

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

**APPLICATION OF XTO DELAWARE BASIN,
LLC TO AMEND ORDER NO. R-20568
BY EXCLUDING FEDERAL UNIT
ACREAGE FROM HORIZONTAL SPACING
UNIT, EDDY COUNTY, NEW MEXICO**

OCD assigned new Case No. 20918

**Case No. 16283
(Re-Opened)
Order No. R-20568**

APPLICATION

XTO Delaware Basin, LLC ("XTO") applies for an amended order that excludes XTO's federal unit acreage from Novo Oil & Gas, LLC's ("Novo's") horizontal spacing unit ("HSU") approved in Order No. R-20568. In support of its application, XTO states:

1. Novo's amended application in this case requested: (i) approval of a 320-acre HSU comprised of the N/2 S/2 of Sections 4 and 5, Township 23 South, Range 29 East in Eddy County, and (ii) the pooling of all uncommitted mineral interests in the Bone Spring formation at all depths below 8,773 feet subsurface to the stratigraphic equivalent of the base of the Bone Spring formation at 9,865 feet.
2. On May 29, 2019, the Division issued Order No. R-20568, which approved Novo's amended application and pooled all uncommitted interests in the Bone Spring formation between 8,773 feet and 9,865 feet in the N/2 S/2 of Sections 4 and 5, Township 23 South, Range 29 East.
3. XTO is the federally-approved operator of the Big Eddy Unit, which is comprised of 132,182.32 acres in Eddy and Lea Counties. The Oil Conservation Commission approved the Big Eddy Unit in Order No. R-152, which was issued on May 1, 1952. As indicated in the order, the unit acreage includes the N/2 SE/4 of Section 4, Township 23 South, Range 29 East.
4. The HSU approved in Order No. R-20568 includes acreage that is part of XTO's federal Big Eddy Unit, specifically the N/2 SE/4 of Section 4.

5. XTO will not approve a communitization agreement for any Bone Spring horizontal well that Novo proposes to drill from non-unit acreage into XTO's Big Eddy Unit acreage, and has informed Novo and the Bureau of Land Management ("BLM") of its position.

6. The BLM has informed XTO that it will not approve a communitization agreement submitted by Novo for a Bone Spring horizontal well drilled by Novo into the N/2 SE/4 of Section 4 because XTO will not voluntarily approve such an agreement. Consequently, any Bone Spring horizontal well drilled by Novo into the N/2 SE/4 of Section 4 would result in economic waste and impair XTO's correlative rights.

7. XTO has made a good faith effort to obtain Novo's concurrence in the exclusion of XTO's Big Eddy Unit acreage from the HSU approved in Order No. R-20568, but Novo has rejected XTO's request.

WHEREFORE, XTO requests that this application be set for hearing on November 14, 2019 and that, after notice and hearing, the Division (i) grant this application, and (ii) enter an amended order that excludes the N/2 SE/4 of Section 4, Township 23 South, Range 29 East from Novo's HSU.

Respectfully submitted,

HINKLE SHANOR LLP



Gary W. Larson
Dana S. Hardy
P.O. Box 2068
Santa Fe, NM 87504-2068
Phone: (505) 982-4554
Facsimile: (505) 982-8623
glarson@hinklelawfirm.com
dhardy@hinklelawfirm.com

Counsel for XTO Delaware Basin, LLC