

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 NOVO OIL & GAS NORTHERN CASE NOS. 20691,
DELAWARE, LLC FOR COMPULSORY POOLING, 20692
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 8, 2019

Santa Fe, New Mexico

BEFORE: LEONARD LOWE, CHIEF EXAMINER
MICHAEL McMILLAN, TECHNICAL EXAMINER
DANA Z. DAVID, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Leonard Lowe, Chief Examiner; Michael McMillan, Technical Examiner; and Dana Z. David, Legal Examiner, on Thursday, August 8, 2019, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
New Mexico CCR #20
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APPEARANCES

FOR APPLICANT NOVO OIL & GAS NORTHERN DELAWARE, LLC:

KAITLYN A. LUCK, ESQ.
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1 (2:13 p.m.)

2 EXAMINER LOWE: Call Case Numbers 20691 and
3 20692.

4 Call for appearances.

5 MS. LUCK: Kaitlyn Luck, with the Santa Fe
6 office of Holland & Hart, on behalf of Novo.

7 And Novo asks to present this case by
8 affidavit and to consolidate 20691 and 20692.

9 EXAMINER LOWE: Are there any other
10 appearances?

11 MS. LUCK: No other appearances that we're
12 aware of.

13 EXAMINER LOWE: You may proceed.

14 MS. LUCK: Thank you.

15 Turning to the first exhibit in your
16 packet, Exhibit A is the affidavit of Brandon Patrick,
17 and this affidavit applies to both cases, 20691 and
18 20692. Mr. Patrick is a landman for Novo, and he has
19 previously testified before the Division as an expert
20 witness in petroleum land matters and had his
21 credentials accepted.

22 In Case Number 20691, Mr. Patrick explains
23 that Novo is seeking an order pooling all uncommitted
24 interests in the Bone Spring underlying a standard
25 320-acre horizontal spacing unit comprised of the west

1 half of Section 4 in Township 23 South, Range 28 East in
2 Eddy County. Novo seeks to dedicate this spacing unit
3 to the Goonch Fed Com 04 131H, 132H and 135H wells, and
4 the footages are noted in paragraph six of his
5 affidavit.

6 Attached as Novo Exhibits A1, A2 and A3 are
7 the draft C-102s for these wells, and it's Novo's
8 understanding that the Division's district office will
9 place these in the Culebra Bluff; Bone Spring, South
10 Pool. The pool code is 15011. The completed interval
11 for the 132H well will remain within 330 feet of the
12 east half of the west half of Section 4 to allow
13 inclusion of those proximity tracts into the standard
14 320-acre spacing unit, which will comply with the
15 Division setbacks with inclusion of the proximity tract.
16 There are no depth severances in this acreage.

17 Novo Exhibit A4 identifies the tracts of
18 land comprising of the spacing unit, which includes both
19 federal and fee lands, as well as a recap of the
20 interests in the units, as well as the overriding
21 royalty interests in this acreage that Novo is seeking
22 to pool. So in this case, Novo is seeking to pool both
23 the working interest owners and the royalty interest
24 owners identified on Exhibit A4.

25 His Exhibit A5 is the well-proposal letters

1 for these three wells, along with the AFE that was sent
2 out prior to hearing.

3 So turning to Case Number 20692, in that
4 case Novo is seeking an order pooling all uncommitted in
5 the Bone Spring Formation for a standard 640-acre
6 spacing unit comprised of the east half of Sections 4
7 and 9, Township 23 South, Range 28 East. And this is
8 also in Eddy County. Novo seeks to dedicate the spacing
9 unit to the Goonch Fed Com 0409 to the 133H, 134H and
10 136H wells.

11 Behind Tabs A6, A7 and A8 are the C-102s
12 for these wells, and the Division's district office has
13 advised these are also placed in the same pool, pool
14 code 15011.

15 The Goonch Fed Com 133H is the proximity
16 well, which will remain within 330 feet of the east half
17 of the east half of these two sections to allow
18 inclusion of the proximity tract to a standard 640-acre
19 spacing unit. There is no depth severances in the Bone
20 Spring underlying this acreage either.

21 Novo's Exhibit A9 is an exhibit identifying
22 the tracts of land comprising the spacing unit that
23 includes both fee and federal lands. Novo is also
24 seeking to pool both working interest owners and
25 overriding royalty interest owners identified on these

1 exhibits. That's Exhibit A9.

2 And Exhibit A10 is the well proposal and
3 AFE for these wells.

4 Turning to Exhibit B, this is the affidavit
5 of Michael Hale. He is the geologist for Novo. And I
6 misspoke. He is the vice president of geoscience and
7 exploration for Novo, and his credentials as an expert
8 witness in petroleum geology have been previously
9 accepted by the Division.

10 His affidavit is also split up into two
11 parts, with the first part discussing 20691 and the
12 second part discussing the second case, 20692.

13 So for Novo Exhibit B1, that is a project
14 locator map.

15 And I'm sorry that there are not tabs
16 between these. I didn't notice that until just now, but
17 these exhibits are all marked on the bottom right-hand
18 corner with the exhibit number.

19 Exhibit B1 is a locator map for 20691
20 showing the path of the proposed wellbores for the 131,
21 132 and 135H wells.

22 His Exhibit B2 is a subsea structure map
23 prepared for the 3rd Bone Spring Sand Formation, with a
24 contour interval of 20 feet. He also includes on this
25 exhibit his cross section from A to A prime that he uses

1 on his Exhibit B3. This structure map reflects that the
2 structure is gently dipping to the northeast, and he
3 does not observe any faulting, pinch-outs or geologic
4 impediments to horizontal drilling.

5 So his Exhibit B3 is the stratigraphic
6 cross section of those wells denoted from A to A prime
7 on B2. And the target interval is identified on the
8 left-hand side of the page between the 3rd Bone target
9 and the Wolfcamp Y target.

10 Turning to Case Number 20692, Novo is
11 targeting the Bone Spring in this case as well. His
12 Exhibit B4 is a locator map for the 133, 134 and 136H
13 wells.

14 His Exhibit B5 is the subsea structure map,
15 which similarly has a contour interval of 20 feet and
16 shows the structure gently dipping to the east. He does
17 not observe any faulting, pinch-outs or geologic
18 impediments to geologic drilling.

19 His Novo Exhibit B6 is the cross section
20 prepared from the wells noted on Exhibit B5, and his
21 logs demonstrate that the target interval within the
22 Bone Spring is consistent in thickness across the entire
23 proposed spacing unit. And in his opinion, the proposed
24 horizontal spacing units will be productive and
25 contribute more or less equally to production from the

1 wellbores.

2 And then finally, Exhibit C is my affidavit
3 reflecting that our office sent notice of this hearing
4 as required by the rules, and because there were
5 additional parties that did not receive our letter as of
6 the time that we were preparing these materials, we
7 included our Affidavit of Publication reflecting that
8 both of these cases were published in time prior to the
9 hearing.

10 So with that, I would move the admission of
11 Exhibits A, B and C, along with our corresponding
12 attachments.

13 EXAMINER LOWE: Exhibits A, B and C and the
14 corresponding attachments will be admitted to these
15 cases.

16 (Novo Oil & Gas Northern Delaware, LLC
17 Exhibits A, B and C are offered and
18 admitted into evidence.)

19 MS. LUCK: And if the Division doesn't have
20 anything further, I'd ask the case be taken under
21 advisement.

22 EXAMINER McMILLAN: What questions do we
23 have?

24 EXAMINER DAVID: I have none.

25 EXAMINER McMILLAN: Are there any depth

1 severances?

2 MS. LUCK: No. There are no depth
3 severances in either case. Mr. Patrick's affidavit, in
4 paragraph nine, talks about no depth severances in the
5 first case, and then his affidavit, in paragraph 19,
6 also states that there are no depth severances in the
7 second case.

8 And one final thing that I didn't mention,
9 in both of these cases, Novo is asking for \$8,000 a
10 month while drilling and 800 while producing and is also
11 requesting a 200 percent charge for the risk.

12 EXAMINER McMILLAN: And then, also, can you
13 provide us what will be the first take point and the
14 last take point for the wells that will be used to pull
15 in the participating tracts in both cases?

16 MS. LUCK: Yes. So I can actually answer
17 that with these exhibits. So the 132H well will be the
18 proximity tract well in Case Number 20691. And the 132H
19 C-102, which is Exhibit A2, has the first and last take
20 points here on page 2 of Exhibit A2. So if you turn to
21 Exhibit A2, you'll see the first and last take points,
22 which are 100 feet from the south line and the 1,122
23 from the west line, for the first take point. And the
24 last take point will be 100 feet from the north line and
25 1,122 from the west line.

1 And then on the second case, 20692, the
2 133H well is the proximity tract well, and that is
3 behind Novo Exhibit A6. So the second page -- oh.
4 Again, I'll have to find out as far as the first and
5 last take point on that one.

6 EXAMINER McMILLAN: Yeah.

7 Do any of these have API numbers?

8 MS. LUCK: No. I don't believe that any of
9 these have assigned API numbers, at the point I prepared
10 my affidavits at least. So I don't think that these
11 have been filed with the Division.

12 EXAMINER McMILLAN: And in the geologist's
13 testimony, he states that every quarter-quarter section
14 will contribute more or less equally?

15 MS. LUCK: That's correct.

16 EXAMINER McMILLAN: Okay.

17 MS. LUCK: And that's in paragraph 13 of
18 Exhibit B.

19 I'm sorry. Actually, on Exhibit A, it does
20 show the proximity tract well being 100 feet from the
21 north line and 1,518 from the west line and 100 feet
22 from the south line and 1,518 from the east line. It's
23 pretty small print. I'm happy to blow it up if you need
24 that.

25 EXAMINER McMILLAN: Just send it to us.

1 That way we're not having to go through it.

2 MS. LUCK: Okay. Thank you for that.

3 If there is nothing further, I would ask
4 that both of these cases be taken under advisement.

5 EXAMINER LOWE: I'll keep an eye out for
6 that information. Send it to the website, to the email,
7 and reference the case numbers.

8 MS. LUCK: I'll do that.

9 EXAMINER LOWE: Cases 20691 and 20692 will
10 be taken under advisement.

11 We'll take a 15-minute break.

12 (Case Numbers 20691 and 20692 conclude,
13 2:26 p.m.)

14 (Recess, 2:26 p.m. to 2:41 p.m.)
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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

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

20 DATED THIS 19th day of August 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters

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