

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 and Gas
Production, LLC, to amend Order
R-21443 and for compulsory pooling,
Lea County, New Mexico

Case Nos. 22778
22779

TRANSCRIPT OF PROCEEDINGS

May 5, 2022

EXAMINER HEARING

This matter came on for hearing before the New Mexico Oil Conservation Division, William Brancard, Esq., Hearing Examiner, Dean McClure, Technical Examiner, on May 5th, 2022, via Webex Virtual Conferencing Platform hosted by the New Mexico Energy, Minerals and Natural Resources Department

REPORTED BY: SHANON R. MYERS, CCR, RPR, CRR, RMR, CRC
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A P P E A R A N C E S

For Titus Oil & Gas Production, LLC:

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BY: SHARON T. SHAHEEN

I N D E X

Cases called	3:1
Summary of cases and exhibits	3:11
Taken under advisement	9:19
Court Reporter's Certificate	10:1

1 (Time noted as 12:01 p.m.)

2 EXAMINER BRANCARD: All right. With that, I'm
3 going to call Cases 22778 and 22779, Titus Oil & Gas.

4 MS. SHAHEEN: Thank you, Mr. Examiner. Sharon
5 Shaheen on behalf of Titus Oil & Gas.

6 EXAMINER BRANCARD: I don't see any other entries
7 of appearance here.

8 Are there any other parties interested in Cases 22778
9 and 22779?

10 Hearing none, Ms. Shaheen, you may proceed.

11 MS. SHAHEEN: Thank you. In these two cases,
12 Titus seeks to request extensions of time to drill. The
13 El Campeon Fed Com 322H, which was approved in Order Number
14 R-21443, and previous Case Number 21252, and to extend the
15 time -- and that's a Bone Spring well, and to the extend the
16 time for drilling to Wolfcamp wells, amending Order
17 Number 21444, which was entered in previous Case
18 Number 21253.

19 This is the second request for an extension of time to
20 drill. In Paragraphs 22 and 23, Mr. Walter Jones explains
21 in his affidavit why Titus is requesting a second extension
22 of time. There have been changes in this drilling schedule
23 due to ongoing labor shortages and supply chain issues
24 resulting from the erratic, as he puts it, post-COVID-19
25 economic recovery, delays to allow time for regulatory

1 bodies to establish if wells can be drilled, completed and
2 produced across the Texas state line.

3 So in this case, this El Campeon family of wells is
4 related to, I'm sure the hearing examiners will recall, a
5 previous application requesting approval of production
6 allocations of the El Campeon 404H, which was referred to
7 the commission. And as Mr. Jones explains in Paragraph 23,
8 the commission approved that application with the condition
9 that the States of New Mexico and Texas come to an agreement
10 with respect to how those wells would be regulated, and it's
11 become a little bit more of an agreement than originally
12 anticipated. The commission wants to address the instance
13 or the circumstance where any interstate well would be
14 drilled, whether it's drilled -- the surface location is in
15 New Mexico or in Texas.

16 Long story short, the States are negotiating. They
17 have exchanged red line agreements, and they're scheduled to
18 update the status of that agreement I want to say sometime
19 in August or September. I think I put it in the affidavit.
20 So in the meantime, we have included a development plan as
21 requested by Mr. Dylan Cross in the last hearing, and we've
22 also included a chronology of contacts. This is in addition
23 to the attachments -- other attachments, which include the
24 previously -- the applications in these cases and the orders
25 in the previous two cases.

1 So turning to pdf page -- almost there. Pdf page -- I
2 believe it's 39, you will see the development plan for the
3 El Campeon family of wells, and here, you'll see indicated
4 the purple lines are these three wells, and Titus does hope
5 to be able to drill these as interstate wells once the MOU
6 or memorandum of agreement has been executed by both States.
7 You may have questions about those previous wells. There
8 are three El Campeon wells that have been drilled. You'll
9 see to the right of the development plan, there are three
10 blue lines here. These indicate the El Campeon wells that
11 were previously drilled. At least one of them was drilled
12 due to an expiration of a lease issue. They stopped these
13 wells 100 feet from the state line because the MOU had not
14 yet been executed.

15 On the -- Exhibit 5 is the notice letter that was
16 attached to -- to which the applications were attached and
17 sent to a number of interest owners. Exhibit 6 is the
18 chronology of contacts with those interest owners, and it
19 might be more helpful to look at the affidavit of notice
20 before we look at the chronology of contact. That's behind
21 Tab 2 on pdf Page 45, I believe. And the most helpful
22 portion of this affidavit of notice is the Exhibit A
23 attached thereto. We have a spreadsheet or a table that
24 indicates which -- which owners received the certified mail
25 and which did not. Bellomy Exploration, LLC, one of the

1 working interest owners, we had a return to Montgomery &
2 Andrews as undeliverable. One of the overrides was also
3 returned to Montgomery & Andrews; that's Pinwheel Employee.
4 The rest of them received their certified mail.

5 Turning back to Exhibit 6 on the chronology of
6 contact, you'll see that Titus has since spoken with Bellomy
7 Exploration and sent in the pooling -- sent the notification
8 and an e-mail notifying Brian Bellomy of the request, and
9 they've reached out to BXP too, which, I believe, is related
10 to Bellomy Exploration, and left voice mails at those two
11 numbers indicated there. They also followed up with a
12 number of the other overrides and left voice mails, spoke to
13 Ms. Borden, spoke to Mr. Bergman (phonetic), and I believe
14 he's with Wing Resources, and left voice mails for Jared
15 (phonetic) Partners and Cornerstone Family Trust.

16 With that, I note that Mr. Jones has previously
17 testified before the Division and had his credentials as a
18 professional landman accepted. I ask that his testimony and
19 his affidavit be accepted as a matter of record, along with
20 the remaining exhibits. And with that, we would ask that
21 the Division take these cases under advisement and extend
22 the time for drilling to September 3rd of 2023. And with
23 that, I'm happy to answer any questions that you may have.

24 EXAMINER BRANCARD: Thank you.

25 Mr. McClure?

1 TECHNICAL EXAMINER McCLURE: Yes, Mr. Brancard, I
2 do have a few questions. Ms. Shaheen, like -- I believe
3 like around two months ago or so, Titus had also came to get
4 extension on another compulsory pooling order in the same
5 area, correct, maybe in the west east of the E/2 lease
6 sections maybe?

7 MS. SHAHEEN: That could be. And are you speaking
8 about another El Campeon well?

9 TECHNICAL EXAMINER McCLURE: Correct, correct,
10 yep.

11 MS. SHAHEEN: And are you going to ask me which
12 one of those -- which one of those wells on development --
13 on the development plan is that well?

14 TECHNICAL EXAMINER McCLURE: Oh, no, no. Well,
15 I -- no, no, no. I was just -- I'm just confirming that my
16 memory's correct that essentially one of these other
17 compulsory pooling orders, we just essentially went through
18 this same process with, just so I'm making sure I have the
19 right remembrance, I guess, of what we are looking at here.

20 MS. SHAHEEN: I think that's right. At that time,
21 we didn't do an explanation of the El Campeon family of
22 wells. The other thing I would note too is that we do have
23 a pending application before the Commission for the
24 El Campeon 204H, which is also planned to be an interstate
25 well, but I don't see that well on this development plan.

1 TECHNICAL EXAMINER McCLURE: Yeah, I don't see it
2 shown at least highlighted here. Unless it's one of these
3 lighter purple lines or something.

4 MS. SHAHEEN: Yeah, I think it must be one of the
5 lighter purple lines, "Other planned wells."

6 TECHNICAL EXAMINER McCLURE: I guess -- go ahead.
7 I'm sorry.

8 MS. SHAHEEN: What I can tell you is that 204H is
9 in the same spacing unit as the 404H, which has already been
10 drilled, but they're hoping to drill that more shallow well
11 as an interstate well.

12 TECHNICAL EXAMINER McCLURE: I gotcha. I guess
13 I'll have the same question for you as I did two months ago,
14 essentially is -- Titus' intent is essentially to hold off
15 on drilling these wells until a memorandum of understanding
16 is in place? Is that kind of the current plan?

17 MS. SHAHEEN: Yes. And they want to back drill as
18 many as they can, so they'd like to have that option to
19 drill them as interstate wells and that can't happen until
20 we have the memorandum of understanding or memorandum of
21 agreement, whatever it ends up being called.

22 TECHNICAL EXAMINER McCLURE: Oh, yes, exactly.
23 Okay. I'm just making sure I'm on the same page. So
24 essentially, if we do not get one in place within the next
25 year, we'll be looking at extending these again, then, is

1 that kind of the current plan? If it were to get extended
2 that long?

3 MS. SHAHEEN: I hope not. I was actually
4 encouraged by an update that we got at the last commission
5 meeting. They've exchanged the second or a third red line
6 and they've had a meeting since that time, and I understand
7 the Division is in the process of putting together another
8 red line that reflects the agreements to date between the
9 two States, and so I'm hopeful that we'll be done before
10 another year goes by.

11 TECHNICAL EXAMINER McCLURE: I'm sure we all are
12 for sure, for sure. Anyway, I believe that was the only
13 questions I had. Thank you.

14 MS. SHAHEEN: Thank you.

15 EXAMINER BRANCARD: Thank you. I have no further
16 questions.

17 Is anyone else here on behalf of Cases 22778 and
18 22779?

19 Hearing none, the exhibits will be admitted into the
20 record and Cases 22778 and 22779 will be taken under
21 advisement.

22 MS. SHAHEEN: Thank you. And thank you for
23 allowing me to go before lunchtime.

24 (Proceedings concluded at 12:13 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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REPORTER'S CERTIFICATE

I, SHANON R. MYERS, New Mexico Certified Court Reporter, CCR #275, do hereby certify that I reported the foregoing virtual proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings to the best of my ability.

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

I FURTHER CERTIFY that the virtual proceeding was of extremely poor to good quality.

Dated this 2nd day of June 2022.

/s/ Shanon R. Myers

SHANON R. MYERS, CCR, RPR, CRR, RMR, CRC
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