

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF NOVO OIL & GAS
NORTHERN DELAWARE, LLC FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

Case No. 20178

APPLICATION

Novo Oil & Gas Northern Delaware, LLC applies for an order pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit comprised of the E/2E/2 of Section 34, Township 25 South, Range 27 East, N.M.P.M., and the E/2E/2 of Section 3, Township 26 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is an operator in the E/2E/2 of Section 34 and the E/2E/2 of Section 3, and has the right to drill a well thereon.
2. Applicant proposes to drill the Sarissa Fed. Com. 3403 Well No. 124H, a horizontal well with a surface location in the SE/4 of Section 27, Township 25 South, Range 27 East, N.M.P.M., a first take point in the NE/4NE/4 of Section 34, and a last take point in the SE/4SE/4 of Section 3.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E/2E/2 of Section 34 and the E/2E/2 of Section 3 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Bone Spring

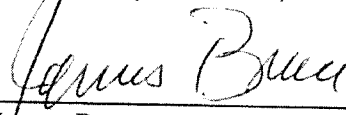
formation underlying the E/2E/2 of Section 34 and the E/2E/2 of Section 3, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests in the Bone Spring formation underlying the E/2E/2 of Section 34 and the E/2E/2 of Section 3 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the Bone Spring formation underlying the E/2E/2 of Section 34 and the E/2E/2 of Section 3;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Novo Oil & Gas Northern
Delaware, LLC

PROPOSED ADVERTISEMENT

Case No. _____: Application of Novo Oil & Gas Northern Delaware, LLC for compulsory pooling, Eddy County, New Mexico. Novo Oil & Gas Northern Delaware, LLC applies for an order pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit comprised of the E/2E/2 of Section 34, Township 25 South, Range 27 East, NMPM, and the E/2E/2 of Section 3, Township 26 South, Range 27 East, NMPM. The unit will be dedicated to the Sarissa Fed. Com. 3403 Well No. 124H, a horizontal well with a surface location in the SE/4 of Section 27, Township 25 South, Range 27 East, NMPM, a first take point in the NE/4NE/4 of Section 34, and a last take point in the SE/4SE/4 of Section 3. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 10-1/2 miles south-southeast of Black River Village, New Mexico.