.95
 LATITUDE 31.99640634
 LONGITUDE -103.38195184

TEXAS CENTRAL - NAD 27

NORTHING 860241.16
 EASTING 1055050.24
 LATITUDE 31.99627958
 LONGITUDE -103.38149358

BOTTOM HOLE LOCATION

TEXAS CENTRAL - NAD 83

NORTHING 10702725.21
 EASTING 1351510.42
 LATITUDE 31.99614521
 LONGITUDE -103.38195160

TEXAS CENTRAL - NAD 27

NORTHING 860146.19
 EASTING 1055047.71
 LATITUDE 31.99601844
 LONGITUDE -103.38149335

LATERAL OFFSET

BHL - 558' FEL - 599' FEL - SECTION 20
 FTP - 100' FSL - 130' FEL - SECTION 29
 SLC - 330' FEL - SECTION 32 LEASE
 LTP - 100' FSL - 188' FEL - SECTION 25
 LTP - 100' FSL - 130' FEL - SECTION 25
 BHL - 10' FSL - 181' FEL - SECTION 25
 BHL - 10' FSL - 130' FEL - LEASE

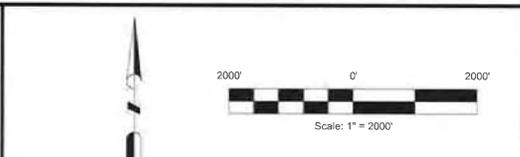
CALLED ACREAGE TOTALS

TRACT NO	ACREAGE
1	160.00 ACRES
2	73.84 ACRES
3	49.20 ACRES
TOTAL ACRES	282.84 ACRES

EL CAMPEON FED COM 404H
 WELL BORE SUMMARY
 SHL to FTP=S 20°01'12" E, 708.36'
 FTP to SLC=S 01°31'37" W, 7616.80'
 SLC to LTP=S 01°31'37" W, 1414.64'
 LTP to BHL=S 01°31'37" W, 95.01'

NOTES:

- BEARINGS AND COORDINATES SHOWN HEREON ARE REFERENCED TO THE TEXAS COORDINATE SYSTEM OF 1983 CENTRAL ZONE 4203
- LATITUDE & LONGITUDE ARE NAD 83 AND NAD 27 GEOGRAPHIC
- THIS IS AN EXHIBIT AND DOES NOT REPRESENT A TRUE BOUNDARY SURVEY. THIS SURVEY IS BASED ON OWNERSHIP AND EASEMENT INFORMATION PROVIDED BY TITUS OIL & GAS PRODUCTION, LLC. SURVEYOR DID NOT ABSTRACT SUBJECT TRACT AND THERE MAY BE EASEMENTS OR OTHER ENCUMBRANCES THAT AFFECT THE SUBJECT TRACT THAT ARE NOT SHOWN HEREON.



- LEGEND**
- DENOTES HORIZONTAL SURFACE LOCATION AND POINT OF PENETRATION
 - DENOTES FIRST TAKE POINT LOCATION, LAST TAKE POINT LOCATION, AND BOTTOM HOLE LOCATION & TERMINUS POINT
 - DENOTES BEARING CHANGE
 - DENOTES FOUND MONUMENT
 - DENOTES CALCULATED CORNER
 - DENOTES PRODUCING WELL
 - DENOTES PERMITTED WELL
 - DENOTES SECTION LINE
 - DENOTES PROPOSED LATERAL NEW MEXICO
 - DENOTES PROPOSED LATERAL TEXAS
 - DENOTES PROPOSED WELL PAD
 - DENOTES ABSTRACT LINE
 - DENOTES 660' BOUNDARY BOX
 - DENOTES LEASE
 - DENOTES TRACT

JAMES C. YARGER, TEXAS R.P.L.S. NO. 5854, DATE 03/31/21

THE SURFACE HOLE IS LOCATED APPROXIMATELY 20 MILES NORTHWEST OF KERMIT, TEXAS

TITUS OIL & GAS PRODUCTION, LLC

WELL LOCATION PLAT
 EL CAMPEON FED COM 404H

SITUATED IN
 SECTION 20, TOWNSHIP 26 SOUTH, RANGE 35 EAST
 NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO
 SECTION 29, TOWNSHIP 26 SOUTH, RANGE 35 EAST
 NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO
 SECTION 32, TOWNSHIP 26 SOUTH, RANGE 35 EAST
 NEW MEXICO PRINCIPAL MERIDIAN, LEA COUNTY, NEW MEXICO
 SECTION 25, BLOCK C24
 PUBLIC SCHOOL LAND SURVEY
 LOVING COUNTY, TEXAS

Field Rules Display

[Field Query](#) [Previous Query](#) [Results](#)

Field Rules for Field: PHANTOM (WOLFCAMP)
Field Number: 71052900 District Name: 08

Oil Field Rules:

County Regular: N **Salt Dome:** N **Field Location:** LAND **Don't Permit:** N
Schedule Remarks: FOR 8 WELLS. SEE DKT FOR COMPLETE LEASE/WELL DETAILS
Comments: OPTIONAL 20 ACRES,P15'S,ACRES LIST,LEASE PLATS REQUIRED

Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	330	0	320.0	40.0	Corner to Corner	0
Optional Rules	All Depths	330	0	20.0	0.0	Corner to Corner	99999

Gas Field Rules:

County Regular: N **Salt Dome:** N **Field Location:** LAND **Don't Permit:** N
Schedule Remarks: FOR THE FOLLOWING API 389-37515.
Comments: NO BETWEEN WELL SPACING,20 AC.OPT,P-15,AC.LIST,PLAT REQ.

Rule Type	Depth	Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
Special Rules	All Depths	330	0	320.0	32.0		0
Optional Rules	All Depths	330	0	20.0	0.0	Corner to Corner	99999

Special Horizontal Field Rules: For informational purposes only. The Final Order controls all field rules.

[Illustration](#) [Screen Help](#)

Unconventional Fracture Treated (UFT): Yes

UFT Effective Date: 05/10/2016

Correlative Interval: From 9515 to 12447 feet

Established by API Number:
38932637

Dual Lease Line Take Point Spacing

First/Last Take Points (Heel and Toe) to Lease Line: 100 feet

Off Lease Penetration Notification

Perpendicular Spacing from All Take Points to Lease Line:
330 feet

Duration(days): **Earliest Submit Date:**

Between-Well Spacing

Subsurface Tolerance Box: 50 feet

Horizontal to Vertical/Directional: 0 feet

Horizontal to Horizontal: 0 feet

Overlap Distance: N/A

Stacked Lateral Rules: Yes (If yes, see Final Order for details)

Horizontal Depth Severance: Yes

Special Rule 38 (Well Density) Provision

Upper: N/A

Notification Radius: N/A

Lower: N/A

Comments for the Special Field Rules

Comments: N/A

History: Final Orders that contain special horizontal field rules language

Docket Number	Final Order Effective Date	Final Order Document
08-0277363	09/11/2012	Click Here
08-0275212	06/12/2012	Click Here
08-0290788	07/14/2015	Click Here
08-0303885	08/01/2017	Click Here
08-0310856	10/16/2018	Click Here

Cancel

2/

Campeon Fed Com # 404H

	<u>Surface Acreage</u>		<u>Completed Lateral</u>	
New Mexico	233.64	82.61%	7,616.80	84.34%
Texas	49.20	17.39%	1,414.64	15.66%
Total	282.84	100.00%	9,031.44	100.00%

Docket # OG-21-06089
Titus Oil & Gas Prod., LLC
Date: April 13, 2021
Exhibit No. 8

**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. _____

APPLICATION

Titus Oil & Gas Production, LLC (“Titus”), through its undersigned counsel Montgomery & Andrews, P.A. (Sharon T. Shaheen and John F. McIntyre), hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, §70-2-17, 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 (“HSU”) 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. The well will cross the New Mexico/Texas border, continuing to produce in the Wolfcamp formation (Phantom; Wolfcamp [Texas Field No. 71052900]). In support of its application, Titus states as follows:

1. Titus is the sole working interest owner in the New Mexico portion of the HSU and has the right to drill thereon.
2. Occidental Petroleum (“OXY”) is the sole working interest owner in the Texas portion of the HSU and has the right to drill thereon. OXY supports Titus’s plan to drill the subject well described below.

**Docket # OG-21-06089
Titus Oil & Gas Prod., LLC
Date: April 13, 2021
Exhibit No. 9**

3. Titus proposes to dedicate this spacing unit to the **El Campeon Fed Com 404H** 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.

4. The completed interval and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells.

5. Production will be allocated to New Mexico and Texas prorated on the basis of surface acreage in the proration unit or in any other manner mutually acceptable to the Division and to the Railroad Commission of Texas.

6. The Railroad Commission of Texas will conduct a hearing on April 13, 2021 regarding approval of the production allocation on behalf of Texas.

7. The proposed production allocation between New Mexico and Texas will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

8. 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.

WHEREFORE, Titus requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 6, 2021, and that, after notice and hearing as required by law, the Division enter an order approving the production allocation between New Mexico and Texas for minerals produced from the Wolfcamp formation underlying the HSU.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

/s/ Sharon T. Shaheen

Sharon T. Shaheen

John F. McIntyre

Post Office Box 2307

Santa Fe, NM 87504-2307

(505) 986-2678

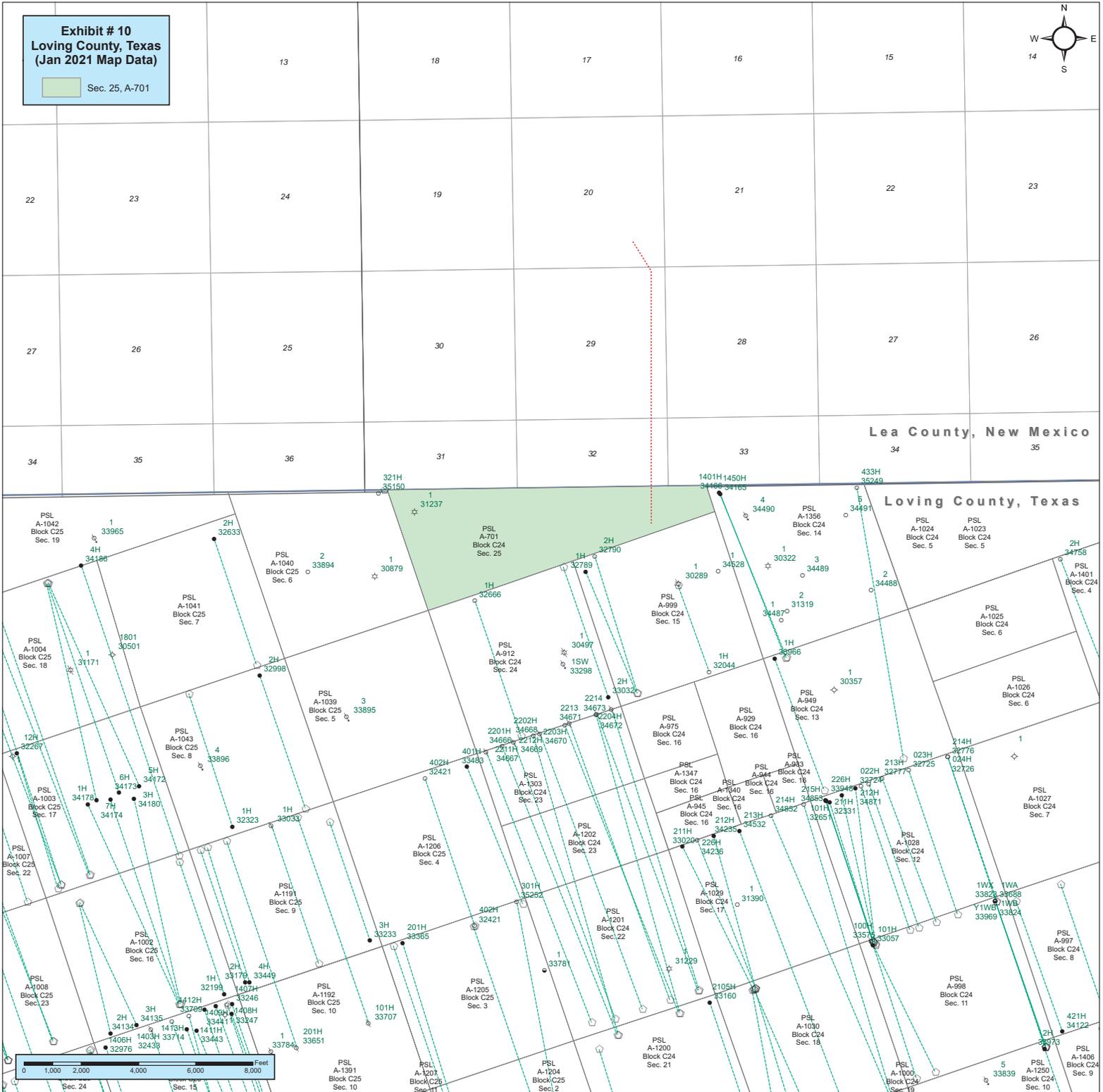
sshaheen@montand.com

jmcintyre@montand.com

Attorneys for Titus Oil & Gas Production, LLC

Exhibit # 10
Loving County, Texas
(Jan 2021 Map Data)

Sec. 25, A-701





RAILROAD COMMISSION OF TEXAS

Form G-1

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Status: Approved
Date: 09/06/2016
Tracking No.: 160124

GAS WELL BACK PRESSURE TEST, COMPLETION OR RECOMPLETION REPORT,

OPERATOR INFORMATION
Operator OXY USA INC. Operator 630591
Operator ATTN KELLEY MONTGOMERY 5 GREENWAY PLAZA SUITE 110 HOUSTON, TX 77046-0000

WELL INFORMATION
API 42-301-31237 County: LOVING
Well 1 RRC District 08
Lease MEDICINE MAN Field ARAPAHO (STRAWN)
RRC Gas ID 213078 Field No.: 03355600
Location Section: 25, Block: C24, Survey: PSL/RUSSELL, W B, Abstract: 701
Latitude Longitud
This well is 22.8 miles in NORTHEAST
direction MENTONE,
which is the nearest town in the

Docket # OG-21-06089
Titus Oil & Gas Prod., LLC
Date: April 13, 2021
Exhibit No. 11

FILING INFORMATION
Purpose of Well Record Only
Type of Other/Recompletion
Well Type: Producing Completion or Recompletion 06/26/2016
Type of Permit Date Permit No.
Permit to Drill, Plug Back, or 01/05/2006 561266
Rule 37 Exception
Fluid Injection
O&G Waste Disposal
Other:

COMPLETION INFORMATION
Spud 10/05/2005 Date of first production after rig 06/26/2016
Date plug back, deepening, drilling operation 06/18/2016 Date plug back, deepening, recompletion, drilling operation 06/26/2016
Number of producing wells on this lease this field (reservoir) including this 1 Distance to nearest well in lease & reservoir 0.0
Total number of acres in 636.00 Elevation 3198 GL
Total depth TVD 16495 Total depth MD
Plug back depth TVD 15000 Plug back depth MD
Was directional survey made other inclination (Form W- No Rotation time within surface casing Is Cementing Affidavit (Form W-15) Yes
Recompletion or Yes Multiple No
Type(s) of electric or other log(s) Gamma Ray (MWD)
Electric Log Other Description:
Location of well, relative to nearest lease boundaries Off Lease: No
of lease on which this well is 660.0 Feet from the West Line and
660.0 Feet from the North Line of the
MEDICINE MAN Lease.
FORMER FIELD (WITH RESERVOIR) & GAS ID OR OIL LEASE NO.
Field & Reservoir Gas ID or Oil Lease Well No. Prior Service Type

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC.

Was hydraulic fracturing treatment No

Is well equipped with a downhole actuation sleeve? No If yes, actuation pressure

Production casing test pressure (PSIG) Actual maximum pressure (PSIG) during hydraulic fracturing

Has the hydraulic fracturing fluid disclosure been No

<u>Ro</u>	<u>Type of Operation</u>	<u>Amount and Kind of Material Used</u>	<u>Depth Interval (ft.)</u>	
1	Fracture	5000 GAL @ 7.5% ACID; 5000 GAL @ 15% ACID	14557.0	14913.0
2	Cast Iron Bridge Plug	CIBP SET WITH 20' CEMENT	14980.0	15000.0

FORMATION RECORD

<u>Formations</u>	<u>Encountere</u>	<u>Depth TVD</u>	<u>Depth MD</u>	<u>Is formation isolated?</u>	<u>Remarks</u>
DELAWARE	Yes	5404.0		Yes	
BONE SPRING	Yes	9416.0		Yes	
WOLFCAMP	Yes	12556.0		Yes	

Do the producing interval of this well produce H2S with a concentration in excess of 100 ppm No

Is the completion being downhole commingled (SWR) No

REMARKS

SET PLUG @ 15000 FT. TO RECOMPLETE UPHOLE. ADDED NEW PERFS IN EXISTING ZONE.

3

RRC REMARKS

PUBLIC COMMENTS:

CASING RECORD :

TUBING RECORD:

PRODUCING/INJECTION/DISPOSAL INTERVAL :

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC. :

SET A 4 1/2' CIBP WITH 20' CEMENT ON TOP. W15 FOR PLUG IS ATTACHED.

GAS MEASUREMENT DATE REMARK:

OPERATOR'S CERTIFICATION

Printed	Sarah Chapman	Title	Regulatory Coordinator
Telephone	(713) 350-4997	Date	08/24/2016

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Production Reports

PR Queries Home New Lease ID's Built Query

Query Results Production by Lease

Current Operator: **OXY USA INC. (630591)**
Field: **ARAPAHO (STRAWN)**
Lease: **MEDICINE MAN**
Prod Month Range: **Jan 2020 - Jan 2021**

District: **08**
RRC Identifier: **213078**
Gas Well #: **1**
Lease Type: **Gas**

[Return](#)

Showing: 1 - 12 of 13 results

Oil/Condensate (Whole Barrels)							Gas/Casinghead Gas - MCF		
Prod Month	Commingle Permit No.	On Hand Beginning of Month	Production	Disposition		On Hand End of Month	Formation Production	Disposition	
				Volume	Code			Volume	Code
01/2020	5936	411	777	681	01	507	21,906	21,906	02
02/2020	5936	507	736	734	01	509	20,908	20,908	02
03/2020	5936	509	663	929	01	243	21,276	21,276	02
04/2020	5936	243	690	738	01	195	20,818	20,818	02
05/2020	5936	195	752	743	01	204	22,037	22,037	02
06/2020	5936	204	616	555	01	265	20,121	20,121	02
07/2020	5936	265	656	731	01	190	19,514	19,514	02
08/2020	5936	190	525	548	01	167	16,631	16,631	02
09/2020	5936	167	465	370	01	262	14,496	14,496	02
10/2020	5936	262	479	554	01	187	15,095	15,095	02
11/2020	5936	187	608	552	01	243	19,841	19,841	02
12/2020	5936	243	693	735	01	201	21,471	21,471	02

[Return](#)

[\[Next > \]](#) | Page: **1** 2 of 2

Lease Comments

none

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Production Reports

PR Queries Home New Lease ID's Built Query

Query Results Production by Lease

Current Operator: OXY USA INC. (630591)
Field: ARAPAHO (STRAWN)
Lease: MEDICINE MAN
Prod Month Range: Jan 2020 - Jan 2021

District: 08
RRC Identifier: 213078
Gas Well #: 1
Lease Type: Gas

Showing: 13 - 13 of 13 results

Oil/Condensate (Whole Barrels)							Gas/Casinghead Gas - MCF		
Prod Month	Commingle Permit No.	On Hand Beginning of Month	Production	Disposition		On Hand End of Month	Formation Production	Disposition	
				Volume	Code			Volume	Code
01/2021	5936	201	525	550	01	176	17,226	17,226	02

[< Previous] | Page: 1 2 of 2

Lease Comments
 none



RAILROAD COMMISSION OF TEXAS

Form W-2

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Status: Approved
Date: 03/31/2017
Tracking No.: 161899

OIL WELL POTENTIAL TEST, COMPLETION OR RECOMPLETION REPORT,

OPERATOR INFORMATION			
Operator	EOG RESOURCES, INC.	Operator	253162
Operator	ATTN: PRODUCTION REGULATORY PO BOX 2267 MIDLAND, TX 79702-0000		

WELL INFORMATION			
API	42-301-32789	County:	LOVING
Well No.:	1H	RRC District	08
Lease	CONNIE MACK	Field	PHANTOM (WOLFCAMP)
RRC Lease	48340	Field No.:	71052900
Location	Section: 15, Block: C24, Survey: PSL/BRUNSON, G S, Abstract: 999		
Latitude		Longitude	
This well is 22.8 miles in a NE direction from MENTONE, which is the nearest town in the			

Docket # OG-21-06089
Titus Oil & Gas Prod., LLC
Date: April 13, 2021
Exhibit No. 12

FILING INFORMATION			
Purpose of	Initial Potential		
Type of	New Well		
Well Type:	Producing	Completion or Recompletion	09/08/2016
Type of Permit		Date	Permit No.
Permit to Drill, Plug Back, or Rule 37 Exception		11/13/2015	811938
Fluid Injection			
O&G Waste Disposal			
Other:			

COMPLETION INFORMATION			
Spud	12/31/2015	Date of first production after rig	09/08/2016
Date plug back, deepening, drilling operation	12/31/2015	Date plug back, deepening, recompletion, drilling operation	01/23/2016
Number of producing wells on this lease this field (reservoir) including this	1	Distance to nearest well in lease & reservoir	0.0
Total number of acres in	645.06	Elevation	3207 GR
Total depth TVD	12623	Total depth MD	17132
Plug back depth TVD	12614	Plug back depth MD	17130
Was directional survey made other inclination (Form W- Yes		Rotation time within surface casing Is Cementing Affidavit (Form W-15)	144.5 Yes
Recompletion or	No	Multiple	No
Type(s) of electric or other log(s)	Gamma Ray (MWD)		
Electric Log Other Description:			
Location of well, relative to nearest lease of lease on which this well is	199.0 Feet from the 679.0 Feet from the	Off Lease :	No SE Line and SW Line of the CONNIE MACK Lease.
FORMER FIELD (WITH RESERVOIR) & GAS ID OR OIL LEASE NO.			
	<u>Field & Reservoir</u>	<u>Gas ID or Oil Lease</u>	<u>Well No.</u> <u>Prior Service Type</u>
PACKET:	N/A		

W2: N/A

FOR NEW DRILL OR RE-ENTRY, SURFACE CASING DEPTH DETERMINED BY:

GAU Groundwater Protection Determination **Depth** 500.0 **Date** 11/13/2015
SWR 13 Exception **Depth**

INITIAL POTENTIAL TEST DATA FOR NEW COMPLETION OR RECOMPLETION

Date of	09/12/2016	Production	Flowing
Number of hours	24	Choke	64/64
Was swab used during this	No	Oil produced prior to	2726.00
PRODUCTION DURING TEST PERIOD:			
Oil	1078.00	Gas	608
Gas - Oil	564	Flowing Tubing	6110.00
Water	6187		
CALCULATED 24-HOUR RATE			
Oil	1078.0	Gas	608
Oil Gravity - API - 60.:	44.0	Casing	1092.00
Water	6187		

CASING RECORD

<u>Ro</u>	<u>Type of Casing</u>	<u>Casing Size (in.)</u>	<u>Hole Size</u>	<u>Setting Depth</u>	<u>Multi - Stage Tool</u>	<u>Multi - Stage Shoe</u>	<u>Cement Class</u>	<u>Cement Amoun</u>	<u>Slurry Volume (cu.)</u>	<u>Top of Cement (ft.)</u>	<u>TOC Determined By</u>
1	Surface	10 3/4	14 3/4	685			C	535	820.0	0	Circulated to Surface
2	Intermediate	7 5/8	9 7/8	10930			TXI & H	861	2699.0	2900	Calculation
3	Tapered Production	5 1/2	6 3/4	17130			H	710	923.0	9750	Calculation
4	Tapered Production	5	6 3/4	17130			H	710	923.0	9750	Calculation

LINER RECORD

<u>Ro</u>	<u>Liner Size</u>	<u>Hole Size</u>	<u>Liner Top</u>	<u>Liner Bottom</u>	<u>Cement Class</u>	<u>Cement Amoun</u>	<u>Slurry Volume (cu.)</u>	<u>Top of Cement (ft.)</u>	<u>TOC Determined</u>
N/A									

TUBING RECORD

<u>Ro</u>	<u>Size (in.)</u>	<u>Depth Size (ft.)</u>	<u>Packer Depth (ft.)/Type</u>
1	2 7/8	11072	11042 / AS1X

PRODUCING/INJECTION/DISPOSAL INTERVAL

<u>Ro</u>	<u>Open hole?</u>	<u>From (ft.)</u>	<u>To (ft.)</u>
1	No	L1 12864	17012.0

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC.

Was hydraulic fracturing treatment Yes

Is well equipped with a downhole sleeve? No **If yes, actuation pressure**

Production casing test pressure (PSIG) during hydraulic fracturing 11510 **Actual maximum pressure (PSIG) during fracturin** 11000

Has the hydraulic fracturing fluid disclosure been Yes

<u>Ro</u>	<u>Type of Operation</u>	<u>Amount and Kind of Material Used</u>	<u>Depth Interval (ft.)</u>	
1	Fracture	9,773,290 LBS PROPPANT; 528 BBLs ACID; 204,502 BBLs TOTAL LOAD	12864	17012

FORMATION RECORD

<u>Formations</u>	<u>Encountere</u>	<u>Depth TVD</u>	<u>Depth MD</u>	<u>Is formation</u>	<u>Remarks</u>
RED BLUFF	No			No	GEOLOGICALLY NOT PRESENT
BELL CANYON	Yes	5369.0	5369.0	Yes	
BRUSHY CANYON	Yes	7983.0	7983.0	Yes	
DELAWARE	Yes	5369.0	5369.0	Yes	SAME AS TOP OF BELL CANYON
CHERRY CANYON	Yes	6420.0	6420.0	Yes	
BONE SPRINGS	Yes	9267.0	9267.0	Yes	
WOLFCAMP	Yes	12483.0	12587.0	Yes	TARGET
PENNSYLVANIAN	No			No	BELOW TD
STRAWN	No			No	BELOW TD
ATOKA - HIGH PRESSURE	No			No	BELOW TD
MORROW	No			No	BELOW TD
DEVONIAN	No			No	BELOW TD
FUSSELMAN	No			No	BELOW TD
ELLENBURGER	No			No	BELOW TD

Do the producing interval of this well produce H2S with a concentration in excess of 100 ppm No

Is the completion being downhole commingled No

REMARKS

KOP @ 12,157' MD.

RRC REMARKS

PUBLIC COMMENTS:

[RRC Staff 2017-01-23 11:10:19.127] EDL=4148 feet, max acres=640, PHANTOM (WOLFCAMP) oil or gas well

CASING RECORD :

THE 5 1/2" AND 5" PRODUCTION STRING IS A TAPERED CASING THAT SHARES THE SAME W-15 CEMENTING JOB. CROSSOVER IS AT 11,144'.

TUBING RECORD:

PRODUCING/INJECTION/DISPOSAL INTERVAL :

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC. :

POTENTIAL TEST DATA:

OPERATOR'S CERTIFICATION

Printed	Robert Humphreys	Title:	
Telephone	(432) 686-3693	Date	01/16/2017

4



RAILROAD COMMISSION OF TEXAS

Form W-2

1701 N. Congress
P.O. Box 12967
Austin, Texas 78701-2967

Status: Approved
Date: 04/04/2018
Tracking No.: 184979

OIL WELL POTENTIAL TEST, COMPLETION OR RECOMPLETION REPORT,

OPERATOR INFORMATION
Operator RSP PERMIAN, LLC Operator 732224
Operator 1CC 600 W ILLINOIS AVE MIDLAND, TX 79701-0000

WELL INFORMATION
API 42-301-33032 County: LOVING
Well No.: 2H RRC District 08
Lease PISTOL 24-24 Field PHANTOM (WOLFCAMP)
RRC Lease 49428 Field No.: 71052900
Location Section: 24, Block: C24, Survey: PSL/RUSSELL, W B, Abstract: 912
Latitude Longitude
This well is 22 miles in a NE direction from MENTONE, which is the nearest town in the

Docket # OG-21-06089
Titus Oil & Gas Prod., LLC
Date: April 13, 2021
Exhibit No. 13

FILING INFORMATION
Purpose of Initial Potential
Type of New Well
Well Type: Producing Completion or Recompletion 08/28/2017
Type of Permit Date Permit No.
Permit to Drill, Plug Back, or Rule 37 Exception 10/14/2016 818911
Fluid Injection
O&G Waste Disposal
Other:

COMPLETION INFORMATION
Spud 01/20/2017 Date of first production after rig 08/28/2017
Date plug back, deepening, drilling operation 02/17/2017 Date plug back, deepening, recompletion, drilling operation 05/14/2017
Number of producing wells on this lease this field (reservoir) including this 2 Distance to nearest well in lease & reservoir 3313.0
Total number of acres in 640.00 Elevation 3205 GR
Total depth TVD 12817 Total depth MD 17512
Plug back depth TVD Plug back depth MD
Was directional survey made other inclination (Form W- Yes Yes Rotation time within surface casing 48.0
Is Cementing Affidavit (Form W-15) Yes
Recompletion or No Multiple No
Type(s) of electric or other log(s) Combo of Induction/Neutron/Density
Electric Log Other Description:
Location of well, relative to nearest lease of lease on which this well is 200.0 Feet from the 375.0 Feet from the Off Lease : No
North Line and East Line of the PISTOL 24-24 Lease.

FORMER FIELD (WITH RESERVOIR) & GAS ID OR OIL LEASE NO.
Field & Reservoir Gas ID or Oil Lease Well No. Prior Service Type
PACKET: N/A

W2: N/A

FOR NEW DRILL OR RE-ENTRY, SURFACE CASING DEPTH DETERMINED BY:

GAU Groundwater Protection Determination Depth 500.0 Date 10/03/2016
 SWR 13 Exception Depth

INITIAL POTENTIAL TEST DATA FOR NEW COMPLETION OR RECOMPLETION

Date of	08/30/2017	Production	Flowing
Number of hours	24	Choke	36/64
Was swab used during this	No	Oil produced prior to	43496.00
PRODUCTION DURING TEST PERIOD:			
Oil	374.00	Gas	474
Gas - Oil	1267	Flowing Tubing	240.00
Water	1155		
CALCULATED 24-HOUR RATE			
Oil	374.0	Gas	474
Oil Gravity - API - 60.:	43.3	Casing	0.00
Water	1155		

CASING RECORD

Ro	Type of Casing	Casing Hole Size (in.)	Setting Size	Depth	Multi - Stage Tool	Multi - Stage Shoe	Cement Class	Cement Amount	Slurry Volume (cu.)	Top of Cement (ft.)	TOC Determined By
1	Surface	13 3/8	17 1/2	526			C	495	784.0	0	Circulated to Surface
2	Intermediate	9 5/8	12 1/4	5374			C	1245	3307.0	0	Circulated to Surface
3	Conventional Production	7	8 3/4	13005			P-110	870	2192.0	5374	Calculation

LINER RECORD

Ro	Liner Size	Hole Size	Liner Top	Liner Bottom	Cement Class	Cement Amount	Slurry Volume (cu.)	Top of Cement (ft.)	TOC Determined
1	6 1/8	4 1/2	11289	17502	H	275	723.0	1300 5	Calculation

TUBING RECORD

Ro	Size (in.)	Depth	Size (ft.)	Packer Depth (ft.)/Type
1	2 7/8	11289		/

PRODUCING/INJECTION/DISPOSAL INTERVAL

Ro	Open hole?	From (ft.)	To (ft.)
1	No	L1 13029	17380.0

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC.

Was hydraulic fracturing treatment	Yes		
Is well equipped with a downhole sleeve?	No		
Production casing test pressure (PSIG) during hydraulic fracturing	8000		
Actual maximum pressure (PSIG) during fracturing	8777		
Has the hydraulic fracturing fluid disclosure been	Yes		
Ro	Type of Operation	Amount and Kind of Material Used	Depth Interval (ft.)

21

1

Fracture

TLTR - 211,214 BBLS; 100 MESH - 11,084,020 LBS; ACID -
1,985.5 BBLS

13029

17380

FORMATION RECORD

<u>Formations</u>	<u>Encountere</u>	<u>Depth TVD</u>	<u>Depth MD</u>	<u>Is formation</u>	<u>Remarks</u>
RED BLUFF	Yes	3900.0	3900.0	Yes	ENCOUNTERED - NOT LOGGED
BELL CANYON	Yes	5423.0	5423.0	Yes	
BRUSHY CANYON	Yes	7895.0	7898.0	Yes	
DELAWARE	Yes	6500.0	6500.0	Yes	ENCOUNTERED - NOT LOGGED
CHERRY CANYON	Yes	6297.0	6298.0	Yes	
BONE SPRINGS	Yes	9331.0	9333.0	Yes	
WOLFCAMP	Yes	12565.0	12623.0	Yes	
PENNSYLVANIAN	No			No	BELOW TVD - NOT ENCOUNTERED
STRAWN	No			No	BELOW TVD - NOT ENCOUNTERED
ATOKA - HIGH PRESSURE	No			No	BELOW TVD - NOT ENCOUNTERED
MORROW	No			No	BELOW TVD - NOT ENCOUNTERED
DEVONIAN	No			No	BELOW TVD - NOT ENCOUNTERED
FUSSELMAN	No			No	BELOW TVD - NOT ENCOUNTERED
ELLENBURGER	No			No	BELOW TVD - NOT ENCOUNTERED

Do the producing interval of this well produce H2S with a concentration in excess of 100 ppm

Yes

Is the completion being downhole commingled

No

REMARKS

KOP = 12060 MD/ 12057 TVD

3/

RRC REMARKS

PUBLIC COMMENTS:

[RRC Staff 2018-01-10 10:13:35.902] EDL=4351 feet, max acres=640, PHANTOM (WOLFCAMP) oil or gas well

CASING RECORD :

TUBING RECORD:

PRODUCING/INJECTION/DISPOSAL INTERVAL :

ACID, FRACTURE, CEMENT SQUEEZE, CAST IRON BRIDGE PLUG, RETAINER, ETC. :

POTENTIAL TEST DATA:

OPERATOR'S CERTIFICATION

Printed	Adela Molina	Title:	Regulatory Analyst
Telephone	(432) 818-1367	Date	03/27/2018

RAILROAD COMMISSION OF TEXAS

TUESDAY, APRIL 13, 2021

REPORTED BY: WILLIAM C. BEARDMORE, CSR

APPEARANCES

FOR TITUS OIL & GAS PRODUCTION, LLC:

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BEFORE THE
RAILROAD COMMISSION OF TEXAS

REQUEST BY TITUS OIL & GAS)OIL & GAS DOCKET NO.
PRODUCTION, LLC (OPERATOR NO.)OG-21-00006089
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)

ALJ: EZRA JOHNSON
TECHNICAL EXAMINER: AUSTIN GASKAMP

BE IT REMEMBERED THAT THE ABOVE-CAPTIONED
matter came on for hearing at approximately 1:32 p.m. on
the 13th day of April 2021 and was reported by William
C. Beardmore, Certified Shorthand Reporter in and for
the State of Texas, reported remotely by computerized
stenotype via Zoom audio/video at my office in
Georgetown, Texas, 78633.

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EXHIBIT A-8
Titus Oil & Gas Production, LLC
NMOCD Case No. 21872
JUNE 17, 2021

EXHIBIT INDEX

	APPLICANT (TITUS)	MARKED	ADMITTED
1	1. Notice of Hearing	6	23
2	2. Drilling Schematic	6	23
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4	4. Lorenzo Garza 3/5/2021 Memo	6	23
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12	Order, New Mexico	6	23
13	10. Base Map	6	23
14	11. Form G-1, OXY - Medicine		
15	Man # 1	6	23
16	12. Form W-2, EOG - Connie		
17	Mack # 1H	6	23
18	13. Form W-2, RSP - Pistol 24-24		
19	# 2H	6	23
20	14. (Possible document submission if		
21	warranted)	41	N.O.
22			
23			
24			
25	N.O. = Not Offered		

PROCEEDINGS

APRIL 13, 2021

(1:32 p.m.)

(Exhibit Applicant Nos. 1-13 marked)

JUDGE JOHNSON: It is 1:32 p.m. on

April 13, 2021. For the record my name is Ezra Johnson, Administrative Law Judge, and with me today is Technical Examiner, Mr. Austin Gaskamp.

We are here to consider Oil and Gas Docket No. OG-21-0000 -- all right. Let's go off the record for a second.

(Brief pause off the record)

JUDGE JOHNSON: We're back on the record.

My apologies. Again, this is Docket No. OG-21-00006089, Request by Titus Oil & Gas Production, LLC to Contest Drilling Permit Unit Denial of Administrative Approval for the El Campeon FED Com Lease, Well No. 404H, Phantom (Wolfcamp) Field in Loving County, Texas, District 08. Would all of those persons who are appearing here today in this matter please begin by making an oral appearance for the record?

We will start with the Applicant, Titus Oil & Gas Production, LLC.

MR. NEALE: Yes, sir, Judge. Thank you.

For the Applicant, George Neale. With me we have Walter

Jones. He's the Vice President of Land. We also have Rick Johnston. He's a local consulting PE, as you know, and, finally, we have Sharon Shaheen. Sharon is an expert in New Mexico Oil & Gas, Regulatory, and so we thought we would have her available in case Staff had any questions about the New Mexico side of this process. Thank you.

JUDGE JOHNSON: Thank you. And for Staff?

MS. MENDOZA: Yes, sir. Jessica Mendoza, Office of General Counsel representing the Oil & Gas Division of the Railroad Commission of Texas, and then with me is Lorenzo Garza, Deputy Assistant Director, for the Administrative Compliance section of the Oil & Gas Division.

JUDGE JOHNSON: Thank you. And I believe we have some observers with us today.

MR. NEALE: Go ahead, Melissa. I didn't mean to interrupt you.

MS. FLACK: That's okay. My name is Melissa Flack. I work for Oxy. There were three other people from Oxy that were going to attend, but they had conflicting schedules. So they will not be attending.

MR. NEALE: And then, Judge Johnson, Will Tindol, he's an engineer employed by Titus.

JUDGE JOHNSON: All right. Very good.

Thank you. If you anticipate offering testimony today in today's hearing would you please raise your right hand?

(Rick Johnston, Walt Jones and Sharon Shaheen, proposed witnesses, were sworn)

JUDGE JOHNSON: Thank you. You are sworn.

All right. Before -- well, perhaps I shouldn't do that. Perhaps I should just turn the matter over to the Applicant. And, Mr. Neale, do you have an opening statement for us?

MR. NEALE: Yes, sir, just very brief.

OPENING STATEMENT BY TITUS OIL & GAS PRODUCTION, LLC

MR. NEALE: So if you will see through our testimony of Mr. Johnston and Mr. Jones, this is an application that's going to be -- the surface -- for a well with a surface location in New Mexico. It's going to be a horizontal well.

It's going to have producible open interval both on the New Mexico and the Texas side of the state line, and it's going to be a bottomhole, a terminus is going to be in Texas.

We have 13 exhibits that have been submitted. This is an application of, I think, first impression. And so, therefore, I -- and I don't want to speak for Ms. Mendoza, but I think she'll tell you that

1 the idea here was to have this hearing so that when
2 there are subsequent similar applications they might be
3 available for administrative approval as opposed to
4 approval via a hearing. Thank you.

5 JUDGE JOHNSON: Ms. Mendoza, any
6 follow-up?

7 MS. MENDOZA: Yes, sir.

8 OPENING STATEMENT BY COMMISSION STAFF

9 MS. MENDOZA: It's just that, as Mr. Neale
10 said, this is, in our understanding, a case of first
11 impression, and so we believe that this is a policy
12 determination to be put properly before the
13 Commissioners and not something that Staff can approve
14 administratively.

15 It is Staff's intent that if the
16 Commission does approve this particular application that
17 we will reach out to our counterpart in New Mexico,
18 NMOCD, the New Mexico Oil Conservation Division, and
19 enter into some sort of either memorandum of
20 understanding or other similar agreement to work out the
21 practical aspects and procedural aspects of coordinating
22 the drilling and completing and producing and all the
23 sort of practical implications that go along with well
24 producing from both Texas and New Mexico.

25 JUDGE JOHNSON: Very good. Thank you.

1 Well, I have many questions, but I suspect the best
2 thing to do is to save them until the end of the
3 Applicant's presentation. So I will turn the matter
4 over to Mr. Neale to begin doing that.

5 MR. NEALE: All right. Thank you, sir.
6 So our first witness is going to be Mr. Rick Johnston.

7 DIRECT CASE BY TITUS OIL & GAS PRODUCTION, LLC

8 RICK JOHNSTON,

9 having been first duly sworn, testified as follows:

10 DIRECT EXAMINATION

11 BY MR. NEALE:

12 Q So why don't you state your name for the
13 record, sir.

14 A My name is Rick Johnston.

15 Q So, Mr. Johnston, you have been employed as a
16 consultant on behalf of Titus in order to help
17 facilitate the presentation of this application to the
18 Railroad Commission?

19 A Correct.

20 Q And you prepared some exhibits -- I think 13 in
21 number -- that have been submitted to the Railroad
22 Commission, and I believe you're prepared to share the
23 screen as we go through those exhibits. Is that
24 correct?

25 A Yes.

1 MR. NEALE: And if it's all right with
2 you, Judge Johnson, we're ready to go to our first
3 exhibit.

4 JUDGE JOHNSON: Please do.

5 Q (BY MR. NEALE) All right. Let's start with
6 our first exhibit, please, Mr. Johnston.

7 A Can everybody see the exhibits?

8 Q Yes, sir.

9 JUDGE JOHNSON: Yes.

10 A Okay. Exhibit No. 1 is the notice of hearing
11 for this hearing. It basically lays out that we are
12 seeking approval of the drilling permit for the El
13 Campeon Fed Com, Well No. 404H in the Phantom (Wolfcamp)
14 Field. The Appendix A to the application lays out that
15 we're requesting a drilling permit. I guess in
16 discussions with the Staff -- Railroad Commission
17 staff -- we originally asked for a Rule 10 exception.
18 In discussions with Staff they've indicated that they
19 really don't think we need one of those.

20 The third item in the Appendix A was that
21 we were seeking a Rule 37 exception because we want to
22 be able to perforate this well all the way up against
23 the state line which is closer than the 100-foot
24 setback. So it would require a Rule 37 because of that.

25 Notice was given to the proper parties.

1 We gave notice to the NMOCD, the BLM.

2 Oxy has gotten -- well, they are not on
3 the notice list, but they are here at the hearing. Oxy
4 controls the acreage in Texas. Titus controls the
5 acreage in New Mexico.

6 So as far as the Rule 37 goes, proper
7 notice as to the Rule 37 would be to Titus who is the
8 Applicant.

9 Q (BY MR. NEALE) Okay. All right. So let's
10 proceed with your Exhibit 2, please.

11 A Exhibit No. 2 is a schematic showing what is
12 planned, and that is to have the surface location of
13 this well up in New Mexico drill a horizontal well that
14 will be landed in the Wolfcamp formation, drill it south
15 across the state line into Texas.

16 Well No. 404 is going to be in this
17 easterly-most slot if this is approved. The plan is to
18 have four different slots, and the plan is to end up
19 with stacked lateral wells in each one of these slots.

20 The applicable field down here in Texas is
21 Phantom (Wolfcamp). And, again, this application deals
22 with the easterly-most slot, Well No. 404H.

23 Q But you do know, do the not, Mr. Johnston, that
24 there are plans to drill additional wells if this
25 application is approved?

1 A Yes.

2 Q Okay. All right. So let's move on to our

3 Exhibit 3, please.

4 A Exhibit No. 3 is a copy of the Railroad

5 Commission Form W-1 as submitted by Titus.

6 You can see it was submitted back on

7 February 22nd and it's got the notation as submitted.

8 It showed a surface location one foot inside the state

9 of Texas, and there are a couple of errors. It's not

10 Abstract 912. I believe it's Abstract 701 and it's

11 Section 25, but this is the as-submitted W-1.

12 Q And we're going to have another Form W-1 which

13 is the current Form W-1. Is that correct?

14 A Yes, sir.

15 Q Okay. So let's move on to our next exhibit,

16 Exhibit 4, please.

17 A Exhibit No. 4 is a memo signed by Lorenzo Garza

18 wherein he is sending the -- this drilling permit

19 application up to Dana Lewis in the Hearings Division to

20 set the thing for hearing.

21 He's describing that the well is to be a

22 horizontal well to be drilled with a surface location in

23 New Mexico down into Texas, and that Staff does not feel

24 this application can be administratively approved and

25 that the Applicant wishes to go forward, and that's the

1 surface location up in New Mexico.

2 The number of acres has been changed to

3 just the number of acres that are down in Texas, which

4 is 49.2.

5 And, again, the field is Phantom

6 (Wolfcamp). And then there's a comment that's been

7 added to the W-1 that describes that this is going to be

8 a well with a surface location in Lee County, New

9 Mexico.

10 And when the well was mapped into the

11 Commission's GIS system the surface location of the well

12 will appear to be on the boundary line between the two

13 states, and it will just show that surface location down

14 to the terminus point in the Railroad Commission GIS

15 system, only in the state of Texas.

16 And then the fourth page of this exhibit

17 is the P-16 that shows that 49.2 acres will be assigned

18 to this well 404H. This is the way Mr. Garza requested

19 that the P-16 be filled out.

20 Q Okay. Let's move on to the surveyor's map.

21 We've marked that as Exhibit 6.

22 A Exhibit No. 6 is the well location plat that's

23 been filed with the Commission that accompanies the

24 pending approval Form W-1.

25 It shows the surface location of the well

1 subject of this hearing. This is what's precipitated

2 this hearing.

3 Q Now, it's clear from this letter and Commission

4 practice that across lease lines well have been

5 permitted and drilled before. Isn't that correct,

6 Mr. Johnston?

7 A In this day and time very common. Yes.

8 Q It's just that this one is different in that

9 the producing interval is going to be open on both sides

10 of the state line. Is that right?

11 A This well, if approved and drilled and

12 completed, will produce from both lands in New Mexico

13 and lands in Texas both.

14 To our knowledge this is the -- if this

15 well is drilled and completed this will be the first

16 time this is done between Texas and New Mexico.

17 Q All right. So let's move on to the current W-1

18 which you've marked as Applicant's Exhibit 5, please.

19 A Okay. Exhibit No. 5 is the Form W-1 with the

20 notation pending approval. There have been a number of

21 changes made to this Form W-1 as a result of

22 conversations that Mr. Neale and I have had with

23 Mr. Garza.

24 The surface location is now described as

25 being up in New Mexico with the calls as to the actual

1 up in New Mexico. The well will be drilled across the

2 state line into Texas.

3 And then it shows that the total acreage

4 in the proposed proration unit will be 282.84 acres over

5 along the lower right-hand margin of the plat in the

6 block titled Called Acreage Totals.

7 Tract 3 is the tract that's in Texas and

8 you can see that it's 49.2 acres. You can -- oops --

9 you can also see that the tract in Texas, Section 25, is

10 an unusually-shaped tract of land.

11 I believe it includes 636 acres, but it's

12 not a normal section.

13 Q And we're going to have some testimony on the

14 fact that in order to properly develop this sort of

15 lay-down triangle the predominant direction of the

16 drilling being north-south it would be difficult to

17 develop this tract without approval of this application.

18 Correct?

19 A Right. The stress is in the rock in the

20 Delaware Basin in this area are such that when you frac

21 a well the orientation of the fracs is east-west.

22 So when you drill these horizontal wells

23 you want to drill such that your -- the orientation of

24 the wellbore is perpendicular to how the fractures are

25 going to be created in the formation.

1 So with that in mind the wells need to be
2 drilled more south, and this being an unusual shaped
3 section it's not conducive to just drill little short
4 laterals.

5 They would be considered uneconomic. They
6 wouldn't be drilled.

7 Q And so is it safe to conclude, Mr. Johnston,
8 that in order for this tract to be developed it needs to
9 be drilled with a north-south pattern similar to what's
10 being proposed here today?

11 A Yes.

12 Q Okay. So let's move over to our next exhibit,
13 please, Exhibit 7. Identify this for the record, sir.

14 A Exhibit No. 7 is just a printout of the field
15 rules for the Phantom (Wolfcamp) Field.

16 The first point that we want to make is
17 that the current field rules allow for 320-acre units
18 with optional 20s, meaning you can assign acreage to a
19 well ranging from 320 acres all the way down to
20 20 acres.

21 With us assigning 49.2 acres on the Texas
22 side it does not require a Rule 38 exception. This is a
23 UFT field; so allowable issues will not come into play.

24 And then the spacing is 330, zero between
25 well, and then it has a first and last take-point rule

1 of a hundred feet.

2 That's why we need a Rule 3837 so we don't
3 have to leave the hundred-foot buffer on the south side
4 of the state line which represents the property
5 boundary.

6 Q And like you mentioned earlier, if a Rule 37 is
7 required for this well the only party that would be
8 required to be provided notice is the Applicant.
9 Correct?

10 A Yes, Titus Oil & Gas. That's right.

11 Q Okay. So let's move on to Exhibit 8 which
12 talks about the allocation of the production.

13 A Okay. Exhibit 8 is a table that was put
14 together by, I believe, the surveyor or perhaps somebody
15 at Titus, and what it does it is goes in and compares
16 the allocation based on surface acres and then also on
17 completed lateral length.

18 And you can see that either way you do it
19 the numbers are quite comparable. My understanding is
20 that -- indications are thus far that New Mexico would
21 lean in the direction of a surface acreage allocation.
22 So I believe that's the direction we're headed right
23 now.

24 Q Because it's going to be important that the
25 allocation be the same on both sides of the state line.

1 Correct, Mr. Johnston?

2 A Yes.

3 Q So let's move on to Exhibit 9, please.

4 A Exhibit 9 is a copy of an application that has
5 been filed with the state of New Mexico Department of
6 Energy Minerals and Natural Resources Oil Conservation
7 Division, NMOCD.

8 This is an application for an order
9 approving the production allocation of minerals in the
10 Wolfcamp formation, and this WC-025 G-09S263619C, as I
11 understand it, is the name of the field in New Mexico.

12 It goes on and talks about Titus being the
13 sole working interest owner in New Mexico. Occidental
14 Petroleum is the sole working interest owner in Texas.

15 And then Item 5 says that production will
16 be allocated to New Mexico and Texas prorated on the
17 basis of surface acreage in the proration unit or in any
18 other manner mutually acceptable to the Division and the
19 Railroad Commission of Texas.

20 So this application has been filed and
21 it's working its way through the NMOCD as I understand
22 it.

23 Q And then on Page 3 we see that Sharon Shaheen
24 is the one who submitted this to the New Mexico agency?

25 A Yes.

1 MR. NEALE: And she, Judge Johnson, is on
2 Zoom with us for questions that may arise on this
3 subject.

4 Q (BY MR. NEALE) So let's move on to our next
5 exhibit which is Exhibit No. 10, please.

6 A Okay.

7 Q Identify this for the record, sir.

8 A Exhibit No. 10 is a map that put together
9 showing Section 25 and a couple of sections up in New
10 Mexico that the well will be drilled through.

11 The red line on Exhibit No. 10 is my
12 estimation of the surface location and the path of the
13 well that will be drilled, and that is the red line.

14 The other purpose of this map is to show
15 that Section 25, again, is an odd-shaped section, and to
16 also show that there has already been development
17 started in the sections below.

18 With that development already having been
19 started it potentially leads one to believe that this
20 Section 25 if it's not developed from wells up in New
21 Mexico that this will end up being not developed. It
22 will just be an undeveloped island.

23 Q And if it's not developed, Mr. Johnston, do you
24 have an opinion as to whether or not there will be
25 hydrocarbon reserves that otherwise could be recovered

1 that will not be recovered?

2 A The hydrocarbons won't be developed and they
3 will be wasted. The problem is, you have a well in
4 Section 24 with a surface location here, and it's
5 already been drilled and producing. So it's already
6 started the development pattern.

7 And then you have this well over in
8 Section 15 that's been drilled from a pad to the south
9 up to the north, and it did not enter into this acreage.

10 So the development that's already been
11 initiated in the area is leaving this acreage out. And
12 then the next couple of exhibits I'm going to present
13 the completion papers for the one well that is located
14 on Section 25. This is an Oxy well.

15 Then I'm going to present the completion
16 papers for this EOG well and for this RSP well which are
17 the two wells that have done the development down to the
18 south and not included this acreage.

19 Q Okay. So let's move to Exhibit No. 11, please.

20 A Exhibit No. 11 is the Oxy well that is located
21 on Section 25. It's the Medicine Man No. 1.

22 You can see it's completed in the Arapaho
23 Strawn. It was completed there in 2016 -- oops -- and
24 you can see it has perforations down at 14,557 to 14913.
25 So this is completed down below the Wolfcamp.

1 It is a pretty good well. I just printed
2 out the most recent portion of the production history,
3 and you can see it's pretty steadily producing about
4 20,000 Mcf a month and about 6- or 700 barrels of
5 condensate a month.

6 So I would expect that this well is
7 holding the Oxy acreage.

8 Q Let's go to the next well which we've marked as
9 Exhibit 12, please.

10 A The next well is the EOG Resources Connie Mack
11 No. 1H. This well was completed in the Phantom
12 (Wolfcamp) Field. The TD of this well is 12,623 which
13 is where the Wolfcamp is located, or at least that's
14 where this well landed.

15 This well's potential is for 1,078 barrels
16 of oil a day, along with 6,000 barrels of water, but
17 that's a pretty good well, 1,078 barrels a day.

18 Q All right.

19 A And then Exhibit 13 is the Form W-2 for the RSP
20 Permian, Pistol 24-24 No. 2H. This well was completed
21 in the Phantom (Wolfcamp). It's been producing since
22 2017. It has 640 acres assigned to it.

23 Well -- and, again, it's landed at a depth
24 of roughly 12,800 feet. It potential for 374 barrels
25 of water -- excuse me -- 374 barrels of oil and day and

1 1155 barrels of water.

2 MR. NEALE: So that -- Judge Johnson, that
3 concludes our direct testimony and exhibits from
4 Mr. Johnston. Maybe we could just ask him -- if you
5 would like, I'll ask him just one more time.

6 Q (BY MR. NEALE) So you believe this application
7 should be approved in order to prevent waste. Is that
8 correct?

9 A Yes.

10 MR. NEALE: And with that, Mr. -- Judge
11 Johnston, we offer our Exhibits 1 through 13 for
12 admission, please.

13 JUDGE JOHNSON: Without objection,
14 Applicant's 1 through 13 are admitted.
15 (Exhibit Applicant Nos. 1-13 admitted)

16 MS. SHEHEEN: No objection.

17 MR. NEALE: I'm sorry.

18 JUDGE JOHNSON: Thank you.

19 MR. NEALE: And so we have Walter Jones as
20 I mentioned earlier, the VP of Land for Titus, and
21 Sharon Shaheen, the New Mexico lawyer for Titus, and if
22 Staff or if Ms. Mendoza has any questions of either of
23 those two or Mr. Johnston, of course, they're all
24 prepared to be available for questions.

25 JUDGE JOHNSON: All right. Very good.

1 Before we begin clarifying examination from the
2 Examiners I'll invite Staff to make any presentation
3 they'd like to make at this time.

4 MS. MENDOZA: No, sir. We don't have a
5 presentation to make. We just might have some closing
6 remarks to make sure certain issues are highlighted and
7 brought to the ALJ's attention to be included in the
8 final proposed order.

9 JUDGE JOHNSON: All right. Very good.
10 Thank you. Examiner Gaskamp, do you have any questions
11 for the Applicant or the Applicant's witnesses?

12 EXAMINER GASKAMP: I don't believe so.
13 Thank you.

14 JUDGE JOHNSON: So the issue of allocation
15 between the states, let's take that up for a minute.
16 This seems somewhat similar to me as the -- as an
17 allocation well-type permit where we're saying that
18 every tract of a horizontal well path is considered a
19 drill site tract, then presumably, you know, we can take
20 each one of those tracts in isolation, and, you know,
21 address the permitting process in that way.

22 It sounds to me like that's how the
23 Applicant is treating this as well. Am I understanding
24 that correctly, Mr. Neale?

25 MR. NEALE: Yes, sir. You are. That's

1 why -- for example, we believe that if this permit is
2 approved and the well drilled you'll see a surface
3 location in New Mexico as well as a representation of a
4 surface location in Texas at the state line.

5 JUDGE JOHNSON: And the need for the Rule
6 37 exception to avoid the 100-foot perpendicular
7 spacing, if we could talk a little bit more about that,
8 about the need for that.

9 I mean, is that going to make a huge
10 difference one way or the other? Is there -- is it
11 already expected that the nearest take-point will be
12 closer than that or is that just trying to afford
13 maximum flexibility during the drilling process?

14 MR. NEALE: So I'm not sure if either
15 Mr. Johnston or I know the answer to that question.
16 Maybe Mr. Jones might.

17 MR. JONES: Yeah. Just as far as in the
18 completion procedures, instead of having a setback on
19 the New Mexico side of a hundred feet plus another
20 100-foot setback for completion purposes, that's 200
21 feet of treatable lateral that we would not be able to
22 complete without a variance.

23 So that obviously affects the economics of
24 the well and would certainly be something we would plan
25 to complete and would hope to complete.

1 MR. JONES: So currently there is not,
2 though we have been -- we've spoken quite a bit with
3 Oxy, and they are not -- they have no objections to us
4 pursuing this as an option.

5 We do not have an agreement in place at
6 this point and that's as much a function of not knowing
7 the viability, you know, as far as if this would be
8 approved by the Railroad Commission.

9 And so we were waiting to see some
10 feedback from the Commission and from the New Mexico Oil
11 Conservation Division at which point we feel very
12 confident we will be able to enter into an agreement
13 with Oxy.

14 JUDGE JOHNSON: And does Titus own any
15 undivided interest in the tract in Texas?

16 MR. JONES: No, sir. We don't.

17 JUDGE JOHNSON: All right. That would
18 seem to suggest a good faith claim issue on the permit.
19 What is Titus's good faith claim to seek a drilling
20 permit and Rule 37 exception for property it has no
21 interest in?

22 MR. NEALE: So that's -- that is a
23 dilemma, Judge Johnson, and that's why there have been
24 substantial discussions between Titus and Oxy, and the
25 decision -- the business decision was made that a

1 JUDGE JOHNSON: All right. Well, the
2 understanding there then would be that -- I mean, what
3 I'm used to seeing is that you have, you know, the same
4 company on both sides of that property line. You know,
5 they're going to be able to account in some way to their
6 mineral lessors.

7 Am I understanding correctly based on this
8 plat that the state of New Mexico owns the minerals
9 under the -- immediately adjacent to the state line?

10 MR. JONES: That's correct. They own the
11 minerals under Section 32.

12 JUDGE JOHNSON: And the state of New
13 Mexico was noticed for this hearing from what I
14 understand from the exhibits presented by the Applicant?

15 MR. JONES: That's correct.

16 MR. NEALE: Just one clarifying point,
17 but, Mr. Jones, those minerals north of the Texas line,
18 those are leased by Titus, are they not?

19 MR. JONES: That's correct. Yeah. We
20 have the leases on 100 percent of the New Mexico side of
21 the wellbore.

22 MR. NEALE: All right.

23 JUDGE JOHNSON: And is there some kind of
24 joint operating agreement with Oxy that's making all of
25 this possible?

1 farm-out or some similar type of agreement would not be
2 entered into between Titus and Oxy unless the permit
3 were approved. Then the idea then would be to enter
4 into a formal agreement for the development of this
5 triangular shaped tract in Texas.

6 JUDGE JOHNSON: Well, that would seem to
7 create something of a chicken and egg problem.

8 MR. NEALE: Well, that's exactly how we've
9 described it, sir.

10 JUDGE JOHNSON: Because on top of the
11 potential precedent that we're setting here about wells
12 drilled between the two states and the -- the
13 potentially thorny jurisdictional issues there I'm
14 curious about the basic jurisdictional issue of issuing
15 a permit for a piece of property that the Applicant
16 admits they don't have an interest in.

17 MR. NEALE: And we -- like I said, we
18 characterized it similar to your characterization and we
19 recognize that.

20 The problem is that there's a difficulty
21 in suggesting that an agreement should be entered into
22 that would result in the tying up of the acreage in
23 Texas in the event that there was not a permit to drill
24 that well.

25 JUDGE JOHNSON: I mean, the Magnolia case

1 says that the Commission can't do a useless thing which
2 is to issue -- I mean, that's directly out of the famous
3 quote from the case which is about issuing a drilling
4 permit for which the Applicant can't demonstrate that it
5 has a basic good faith claim.

6 It seemed to me that that's open and shut
7 at this point, that without that piece in place we can't
8 even get to the issue of, you know, permitting this well
9 given these circumstances and determining the allocation
10 between how the states are going to allocate production
11 and presumably tax revenue.

12 I mean, that's kind of what I'm left with
13 here. Tell me how I can make a recommendation to the
14 Commissions on this given all of the policy implications
15 that they're going to have to wrestle with, and I also
16 have to tell them that, oh, by the way, the Applicant
17 doesn't have a good faith claim to the tract on which
18 they are proposing to drill this well.

19 MR. NEALE: And I think the only thing
20 that we can say in response to that is that not only
21 have there been substantial negotiations, but the folks
22 at Oxy do not object to this application, and Mr. Jones
23 will tell you -- and I think he already has -- that if
24 this permit were approved by New Mexico and Texas that
25 he fully believes that an agreement to develop the tract

1 in Texas would occur.

2 But you're exactly right. Currently we
3 don't have a legal document or a legal right to develop
4 the acreage in Texas.

5 JUDGE JOHNSON: Well, it just seems to me
6 that that's putting the cart before the horse. It
7 sounds like -- rather than wait and see if it's
8 permitted before there's an agreement it sounds to me
9 like you need an agreement before it's permitted.

10 So I think that's where we're -- I think
11 that's the only decision I'm really able to make here.
12 Unless somebody can convince me otherwise that seems to
13 be the answer in this matter.

14 MR. JONES: Is there -- would there be an
15 option for contingency, you know, to prove that only as
16 so long as there is an agreement between the parties
17 between Titus and Oxy or an affidavit or some sort of --

18 JUDGE JOHNSON: I mean, I would hesitate
19 to speculate on the record what would be necessary here
20 for the Applicant, but, I mean, without even something
21 like a memorandum of understanding, the fact that Oxy is
22 here and not making a protest doesn't sound like a good
23 faith claim as I understand it and the rule to require
24 one.

25 MR. NEALE: Well, Judge Johnson, we're

1 certainly willing to try to move along the discussions
2 with Oxy, and maybe if a Memorandum of Understanding is
3 necessary then we can pursue that -- that avenue. We
4 just --

5 JUDGE JOHNSON: Well, again, I want to be
6 very clear that I'm not suggesting to the parties what
7 they need to do or not do to establish a good faith
8 claim, but I'm just saying from my own experience
9 without even a bare minimum memorandum, I don't see how
10 that's supportable at this time.

11 Now, we can certainly -- if you would like
12 we can certainly put a pin in that issue and perhaps
13 that works itself out, as it were, while, you know, the
14 Examiners are considering what recommendation to make to
15 the Commission.

16 So let's go ahead. We can put the good
17 faith claim issue to one side for a second. I think
18 Mr. Jones's testimony establishes that they feel that
19 the Rule 37 exception is necessary to avoid potential
20 waste and be able to tap into reserves that might
21 otherwise go unrecovered if both states have a 100-foot
22 offset.

23 And I suppose it's beyond my pay grade to
24 talk about whether we do a surface acreage allocation
25 for revenues versus a wellbore application. I'm just

1 wondering since the shape of this tract is such that,
2 you know, the wellbores will get progressively longer in
3 the state of Texas. Is there some point at which it
4 doesn't -- I'm assuming that there's going to have to be
5 some reallocation of acreage here at some point.

6 Is that just something that we'll have to
7 take up as each well comes along, or has there been any
8 discussion on that point?

9 MR. NEALE: The discussion that we've
10 had -- and Mr. Jones can add to that if he likes, is
11 that we are trying to make this allocation formula match
12 with what is the standard for New Mexico.

13 That's why we presented that Exhibit No. 8
14 that showed what would happen based upon either surface
15 acreage or complete lateral footage which are typically
16 the only methodology that I'm aware of for horizontal
17 wells crossing multiple tracts.

18 The good news is, is that New Mexico
19 typically requires surface acreage and surface acreage
20 would give a higher percentage to Texas than would a
21 completed lateral.

22 I think that if -- in this order we might
23 be able to have -- we're hoping to have something that
24 would address that subject so that the next well would
25 not -- if following this precedent the next well would

1 also be production allocated on surface acreage.

2 JUDGE JOHNSON: Mr. Neale and/or
3 Ms. Mendoza, do we have -- does the Commission issue
4 orders on allocation wells that specify how the
5 allocation is to be undertaken?

6 MR. NEALE: No, sir, not typically.

7 JUDGE JOHNSON: Yeah, I didn't think so,
8 but so -- but you'd be wanting something like this in
9 the order for this well?

10 MR. NEALE: Well, I think that -- if the
11 idea here is to sort of develop a template for
12 administrative approval of subsequent wells I think that
13 would be of assistance because of the predominance in
14 New Mexico of surface acreage allocation.

15 MR. JOHNSTON: The Commission has issued
16 orders for Rule 10s where you have diversity and
17 ownership where they specify the allocation method.

18 JUDGE JOHNSON: Okay. Ms. Mendoza, I
19 mean, in terms of what the Examiners would recommend to
20 the Commission, I mean, is there any -- any -- anything
21 you might offer us on that point.

22 Is that something that the Examiners would
23 leave to the Commissioners to decide or would they be
24 wanting a recommendation on that in some way?

25 MS. MENDOZA: I'm not sure. I'm happy to

1 go and do some research. I was unfamiliar with any Rule
2 10 orders. I'm happy to go do some research on that,
3 though, and I'd be happy to file a brief after the fact
4 with that research, the results of that research if that
5 would be useful, though.

6 JUDGE JOHNSON: I suspect that it would.
7 I think we could also put the Applicant on doing similar
8 work to kind of help guide the Examiners on what we
9 might think about when making recommendations to the
10 Commission.

11 MS. MENDOZA: Absolutely.

12 JUDGE JOHNSON: Thank you. What about --
13 I'm just thinking out loud here.

14 You know, what about issues of pollution
15 or concerns about frac hits? I mean, who is going to be
16 responsible for those issues and is that something that
17 we need to take up in the permitting process?

18 I'm assuming it's not something that
19 really is taken up in the permitting process because the
20 assumption would be -- it would be one state or the
21 other. Any thoughts on that?

22 MR. NEALE: So, yes, sir, Judge. So we
23 had a -- we being Rick Johnston and I had a conference
24 call with Paul Dubois, Lorenzo Garza and Jessica Mendoza
25 to talk about those sort of operational issues, and I

1 think the conclusion was that the majority of those
2 subjects would be related to the surface location,
3 which -- because it's going to be in New Mexico, Texas
4 would not really have much jurisdiction, if any, over
5 those operational issues. We have also --

6 MS. MENDOZA: And that is something
7 that -- sorry. Go ahead, Mr. Neale.

8 MR. NEALE: One other thing. We have also
9 talked about this allocation of production and payment
10 of severance taxes, and we had them -- the Staff
11 recommend that on our production report not only do we
12 report the proportionate production from Texas, but we
13 also include a number, which is the gross number, so
14 that anybody attempting to research the production from
15 this reservoir by this well it could have a gross number
16 even though it only would be -- some portion of that
17 would be allocated to Texas.

18 MS. MENDOZA: And just to add onto that,
19 the practical aspects of pollution flaring in other sort
20 of operational concerns, I believe that that's something
21 that we would address in that MOU with New Mexico and
22 would not need to be addressed in the drilling permit
23 application.

24 JUDGE JOHNSON: Okay. Thank you. That's
25 good to know. All right. Other than the good faith

1 claim issue, again, to me, and kind of thinking about
2 this before we got here today, you know, this seems to
3 walk and quack like an allocation well-type issue.

4 And certainly the Commission has been
5 comfortable now for some time issuing allocation
6 permits, and that the basic concept of allocation
7 permits has, you know, received something of a blessing
8 from the court system.

9 So it certainly seems to me that the -- as
10 far as the portion of the well that exists within the
11 state of Texas, it seems like the policy concerns
12 surrounding the permitting itself are perhaps less
13 salient than issues like how do you allocate revenue,
14 how do you allocate responsibility for other regulatory
15 issues that come up in operations.

16 But it sounds like, from what I'm hearing
17 from Ms. Mendoza, that that would be addressed through a
18 separate agreement between the state agencies through at
19 least a memorandum of understanding and that all the
20 Examiners need do is address the issue of the permit
21 itself.

22 So I think that's all the questions I
23 have. Ms. Mendoza, you --

24 MS. MENDOZA: Judge Johnson -- I'm sorry.

25 JUDGE JOHNSON: Go ahead.

1 MS. MENDOZA: Yeah, sorry. Can I
 2 interrupt real quick? Most operational issues that
 3 you -- all operational issues that you identified Staff
 4 does foresee entering into an agreement with New Mexico
 5 except for the allocation of production issue which is
 6 something that we believe that the ALJ -- sorry -- the
 7 Commissioners -- we would like to seek guidance from the
 8 Commissioners on that, as we believe that's more of a
 9 policy decision and not a procedural decision which
 10 would be Staff's domain, the procedural aspect of that.

11 JUDGE JOHNSON: Okay. Well, at this point
 12 if the -- I'm looking at the chart that is in Exhibit 8
 13 for the Applicant. The indications are that the state
 14 of New Mexico is willing to allocate on an acreage basis
 15 that would seem to be the advantage of the people of the
 16 state of Texas and presumably the royalty owners in the
 17 state of Texas.

18 So, I mean, to the extent that the
 19 Examiners would like the -- I'm sorry. The
 20 Commissioners would like the Examiners to talk about
 21 their potential policy options. You know, that would
 22 seem to be -- at least on this application that would
 23 seem to be favorable to the state.

24 But we can certainly include that in an
 25 Examiners' Report that -- and they can then -- they then

1 this permit is approved as you mentioned sort of a
 2 condition to the drilling permit entered into by the
 3 parties, not by the Railroad Commission?

4 MR. JONES: Yes. I do believe that's
 5 something we could get in place. I obviously can't
 6 speak for Oxy in that regard.

7 I do think with a little bit more color
 8 that we've gained here and just kind of hearing I think
 9 that would be helpful as far as keeping this moving
 10 forward.

11 If we could have -- I don't know what the
 12 typical timeline is for how long it takes you to have
 13 that -- the case -- how long it is usually kept open,
 14 but, I mean, anywhere from 60 to 90 days I feel like we
 15 should be able to get something in place with Oxy in
 16 that time.

17 JUDGE JOHNSON: When was the application
 18 sent to the Hearings Division?

19 MR. NEALE: So if you look at our Exhibit
 20 No. 4, I believe it was March 5.

21 JUDGE JOHNSON: Okay. So this hasn't been
 22 with us very long.

23 MR. NEALE: Actually this letter was filed
 24 in CASES on March 8th.

25 JUDGE JOHNSON: Well, unless there are any

1 can take that up in a vote if that's the -- if that --
 2 that sounds like to me the appropriate allocation of job
 3 responsibilities between the Examiners and the
 4 Commissioners --

5 (Laughter)

6 MR. NEALE: Yeah.

7 JUDGE JOHNSON: -- unless I'm missing
 8 something.

9 MS. MENDOZA: I think that sounds
 10 appropriate to Staff.

11 JUDGE JOHNSON: Very good. Well, in that
 12 case -- I mean, Mr. Neale, I guess that leaves then the
 13 process between Titus and Oxy to potentially beat the
 14 Examiners to an Examiners' Report on the good faith
 15 claim issue.

16 MR. NEALE: Yes, sir. That's my
 17 understanding as well.

18 JUDGE JOHNSON: Would the Applicant like
 19 the Examiners to hold the record open for any particular
 20 period of time before filing an Examiners' Report?

21 MR. NEALE: So let's maybe ask Mr. Jones
 22 that question. Of course, he's heard the discussion on
 23 the record today. And so do you have any opinion about
 24 the possibility of developing some sort of memorandum of
 25 understanding between Titus and Oxy in the event that

1 strong objections from anyone here I am not adverse to
 2 holding the record open in this matter for 90 days. Of
 3 course, if something were to occur prior to that time I
 4 would hope that the Applicant would let us know well in
 5 advance of 90 days if that happened.

6 MR. JONES: Yes, sir.

7 MR. NEALE: We would definitely do that.
 8 Yes, sir.

9 JUDGE JOHNSON: And let me stress that I'm
 10 in no way telling the Applicant what constitutes a good
 11 faith claim.

12 The rule promulgated by the Commission
 13 establishes what a good faith claim is, and so however
 14 the parties want to work that out I am making no
 15 pre-sentiments or pre-statements about what that looks
 16 like.

17 MR. JONES: Understood. Thank you.

18 JUDGE JOHNSON: All right. Well, hearing
 19 no objection I am going to go ahead and hold the record
 20 in this matter open for 90 days, and then we can -- we
 21 will reach out to the Applicant when they give us some
 22 indication of the status of this matter.

23 If we could, I would appreciate it if we
 24 in the next week or so do get a posthearing conference
 25 set sometime within that 90-day time frame. And I'm

1 sorry. That probably didn't come out as clearly as I
 2 intended it to mean.
 3 Mr. Neale, if you could consult with
 4 Docket Services. That may be too far out for them, but
 5 start working on giving us a placeholder. Of course, if
 6 we don't need the prehearing conference we can simply
 7 cancel it.
 8 But that way it gives us all a reminder
 9 not to let this sit without somebody circling back
 10 around and checking on it.
 11 MR. NEALE: Yes, sir.
 12 JUDGE JOHNSON: All right. I'm going to
 13 assess the cost of today's transcript to the Applicant.
 14 Is there anything we need to -- anything further we need
 15 to take up at this time?
 16 MR. NEALE: I guess the only thing is, is
 17 if a document ensues from the discussion with Oxy and
 18 Titus we would like to mark that and submit that as
 19 Exhibit 14.
 20 JUDGE JOHNSON: Well, since the record
 21 will be open we won't even have to call it late-filed.
 22 So, yes, that will be fine. You can submit that as
 23 Exhibit 14.
 24 (Exhibit Applicant No. 14 to be submitted
 25 if warranted)

1 CERTIFICATE
 2
 3 STATE OF TEXAS)
 4 COUNTY OF TRAVIS)
 5
 6 I, William C. Beardmore, Certified Shorthand
 7 Reporter in and for the State of Texas, do hereby
 8 Certify that the above-mentioned matter occurred as
 9 hereinbefore set out.
 10 I FURTHER CERTIFY THAT the proceedings of such
 11 were reported by me or under my supervision, later
 12 reduced to typewritten form under my supervision and
 13 control and that the foregoing pages are a full, true,
 14 and correct transcription of the original notes.
 15 IN WITNESS WHEREOF, I have hereunto set my
 16 hand and seal this 18th day of April 2021.
 17
 18
 19 WILLIAM C. BEARDMORE
 20 Certified Shorthand Reporter
 21 CSR No. 918 - Expires 4/30/21
 22
 23 Dave Howard and Associates
 24 Firm No. 440
 25 10917 Shady Hollow Drive
 Austin, Texas 78748
 512.282.0313

1 MR. NEALE: Yeah, I think that's all we
 2 had. Thank you, sir.
 3 JUDGE JOHNSON: All right. Ms. Mendoza,
 4 you had mentioned maybe making a final statement, but
 5 have we kind of covered everything that Staff wanted to
 6 discuss today?
 7 MS. MENDOZA: Yes, sir. You've hit
 8 everything that we were concerned about. So, thank you.
 9 JUDGE JOHNSON: All right. Very good.
 10 Well, again -- I believe I said this already, but just
 11 in case, the -- I'm assessing the cost of the transcript
 12 to the Applicant, and if there's nothing further for us
 13 to take up at this time, I note that it is 2:30 p.m. on
 14 April 13, 2021, and subject to the record remaining
 15 opening we will close the transcript for today and go
 16 off the record.
 17 Thank you.
 18 (Proceedings concluded at 2:30 p.m.)
 19
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 21
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TAB 3

**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. 21794

AFFIDAVIT OF GEOLOGIST ALLEN FRIERSON

I, being duly sworn on oath, state the following:

1. This affidavit and the attached exhibits are submitted in connection with the filing of the above-referenced application, pursuant to 19.15.4 NMAC and the public health emergency protocols implemented by the Division for virtual hearings.

2. I am a petroleum geologist employed as the Geology Manager for Titus Oil & Gas Production, LLC (“Titus”) and familiar with the subject application and geology involved.

3. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum geology matters. My credentials as a petroleum geologist have been accepted by the Division and made a matter of record. My education and work experience are as follows: I graduated from Washington & Lee University with a bachelor of science degree in geology. I received a master of science degree in geology from the Colorado School of Mines and a master of business administration degree from the University of Oklahoma. I have been employed at Titus as a petroleum geologist since 2017 to the present. Prior to working at Titus, I was with Devon Energy from 2013 to 2017. I have been working on New Mexico oil and gas matters for approximately five years.

4. **Exhibit B-1** is a geological summary for the proposed horizontal spacing unit (“HSU”) and related well, the El Campeon Fed Com 404H (“El Campeon 404H”).

5. **Exhibit B-2** is a locator map with the cross-section indicated.

6. **Exhibit B-3** includes the spacing unit schematic for the above-referenced application, which illustrates the location of the HSU outlined by a red-hashed polygon; the approximate location of the proposed well; and the wells in the two-well cross-section referenced in the stratigraphic cross-section exhibit (Exhibit B-6).

7. **Exhibit B-4** is a Wolfcamp structure map. The red-hashed polygon indicates the proposed HSU. The contour intervals of the structure map are 50' contour intervals and are green lines on the map with depth labels. Data control points are posted in pink. I do not observe any faulting, pinch-outs, or other geologic impediments or hazards to developing this targeted interval with a horizontal well.

8. **Exhibit B-5** is a Wolfcamp A isopach map, which is formatted similarly to the structure map (Exhibit B-4). Contour intervals are 10' on this map. Exhibit B-5 indicates that this well is placed in a zone that is consistently greater than 300' thick for the entirety of the lateral. Exhibit B-5 further supports that there are no interpreted faults, pinch-outs, or other geologic impediments or hazards to developing this targeted interval with a horizontal well.

9. **Exhibit B-6** is a stratigraphic cross-section portraying triple-combo logs. Track 1 is the gamma ray log, which is scaled from 0 to 150 api units. Track 2 consists of neutron (blue) and density (red) porosity logs scaled from 40% to -10%. The green shading on the density porosity log is greater than 6%. Track 3 is the deep resistivity log from 0.2 ohmm to 2000 ohmm. The red shading on the curve is greater than 20 ohmm. A combination of these logs was used to determine "pay" and select the landing zone for the well. The cross-section identifies the key tops used to evaluate the reservoir and landing target for the proposed well. A simplified wellbore is on the cross-section showing the landing target interval in the Northwest to Southeast stratigraphic cross-section.

10. **Exhibit B-7** contains a gunbarrel diagram. This shows the approximate landing zone in reference to the type logs for the area, and the associated spacing of the wellbore within the HSU.

11. The measured depth is approximately 21,460' and the true vertical depth is approximately 12,581' for the well.

12. The true vertical depth of the target formation is approximately 12,645' (Top of Wolfcamp A Shale) to approximately 12,962' (Base of Wolfcamp A Shale) based on the Beckham 19 1 (API: 30025370) type log. The target formation is the same on both sides of the state line.

13. Based on my geologic study of the area, I conclude the following:

- a. The horizontal spacing and proration unit is justified from a geologic standpoint.
- b. There are no structural impediments or faulting that will interfere with horizontal development.
- c. Each quarter-quarter section in the unit, including lands in New Mexico and in Texas, will contribute more or less equally to production.
- d. The preferred well orientation in this area is north-south. This is because the inferred orientation of the maximum horizontal stress is roughly east-west.

14. The Exhibits to this Affidavit were prepared by me, or compiled from Titus's business records.

15. The granting of this Application is in the interests of conservation, the protection of correlative rights, and the prevention of waste.

16. The foregoing is correct and complete to the best of my knowledge and belief.

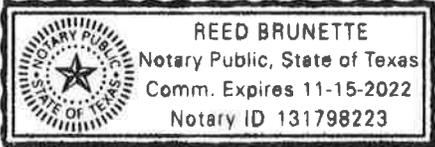
FURTHER AFFIANT SAYETH NAUGHT



Allen Frierson

STATE OF TEXAS)
)ss
COUNTY OF TARRANT)

Subscribed to and sworn before me this 15th day of June, 2021.



Notary Public

My Commission expires 11-15-2022

Summary

Stateline Crossing— Lea County, New Mexico

Titus Oil & Gas Production, LLC (“Titus”) seeks an order from the Division 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 (“HSU”) 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. The HSU will be dedicated to the **El Campeon Fed Com 404H** 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. The well will cross the New Mexico/Texas border, continuing to produce in the Wolfcamp formation (Phantom; Wolfcamp [Texas Field No. 71052900]). Production will be allocated to New Mexico and Texas prorated on the basis of surface acreage in the proration unit or in any other manner mutually acceptable to the Division and to the Railroad Commission of Texas. The completed interval and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells. The well and lands are located approximately 14 miles southwest of Jal, New Mexico. The **El Campeon Fed Com 404H** will target the Wolfcamp A Shale at an approximate True Vertical Depth of 12,581’.

D168

The well will be drilled from north-to-south for a couple of reasons. Published literature related to the maximum horizontal stress in this part of the Delaware Basin supports a near east-to-west orientation; thus, preferred drilling orientation is orthogonal to this in order to complete a more successful stimulation. Also, this aligns with the remainder of Titus’ planned development in the adjoining tracts, and therefore, doesn’t strand any acreage or reserves.

No depth severances apply.

See attached exhibits for spacing unit schematic, gunbarrel/lateral trajectory schematic, and horizontal spacing unit cross-section.

EXHIBIT B-1
TITUS OIL & GAS PRODUCTION LLC
NMOCD NO. 21872
JUNE 17, 2021

Locator Map

With Cross-Section



Pooling outline



Cross-Section
line

D169

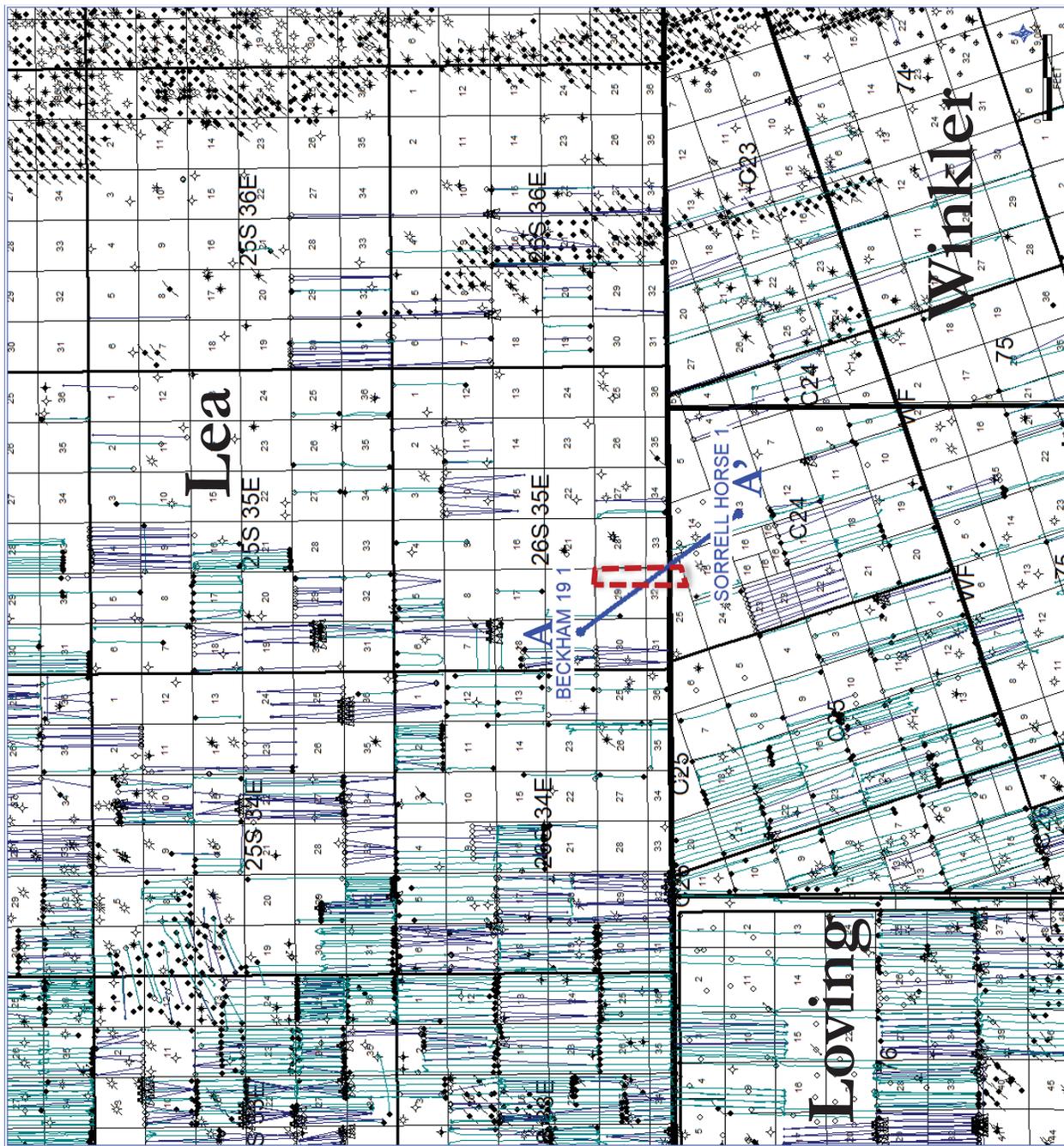
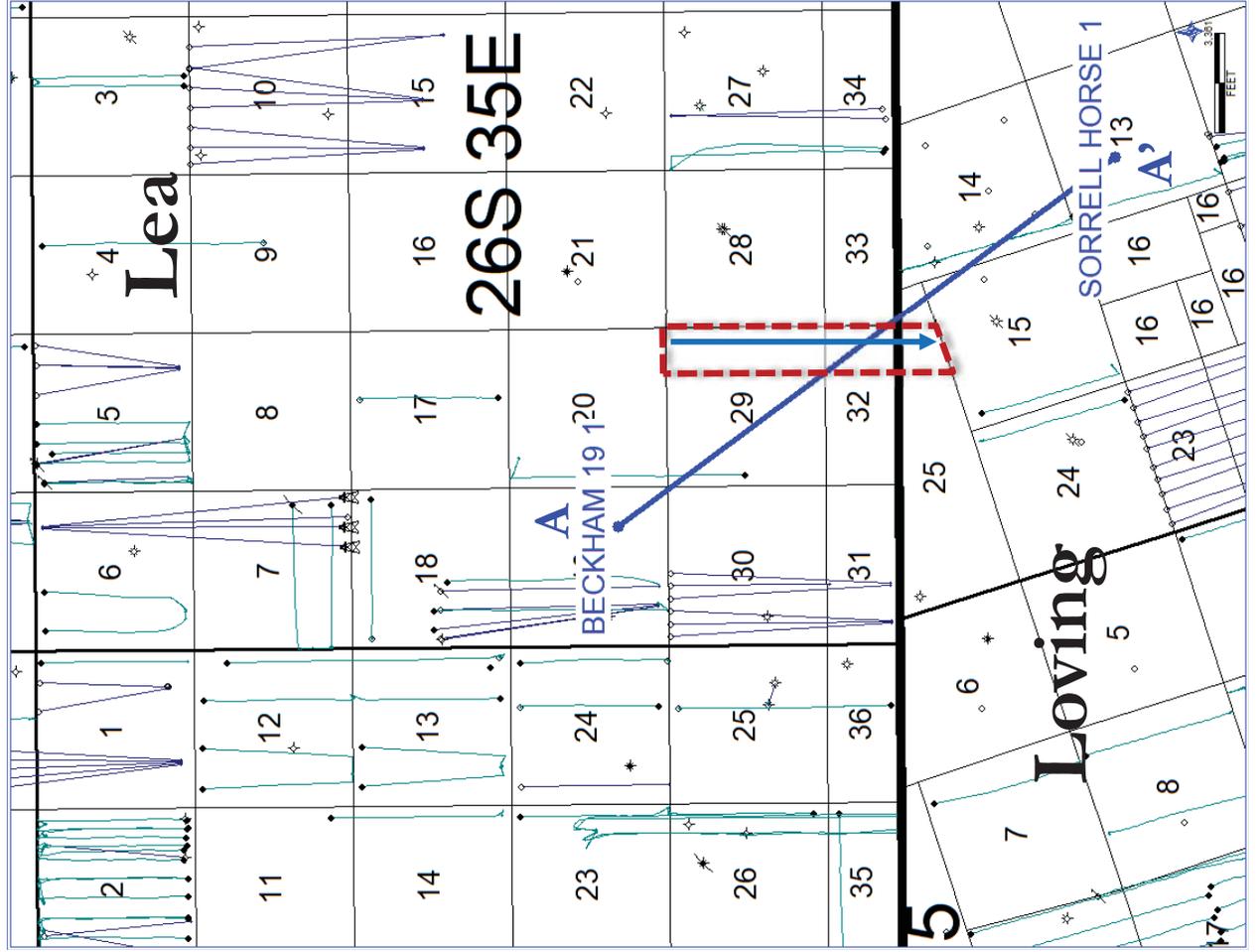


EXHIBIT B-2
TITUS OIL & GAS
PRODUCTION LLC
NMOCD NO. 21872
JUNE 17, 2021

Spacing Unit Schematic

With Approximate Well Location



-  Pooling outline
-  Cross-Section line
-  El Campeon Fed Com 404H Wellbore

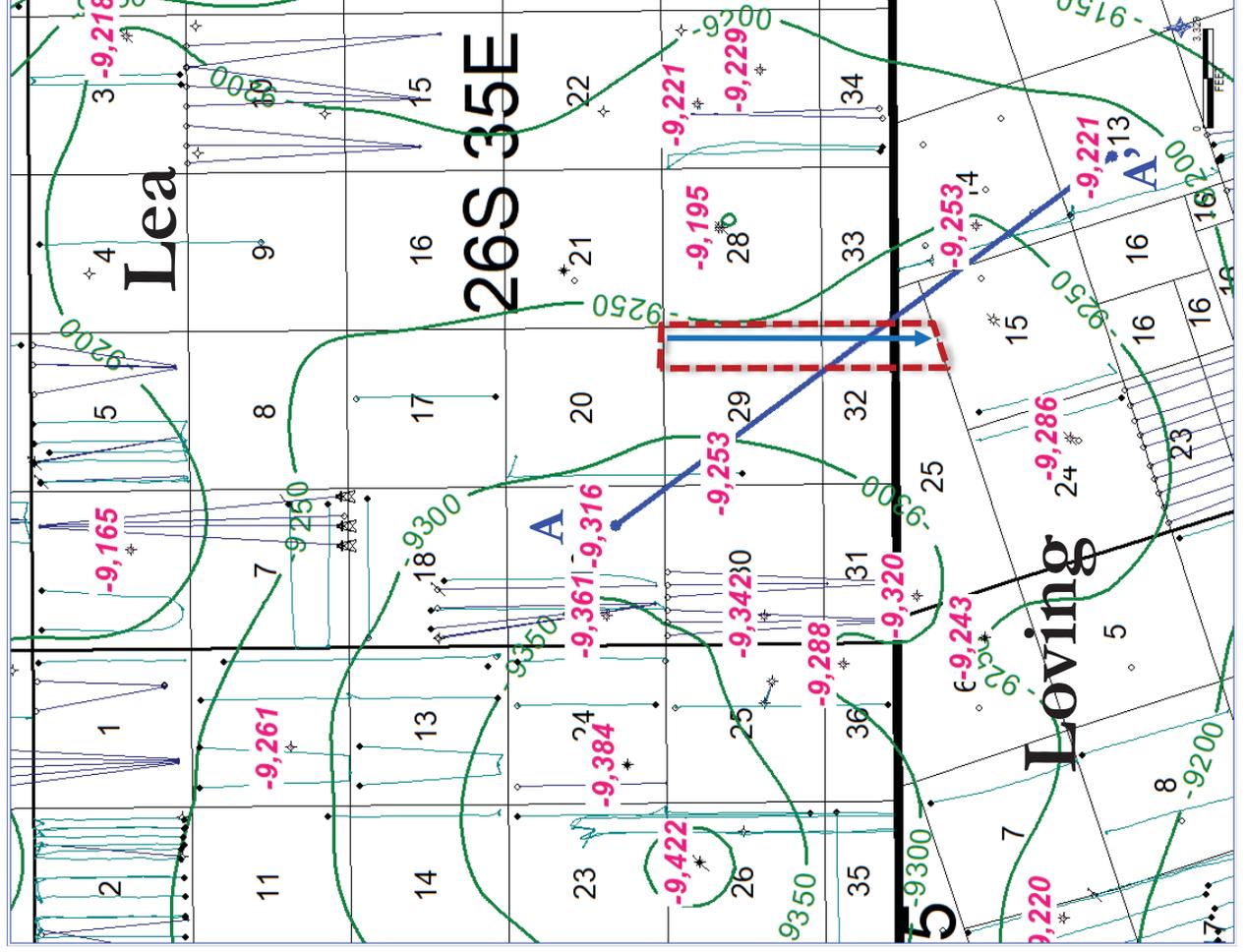
D170

EXHIBIT B-3
 TITUS OIL & GAS PRODUCTION LLC
 NMOCD NO. 21872
 JUNE 17, 2021

Wolfcamp Structure Map

Contour Interval: 50 ft.

Subsea Depth



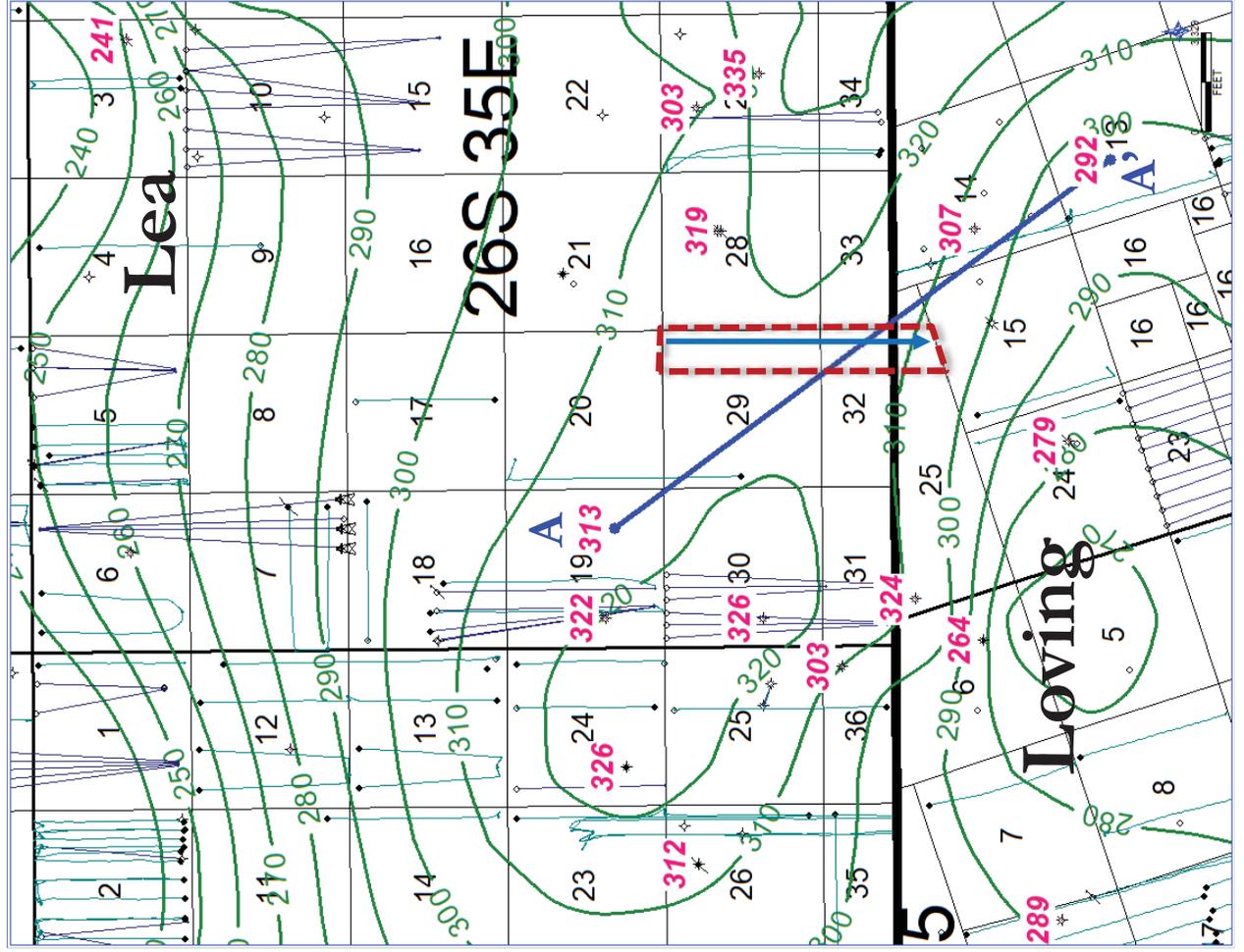
-  Pooling outline
-  Cross-Section line
-  El Campeon Fed Com 404H Wellbore
-  Wolfcamp structure contours
-  Control points

D171

EXHIBIT B-4
 TITUS OIL & GAS PRODUCTION LLC
 NMOCED NO. 21872
 JUNE 17, 2021

Wolfcamp A Isopach Map

Contour Interval: 10 ft.



-  Pooling outline
-  Cross-Section line
-  El Campeon Fed Com 404H Wellbore
-  Wolfcamp isopach contours
-  Control points

D172

EXHIBIT B-5
 TITUS OIL & GAS PRODUCTION LLC
 NMOCD NO. 21872
 JUNE 17, 2021

HSU Cross-Section

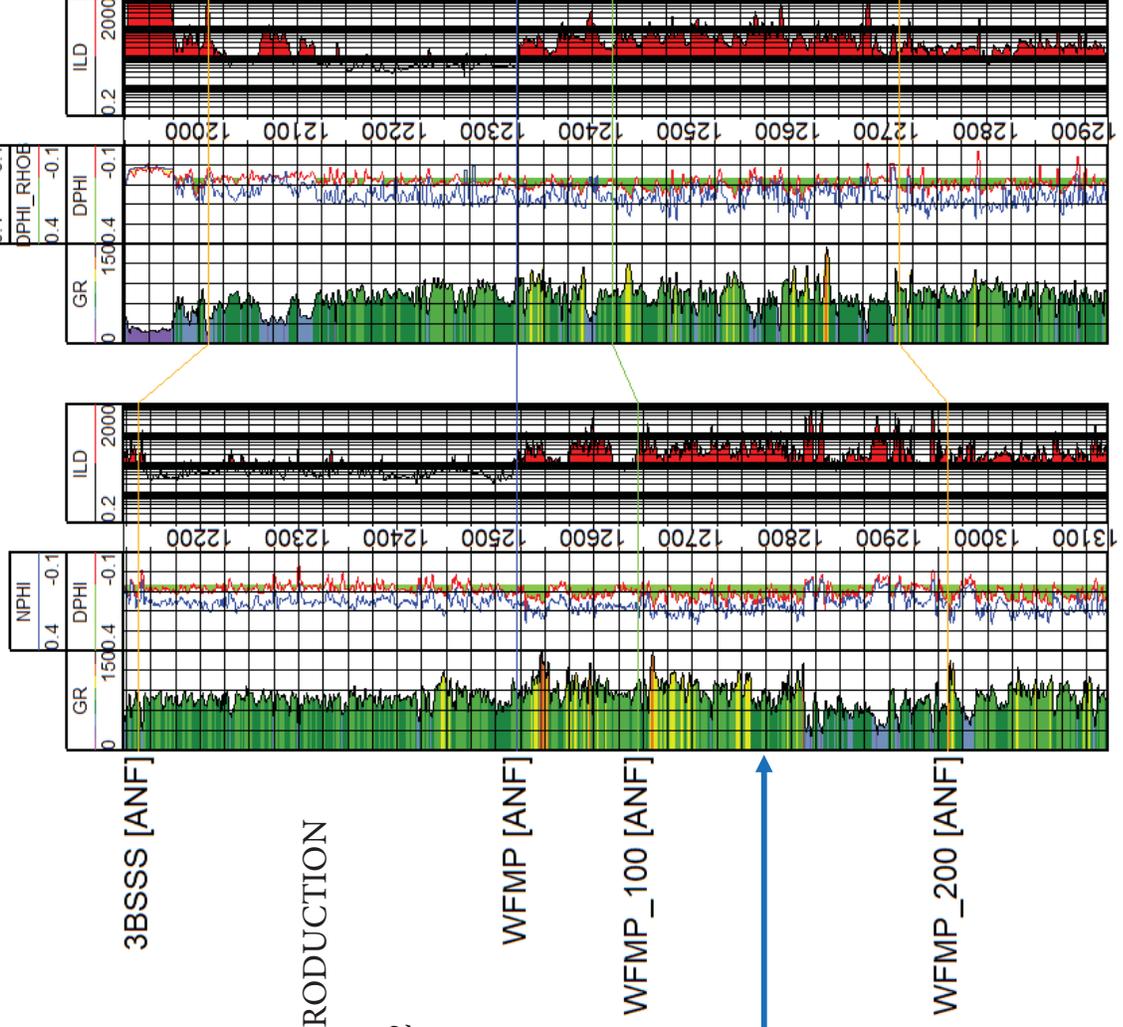
Petrophysical Logs Support Wolfcamp A Shale Target / Landing Zone

T26S R35E S19
3002537080000
BECKHAM 19 1

BC24 S13
42301303570000
SORRELL HORSE 1

A

A'



Formation Top Key:
 3BSSS – 3rd Bone Spring Sandstone
 WFMP – Wolfcamp
 WFMP_100 – Wolfcamp A
 WFMP_200 – Wolfcamp B

EXHIBIT B-6
 TITUS OIL & GAS PRODUCTION
 LLC
 NMOCD NO. 21872
 JUNE 17, 2021

El Campeon
 Fed Com 404H
 Target
 (Wolfcamp A)

Titus' El Campeon Horizontal Spacing Unit Gunbarrel

El Campeon Fed Com 404H – Wolfcamp A Targets

EXHIBIT B-7
 TITUS OIL & GAS
 PRODUCTION LLC
 NMOCD NO. 21872
 JUNE 17, 2021

LOWER BRUSHY

LEONARD A

LEONARD B

LEONARD C

1ST BONE SPRING SAND

2ND BONE SPRING SHALE

2ND BONE SPRING LIME

2ND BONE SPRING SAND

3RD BONE SPRING LIME

3RD BONE SPRING SHALE

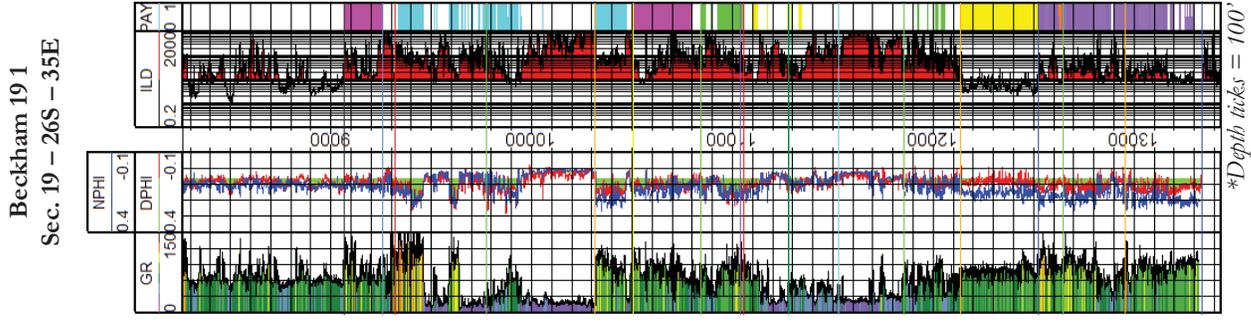
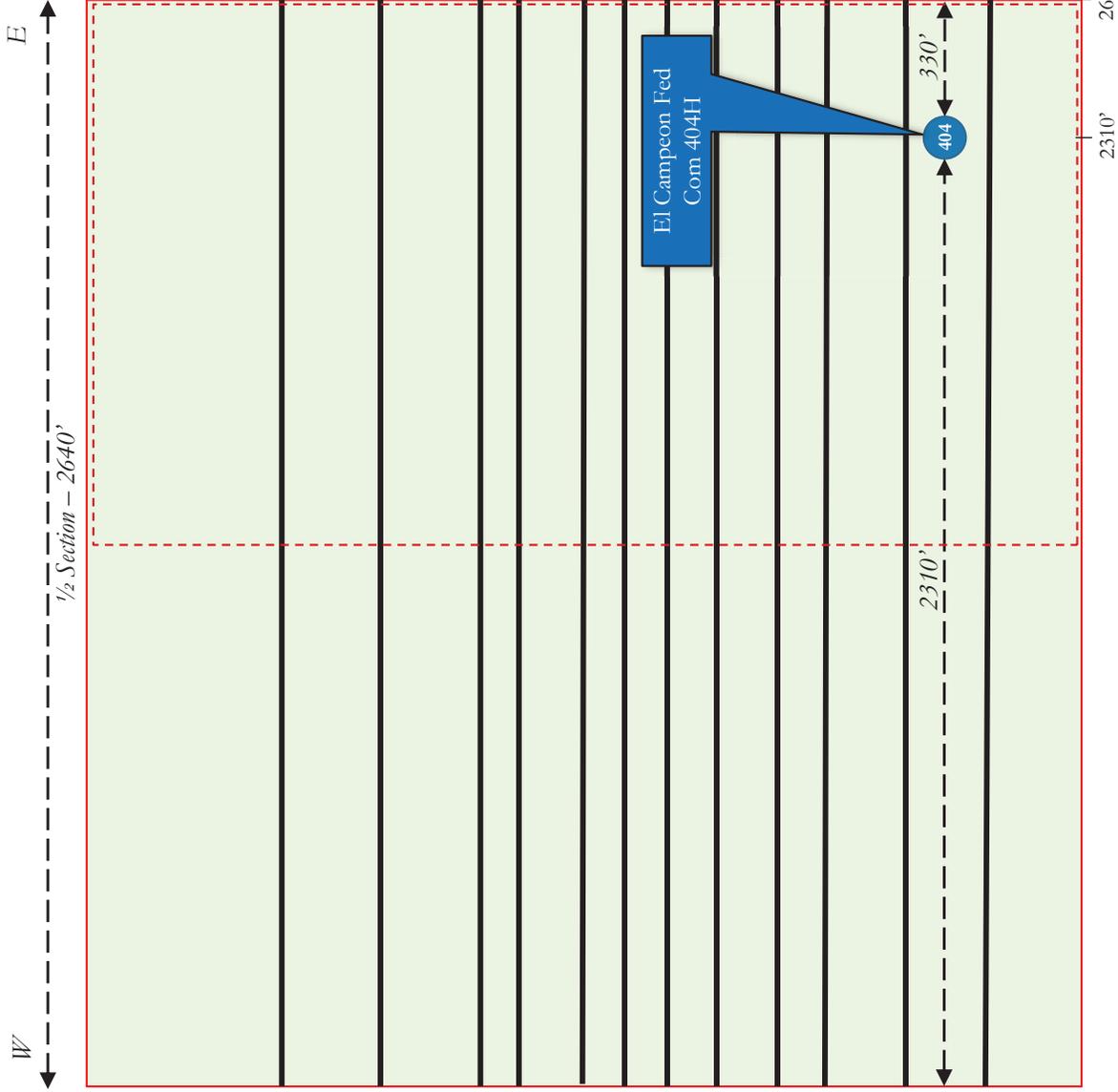
3RD BONE SPRING SAND

WOLFCAMP XY

WOLFCAMP A

WOLFCAMP B

El Campeon
 HSU



D174

TAB 4

**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

AFFIDAVIT OF ENGINEER MARSHALL HICKEY

I, being duly sworn on oath, state the following:

1. I am an engineer employed as Chief Executive Officer with Titus Oil & Gas Production, LLC (“Titus”), and I am familiar with the subject application and the lands involved.

2. This affidavit and the referenced exhibit(s) are submitted in connection with the filing of the above-referenced application, pursuant to 19.15.4 NMAC and the public health emergency protocols implemented by the Division for virtual hearings.

3. I have not previously testified before the New Mexico Oil Conservation Division as an expert witness. My credentials are as follows: I graduated from the University of Texas in 2011 with a Bachelor of Science in petroleum engineering with honors. From 2011 to 2016, I worked in the oil and gas industry as a petroleum engineer with Marathon Oil Company, specifically serving as reservoir engineer in Wyoming and completions engineer in Texas. From 2016 to 2017, I worked for EnCap Investments, L.P. as a petroleum engineer focused on project economics and reservoir engineering. Since 2017, I have founded and served as chief executive officer of Titus, a Delaware Basin operator, and handled all reservoir engineering duties until late 2020 when we staffed a full-time reservoir engineer. As the chief executive officer of Titus, I have managed the drilling and completion of approximately twenty (20) horizontal wells and an ongoing two rig drilling program.

Exhibit C
Titus Oil & Gas Production LLC
NMOCD NO. 21872
JUNE 17, 2021

4. The stress in the rock in this area of the Delaware Basin is such that the orientation of the wells should be north/south. It is not economic to drill short north/south laterals in the eastern portion of irregular shaped Section 25 in Loving County, Texas. This portion of Section 25 is best developed by drilling a lateral from a surface location in New Mexico.

5. Previous development in Texas occurred south to north, but stopped short of Section 25. *See* Exhibit A-7 at pdf pages 23-37. If this portion of Section 25 in Loving County is not developed as proposed in this application, it may not be developed; it would be an undeveloped island. Underlying hydrocarbons will not be developed; rather, such hydrocarbons will be wasted.

6. The proposed development across the state line will result in more recoverable hydrocarbons in New Mexico.

7. The Exhibits to this Affidavit were prepared by me, or compiled from Titus's business records.

8. The granting of this Application is in the interests of conservation, the protection of correlative rights, and the prevention of waste.

9. The foregoing is correct and complete to the best of my knowledge and belief.

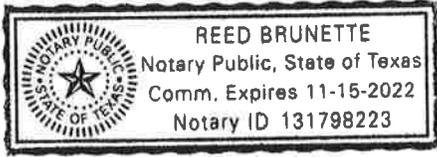
FURTHER AFFIANT SAYETH NAUGHT

Marshall Hickey

Marshall Hickey

STATE OF TEXAS)
)ss
COUNTY OF TARRANT)

Subscribed to and sworn before me this 15th day of June, 2021.



Reed Brunette

Notary Public

My Commission expires 11-15-2022.

TAB 5

USPS TRACKING #



9590 9402 1258 5246 3421 29

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box•



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) – Notice
Letter – 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE.
CERTIFIED MAIL



7015 1730 0000 9774 4759
7015 1730 0000 9774 4759

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com

Certified Mail Fee

\$

Extra Services & Fees (check box, add fee as appropriate)

- Return Receipt (hardcopy) \$
- Return Receipt (electronic) \$
- Certified Mail Restricted Delivery \$
- Adult Signature Required \$
- Adult Signature Restricted Delivery \$

SANTA FE NM
APR 16 2012
Postmark Here
USPO 87504

Postage

\$

Total

\$

Sent

Street

City, State

Occidental Petroleum
5 Greenway Plaza, Suite 110
Houston, TX 77046

PS Form 3811, July 2015 PSN 7530-02-000-9053

EXHIBIT A
to Affidavit of Notice

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Occidental Petroleum
5 Greenway Plaza, Suite 110
Houston, TX 77046



9590 9402 1258 5246 3421 29

7015 1730 0000 9774 4759

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X CW19

- Agent
- Addressee

B. Received by (Printed Name)

CH

C. Date of Delivery

4/20/12

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Registered Mail
- Registered Mail Restricted Delivery (over \$500)

- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

USPS TRACKING #



9590 9402 1258 5246 3420 06



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS, FOLD AT DOTTED LINE.
CERTIFIED MAIL



7015 1730 0000 9774 4872
7015 1730 0000 9774 4872

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com™.

Certified Mail Fee	
\$	
Extra Services & Fees (check box, add fee as appropriate)	
<input type="checkbox"/> Return Receipt (hardcopy)	\$
<input type="checkbox"/> Return Receipt (electronic)	\$
<input type="checkbox"/> Certified Mail Restricted Delivery	\$
<input type="checkbox"/> Adult Signature Required	\$
<input type="checkbox"/> Adult Signature Restricted Delivery	\$

SANTA FE NM
Postmark
APR 16 2017
USPO 87504

Postage	
\$	
Total	Newkumet, Ltd.
\$	PO Box 11330
Sent	Midland, Texas 79702
Street	
City	

PS Form 3800, April 2015 PSN 7530-02-000-9017 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Newkumet, Ltd.
PO Box 11330
Midland, Texas 79702



9590 9402 1258 5246 3420 06

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4872

COMPLETE THIS SECTION ON DELIVERY

A. Signature

x *L. P. Maachi* Agent Addressee

B. Received by (Printed Name)

L. P. Maachi

C. Date of Delivery

4/21/17

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- | | |
|--|---|
| <input type="checkbox"/> Adult Signature | <input type="checkbox"/> Priority Mail Express® |
| <input type="checkbox"/> Adult Signature Restricted Delivery | <input type="checkbox"/> Registered Mail™ |
| <input type="checkbox"/> Certified Mail® | <input type="checkbox"/> Registered Mail Restricted Delivery |
| <input checked="" type="checkbox"/> Certified Mail Restricted Delivery | <input checked="" type="checkbox"/> Return Receipt for Merchandise |
| <input type="checkbox"/> Collect on Delivery | <input type="checkbox"/> Signature Confirmation™ |
| <input type="checkbox"/> Collect on Delivery Restricted Delivery | <input type="checkbox"/> Signature Confirmation Restricted Delivery |

USPS TRACKING #



9590 9402 1258 5246 3419 86



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box.



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLEASE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS. HOLD AT DOTTED LINE.
CERTIFIED MAIL



7015 1730 0000 9774 4896
7015 1730 0000 9774 4896

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

Certified Mail Fee	\$
Extra Services & Fees (check box, add fee as appropriate)	
<input type="checkbox"/> Return Receipt (hardcopy)	\$
<input type="checkbox"/> Return Receipt (electronic)	\$
<input type="checkbox"/> Certified Mail Restricted Delivery	\$
<input type="checkbox"/> Adult Signature Required	\$
<input type="checkbox"/> Adult Signature Restricted Delivery	\$

SANTA FE NM
APR 16 2021
Postmark Here
USPS 87504

Postage
\$

Total Pct
\$
Sent To
Street a.
City, Sta

Sammy L. Morrison, Trustee of
Sammy & Sibyl Morrison Mineral Trust
4617 Breezeway Ct.
Midland, Texas 79707

City, Sta

PS Form

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Sammy L. Morrison, Trustee of
Sammy & Sibyl Morrison Mineral Trust
4617 Breezeway Ct.
Midland, Texas 79707



9590 9402 1258 5246 3419 86

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4896

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X *Sammy Morrison* Agent Addressee

B. Received by (Printed Name) *Sammy Morrison* C. Date of Delivery

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

<input type="checkbox"/> Adult Signature	<input type="checkbox"/> Priority Mail Express®
<input type="checkbox"/> Adult Signature Restricted Delivery	<input type="checkbox"/> Registered Mail™
<input checked="" type="checkbox"/> Certified Mail®	<input type="checkbox"/> Registered Mail Restricted Delivery
<input type="checkbox"/> Certified Mail Restricted Delivery	<input checked="" type="checkbox"/> Return Receipt for Merchandise
<input type="checkbox"/> Collect on Delivery	<input type="checkbox"/> Signature Confirmation™
<input type="checkbox"/> Collect on Delivery Restricted Delivery	<input type="checkbox"/> Signature Confirmation Restricted Delivery

USPS TRACKING#



9590 9402 1258 5246 3420 75

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box*



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) – Notice
Letter – 15412-2101/STS

PLACE STICKER TOP OF ENVELOPE TO VERIFY
OF THE RETURN ADDRESS IS NOT POSTED IN
CERTIFIED MAIL



7015 1730 0000 9774 4797
7015 1730 0000 9774 4797

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com

Certified Mail Fee

\$	
Extra Services & Fees (check box, add fee as appropriate)	
<input type="checkbox"/> Return Receipt (hardcopy)	\$ _____
<input type="checkbox"/> Return Receipt (electronic)	\$ _____
<input type="checkbox"/> Certified Mail Restricted Delivery	\$ _____
<input type="checkbox"/> Adult Signature Required	\$ _____
<input type="checkbox"/> Adult Signature Restricted Delivery	\$ _____

Postage

\$ _____

Total

\$ _____

Sen

Stre

City

PS

State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87501

SANTA FE NM
APR 16 2011
USPO 87504

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87501



9590 9402 1258 5246 3420 75

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4797

COMPLETE THIS SECTION ON DELIVERY

A. Signature

[Handwritten Signature]

- Agent
- Addressee

B. Received by (Printed Name)

[Handwritten Name]

C. Date of Delivery

[Handwritten Date]

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

USPS TRACKING#



9590 9402 1258 5246 3420 20

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender Please indicate your name, address, and ZIP+4® in this box.



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS, FOLD AT DOTTED LINE
CERTIFIED MAIL®



7015 1730 0000 9774 4858
7015 1730 0000 9774 4858

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com®

Certified Mail Fee

Extra Services & Fees (check box, add fee as appropriate)
 Return Receipt (hardcopy) \$
 Return Receipt (electronic) \$
 Certified Mail Restricted Delivery \$
 Adult Signature Required \$
 Adult Signature Restricted Delivery \$

SANTA FE NM
APR 16 2011
Postmark Here
USPO 87504

Postage

\$ Total P_c Oxy USA, Inc.
\$ Sent To 5 Greenway Plaza, Suite 110
Houston, Texas 77046

Street #
City, Sta

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Oxy USA, Inc.
5 Greenway Plaza, Suite 110
Houston, Texas 77046



9590 9402 1258 5246 3420 20

2. Article Number (Transfer from service label)
7015 1730 0000 9774 4858

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X *CV19* Agent
 Addressee

B. Received by (Printed Name) *Aw Bonner* C. Date of Delivery *4-22-11*

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
- Adult Signature
 - Adult Signature Restricted Delivery
 - Certified Mail®
 - Certified Mail Restricted Delivery
 - Collect on Delivery
 - Collect on Delivery Restricted Delivery
 - Priority Mail Express®
 - Registered Mail™
 - Registered Mail Restricted Delivery
 - Return Receipt for Merchandise
 - Signature Confirmation™
 - Signature Confirmation Restricted Delivery

USPS TRACKING #



9590 9402 1258 5246 3420 68



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender Please print your name, address and ZIP+4® in this box.



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS TO THE RIGHT
OF THE DOTTED LINE
CERTIFIED MAIL



7015 1730 0000 9774 4810
7015 1730 0000 9774 4810

**U.S. Postal Service™
CERTIFIED MAIL® RECEIPT**
Domestic Mail Only

For delivery information, visit our website at www.usps.com

Certified Mail Fee \$ _____

Extra Services & Fees (check box, add fee as appropriate)

Return Receipt (hardcopy) \$ _____

Return Receipt (electronic) \$ _____

Certified Mail Restricted Delivery \$ _____

Adult Signature Required \$ _____

Adult Signature Restricted Delivery \$ _____

Postage \$ _____

Total Price \$ _____

Sent To
Street #
City, St

Devon Energy Production Company, LP
333 W Sheridan Ave
Oklahoma City, OK 73102

SANTA FE NM
Postmark
APR 16 2021
Here
USPO 87504

PS Form 3800, April 2012 Edition

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Devon Energy Production Company, LP
333 W Sheridan Ave
Oklahoma City, OK 73102



9590 9402 1258 5246 3420 68

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4810

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 S. Alford
 Agent
 Addressee

B. Received by (Printed Name) S. Alford
 C. Date of Delivery APR 16 2021

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below No

CENTER CITY OKLAHOMA OK 73102
APR 21 2021
USPS

3. Service Type
- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation™ Restricted Delivery

USPS TRACKING #



9590 9402 1258 5246 3420 51



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box.



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS



7015 1730 0000 9774 4827
7015 1730 0000 9774 4827

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT

Domestic Mail Only

For delivery information, visit our website at www.usps.com

Certified Mail Fee

\$
Extra Services & Fees (check box, add fee as appropriate)
 Return Receipt (hardcopy) \$
 Return Receipt (electronic) \$
 Certified Mail Restricted Delivery \$
 Adult Signature Required \$
 Adult Signature Restricted Delivery \$

SANTA FE NM
APR 16 2021
Postmark Here
USPO 87504

Postage

\$ Total
\$
\$ Sent
\$
City

Chevron U.S.A., Inc.
6001 Bollinger Canyon Road
San Ramon, CA 94583

PS Form 3800, April 2015 PSN 7530-02-000-9047

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chevron U.S.A., Inc.
6001 Bollinger Canyon Road
San Ramon, CA 94583



9590 9402 1258 5246 3420 51

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4827

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *Bernard Davis* Agent
 Addressee

B. Received by (Printed Name)

Bernard Davis

C. Date of Delivery

4-20-21

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

Restricted Delivery

D187

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

USPS TRACKING #



9590 9402 1258 5246 3419 79

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box*



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE.
CERTIFIED MAIL



7015 1730 0000 9774 4902
7015 1730 0000 9774 4902

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com™.

Certified Mail Fee

Extra Services & Fees (check box, add fee as appropriate)	
<input type="checkbox"/> Return Receipt (hardcopy)	\$ _____
<input type="checkbox"/> Return Receipt (electronic)	\$ _____
<input type="checkbox"/> Certified Mail Restricted Delivery	\$ _____
<input type="checkbox"/> Adult Signature Required	\$ _____
<input type="checkbox"/> Adult Signature Restricted Delivery	\$ _____

SANTA FE NM
Postmark
APR 16 2011
USPO 87504

Postage

Pegasus Resources, LLC
2821 West 7th Street, Suite 500
Fort Worth, Texas 76107

or Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Pegasus Resources, LLC
2821 West 7th Street, Suite 500
Fort Worth, Texas 76107



9590 9402 1258 5246 3419 79

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4902 D188

COMPLETE THIS SECTION ON DELIVERY

A. Signature

W. Thomas

- Agent
- Addressee

B. Received by (Printed Name)

Thomas

C. Date of Delivery

4/21/11

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

USPS TRACKING #



9590 9402 1258 5246 3420 82

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box.



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE
CERTIFIED MAIL



7015 1730 0000 9774 4803
7015 1730 0000 9774 4803

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

Certified Mail Fee

\$

Extra Services & Fees (check box, add fee as appropriate)

- Return Receipt (hardcopy) \$
- Return Receipt (electronic) \$
- Certified Mail Restricted Delivery \$
- Adult Signature Required \$
- Adult Signature Restricted Delivery \$

SANTA FE NM

APR 16 2011

Postmark

LISPO 87504

Postage

\$

Total

\$

Sent to

Street

City, State

NM Taxation & Revenue Dept.
1100 South St. Francis Drive
Santa Fe, NM 87504

PS Form 3800, April 2015 PSN 7530-02-000-9047

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

NM Taxation & Revenue Dept.
1100 South St. Francis Drive
Santa Fe, NM 87504



9590 9402 1258 5246 3420 82

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4803

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Agent

Addressee

B. Received by (Printed Name)

P J Kraul

C. Date of Delivery

4-23-11

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No



3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery

Priority Mail Express®

Registered Mail™

Registered Mail Restricted Delivery

Return Receipt for Merchandise

Signature Confirmation™

Signature Confirmation Restricted Delivery

Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053D189

Domestic Return Receipt

USPS TRACKING #



9590 9402 1258 5246 3420 13



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

* Sender: Please print your name, address, and ZIP+4® in this box*



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLACES TAPE HERE TO PREVENT OPENING TO THE RIGHT
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE
CERTIFIED MAIL



7015 1730 0000 9774 4865
7015 1730 0000 9774 4865

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com

Certified Mail Fee
\$ _____

Extra Services & Fees (check box, add fee as appropriate)

Return Receipt (hardcopy) \$ _____

Return Receipt (electronic) \$ _____

Certified Mail Restricted Delivery \$ _____

Adult Signature Required \$ _____

Adult Signature Restricted Delivery \$ _____

Postage
\$ _____

Total \$ _____

Sent to _____

Street _____

City, State, ZIP+4® _____

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

*SANTA FE, NM
APR 16 2015
USPO 87504*

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Franco-Nevada Texas, LP
1745 Shea Center Dr., Suite 400
Highland Ranch, CO 80129

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4865

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X *Rachelle Clemons* Agent Addressee

B. Received by (Printed Name) *Rachelle Clemons* C. Date of Delivery _____

D. Is delivery address different from item? Yes No
If YES, enter delivery address below: _____

3. Service Type

Adult Signature

Adult Signature Restricted Delivery

Certified Mail®

Certified Mail Restricted Delivery

Collect on Delivery

Collect on Delivery Restricted Delivery

Priority Mail Express®

Registered Mail™

Registered Mail Restricted Delivery

Return Receipt for Merchandise

Signature Confirmation™

Signature Confirmation Restricted Delivery

Restricted Delivery

USPS TRACKING #



9590 9402 1258 5246 3419 62

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender Please print



MONTGOMERY & ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) – Notice
Letter – 15412-2101/STS

7015 1730 0000 9774 4919



7015 1730 0000 9774 4919
7015 1730 0000 9774 4919

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com

Certified Mail Fee \$ _____

Extra Services & Fees (check box, add fee as appropriate)

Return Receipt (hardcopy) \$ _____

Return Receipt (electronic) \$ _____

Certified Mail Restricted Delivery \$ _____

Adult Signature Required \$ _____

Adult Signature Restricted Delivery \$ _____

SANTA FE NM
APR 16 2021
Postmark
USPO 87504

Postage \$ _____

To: McMullen Minerals, LLC
2821 West 7th Street, Suite 500
Fort Worth, Texas 76107

SEE REVERSE FOR INSTRUCTIONS

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
McMullen Minerals, LLC
2821 West 7th Street, Suite 500
Fort Worth, Texas 76107



9590 9402 1258 5246 3419 62

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4919

COMPLETE THIS SECTION ON DELIVERY

A. Signature  Agent Addressee

B. Received by (Printed Name) Thomas C. Date of Delivery 4/16/21

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type

Adult Signature Priority Mail Express®

Adult Signature Restricted Delivery Registered Mail™

Certified Mail® Registered Mail Restricted Delivery

Certified Mail Restricted Delivery Return Receipt for Merchandise

Collect on Delivery Signature Confirmation™

Collect on Delivery Restricted Delivery Signature Confirmation Restricted Delivery

Insured Mail

USPS TRACKING #



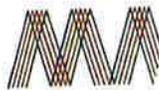
9590 9402 1258 5246 3420 99



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box.



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS POSTAGE PAID LINE
CERTIFIED MAIL



7015 1730 0000 9774 4780
7015 1730 0000 9774 4780

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT

Domestic Mail Only

For delivery information, visit our website at www.usps.com

Certified Mail Fee	\$
Extra Services & Fees (check box, add fee as appropriate)	
<input type="checkbox"/> Return Receipt (hardcopy)	\$
<input type="checkbox"/> Return Receipt (electronic)	\$
<input type="checkbox"/> Certified Mail Restricted Delivery	\$
<input type="checkbox"/> Adult Signature Required	\$
<input type="checkbox"/> Adult Signature Restricted Delivery	\$

Postage
\$
Total Bureau of Land Management
414 W. Taylor
Hobbs, NM 88240-1157

SANTA FE NM
APR 16 2021
Postmark Here
USPO 87504

PS Form 3811, April 2015 PSN 7530-02-000-9053 See reverse for instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Bureau of Land Management
414 W. Taylor
Hobbs, NM 88240-1157



9590 9402 1258 5246 3420 99

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4780

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X BLM

- Agent
- Addressee

B. Received by (Printed Name)

LLR 25 C19

C. Date of Delivery

4/20/21

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery

- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

USPS TRACKING #

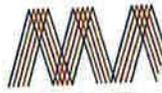


9590 9402 1258 5246 3421 12

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box*



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) – Notice
Letter – 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE.
CERTIFIED MAIL®



7015 1730 0000 9774 4766
7015 1730 0000 9774 4766

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

Certified Mail Fee

\$

Extra Services & Fees (check box, add fee as appropriate)

- Return Receipt (hardcopy) \$
- Return Receipt (electronic) \$
- Certified Mail Restricted Delivery \$
- Adult Signature Required \$
- Adult Signature Restricted Delivery \$

SANTA FE NM
APR 15 2011
Postmark Here
USPO 87504

Postage

\$

Total

\$

Sent

Street

City, State

Texas Comptroller of Public Accounts
P.O. Box 13528, Capitol Station
Austin, TX 78711-3528

PS Form 3811, July 2015 PSN 7530-02-000-9053 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Texas Comptroller of Public Accounts
P.O. Box 13528, Capitol Station
Austin, TX 78711-3528



9590 9402 1258 5246 3421 12

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4766

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Agent

Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery
- Registered Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

Track Another Package +

Tracking Number: 70151730000097744766

Remove X

Your item has been delivered and is available at a PO Box at 9:11 am on April 26, 2021 in AUSTIN, TX 78711.

Delivered, PO Box

April 26, 2021 at 9:11 am
AUSTIN, TX 78711

Texas Comptroller of Public Accounts
P.O. Box 13528, Capitol Station
Austin, TX 78711-3528

Feedback

Get Updates v

Text & Email Updates



Tracking History



Product Information

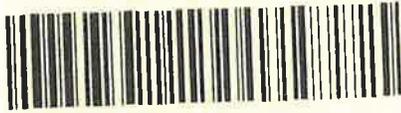


See Less ^

Can't find what you're looking for?

Go to our FAQs section to find answers to your tracking questions.

USPS TRACKING #



9590 9402 1258 5246 3421 05

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE
CERTIFIED MAIL



7015 1730 0000 9774 4773
7015 1730 0000 9774 4773

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

Certified Mail Fee	
\$	
Extra Services & Fees (check box, add fee as appropriate)	
<input type="checkbox"/> Return Receipt (hardcopy)	\$
<input type="checkbox"/> Return Receipt (electronic)	\$
<input type="checkbox"/> Certified Mail Restricted Delivery	\$
<input type="checkbox"/> Adult Signature Required	\$
<input type="checkbox"/> Adult Signature Restricted Delivery	\$

SANTA FE NM
APR 16 2021
Postmark Here
USPO 81504

Postage	
\$	
Total	Railroad Commission of Texas
\$	1701 N. Congress
Sent	Austin, Texas 78701
State	
City	

PS Form 3800, April 2013 PSN 7530-02-000-9047 See reverse for instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Railroad Commission of Texas
1701 N. Congress
Austin, Texas 78701



9590 9402 1258 5246 3421 05

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4773

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
X Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

<input type="checkbox"/> Adult Signature	<input type="checkbox"/> Priority Mail Express®
<input type="checkbox"/> Adult Signature Restricted Delivery	<input type="checkbox"/> Registered Mail™
<input checked="" type="checkbox"/> Certified Mail®	<input type="checkbox"/> Registered Mail Restricted Delivery
<input type="checkbox"/> Certified Mail Restricted Delivery	<input checked="" type="checkbox"/> Return Receipt for Merchandise
<input type="checkbox"/> Collect on Delivery	<input type="checkbox"/> Signature Confirmation™
<input type="checkbox"/> Collect on Delivery Restricted Delivery	<input type="checkbox"/> Signature Confirmation Restricted Delivery

Track Another Package +

Tracking Number: 70151730000097744773

Remove X

Your item has been delivered and is available at a PO Box at 6:25 am on April 22, 2021 in AUSTIN, TX 78711.

 **Delivered, PO Box**

April 22, 2021 at 6:25 am
AUSTIN, TX 78711

Railroad Commission of Texas
1701 N. Congress
Austin, TX 78701

Feedback

Get Updates ∨

Text & Email Updates



Tracking History



Product Information



See Less ^

Can't find what you're looking for?

Go to our [FAQs](#) section to find answers to your tracking questions.

USPS TRACKING #



9590 9402 1258 5246 3420 37

First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• See [www.usps.com](#) for more information on the address and ZIP+4® in this box®



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS, FOLD AT DOTTED LINE
CERTIFIED MAIL®



7015 1730 0000 9774 4841
7015 1730 0000 9774 4841

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

Certified Mail Fee

\$

Extra Services & Fees (check box, add fee as appropriate)

- Return Receipt (hardcopy) \$
- Return Receipt (electronic) \$
- Certified Mail Restricted Delivery \$
- Adult Signature Required \$
- Adult Signature Restricted Delivery \$

Postage

\$

Total

\$

Sent

Street

City

State

City

EOG Resources, Inc.
PO Box 4362
Houston, TX 77210

SANTA FE, NM
APR 16 2021
USPO 87504

PS Form 3811, July 2015 PSN 7530-02-000-9053

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

EOG Resources, Inc.
PO Box 4362
Houston, TX 77210



9590 9402 1258 5246 3420 37

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4841

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Agent

Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery

- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

Restricted Delivery

Domestic Return Receipt

[Track Another Package +](#)

Tracking Number: 70151730000097744841

[Remove X](#)

Your item was picked up at a postal facility at 4:23 am on April 22, 2021 in HOUSTON, TX 77002.

Delivered, Individual Picked Up at Postal Facility

April 22, 2021 at 4:23 am
HOUSTON, TX 77002

EOG Resources, Inc.
PO Box 4362
Houston, TX 77210

Feedback

Get Updates 

Text & Email Updates



Tracking History



Product Information



See Less 

Can't find what you're looking for?

Go to our [FAQs](#) section to find answers to your tracking questions.

USPS TRACKING #



9590 9402 1258 5246 3419 93



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

* Sender: Please print your name, address, and ZIP+4® in this box.*



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/El Campeon Fed Com
404H (21872) - Notice
Letter - 15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS, SOLD AT DOTTED LINE.
CERTIFIED MAIL®



7015 1730 0000 9774 4889
7015 1730 0000 9774 4889

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com®

Certified Mail Fee \$

Extra Services & Fees (check box, add fee as appropriate)

Return Receipt (hardcopy) \$

Return Receipt (electronic) \$

Certified Mail Restricted Delivery \$

Adult Signature Required \$

Adult Signature Restricted Delivery \$

Postage \$

Total \$

Blue River Minerals, LLC
5950 Cedar Springs Rd Suite 100
Dallas, Texas 75235

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

SANTA FE NM
APR 16 2021
USPO 87504
Postmark Here

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Blue River Minerals, LLC
5950 Cedar Springs Rd Suite 100
Dallas, Texas 75235



9590 9402 1258 5246 3419 93

2. Article Number (Transfer from services label)
7015 1730 0000 9774 4889

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
X Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Delivery Restricted Delivery
- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

Track Another Package +

Tracking Number: 70151730000097744889

Remove X

Your item was delivered to an individual at the address at 12:26 pm on April 20, 2021 in DALLAS, TX 75235.

Delivered, Left with Individual

April 20, 2021 at 12:26 pm
DALLAS, TX 75235

Blue River Minerals, LLC
5950 Cedar Springs Rd.
Suite 100
Dallas, TX 75235

Feedback

Get Updates v

Text & Email Updates



Tracking History



Product Information



See Less ^

Can't find what you're looking for?

Go to our [FAQs](#) section to find answers to your tracking questions.

USPS TRACKING #



9590 9402 1258 5246 3420 44



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

United States
Postal Service

• Sender: Please print your name, address, and ZIP+4® in this box.®



MONTGOMERY
& ANDREWS
LAW FIRM

P.O. Box 2307
Santa Fe, New Mexico 87504-2307

Titus/NSL Application – El
Campeon Fed Com 404H –
15412-2101/STS

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE.
CERTIFIED MAIL®



7015 1730 0000 9774 4834
7015 1730 0000 9774 4834

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
Domestic Mail Only

For delivery information, visit our website at www.usps.com®.

Certified Mail Fee

\$

Extra Services & Fees (check box, add fee as appropriate)

- Return Receipt (hardcopy) \$
- Return Receipt (electronic) \$
- Certified Mail Restricted Delivery \$
- Adult Signature Required \$
- Adult Signature Restricted Delivery \$

SANTA FE NM

APR 16 2021

USPO 87504

Postage

\$

Total

McCombs Energy, LLC
755 E. Mulberry, Suite 600
San Antonio, TX 78212

\$

Send

Street

City

PS Form 3811, April 2015 PSN 7530-02-000-9047

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

McCombs Energy, LLC
755 E. Mulberry, Suite 600
San Antonio, TX 78212



9590 9402 1258 5246 3420 44

2. Article Number (Transfer from service label)

7015 1730 0000 9774 4834

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

Agent

Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Adult Signature
- Adult Signature Restricted Delivery
- Certified Mail®
- Certified Mail Restricted Delivery
- Collect on Delivery
- Collect on Delivery Restricted Delivery

- Priority Mail Express®
- Registered Mail™
- Registered Mail Restricted Delivery
- Return Receipt for Merchandise
- Signature Confirmation™
- Signature Confirmation Restricted Delivery

Restricted Delivery

Track Another Package +

Tracking Number: 70151730000097744834

Remove X

Your package is moving within the USPS network and is on track to be delivered to its final destination. It is currently in transit to the next facility.

In Transit to Next Facility

April 24, 2021

McCombs Energy, LLC
755 E. Mulberry, Suite 600
San Antonio, TX 78212

Feedback

Get Updates v

Text & Email Updates



Tracking History



April 24, 2021

In Transit to Next Facility

Your package is moving within the USPS network and is on track to be delivered to its final destination. It is currently in transit to the next facility.

April 20, 2021, 12:25 am

Departed USPS Regional Facility

SAN ANTONIO TX DISTRIBUTION CENTER

April 19, 2021, 11:37 am

Arrived at USPS Regional Facility

SAN ANTONIO TX DISTRIBUTION CENTER

Affidavit of Publication

STATE OF NEW MEXICO
COUNTY OF LEA

I, Daniel Russell, Publisher of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, solemnly swear that the clipping attached hereto was published in the regular and entire issue of said newspaper, and not a supplement thereof for a period of 1 issue(s).

Beginning with the issue dated
April 21, 2021
and ending with the issue dated
April 21, 2021.



Publisher

Sworn and subscribed to before me this
21st day of April 2021.

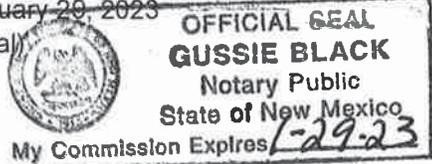


Business Manager

My commission expires

January 29, 2023

(Seal)



This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937 and payment of fees for said

LEGAL NOTICE April 21, 2021

To the following entities, individuals, their heirs, personal representatives, trustees, successors or assigns, and any other uncommitted interest owners:

Occidental Petroleum; Texas Comptroller of Public Accounts; Railroad Commission of Texas; Bureau of Land Management; State Land Office; NM Taxation & Revenue Dept.; Devon Energy Production Company, LP; Chevron U.S.A., Inc.; McCombs Energy, LLC; EOG Resources, Inc.; Oxy USA, Inc.; Franco-Nevada Texas, LP; Newkumet, Ltd.; Blue River Minerals, LLC; Sammy L. Morrison, Trustee of Sammy and Sibyl Morrison Mineral Trust; Pegasus Resources, LLC; McMullen Minerals, LLC.

Titus Oil & Gas Production, LLC, has filed an application with the New Mexico Oil Conservation Division as follows:

Case No. 21872. Application of Titus Oil & Gas Production, LLC for Approval of Production Allocation, Lea County, New Mexico. Applicant in the above-styled cause seeks an order from the Division 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 ("HSU") 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. The HSU will be dedicated to the **EI Campeon Fed Com 404H** 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. The well will cross the New Mexico/Texas border, continuing to produce in the Wolfcamp formation (Phantom; Wolfcamp [Texas Field No. 71052900]). Production will be allocated to New Mexico and Texas prorated on the basis of surface acreage in the proration unit or in any other manner mutually acceptable to the Division and to the Railroad Commission of Texas. In addition to considering the allocation of production under Section 70-2-17, the Division may also consider whether approval of a non-standard spacing unit is required under 19.15.16.15(B)(5) NMAC. The completed interval and first and last take points will meet the setback requirements set forth in the statewide rules for horizontal oil wells. Nonetheless, Titus will also be filing an administrative application for approval of a non-standard well location because the last take point will be located in Texas. The well and lands are located approximately 14 miles southwest of Jal, New Mexico.

This application will be set for hearing before a Division Examiner at the New Mexico Oil Conservation Division in Santa Fe, New Mexico on **May 6, 2021, at 8:15 a.m.** During the COVID-19 Public Health Emergency, state buildings are closed to the public and hearings will be conducted remotely. To participate in the electronic hearing, see the instructions posted on the docket for the hearing date: <http://www.emnrd.state.nm.us/OCD/hearings.html>. You are not required to attend this hearing, but as an owner of an interest that may be affected, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging this application at a later time. If you intend to attend the hearing and present testimony or evidence, you must enter your appearance by **April 28, 2021**, and serve the Division, counsel for the Applicant, and other parties with a pre-hearing statement by **April 29, 2021**, in accordance with Division Rule 19.15.4.13 NMAC. For further information, contact the applicant's attorney, Sharon T. Shaheen, Montgomery & Andrews, P.A., 325 Paseo de Peralta, Santa Fe, New Mexico 87501, (505) 986-2678. #36432

01101398

00253295

SHARON T. SHAHEEN
MONTGOMERY & ANDREWS, P.A.
P.O. BOX OFFICE BOX 2307
A/C 451986
SANTA FE,, NM 87504-2307

Railroad Commission of Texas

PERMIT TO DRILL, RE-COMPLETE, OR RE-ENTER ON REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

CONDITIONS AND INSTRUCTIONS

Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Notice Requirements. Per H.B 630, signed May 8, 2007, the operator is required to provide notice to the surface owner no later than the 15th business day after the Commission issues a permit to drill. Please refer to subchapter Q Sec. 91.751-91.755 of the Texas Natural Resources Code for applicability.

Permit expiration. This permit expires two (2) years from the date of issuance shown on the original permit. The permit period will not be extended.

Drilling Permit Number. The drilling permit number shown on the permit **MUST** be given as a reference with any notification to the district (see below), correspondence, or application concerning this permit.

Rule 37 Exception Permits. This Statewide Rule 37 exception permit is granted under either provision Rule 37 (h)(2)(A) or 37(h)(2)(B). Be advised that a permit granted under Rule 37(h)(2)(A), notice of application, is subject to the General Rules of Practice and Procedures and if a protest is received under Section 1.3, "Filing of Documents," and/or Section 1.4, "Computation of Time," the permit may be deemed invalid.

Before Drilling

Fresh Water Sand Protection. The operator must set and cement sufficient surface casing to protect all usable-quality water, as defined by the Railroad Commission of Texas (RRC) Groundwater Advisory Unit (GWAU). Before drilling a well, the operator must obtain a letter from the Railroad Commission of Texas stating the depth to which water needs protection, Write: Railroad Commission of Texas, Groundwater Advisory Unit (GWAU), P.O. Box 12967, Austin, TX 78711-3087. File a copy of the letter with the appropriate district office.

Accessing the Well Site. If an OPERATOR, well equipment TRANSPORTER or WELL service provider must access the well site from a roadway on the state highway system (Interstate, U.S. Highway, State Highway, Farm-to-Market Road, Ranch-to-Market Road, etc.), an access permit is required from TxDOT. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

Water Transport to Well Site. If an operator intends to transport water to the well site through a temporary pipeline laid above ground on the state's right-of-way, an additional TxDOT permit is required. Permit applications are submitted to the respective TxDOT Area Office serving the county where the well is located.

*NOTIFICATION

The operator is **REQUIRED** to notify the district office when setting surface casing, intermediate casing, and production casing, or when plugging a dry hole. The district office **MUST** also be notified if the operator intends to re-enter a plugged well or re-complete a well into a different regulatory field. Time requirements are given below. The drilling permit number **MUST** be given with such notifications.

During Drilling

Permit at Drilling Site. A copy of the Form W-1 Drilling Permit Application, the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout drilling operations.

***Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification **MUST** be able to advise the district office of the drilling permit number.

***Notification of Re-completion/Re-entry.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of eight (8) hours prior to the initiation of drilling or re-completion operations. The individual giving notification MUST be able to advise the district office of the drilling permit number.

Completion and Plugging Reports

Hydraulic Fracture Stimulation using Diesel Fuel: Most operators in Texas do not use diesel fuel in hydraulic fracturing fluids. Section 322 of the Energy Policy Act of 2005 amended the Underground Injection Control (UIC) portion of the federal Safe Drinking Water Act (42 USC 300h(d)) to define "underground injection" to *EXCLUDE* "...the underground injection of fluids or propping agents (*other than diesel fuels*) pursuant to hydraulic fracturing operations related to oil, gas, or geothermal production activities." (italic and underlining added.) Therefore, hydraulic fracturing may be subject to regulation under the federal UIC regulations if diesel fuel is injected or used as a propping agent. EPA defined "diesel fuel" using the following five (5) Chemical Abstract Service numbers: 68334-30-5 Primary Name: Fuels, diesel; 68476-34-6 Primary Name: Fuels, diesel, No. 2; 68476-30-2 Primary Name: Fuel oil No. 2; 68476-31-3 Primary Name: Fuel oil, No. 4; and 8008-20-6 Primary Name: Kerosene. As a result, an injection well permit would be required before performing hydraulic fracture stimulation using diesel fuel as defined by EPA on any well in Texas. Hydraulic fracture stimulation using diesel fuel as defined by EPA on a well in Texas without an injection well permit could result in enforcement action.

Producing Well. Statewide Rule 16 states that the operator of a well shall file with the Commission the appropriate completion report within ninety (90) days after completion of the well or within one hundred and fifty (150) days after the date on which the drilling operation is completed, whichever is earlier. Completion of the well in a field authorized by this permit voids the permit for all other fields included in the permit unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date on the existing permit. Statewide Rule 40(d) requires that upon successful completion of a well in the same reservoir as any other well previously assigned the same acreage, proration plats and P-15s or P-16s (if required) or a lease plat and P-16 must be submitted with no double assignment of acreage unless authorized by rule.

Dry or Noncommercial Hole. Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or non-commercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

Intention to Plug. The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.

***Notification of Plugging a Dry Hole.** The operator MUST call in notification to the appropriate district office (phone number shown on permit) a minimum of four (4) hours prior to beginning plugging operations. The individual giving the notification MUST be able to advise the district office of the drilling permit number and all water protection depths for that location as stated in the Groundwater Advisory Unit letter.

DIRECT INQUIRIES TO: DRILLING PERMIT SECTION, OIL AND GAS DIVISION

PHONE
(512) 463-6751

MAIL:
PO Box 12967
Austin, Texas, 78711-2967

**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION**

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 867822	DATE PERMIT ISSUED OR AMENDED Aug 26, 2021	DISTRICT * 08		
API NUMBER 42-301-35346	FORM W-1 RECEIVED Feb 22, 2021	COUNTY LOVING		
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 282.84		
OPERATOR TITUS OIL & GAS PRODUCTION, LLC 420 THROCKMORTON ST., STE 1150 FORT WORTH, TX 76102-0000	880622	NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581		
LEASE NAME EL CAMPEON FED COM	WELL NUMBER 404H			
LOCATION 20 miles NW direction from KERMIT	TOTAL DEPTH 12581			
Section, Block and/or Survey SECTION ◀ BLOCK ◀ ABSTRACT ◀ SURVEY ◀ NEW MEXICO PRINCIPAL MERIDIAN S20 T26S R35E				
DISTANCE TO SURVEY LINES 558 ft. SOUTH 590 ft. EAST		DISTANCE TO NEAREST LEASE LINE ft.		
DISTANCE TO LEASE LINES 558 ft. SOUTH 590 ft. EAST		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below		
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES * ** THIS PERMIT IS GRANTED PURSUANT TO STATEWIDE RULE 37(h)(2)(B) ** CASE NO. 0331209				
FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH NEAREST WE	WELL # NEAREST WE	DIST
** PHANTOM (WOLFCAMP) EL CAMPEON FED COM	282.84	12,581	404H 0	08
----- WELLBORE PROFILE(s) FOR FIELD: Horizontal -----				
RESTRICTIONS: This well is being permitted as a 282.84 acre allocation unit. This well traverses the New Mexico and Texas state line. The acreage that will be produced in Texas will be 49.20 acres. No more than 49.20 acres can be assigned from the tract in Texas. This is a hydrogen sulfide field. Hydrogen Sulfide Fields with perforations must be isolated and tested per State Wide Rule 36 and a Form H-9 filed with the district office. Fields with SWR 10 authority to downhole commingle must be isolated and tested individually prior to commingling production.				
Lateral: TH1 Penetration Point Location Lease Lines: 100.0 F NORTH L 330.0 F EAST L Terminus Location BH County: LOVING Section: 25 Block: C24 Abstract: 701 Survey: PSL/ RUSSELL, W B Lease Lines: 10.0 F SOUTH L 330.0 F EAST L Survey Lines: 10.0 F SOUTH L 1912.0 F EAST L				

E206

**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION**

PERMIT TO DRILL, DEEPEN, PLUG BACK, OR RE-ENTER ON A REGULAR OR ADMINISTRATIVE EXCEPTION LOCATION

PERMIT NUMBER 867822	DATE PERMIT ISSUED OR AMENDED Aug 26, 2021	DISTRICT * 08
API NUMBER 42-301-35346	FORM W-1 RECEIVED Feb 22, 2021	COUNTY LOVING
TYPE OF OPERATION NEW DRILL	WELLBORE PROFILE(S) Horizontal	ACRES 282.84
OPERATOR TITUS OIL & GAS PRODUCTION, LLC 420 THROCKMORTON ST., STE 1150 FORT WORTH, TX 76102-0000	880622	NOTICE This permit and any allowable assigned may be revoked if payment for fee(s) submitted to the Commission is not honored. District Office Telephone No: (432) 684-5581
LEASE NAME EL CAMPEON FED COM	WELL NUMBER 404H	
LOCATION 20 miles NW direction from KERMIT	TOTAL DEPTH 12581	
Section, Block and/or Survey SECTION ◀ BLOCK ◀ ABSTRACT ◀ SURVEY ◀ NEW MEXICO PRINCIPAL MERIDIAN S20 T26S R35E		
DISTANCE TO SURVEY LINES 558 ft. SOUTH 590 ft. EAST		DISTANCE TO NEAREST LEASE LINE ft.
DISTANCE TO LEASE LINES 558 ft. SOUTH 590 ft. EAST		DISTANCE TO NEAREST WELL ON LEASE See FIELD(s) Below
FIELD(s) and LIMITATIONS: * SEE FIELD DISTRICT FOR REPORTING PURPOSES * ** THIS PERMIT IS GRANTED PURSUANT TO STATEWIDE RULE 37(h)(2)(B) ** CASE NO. 0331209		
FIELD NAME LEASE NAME	ACRES NEAREST LEASE	DEPTH WELL # NEAREST WE
' ** ' PRECEDING FIELD NAME INDICATES RULE (R37)		
<p align="center">THE FOLLOWING RESTRICTIONS APPLY TO ALL FIELDS</p> <p>This well shall be completed and produced in compliance with applicable special field or statewide spacing and density rules. If this well is to be used for brine mining, underground storage of liquid hydrocarbons in salt formations, or underground storage of gas in salt formations, a permit for that specific purpose must be obtained from Environmental Services prior to construction, including drilling, of the well in accordance with Statewide Rules 81, 95, and 97.</p> <p>This well must comply to the new SWR 3.13 requirements concerning the isolation of any potential flow zones and zones with corrosive formation fluids. See approved permit for those formations that have been identified for the county in which you are drilling the well in.</p>		

**RAILROAD COMMISSION OF TEXAS
OIL & GAS DIVISION
SWR #13 Formation Data**

LOVING (301) County

Formation	Remarks	Geological Order	Effective Date
RED BLUFF		1	02/09/2020
DELAWARE		2	02/09/2020
BELL CANYON		3	02/09/2020
CHERRY CANYON		4	02/09/2020
BRUSHY CANYON		5	02/09/2020
BONE SPRING		6	02/09/2020
WOLFCAMP		7	02/09/2020
PENNSYLVANIAN		8	02/09/2020
STRAWN		9	02/09/2020
ATOKA	high pressure	10	02/09/2020
MORROW		11	02/09/2020
DEVONIAN		12	02/09/2020
FUSSELMAN		13	02/09/2020
ELLENBURGER		14	02/09/2020
PRECAMBRIAN (UNDIFFERENTIATED)		15	02/09/2020

The above list may not be all inclusive, and may also include formations that do not intersect all wellbores. The listing order of the Formation information reflects the general stratigraphic order and relative geologic age. This is a dynamic list subject to updates and revisions. It is the operator's responsibility to make sure that at the time of spudding the well the most current list is being referenced. Refer to the RRC website at the following address for the most recent information.
<http://www.rrc.texas.gov/oil-gas/compliance-enforcement/rule-13-geologic-formation-info>

1 RAILROAD COMMISSION OF TEXAS

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FILED
9:13 am, Apr 19 2021
DOCKET SERVICES
RAILROAD COMMISSION OF TEXAS

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10 TUESDAY, APRIL 13, 2021

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25 REPORTED BY: WILLIAM C. BEARDMORE, CSR

BEFORE THE
RAILROAD COMMISSION OF TEXAS

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4
5 REQUEST BY TITUS OIL & GAS)OIL & GAS DOCKET NO.
6 PRODUCTION, LLC (OPERATOR NO.)OG-21-00006089
7 800622) TO CONTEST DRILLING)
8 PERMITS UNIT DENIAL OF)
9 ADMINISTRATIVE APPROVAL FOR THE EL)
10 CAMPEON FED COM LEASE, WELL NO.)
11 404H, PHANTOM (WOLFCAMP) FIELD,)
12 LOVING COUNTY, TEXAS; DISTRICT 08)

13 ALJ: EZRA JOHNSON
14 TECHNICAL EXAMINER: AUSTIN GASKAMP
15 -----

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18
19 BE IT REMEMBERED THAT THE ABOVE-CAPTIONED
20 matter came on for hearing at approximately 1:32 p.m. on
21 the 13th day of April 2021 and was reported by William
22 C. Beardmore, Certified Shorthand Reporter in and for
23 the State of Texas, reported remotely by computerized
24 stenotype via Zoom audio/video at my office in
25 Georgetown, Texas, 78633.

APPEARANCES

1
2
3 FOR TITUS OIL & GAS PRODUCTION, LLC:
4 Mr. George Neale
5 ATTORNEYS
6 1601 Rio Grande Street, Suite 335
7 Austin, Texas 78767-1945
8 512.477.1976
9 512.477.1907 (Fax)

10 FOR COMMISSION STAFF:
11
12 Ms. Jessica H. Mendoza
13 Staff Attorney
14 Office of General Counsel - Enforcement
15 1701 N. Congress
16 Austin, Texas 78711-2967
17 512.463.3176
18 jessica.mendoza@rrc.texas.gov
19
20
21
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24 warranted) 41 N.O.
25

N.O. = Not Offered

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1 ***PROCEEDINGS***
2 APRIL 13, 2021
3 (1:32 p.m.)
4 (Exhibit Applicant Nos. 1-13 marked)
5 JUDGE JOHNSON: It is 1:32 p.m. on
6 April 13, 2021. For the record my name is Ezra Johnson,
7 Administrative Law Judge, and with me today is Technical
8 Examiner, Mr. Austin Gaskamp.
9 We are here to consider Oil and Gas Docket
10 No. OG-21-0000 -- all right. Let's go off the record
11 for a second.
12 (Brief pause off the record)
13 JUDGE JOHNSON: We're back on the record.
14 My apologies. Again, this is Docket No. OG-21-00006089,
15 Request by Titus Oil & Gas Production, LLC to Contest
16 Drilling Permit Unit Denial of Administrative Approval
17 for the El Campeon FED Com Lease, Well No. 404H, Phantom
18 (Wolfcamp) Field in Loving County, Texas, District 08.
19 Would all of those persons who are appearing here today
20 in this matter please begin by making an oral appearance
21 for the record?
22 We will start with the Applicant, Titus
23 Oil & Gas Production, LLC.
24 MR. NEALE: Yes, sir, Judge. Thank you.
25 For the Applicant, George Neale. With me we have Walter

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1 Jones. He's the Vice President of Land. We also have
2 Rick Johnston. He's a local consulting PE, as you know,
3 and, finally, we have Sharon Shaheen. Sharon is an
4 expert in New Mexico Oil & Gas, Regulatory, and so we
5 thought we would have her available in case Staff had
6 any questions about the New Mexico side of this process.
7 Thank you.
8 JUDGE JOHNSON: Thank you. And for Staff?
9 MS. MENDOZA: Yes, sir. Jessica Mendoza,
10 Office of General Counsel representing the Oil & Gas
11 Division of the Railroad Commission of Texas, and then
12 with me is Lorenzo Garza, Deputy Assistant Director, for
13 the Administrative Compliance section of the Oil & Gas
14 Division.
15 JUDGE JOHNSON: Thank you. And I believe
16 we have some observers with us today.
17 MR. NEALE: Go ahead, Melissa. I didn't
18 mean to interrupt you.
19 MS. FLACK: That's okay. My name is
20 Melissa Flack. I work for Oxy. There were three other
21 people from Oxy that were going to attend, but they had
22 conflicting schedules. So they will not be attending.
23 MR. NEALE: And then, Judge Johnson, Will
24 Tindol, he's an engineer employed by Titus.
25 JUDGE JOHNSON: All right. Very good.

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1 Thank you. If you anticipate offering testimony today
2 in today's hearing would you please raise your right
3 hand?
4 (Rick Johnston, Walt Jones and Sharon
5 Shaheen, proposed witnesses, were sworn)
6 JUDGE JOHNSON: Thank you. You are sworn.
7 All right. Before -- well, perhaps I shouldn't do that.
8 Perhaps I should just turn the matter over to the
9 Applicant. And, Mr. Neale, do you have an opening
10 statement for us?
11 MR. NEALE: Yes, sir, just very brief.
12 OPENING STATEMENT BY TITUS OIL & GAS PRODUCTION, LLC
13 MR. NEALE: So if you will see through our
14 testimony of Mr. Johnston and Mr. Jones, this is an
15 application that's going to be -- the surface -- for a
16 well with a surface location in New Mexico. It's going
17 to be a horizontal well.
18 It's going to have producible open
19 interval both on the New Mexico and the Texas side of
20 the state line, and it's going to be a bottomhole, a
21 terminus is going to be in Texas.
22 We have 13 exhibits that have been
23 submitted. This is an application of, I think, first
24 impression. And so, therefore, I -- and I don't want to
25 speak for Ms. Mendoza, but I think she'll tell you that

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1 the idea here was to have this hearing so that when
2 there are subsequent similar applications they might be
3 available for administrative approval as opposed to
4 approval via a hearing. Thank you.
5 JUDGE JOHNSON: Ms. Mendoza, any
6 follow-up?
7 MS. MENDOZA: Yes, sir.
8 OPENING STATEMENT BY COMMISSION STAFF
9 MS. MENDOZA: It's just that, as Mr. Neale
10 said, this is, in our understanding, a case of first
11 impression, and so we believe that this is a policy
12 determination to be put properly before the
13 Commissioners and not something that Staff can approve
14 administratively.
15 It is Staff's intent that if the
16 Commission does approve this particular application that
17 we will reach out to our counterpart in New Mexico,
18 NMOCD, the New Mexico Oil Conservation Division, and
19 enter into some sort of either memorandum of
20 understanding or other similar agreement to work out the
21 practical aspects and procedural aspects of coordinating
22 the drilling and completing and producing and all the
23 sort of practical implications that go along with well
24 producing from both Texas and New Mexico.
25 JUDGE JOHNSON: Very good. Thank you.

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1 Well, I have many questions, but I suspect the best
2 thing to do is to save them until the end of the
3 Applicant's presentation. So I will turn the matter
4 over to Mr. Neale to begin doing that.
5 MR. NEALE: All right. Thank you, sir.
6 So our first witness is going to be Mr. Rick Johnston.
7 DIRECT CASE BY TITUS OIL & GAS PRODUCTION, LLC
8 RICK JOHNSTON,
9 having been first duly sworn, testified as follows:
10 DIRECT EXAMINATION
11 BY MR. NEALE:
12 Q So why don't you state your name for the
13 record, sir.
14 A My name is Rick Johnston.
15 Q So, Mr. Johnston, you have been employed as a
16 consultant on behalf of Titus in order to help
17 facilitate the presentation of this application to the
18 Railroad Commission?
19 A Correct.
20 Q And you prepared some exhibits -- I think 13 in
21 number -- that have been submitted to the Railroad
22 Commission, and I believe you're prepared to share the
23 screen as we go through those exhibits. Is that
24 correct?
25 A Yes.

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1 MR. NEALE: And if it's all right with
2 you, Judge Johnson, we're ready to go to our first
3 exhibit.
4 JUDGE JOHNSON: Please do.
5 Q (BY MR. NEALE) All right. Let's start with
6 our first exhibit, please, Mr. Johnston.
7 A Can everybody see the exhibits?
8 Q Yes, sir.
9 JUDGE JOHNSON: Yes.
10 A Okay. Exhibit No. 1 is the notice of hearing
11 for this hearing. It basically lays out that we are
12 seeking approval of the drilling permit for the El
13 Campeon Fed Com, Well No. 404H in the Phantom (Wolfcamp)
14 Field. The Appendix A to the application lays out that
15 we're requesting a drilling permit. I guess in
16 discussions with the Staff -- Railroad Commission
17 staff -- we originally asked for a Rule 10 exception.
18 In discussions with Staff they've indicated that they
19 really don't think we need one of those.
20 The third item in the Appendix A was that
21 we were seeking a Rule 37 exception because we want to
22 be able to perforate this well all the way up against
23 the state line which is closer than the 100-foot
24 setback. So it would require a Rule 37 because of that.
25 Notice was given to the proper parties.

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1 We gave notice to the NMOCD, the BLM.
2 Oxy has gotten -- well, they are not on
3 the notice list, but they are here at the hearing. Oxy
4 controls the acreage in Texas. Titus controls the
5 acreage in New Mexico.
6 So as far as the Rule 37 goes, proper
7 notice as to the Rule 37 would be to Titus who is the
8 Applicant.
9 Q (BY MR. NEALE) Okay. All right. So let's
10 proceed with your Exhibit 2, please.
11 A Exhibit No. 2 is a schematic showing what is
12 planned, and that is to have the surface location of
13 this well up in New Mexico drill a horizontal well that
14 will be landed in the Wolfcamp formation, drill it south
15 across the state line into Texas.
16 Well No. 404 is going to be in this
17 easterly-most slot if this is approved. The plan is to
18 have four different slots, and the plan is to end up
19 with stacked lateral wells in each one of these slots.
20 The applicable field down here in Texas is
21 Phantom (Wolfcamp). And, again, this application deals
22 with the easterly-most slot, Well No. 404H.
23 Q But you do know, do the not, Mr. Johnston, that
24 there are plans to drill additional wells if this
25 application is approved?

Page 13

1 A Yes.
2 Q Okay. All right. So let's move on to our
3 Exhibit 3, please.
4 A Exhibit No. 3 is a copy of the Railroad
5 Commission Form W-1 as submitted by Titus.
6 You can see it was submitted back on
7 February 22nd and it's got the notation as submitted.
8 It showed a surface location one foot inside the state
9 of Texas, and there are a couple of errors. It's not
10 Abstract 912. I believe it's Abstract 701 and it's
11 Section 25, but this is the as-submitted W-1.
12 Q And we're going to have another Form W-1 which
13 is the current Form W-1. Is that correct?
14 A Yes, sir.
15 Q Okay. So let's move on to our next exhibit,
16 Exhibit 4, please.
17 A Exhibit No. 4 is a memo signed by Lorenzo Garza
18 wherein he is sending the -- this drilling permit
19 application up to Dana Lewis in the Hearings Division to
20 set the thing for hearing.
21 He's describing that the well is to be a
22 horizontal well to be drilled with a surface location in
23 New Mexico down into Texas, and that Staff does not feel
24 this application can be administratively approved and
25 that the Applicant wishes to go forward, and that's the

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1 subject of this hearing. This is what's precipitated
 2 this hearing.

3 Q Now, it's clear from this letter and Commission
 4 practice that across lease lines well have been
 5 permitted and drilled before. Isn't that correct,
 6 Mr. Johnston?

7 A In this day and time very common. Yes.

8 Q It's just that this one is different in that
 9 the producing interval is going to be open on both sides
 10 of the state line. Is that right?

11 A This well, if approved and drilled and
 12 completed, will produce from both lands in New Mexico
 13 and lands in Texas both.

14 To our knowledge this is the -- if this
 15 well is drilled and completed this will be the first
 16 time this is done between Texas and New Mexico.

17 Q All right. So let's move on to the current W-1
 18 which you've marked as Applicant's Exhibit 5, please.

19 A Okay. Exhibit No. 5 is the Form W-1 with the
 20 notation pending approval. There have been a number of
 21 changes made to this Form W-1 as a result of
 22 conversations that Mr. Neale and I have had with
 23 Mr. Garza.

24 The surface location is now described as
 25 being up in New Mexico with the calls as to the actual

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1 surface location up in New Mexico.

2 The number of acres has been changed to
 3 just the number of acres that are down in Texas, which
 4 is 49.2.

5 And, again, the field is Phantom
 6 (Wolfcamp). And then there's a comment that's been
 7 added to the W-1 that describes that this is going to be
 8 a well with a surface location in Lee County, New
 9 Mexico.

10 And when the well was mapped into the
 11 Commission's GIS system the surface location of the well
 12 will appear to be on the boundary line between the two
 13 states, and it will just show that surface location down
 14 to the terminus point in the Railroad Commission GIS
 15 system, only in the state of Texas.

16 And then the fourth page of this exhibit
 17 is the P-16 that shows that 49.2 acres will be assigned
 18 to this well 404H. This is the way Mr. Garza requested
 19 that the P-16 be filled out.

20 Q Okay. Let's move on to the surveyor's map.
 21 We've marked that as Exhibit 6.

22 A Exhibit No. 6 is the well location plat that's
 23 been filed with the Commission that accompanies the
 24 pending approval Form W-1.

25 It shows the surface location of the well

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1 up in New Mexico. The well will be drilled across the
 2 state line into Texas.

3 And then it shows that the total acreage
 4 in the proposed proration unit will be 282.84 acres over
 5 along the lower right-hand margin of the plat in the
 6 block titled Called Acreage Totals.

7 Tract 3 is the tract that's in Texas and
 8 you can see that it's 49.2 acres. You can -- oops --
 9 you can also see that the tract in Texas, Section 25, is
 10 an unusually-shaped tract of land.

11 I believe it includes 636 acres, but it's
 12 not a normal section.

13 Q And we're going to have some testimony on the
 14 fact that in order to properly develop this sort of
 15 lay-down triangle the predominant direction of the
 16 drilling being north-south it would be difficult to
 17 develop this tract without approval of this application.
 18 Correct?

19 A Right. The stress is in the rock in the
 20 Delaware Basin in this area are such that when you frac
 21 a well the orientation of the fracs is east-west.

22 So when you drill these horizontal wells
 23 you want to drill such that your -- the orientation of
 24 the wellbore is perpendicular to how the fractures are
 25 going to be created in the formation.

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1 So with that in mind the wells need to be
 2 drilled more south, and this being an unusual shaped
 3 section it's not conducive to just drill little short
 4 laterals.

5 They would be considered uneconomic. They
 6 wouldn't be drilled.

7 Q And so is it safe to conclude, Mr. Johnston,
 8 that in order for this tract to be developed it needs to
 9 be drilled with a north-south pattern similar to what's
 10 being proposed here today?

11 A Yes.

12 Q Okay. So let's move over to our next exhibit,
 13 please, Exhibit 7. Identify this for the record, sir.

14 A Exhibit No. 7 is just a printout of the field
 15 rules for the Phantom (Wolfcamp) Field.

16 The first point that we want to make is
 17 that the current field rules allow for 320-acre units
 18 with optional 20s, meaning you can assign acreage to a
 19 well ranging from 320 acres all the way down to
 20 20 acres.

21 With us assigning 49.2 acres on the Texas
 22 side it does not require a Rule 38 exception. This is a
 23 UFT field; so allowable issues will not come into play.

24 And then the spacing is 330, zero between
 25 well, and then it has a first and last take-point rule

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1 of a hundred feet.
2 That's why we need a Rule 3837 so we don't
3 have to leave the hundred-foot buffer on the south side
4 of the state line which represents the property
5 boundary.
6 Q And like you mentioned earlier, if a Rule 37 is
7 required for this well the only party that would be
8 required to be provided notice is the Applicant.
9 Correct?
10 A Yes, Titus Oil & Gas. That's right.
11 Q Okay. So let's move on to Exhibit 8 which
12 talks about the allocation of the production.
13 A Okay. Exhibit 8 is a table that was put
14 together by, I believe, the surveyor or perhaps somebody
15 at Titus, and what it does it goes in and compares
16 the allocation based on surface acres and then also on
17 completed lateral length.
18 And you can see that either way you do it
19 the numbers are quite comparable. My understanding is
20 that -- indications are thus far that New Mexico would
21 lean in the direction of a surface acreage allocation.
22 So I believe that's the direction we're headed right
23 now.
24 Q Because it's going to be important that the
25 allocation be the same on both sides of the state line.

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1 Correct, Mr. Johnston?
2 A Yes.
3 Q So let's move on to Exhibit 9, please.
4 A Exhibit 9 is a copy of an application that has
5 been filed with the state of New Mexico Department of
6 Energy Minerals and Natural Resources Oil Conservation
7 Division, NMOCD.
8 This is an application for an order
9 approving the production allocation of minerals in the
10 Wolfcamp formation, and this WC-025 G-09S263619C, as I
11 understand it, is the name of the field in New Mexico.
12 It goes on and talks about Titus being the
13 sole working interest owner in New Mexico. Occidental
14 Petroleum is the sole working interest owner in Texas.
15 And then Item 5 says that production will
16 be allocated to New Mexico and Texas prorated on the
17 basis of surface acreage in the proration unit or in any
18 other manner mutually acceptable to the Division and the
19 Railroad Commission of Texas.
20 So this application has been filed and
21 it's working its way through the NMOCD as I understand
22 it.
23 Q And then on Page 3 we see that Sharon Shaheen
24 is the one who submitted this to the New Mexico agency?
25 A Yes.

Page 20

1 MR. NEALE: And she, Judge Johnson, is on
2 Zoom with us for questions that may arise on this
3 subject.
4 Q (BY MR. NEALE) So let's move on to our next
5 exhibit which is Exhibit No. 10, please.
6 A Okay.
7 Q Identify this for the record, sir.
8 A Exhibit No. 10 is a map that put together
9 showing Section 25 and a couple of sections up in New
10 Mexico that the well will be drilled through.
11 The red line on Exhibit No. 10 is my
12 estimation of the surface location and the path of the
13 well that will be drilled, and that is the red line.
14 The other purpose of this map is to show
15 that Section 25, again, is an odd-shaped section, and to
16 also show that there has already been development
17 started in the sections below.
18 With that development already having been
19 started it potentially leads one to believe that this
20 Section 25 if it's not developed from wells up in New
21 Mexico that this will end up being not developed. It
22 will just be an undeveloped island.
23 Q And if it's not developed, Mr. Johnston, do you
24 have an opinion as to whether or not there will be
25 hydrocarbon reserves that otherwise could be recovered

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1 that will not be recovered?
2 A The hydrocarbons won't be developed and they
3 will be wasted. The problem is, you have a well in
4 Section 24 with a surface location here, and it's
5 already been drilled and producing. So it's already
6 started the development pattern.
7 And then you have this well over in
8 Section 15 that's been drilled from a pad to the south
9 up to the north, and it did not enter into this acreage.
10 So the development that's already been
11 initiated in the area is leaving this acreage out. And
12 then the next couple of exhibits I'm going to present
13 the completion papers for the one well that is located
14 on Section 25. This is an Oxy well.
15 Then I'm going to present the completion
16 papers for this EOG well and for this RSP well which are
17 the two wells that have done the development down to the
18 south and not included this acreage.
19 Q Okay. So let's move to Exhibit No. 11, please.
20 A Exhibit No. 11 is the Oxy well that is located
21 on Section 25. It's the Medicine Man No. 1.
22 You can see it's completed in the Arapaho
23 Strawn. It was completed there in 2016 -- oops -- and
24 you can see it has perforations down at 14,557 to 14913.
25 So this is completed down below the Wolfcamp.

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1 It is a pretty good well. I just printed
2 out the most recent portion of the production history,
3 and you can see it's pretty steadily producing about
4 20,000 Mcf a month and about 6- or 700 barrels of
5 condensate a month.
6 So I would expect that this well is
7 holding the Oxy acreage.
8 Q Let's go to the next well which we've marked as
9 Exhibit 12, please.
10 A The next well is the EOG Resources Connie Mack
11 No. 1H. This well was completed in the Phantom
12 (Wolfcamp) Field. The TD of this well is 12,623 which
13 is where the Wolfcamp is located, or at least that's
14 where this well landed.
15 This well's potential is for 1,078 barrels
16 of oil a day, along with 6,000 barrels of water, but
17 that's a pretty good well, 1,078 barrels a day.
18 Q All right.
19 A And then Exhibit 13 is the Form W-2 for the RSP
20 Permian, Pistol 24-24 No. 2H. This well was completed
21 in the Phantom (Wolfcamp). It's been producing since
22 2017. It has 640 acres assigned to it.
23 Well -- and, again, it's landed at a depth
24 of roughly 12,800 feet. It potentialized for 374 barrels
25 of water -- excuse me -- 374 barrels of oil and day and

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1 1155 barrels of water.
2 MR. NEALE: So that -- Judge Johnson, that
3 concludes our direct testimony and exhibits from
4 Mr. Johnston. Maybe we could just ask him -- if you
5 would like, I'll ask him just one more time.
6 Q (BY MR. NEALE) So you believe this application
7 should be approved in order to prevent waste. Is that
8 correct?
9 A Yes.
10 MR. NEALE: And with that, Mr. -- Judge
11 Johnston, we offer our Exhibits 1 through 13 for
12 admission, please.
13 JUDGE JOHNSON: Without objection,
14 Applicant's 1 through 13 are admitted.
15 (Exhibit Applicant Nos. 1-13 admitted)
16 MS. SHEHEEN: No objection.
17 MR. NEALE: I'm sorry.
18 JUDGE JOHNSON: Thank you.
19 MR. NEALE: And so we have Walter Jones as
20 I mentioned earlier, the VP of Land for Titus, and
21 Sharon Shaheen, the New Mexico lawyer for Titus, and if
22 Staff or if Ms. Mendoza has any questions of either of
23 those two or Mr. Johnston, of course, they're all
24 prepared to be available for questions.
25 JUDGE JOHNSON: All right. Very good.

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1 Before we begin clarifying examination from the
2 Examiners I'll invite Staff to make any presentation
3 they'd like to make at this time.
4 MS. MENDOZA: No, sir. We don't have a
5 presentation to make. We just might have some closing
6 remarks to make sure certain issues are highlighted and
7 brought to the ALJ's attention to be included in the
8 final proposed order.
9 JUDGE JOHNSON: All right. Very good.
10 Thank you. Examiner Gaskamp, do you have any questions
11 for the Applicant or the Applicant's witnesses?
12 EXAMINER GASKAMP: I don't believe so.
13 Thank you.
14 JUDGE JOHNSON: So the issue of allocation
15 between the states, let's take that up for a minute.
16 This seems somewhat similar to me as the -- as an
17 allocation well-type permit where we're saying that
18 every tract of a horizontal well path is considered a
19 drill site tract, then presumably, you know, we can take
20 each one of those tracts in isolation, and, you know,
21 address the permitting process in that way.
22 It sounds to me like that's how the
23 Applicant is treating this as well. Am I understanding
24 that correctly, Mr. Neale?
25 MR. NEALE: Yes, sir. You are. That's

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1 why -- for example, we believe that if this permit is
2 approved and the well drilled you'll see a surface
3 location in New Mexico as well as a representation of a
4 surface location in Texas at the state line.
5 JUDGE JOHNSON: And the need for the Rule
6 37 exception to avoid the 100-foot perpendicular
7 spacing, if we could talk a little bit more about that,
8 about the need for that.
9 I mean, is that going to make a huge
10 difference one way or the other? Is there -- is it
11 already expected that the nearest take-point will be
12 closer than that or is that just trying to afford
13 maximum flexibility during the drilling process?
14 MR. NEALE: So I'm not sure if either
15 Mr. Johnston or I know the answer to that question.
16 Maybe Mr. Jones might.
17 MR. JONES: Yeah. Just as far as in the
18 completion procedures, instead of having a setback on
19 the New Mexico side of a hundred feet plus another
20 100-foot setback for completion purposes, that's 200
21 feet of treatable lateral that we would not be able to
22 complete without a variance.
23 So that obviously affects the economics of
24 the well and would certainly be something we would plan
25 to complete and would hope to complete.

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1 JUDGE JOHNSON: All right. Well, the
2 understanding there then would be that -- I mean, what
3 I'm used to seeing is that you have, you know, the same
4 company on both sides of that property line. You know,
5 they're going to be able to account in some way to their
6 mineral lessors.
7 Am I understanding correctly based on this
8 plat that the state of New Mexico owns the minerals
9 under the -- immediately adjacent to the state line?
10 MR. JONES: That's correct. They own the
11 minerals under Section 32.
12 JUDGE JOHNSON: And the state of New
13 Mexico was noticed for this hearing from what I
14 understand from the exhibits presented by the Applicant?
15 MR. JONES: That's correct.
16 MR. NEALE: Just one clarifying point,
17 but, Mr. Jones, those minerals north of the Texas line,
18 those are leased by Titus, are they not?
19 MR. JONES: That's correct. Yeah. We
20 have the leases on 100 percent of the New Mexico side of
21 the wellbore.
22 MR. NEALE: All right.
23 JUDGE JOHNSON: And is there some kind of
24 joint operating agreement with Oxy that's making all of
25 this possible?

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1 MR. JONES: So currently there is not,
2 though we have been -- we've spoken quite a bit with
3 Oxy, and they are not -- they have no objections to us
4 pursuing this as an option.
5 We do not have an agreement in place at
6 this point and that's as much a function of not knowing
7 the viability, you know, as far as if this would be
8 approved by the Railroad Commission.
9 And so we were waiting to see some
10 feedback from the Commission and from the New Mexico Oil
11 Conservation Division at which point we feel very
12 confident we will be able to enter into an agreement
13 with Oxy.
14 JUDGE JOHNSON: And does Titus own any
15 undivided interest in the tract in Texas?
16 MR. JONES: No, sir. We don't.
17 JUDGE JOHNSON: All right. That would
18 seem to suggest a good faith claim issue on the permit.
19 What is Titus's good faith claim to seek a drilling
20 permit and Rule 37 exception for property it has no
21 interest in?
22 MR. NEALE: So that's -- that is a
23 dilemma, Judge Johnson, and that's why there have been
24 substantial discussions between Titus and Oxy, and the
25 decision -- the business decision was made that a

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1 farm-out or some similar type of agreement would not be
2 entered into between Titus and Oxy unless the permit
3 were approved. Then the idea then would be to enter
4 into a formal agreement for the development of this
5 triangular shaped tract in Texas.
6 JUDGE JOHNSON: Well, that would seem to
7 create something of a chicken and egg problem.
8 MR. NEALE: Well, that's exactly how we've
9 described it, sir.
10 JUDGE JOHNSON: Because on top of the
11 potential precedent that we're setting here about wells
12 drilled between the two states and the -- the
13 potentially thorny jurisdictional issues there I'm
14 curious about the basic jurisdictional issue of issuing
15 a permit for a piece of property that the Applicant
16 admits they don't have an interest in.
17 MR. NEALE: And we -- like I said, we
18 characterized it similar to your characterization and we
19 recognize that.
20 The problem is that there's a difficulty
21 in suggesting that an agreement should be entered into
22 that would result in the tying up of the acreage in
23 Texas in the event that there was not a permit to drill
24 that well.
25 JUDGE JOHNSON: I mean, the Magnolia case

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1 says that the Commission can't do a useless thing which
2 is to issue -- I mean, that's directly out of the famous
3 quote from the case which is about issuing a drilling
4 permit for which the Applicant can't demonstrate that it
5 has a basic good faith claim.
6 It seemed to me that that's open and shut
7 at this point, that without that piece in place we can't
8 even get to the issue of, you know, permitting this well
9 given these circumstances and determining the allocation
10 between how the states are going to allocate production
11 and presumably tax revenue.
12 I mean, that's kind of what I'm left with
13 here. Tell me how I can make a recommendation to the
14 Commissions on this given all of the policy implications
15 that they're going to have to wrestle with, and I also
16 have to tell them that, oh, by the way, the Applicant
17 doesn't have a good faith claim to the tract on which
18 they are proposing to drill this well.
19 MR. NEALE: And I think the only thing
20 that we can say in response to that is that not only
21 have there been substantial negotiations, but the folks
22 at Oxy do not object to this application, and Mr. Jones
23 will tell you -- and I think he already has -- that if
24 this permit were approved by New Mexico and Texas that
25 he fully believes that an agreement to develop the tract

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1 in Texas would occur.
2 But you're exactly right. Currently we
3 don't have a legal document or a legal right to develop
4 the acreage in Texas.
5 JUDGE JOHNSON: Well, it just seems to me
6 that that's putting the cart before the horse. It
7 sounds like -- rather than wait and see if it's
8 permitted before there's an agreement it sounds to me
9 like you need an agreement before it's permitted.
10 So I think that's where we're -- I think
11 that's the only decision I'm really able to make here.
12 Unless somebody can convince me otherwise that seems to
13 be the answer in this matter.
14 MR. JONES: Is there -- would there be an
15 option for contingency, you know, to prove that only as
16 so long as there is an agreement between the parties
17 between Titus and Oxy or an affidavit or some sort of --
18 JUDGE JOHNSON: I mean, I would hesitate
19 to speculate on the record what would be necessary here
20 for the Applicant, but, I mean, without even something
21 like a memorandum of understanding, the fact that Oxy is
22 here and not making a protest doesn't sound like a good
23 faith claim as I understand it and the rule to require
24 one.
25 MR. NEALE: Well, Judge Johnson, we're

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1 certainly willing to try to move along the discussions
2 with Oxy, and maybe if a Memorandum of Understanding is
3 necessary then we can pursue that -- that avenue. We
4 just --
5 JUDGE JOHNSON: Well, again, I want to be
6 very clear that I'm not suggesting to the parties what
7 they need to do or not do to establish a good faith
8 claim, but I'm just saying from my own experience
9 without even a bear minimum memorandum, I don't see how
10 that's supportable at this time.
11 Now, we can certainly -- if you would like
12 we can certainly put a pin in that issue and perhaps
13 that works itself out, as it were, while, you know, the
14 Examiners are considering what recommendation to make to
15 the Commission.
16 So let's go ahead. We can put the good
17 faith claim issue to one side for a second. I think
18 Mr. Jones's testimony establishes that they feel that
19 the Rule 37 exception is necessary to avoid potential
20 waste and be able to tap into reserves that might
21 otherwise go unrecovered if both states have a 100-foot
22 offset.
23 And I suppose it's beyond my pay grade to
24 talk about whether we do a surface acreage allocation
25 for revenues versus a wellbore application. I'm just

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1 wondering since the shape of this tract is such that,
2 you know, the wellbores will get progressively longer in
3 the state of Texas. Is there some point at which it
4 doesn't -- I'm assuming that there's going to have to be
5 some reallocation of acreage here at some point.
6 Is that just something that we'll have to
7 take up as each well comes along, or has there been any
8 discussion on that point?
9 MR. NEALE: The discussion that we've
10 had -- and Mr. Jones can add to that if he likes, is
11 that we are trying to make this allocation formula match
12 with what is the standard for New Mexico.
13 That's why we presented that Exhibit No. 8
14 that showed what would happen based upon either surface
15 acreage or complete lateral footage which are typically
16 the only methodology that I'm aware of for horizontal
17 wells crossing multiple tracts.
18 The good news is, is that New Mexico
19 typically requires surface acreage and surface acreage
20 would give a higher percentage to Texas than would a
21 completed lateral.
22 I think that if -- in this order we might
23 be able to have -- we're hoping to have something that
24 would address that subject so that the next well would
25 not -- if following this precedent the next well would

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1 also be production allocated on surface acreage.
2 JUDGE JOHNSON: Mr. Neale and/or
3 Ms. Mendoza, do we have -- does the Commission issue
4 orders on allocation wells that specify how the
5 allocation is to be undertaken?
6 MR. NEALE: No, sir, not typically.
7 JUDGE JOHNSON: Yeah, I didn't think so,
8 but so -- but you'd be wanting something like this in
9 the order for this well?
10 MR. NEALE: Well, I think that -- if the
11 idea here is to sort of develop a template for
12 administrative approval of subsequent wells I think that
13 would be of assistance because of the predominance in
14 New Mexico of surface acreage allocation.
15 MR. JOHNSTON: The Commission has issued
16 orders for Rule 10s where you have diversity and
17 ownership where they specify the allocation method.
18 JUDGE JOHNSON: Okay. Ms. Mendoza, I
19 mean, in terms of what the Examiners would recommend to
20 the Commission, I mean, is there any -- any -- anything
21 you might offer us on that point.
22 Is that something that the Examiners would
23 leave to the Commissioners to decide or would they be
24 wanting a recommendation on that in some way?
25 MS. MENDOZA: I'm not sure. I'm happy to

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1 go and do some research. I was unfamiliar with any Rule
2 10 orders. I'm happy to go do some research on that,
3 though, and I'd be happy to file a brief after the fact
4 with that research, the results of that research if that
5 would be useful, though.

6 JUDGE JOHNSON: I suspect that it would.
7 I think we could also put the Applicant on doing similar
8 work to kind of help guide the Examiners on what we
9 might think about when making recommendations to the
10 Commission.

11 MS. MENDOZA: Absolutely.

12 JUDGE JOHNSON: Thank you. What about --
13 I'm just thinking out loud here.

14 You know, what about issues of pollution
15 or concerns about frac hits? I mean, who is going to be
16 responsible for those issues and is that something that
17 we need to take up in the permitting process?

18 I'm assuming it's not something that
19 really is taken up in the permitting process because the
20 assumption would be -- it would be one state or the
21 other. Any thoughts on that?

22 MR. NEALE: So, yes, sir, Judge. So we
23 had a -- we being Rick Johnston and I had a conference
24 call with Paul Dubois, Lorenzo Garza and Jessica Mendoza
25 to talk about those sort of operational issues, and I

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1 think the conclusion was that the majority of those
2 subjects would be related to the surface location,
3 which -- because it's going to be in New Mexico, Texas
4 would not really have much jurisdiction, if any, over
5 those operational issues. We have also --

6 MS. MENDOZA: And that is something
7 that -- sorry. Go ahead, Mr. Neale.

8 MR. NEALE: One other thing. We have also
9 talked about this allocation of production and payment
10 of severance taxes, and we had them -- the Staff
11 recommend that on our production report not only do we
12 report the proportionate production from Texas, but we
13 also include a number, which is the gross number, so
14 that anybody attempting to research the production from
15 this reservoir by this well it could have a gross number
16 even though it only would be -- some portion of that
17 would be allocated to Texas.

18 MS. MENDOZA: And just to add onto that,
19 the practical aspects of pollution flaring in other sort
20 of operational concerns, I believe that that's something
21 that we would address in that MOU with New Mexico and
22 would not need to be addressed in the drilling permit
23 application.

24 JUDGE JOHNSON: Okay. Thank you. That's
25 good to know. All right. Other than the good faith

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1 claim issue, again, to me, and kind of thinking about
2 this before we got here today, you know, this seems to
3 walk and quack like an allocation well-type issue.

4 And certainly the Commission has been
5 comfortable now for some time issuing allocation
6 permits, and that the basic concept of allocation
7 permits has, you know, received something of a blessing
8 from the court system.

9 So it certainly seems to me that the -- as
10 far as the portion of the well that exists within the
11 state of Texas, it seems like the policy concerns
12 surrounding the permitting itself are perhaps less
13 salient than issues like how do you allocate revenue,
14 how do you allocate responsibility for other regulatory
15 issues that come up in operations.

16 But it sounds like, from what I'm hearing
17 from Ms. Mendoza, that that would be addressed through a
18 separate agreement between the state agencies through at
19 least a memorandum of understanding and that all the
20 Examiners need do is address the issue of the permit
21 itself.

22 So I think that's all the questions I
23 have. Ms. Mendoza, you --

24 MS. MENDOZA: Judge Johnson -- I'm sorry.
25 JUDGE JOHNSON: Go ahead.

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1 MS. MENDOZA: Yeah, sorry. Can I
2 interrupt real quick? Most operational issues that
3 you -- all operational issues that you identified Staff
4 does foresee entering into an agreement with New Mexico
5 except for the allocation of production issue which is
6 something that we believe that the ALJ -- sorry -- the
7 Commissioners -- we would like to seek guidance from the
8 Commissioners on that, as we believe that's more of a
9 policy decision and not a procedural decision which
10 would be Staff's domain, the procedural aspect of that.

11 JUDGE JOHNSON: Okay. Well, at this point
12 if the -- I'm looking at the chart that is in Exhibit 8
13 for the Applicant. The indications are that the state
14 of New Mexico is willing to allocate on an acreage basis
15 that would seem to be the advantage of the people of the
16 state of Texas and presumably the royalty owners in the
17 state of Texas.

18 So, I mean, to the extent that the
19 Examiners would like the -- I'm sorry. The
20 Commissioners would like the Examiners to talk about
21 their potential policy options. You know, that would
22 seem to be -- at least on this application that would
23 seem to be favorable to the state.

24 But we can certainly include that in an
25 Examiners' Report that -- and they can then -- they then

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1 can take that up in a vote if that's the -- if that --
2 that sounds like to me the appropriate allocation of job
3 responsibilities between the Examiners and the
4 Commissioners --
5 (Laughter)
6 MR. NEALE: Yeah.
7 JUDGE JOHNSON: -- unless I'm missing
8 something.
9 MS. MENDOZA: I think that sounds
10 appropriate to Staff.
11 JUDGE JOHNSON: Very good. Well, in that
12 case -- I mean, Mr. Neale, I guess that leaves then the
13 process between Titus and Oxy to potentially beat the
14 Examiners to an Examiners' Report on the good faith
15 claim issue.
16 MR. NEALE: Yes, sir. That's my
17 understanding as well.
18 JUDGE JOHNSON: Would the Applicant like
19 the Examiners to hold the record open for any particular
20 period of time before filing an Examiners' Report?
21 MR. NEALE: So let's maybe ask Mr. Jones
22 that question. Of course, he's heard the discussion on
23 the record today. And so do you have any opinion about
24 the possibility of developing some sort of memorandum of
25 understanding between Titus and Oxy in the event that

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1 this permit is approved as you mentioned sort of a
2 condition to the drilling permit entered into by the
3 parties, not by the Railroad Commission?
4 MR. JONES: Yes. I do believe that's
5 something we could get in place. I obviously can't
6 speak for Oxy in that regard.
7 I do think with a little bit more color
8 that we've gained here and just kind of hearing I think
9 that would be helpful as far as keeping this moving
10 forward.
11 If we could have -- I don't know what the
12 typical timeline is for how long it takes you to have
13 that -- the case -- how long it is usually kept open,
14 but, I mean, anywhere from 60 to 90 days I feel like we
15 should be able to get something in place with Oxy in
16 that time.
17 JUDGE JOHNSON: When was the application
18 sent to the Hearings Division?
19 MR. NEALE: So if you look at our Exhibit
20 No. 4, I believe it was March 5.
21 JUDGE JOHNSON: Okay. So this hasn't been
22 with us very long.
23 MR. NEALE: Actually this letter was filed
24 in CASES on March 8th.
25 JUDGE JOHNSON: Well, unless there are any

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1 strong objections from anyone here I am not adverse to
2 holding the record open in this matter for 90 days. Of
3 course, if something were to occur prior to that time I
4 would hope that the Applicant would let us know well in
5 advance of 90 days if that happened.
6 MR. JONES: Yes, sir.
7 MR. NEALE: We would definitely do that.
8 Yes, sir.
9 JUDGE JOHNSON: And let me stress that I'm
10 in no way telling the Applicant what constitutes a good
11 faith claim.
12 The rule promulgated by the Commission
13 establishes what a good faith claim is, and so however
14 the parties want to work that out I am making no
15 pre-sentiments or pre-statements about what that looks
16 like.
17 MR. JONES: Understood. Thank you.
18 JUDGE JOHNSON: All right. Well, hearing
19 no objection I am going to go ahead and hold the record
20 in this matter open for 90 days, and then we can -- we
21 will reach out to the Applicant when they give us some
22 indication of the status of this matter.
23 If we could, I would appreciate it if we
24 in the next week or so do get a posthearing conference
25 set sometime within that 90-day time frame. And I'm

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1 sorry. That probably didn't come out as clearly as I
2 intended it to mean.
3 Mr. Neale, if you could consult with
4 Docket Services. That may be too far out for them, but
5 start working on giving us a placeholder. Of course, if
6 we don't need the prehearing conference we can simply
7 cancel it.
8 But that way it gives us all a reminder
9 not to let this sit without somebody circling back
10 around and checking on it.
11 MR. NEALE: Yes, sir.
12 JUDGE JOHNSON: All right. I'm going to
13 assess the cost of today's transcript to the Applicant.
14 Is there anything we need to -- anything further we need
15 to take up at this time?
16 MR. NEALE: I guess the only thing is, is
17 if a document ensues from the discussion with Oxy and
18 Titus we would like to mark that and submit that as
19 Exhibit 14.
20 JUDGE JOHNSON: Well, since the record
21 will be open we won't even have to call it late-filed.
22 So, yes, that will be fine. You can submit that as
23 Exhibit 14.
24 (Exhibit Applicant No. 14 to be submitted
25 if warranted)

1 MR. NEALE: Yeah, I think that's all we
 2 had. Thank you, sir.
 3 JUDGE JOHNSON: All right. Ms. Mendoza,
 4 you had mentioned maybe making a final statement, but
 5 have we kind of covered everything that Staff wanted to
 6 discuss today?
 7 MS. MENDOZA: Yes, sir. You've hit
 8 everything that we were concerned about. So, thank you.
 9 JUDGE JOHNSON: All right. Very good.
 10 Well, again -- I believe I said this already, but just
 11 in case, the -- I'm assessing the cost of the transcript
 12 to the Applicant, and if there's nothing further for us
 13 to take up at this time, I note that it is 2:30 p.m. on
 14 April 13, 2021, and subject to the record remaining
 15 opening we will close the transcript for today and go
 16 off the record.
 17 Thank you.
 18 (Proceedings concluded at 2:30 p.m.)
 19
 20
 21
 22
 23
 24
 25

1 CERTIFICATE
 2
 3 STATE OF TEXAS)
 4 COUNTY OF TRAVIS)
 5
 6 I, William C. Beardmore, Certified Shorthand
 7 Reporter in and for the State of Texas, do hereby
 8 Certify that the above-mentioned matter occurred as
 9 hereinbefore set out.
 10 I FURTHER CERTIFY THAT the proceedings of such
 11 were reported by me or under my supervision, later
 12 reduced to typewritten form under my supervision and
 13 control and that the foregoing pages are a full, true,
 14 and correct transcription of the original notes.
 15 IN WITNESS WHEREOF, I have hereunto set my
 16 hand and seal this 18th day of April 2021.
 17
 18 _____
 19 WILLIAM C. BEARDMORE
 20 Certified Shorthand Reporter
 21 CSR No. 918 - Expires 4/30/21
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 23 Dave Howard and Associates
 24 Firm No. 440
 25 10917 Shady Hollow Drive
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C E R T I F I C A T E

STATE OF TEXAS)
COUNTY OF TRAVIS)

I, William C. Beardmore, Certified Shorthand Reporter in and for the State of Texas, do hereby Certify that the above-mentioned matter occurred as hereinbefore set out.

I FURTHER CERTIFY THAT the proceedings of such were reported by me or under my supervision, later reduced to typewritten form under my supervision and control and that the foregoing pages are a full, true, and correct transcription of the original notes.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 18th day of April 2021.

William Beardmore

WILLIAM C. BEARDMORE
Certified Shorthand Reporter
CSR No. 918 - Expires 4/30/21

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