

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Secretary

Adrienne Sandoval, Director
Oil Conservation Division



December 11, 2019

Novo Oil and Gas Northern Delaware, LLC (OGRID 372920)
c/o Kaitlyn A. Luck, Agent
kaluck@hollandhart.com
P.O. Box 2208
Santa Fe, NM 87504

RE: Request for Time Extension to Commence drilling
Case No. 20185, R-20409 approved date January 10, 2019
Deadline to commence drilling February 29, 2020 Ordering Paragraph No. (5)
Applicant/Operator: Novo Oil & Gas Northern Delaware, LLC
Proposed Well:
Goonch 4 9 Federal Com Well No. 214H API No. 30-015-PENDING

Dear Sir or Madam:

The following pertains to your request received by the Division on December 3, 2019 and to the requirements in the captioned hearing order.

You have requested an extension of the deadline to commence drilling given by the Division in the captioned order.

As stated, you are requesting an extension to spud this well due to a pending APD approval from the BLM to commence drilling. There was no opposition in the captioned case. You are requesting an additional year in which to spud this well. The spud date is now extended to, **February 29, 2021**.

Ordering Paragraph No. (5) of the captioned order is hereby amended, changing "February 29, 2020" to "February 29, 2021". The requested additional year in which to commence drilling is hereby granted.

All other provisions of this order remain in full force and effect.

Sincerely,

ADRIENNE SANDOVAL
Director

AS/lrl

cc: Oil Conservation Division – Artesia District Office
Case No. 20185

Lowe, Leonard, EMNRD

From: Lowe, Leonard, EMNRD
Sent: Wednesday, December 11, 2019 2:10 PM
To: 'Kaitlyn A. Luck'
Cc: Goetze, Phillip, EMNRD; Rose-Coss, Dylan H, EMNRD; Murphy, Kathleen A, EMNRD; McClure, Dean, EMNRD; Kautz, Paul, EMNRD; Mike Bratcher (mike.bratcher@state.nm.us); 'lisa@rwbyram.com'
Subject: RE: Approved Request for Extension to Spud_Goonch 4 9 Fed Com Well No. 214H_Case No. 20185, R-20409_Novo Oil & Gas Northern Delaware, LLC

Importance: High

Ms. Kaitlyn A. Luck,

An extension of the Spud date for the following order has been signed as approved by the Director and will soon be scanned along with the documents for the extension and will be available on the Division's Imaging web site.

Hearing Order R-20409 [Case 20185]_Novo Oil & Gas Northern Delaware, LLC_Goonch 4 9 Federal Com Well No. 214H (30-015-PENDING)_SEC 4--23S-28E

The new Spud Date is approved for **February 29, 2021**

A copy of the order is attached.

Leonard Lowe

Engineering Bureau

Oil Conservation Division

Energy Minerals and Natural Resources Department

1220 South St. Francis

Santa Fe, New Mexico 87505

Office: 505-476-3492

Cell: 505-930-6717

Fax: 505-476-3462

E-mail: leonard.lowe@state.nm.us

Website: <http://www.emnrd.state.nm.us/ocd/>

HOLLAND & HART

Kaitlyn A. Luck
Phone (505) 954-7286
Fax (505) 819-5579
 kaluck@hollandhart.com

December 3, 2019

VIA EMAIL AND USPS

Adrienne Sandoval
 Director, Oil Conservation Division
 New Mexico Department of Energy,
 Minerals and Natural Resources
 1220 South Saint Francis Drive
 Santa Fe, New Mexico 87505
Adrienne.Sandoval@state.nm.us

Re: Division Order No. R-20409
Request for extension of deadline for drilling of initial well.
Goonch 4-9 Federal Com No. 214H Well

Dear Ms. Sandoval,

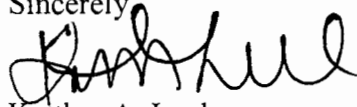
Order No. R-20409 in Case No. 20185, attached as **Exhibit A**, created a 640.45 acre, more or less, standard horizontal spacing unit in the Wolfcamp formation (Purple Sage; Wolfcamp (Gas) Pool (Pool code 98220) underlying the E/2 of Sections 4 and 9, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, and authorized compulsory pooling of uncommitted interest owners to the subject unit. The Order named Novo Oil & Gas Northern Delaware, LLC ("Novo") (OGRID 372920) as the operator of the spacing unit and the dedicated the unit to the initial **Goonch 4-9 Federal Com No. 214H Well**.

Ordering paragraph 5 of Order R-20409 requires that the proposed Goonch 4-9 Federal Com No. 214H Well be drilled on or before February 29, 2020, or that an extension be obtained from the Division Director. Novo has been delayed drilling the Goonch 4-9 Federal Com No. 214H Well because Novo is still awaiting the BLM's approval of the APD for this well. Given the uncertainty with respect to the timing of the permit approval, it does not appear that Novo will be able to secure a drilling rig for the well prior to expiration of the pooling order. For this reason, Novo requires additional time to drill the well and respectfully requests an extension of an additional one (1) year under Order R-20409 to allow Novo adequate time to commence drilling the well.

As required by Order R-20409, Novo has provided each of the pooled working interest owners in the unit with notice of this extension request. **Exhibit B** is copy of the letter sent by certified mail advising the pooled working interest owners of the opportunity to protest before the Division grants this extension request, and proof of mailing.

Your attention to this request is appreciated. Please let me know if you have any questions or require additional information. Thank you for your time.

Sincerely

A handwritten signature in black ink, appearing to read 'Kaitlyn Luck', with a stylized, cursive script.

Kaitlyn A. Luck

**ATTORNEY FOR NOVO OIL & GAS NORTHERN
DELAWARE, LLC**

Encl.

**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 TO CONSIDER:**

**CASE NO. 20185
ORDER NO. R-20409**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 10, 2019, at Santa Fe, New Mexico, before Examiner William V. Jones. This case was again heard on January 24, 2019 and at that date taken under advisement.

NOW, on this 28th day of February, 2019, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT

(1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.

(2) The Applicant, Novo Oil and Gas Northern Delaware, LLC, seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit ("the Unit") described as follows:

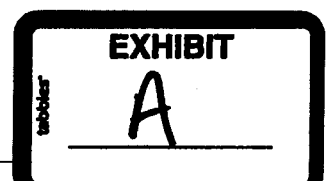
A Horizontal Spacing Unit comprising 640.45 acres (more or less) within the Purple Sage; Wolfcamp Gas Pool (Pool code 98220) and all other pools hereafter defined within the Wolfcamp formation in the E/2 of Section 4 and E/2 of Section 9, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) The Unit will be dedicated to the following well(s):

Goonch 4 9 Federal Com Well No. 214H, API No. 30-015-Pending

SHL: 475 feet from the South line and 485 feet from the East line,
(Unit P) of Section 33, Township 22 South, Range 28 East, NMPM.

BHL: 250 feet from the South line and 330 feet from the East line,



(Unit P) of Section 9, Township 23 South, Range 28 East, NMPM.

(4) Well setbacks within the Purple Sage; Wolfcamp Gas Pool are governed by Special Pool Rules promulgated in Case No. 15535 with Order R-14262. Said rules allow vertical wells or completed intervals in horizontal wells to be located no closer than 330 feet from the outer boundary of a standard 320-acre, deep gas spacing unit, comprised of a governmental half section. This pool was excluded from the setback relief granted to horizontal wells in Paragraph (1) of Subsection C of 19.15.16.15 NMAC effective June 26, 2018.

(5) No other party entered an appearance in this case or otherwise opposed this application.

(6) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

- (a) The Wolfcamp formation in this area is suitable for development by horizontal drilling.
- (b) The orientation of the horizontal well(s) and the Unit is appropriate for optimum recovery of oil and gas.
- (c) The target drilling depth will be within the Wolfcamp XY member of the Wolfcamp formation.
- (d) Depth severances of ownership do not exist within the vertical extent of the target formation.
- (e) All Well(s) are expected to be completed at standard well locations with the Unit.
- (f) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments.
- (g) Notice to affected parties who may have not been noticed otherwise was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

(7) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.

(8) Novo Oil and Gas Northern Delaware, LLC (OGRID 372920) should be designated the operator of the Well(s) and of the Unit.

(9) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(10) Applicant is owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

(11) There are interest owners in the Unit that have not agreed to pool their interests.

(12) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense a just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the depths to be pooled within the Unit.

(13) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling. Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(14) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC, and to the terms and conditions of this order.

(15) Any pooled working interest owner who does not pay its share of estimated well costs of any well should have withheld from production from such well its share of reasonable well costs plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the Well(s).

(16) Reasonable charges for supervision (combined fixed rates) should be fixed at \$8000 per month, per well, while drilling and \$800 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled *"Accounting Procedure-Joint Operations."*

IT IS THEREFORE ORDERED THAT

(1) All uncommitted interests, whatever they may be, in the oil and gas within the following described spacing unit ("the Unit") are hereby pooled:

A Horizontal Spacing Unit comprising 640.45 acres (more or less) within the Purple Sage; Wolfcamp Gas Pool (Pool code 98220) and all other pools hereafter defined within the Wolfcamp formation in the E/2 of Section 4 and E/2 of Section 9, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

(2) The Unit shall be dedicated to the following "Well(s)":

Goonch 4 9 Federal Com Well No. 214H, API No. 30-015-Pending

SHL: 475 feet from the South line and 485 feet from the East line,
(Unit P) of Section 33, Township 22 South, Range 28 East, NMPM.

BHL: 250 feet from the South line and 330 feet from the East line,
(Unit P) of Section 9, Township 23 South, Range 28 East, NMPM.

(3) Novo Oil and Gas Northern Delaware, LLC (OGRID 372920) is hereby designated the operator of the Well(s) and of the Unit.

(4) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.

(5) The operator of the Unit shall commence drilling the Well(s) on or before February 29, 2020 and shall thereafter continue drilling the Well(s) with due diligence to test the target formation at or about the proposed true vertical and measured depths.

(6) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(7) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(8) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the

subject of the request. Such copy shall be sent at the same time the request is sent to the Director.

(9) Upon final plugging and abandonment of the Well(s) and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(10) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(11) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping each of the Well(s) ("well costs").

(12) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to elect to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided. Payment shall be rendered within 90 days after expiration of the 30-day election period and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who do not elect to pay their share of estimated well costs, or who do not render timely payment to the operator, as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(13) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 180 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(14) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(15) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

(a) the proportionate share of reasonable well costs attributable to the non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, 200% of the above costs.

(16) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

(17) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(18) Reasonable charges for supervision (combined fixed rates) are hereby fixed at \$8000 per month, per well, while drilling and \$800 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(19) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not sooner disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

(20) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from

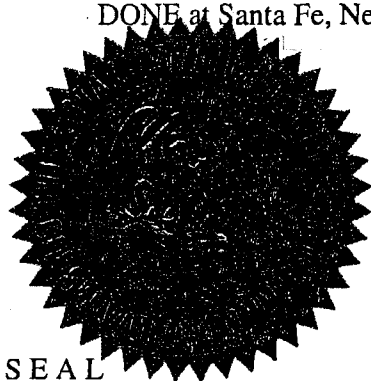
the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(21) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

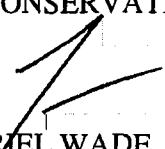
(22) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(23) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


GABRIEL WADE
Acting Director

HOLLAND & HART ^{LLP}



Kaitlyn A. Luck
Phone (505) 954-7286
Fax (505) 819-5579
kaluck@hollandhart.com

December 3, 2019

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: POOLED WORKING INTEREST OWNERS

Re: Division Order No. R-20409
Request for extension of deadline for drilling of initial well.
Goonch 4-9 Federal Com No. 214H Well

Dear Sir or Madam:

Enclosed is a copy of the above-referenced extension request, which was submitted to the New Mexico Oil Conservation Division on this date. Any protest to this application must be filed at the Division's Santa Fe office located at 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. As permitted by Division Order R-20409, if no protest is received by the Division, this extension request may be approved administratively by the Division.

If you have any questions about this application, please contact the following:

Justin Carter
Novo Oil & Gas Northern Delaware, LLC
405-286-3375
jcarter@novoog.com

Sincerely,

Kaitlyn A. Luck
ATTORNEY FOR NOVO OIL & GAS NORTHERN
DELAWARE, LLC





Shipment Confirmation Acceptance Notice

A. Mailer Action

Note to Mailer: The labels and volume associated to this form online, **must** match the labeled packages being presented to the USPS® employee with this form.

Novo - Goonch 214H
Case No. 20185, Order No. R-20409
CM# 104370.0001

Shipment Date: 12/03/2019

Shipped From:

Name: HOLLAND & HART LLP

Address: 110 N GUADALUPE ST # 1

City: SANTA FE

State: NM ZIP+4® 87501

Type of Mail	Volume
Priority Mail Express®	
Priority Mail®	0
First-Class Package Service®	
Returns	
International*	
Other	11
Total	11

*Start time for products with service guarantees will begin when mail arrives at the local Post Office™ and items receive individual processing and acceptance scans.

B. USPS Action

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2. Select Shipment Confirm
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5. Select Pay and End Visit to complete transaction

USPS EMPLOYEE: Please scan upon pickup or receipt of mail.
Leave form with customer or in customer's mail receptacle.

USPS SCAN AT ACCEPTANCE



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1. 9214 8901 9403 8301 2642 19		OXY USA Inc 5 Greenway Plaza Suite 110 Houston TX 77046		0.65	3.50								1.60			
2. 9214 8901 9403 8301 2642 26		Yosemite Creek Oil & Gas 4350 S Monaco Street Denver CO 80237		0.65	3.50								1.60			
3. 9214 8901 9403 8301 2642 33		Novo Minerals LP 1001 West Wilshire Blvd Suite 206 Oklahoma City OK 73116		0.65	3.50								1.60			
4. 9214 8901 9403 8301 2642 40		Tundra AD3 LP 2100 Ross Ave St 1870 Dallas TX 75201		0.65	3.50								1.60			
5. 9214 8901 9403 8301 2642 57		Norman L Stevens III 2224 Brentwood Dr Houston TX 77019		0.65	3.50								1.60			
6. 9214 8901 9403 8301 2642 64		Bad Water LLC 1919 N Turner St Hobbs NM 88240		0.65	3.50								1.60			
7. 9214 8901 9403 8301 2642 71		Roy G Barton Jr & Claudia R Barton as JTWRD 1919 N Turner St Hobbs NM 88240		0.65	3.50								1.60			
8. 9214 8901 9403 8301 2642 88		Russell T Rudy Energy LLC 852 Country Lane Houston TX 77024		0.65	3.50								1.60			



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	<input checked="" type="checkbox"/> Certified Mail	<input type="checkbox"/> Return Receipt for Merchandise
	<input type="checkbox"/> Certified Mail Restricted Delivery	<input type="checkbox"/> Signature Confirmation
	<input type="checkbox"/> Collect on Delivery (COD)	<input type="checkbox"/> Signature Confirmation Restricted Delivery
	<input type="checkbox"/> Insured Mail	
	Priority Mail	

USPS Tracking/Article Number

9. 9214 8901 9403 8301 2642 95

Ruth D Roberts c/o Daniel Roberts PO BOX 6368 Austin TX 78762

10. 9214 8901 9403 8301 2643 01

Ray Westfall 132477 Lovington Hwy Loco Hills NM 88255

11. 9214 8901 9403 8301 2643 18

Adrienne Sandoval Director Oil Conservation Division New Mexico
Department of Energy Minerals & Natural Resources 1220 South
Saint Francis Drive Santa Fe NM 87505

Adult Signature Required		Adult Signature Restricted Delivery		Restricted Delivery		Return Receipt		Signature Confirmation		Signature Confirmation Restricted		Special Handling
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Total Number of Pieces Listed by Sender	Total Number of Pieces Received at Post Office
11	

Postmaster, Per (Name of receiving employee)

PS Form 3877, April 2015 (Page 2 of 2)

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