

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:

CASE NO: 21549

APPLICATION OF NOVO OIL & GAS NORTHERN
DELAWARE LLC TO AMEND ORDER R-21092,
EDDY COUNTY, NEW MEXICO.

CASE NO: 21550

APPLICATION OF NOVO OIL & GAS NORTHERN
DELAWARE LLC TO AMEND ORDER R-21093,
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF VIRTUAL PROCEEDINGS

EXAMINER HEARING

DECEMBER 3, 2020

SANTA FE, NEW MEXICO

This matter came on for virtual hearing before
the New Mexico Oil Conservation Division, HEARING OFFICER
FELICIA ORTH and TECHNICAL EXAMINER BAYLEN LAMKIN on
Thursday, December 3, 2020, through the Webex Platform.

Reported by: Irene Delgado, NMCCR 253
PAUL BACA PROFESSIONAL COURT REPORTERS
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A P P E A R A N C E S

For the Applicant:

KAITLYN LUCK
HOLLAND & HART
110 North Guadalupe, Suite 1
Santa Fe, NM 87501
505-954-7286

I N D E X

CASE CALLED

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E X H I B I T I N D E X

Admitted

Exhibits and Attachments 07

1 HEARING EXAMINER ORTH: Let's move then to cases
2 21549 and 21550, the applicant is Novo Oil & Gas. This is
3 an application to amend an order. The well name is Ovation.

4 Ms. Luck, are you here on behalf of the
5 applicant?

6 MS. LUCK: Yes, it's me again. Kaitlyn Luck on
7 behalf of the applicant in both of these cases, Novo Oil &
8 Gas Northern Delaware LLC.

9 HEARING EXAMINER ORTH: Thank you. I did not see
10 other entries in the case files. Let me pause for a moment
11 to see if there are entries this morning.

12 (No audible response.)

13 HEARING EXAMINER ORTH: I hear nothing. If you
14 would, please proceed.

15 MS. LUCK: Thank you. In both of these cases
16 Novo understood that there wouldn't be any opposition to
17 this pooling hearing, and so Novo filed its application for
18 both cases in a consolidated exhibit packet on Tuesday.

19 Both of these cases involve the same acreage
20 which was previously pooled, but in these two cases Novo is
21 seeking to enlarge those previously approved spacing units
22 which were originally only 320 acres, but now that Novo
23 seeks to complete two-mile wells rather than one-mile wells,
24 and so Novo would like to amend the orders which are order
25 R-21092 and R-21093 to allow for two-mile well development.

1 So in the exhibit packet Novo provides a standard
2 set of exhibits starting with the pooling application
3 checklist as Exhibit A, followed by application for both
4 cases as Exhibit B. Novo's Exhibit C is the affidavit of
5 Brandon Patrick. He is the landman in these two cases. He
6 also previously testified in these cases when they were
7 originally heard by the Division.

8 He provides a project locator map as Exhibit C-1,
9 and that locator map just shows these enlarged units in
10 relation to the sustained producing wells in the Bone Spring
11 and Wolfcamp formation. In both of these cases his
12 affidavit explains that Novo is seeking to amend the orders
13 to allow for a 635.4 acre standard horizontal spacing units
14 comprised of the N/2 of Section 13, Township 23 South, Range
15 28 East and the N/2 equivalent of irregular Section 18 in
16 Township 23 South, Range 29 East, and that's in Eddy County
17 New Mexico.

18 In Case 21549, that's the Bone Spring unit case,
19 and Novo is seeking to dedicate that spacing unit to the
20 Ovation Fed Com 13-18 131, 132 and 135H wells. That exhibit
21 explains that the 132H well is the proximity tract well
22 pooling in the proximity tracts to create the enlarged 635.6
23 spacing unit comprised of the N/2 of Sections 13 and 18.

24 In the second case, 21550, in that case it's the
25 exact same acreage that I just mentioned that Novo is

1 seeking to create an enlarged spacing unit by adding in
2 Section 18 to the previously approved smaller spacing unit
3 comprised of only Section 13.

4 In this case Novo is seeking to pool the Wolfcamp
5 formation in the Purple Sage gas pool, and his affidavit
6 lists each of the Ovation Fed Com wells that Novo is seeking
7 to pool and be dedicated to the spacing unit. There is nine
8 wells total, so I won't (unclear) each of them, but he has
9 provided C-102s for each of those wells.

10 Then as Exhibit C-3 he identifies the tracts of
11 land comprising each spacing unit and the interest owners
12 that Novo is seeking to pool. He also notes there is no
13 unleased tracts.

14 As Novo Exhibit C-4 Mr. Patrick provides the
15 overriding royalty interest owners that Novo is seeking to
16 pool. He also provides as Exhibit C-5 a recap showing the
17 percentage of each interest owner in the proposed spacing
18 unit, and he notes there is no depth severance in either of
19 the Bone Spring or the Wolfcamp.

20 Next he provides proposals for both cases as well
21 as copies of AFEs for each of the wells.

22 His Exhibit C-7 is a chronology of the contacts
23 of the uncommitted interest owners in both cases, as well as
24 the effort to reach agreement with each of those parties.

25 I would like to note in this case there -- I'm

1 sorry -- both of these cases, 21549 and 21550, Novo recently
2 discovered just on I think it was Tuesday of this week there
3 were overriding royalty interest owners shown on the C-4
4 exhibit that Novo did not provide notice of this hearing to.

5 So for that reason Novo would request to continue
6 these two cases to properly perfect notice upon these
7 additional interest owners. They are just overriding
8 royalty interest owners, and their interests are highlighted
9 on C-4, but since it's past the continuance filing deadline,
10 Novo is asking for an exception to continue this case for
11 that purpose of providing notice, for these two cases for
12 providing notice.

13 And then as Novo Exhibit D, Novo provides the
14 affidavit of Michael Hale who is the geologist for both of
15 these cases. Mr. Hale provides first (unclear) showing
16 where each of the wells are located and they're all
17 (unclear) in the Wolfcamp. And then he provides the
18 standard Wolfcamp and Bone Spring structure map, cross
19 section map and stratigraphic cross section showing the
20 targeted intervals for each of the Ovation wells. And he
21 provides his opinion that the Bone Spring and the Wolfcamp
22 are appropriate for horizontal well development.

23 Finally as Novo Exhibits E and F, these are the
24 affidavits from my office, as well as the affidavit from the
25 newspaper showing that notice of these two cases were timely

1 provided to the interest owners that Novo seeks to pool,
2 with the exception of those overriding royalty interest
3 owners that I noted that are highlighted on Exhibit C-4 that
4 Novo has not completed notice to.

5 So Novo is requesting that these two cases be
6 continued to the December 17 docket so that those overriding
7 royalty interest owners can be pooled and the amended orders
8 issued into these two cases.

9 So with that, I would move admission of Novo
10 Exhibits A through F and request that continuance.

11 HEARING EXAMINER ORTH: Thank you, Ms. Luck. Mr.
12 Lamkin, do you have questions at this time of Ms. Luck?

13 TECHNICAL EXAMINER LAMKIN: No, I don't believe
14 so. Thanks.

15 HEARING EXAMINER ORTH: All right, thank you.
16 Ms. Luck, I will ask you, as I asked Ms. Shaheen earlier, if
17 you would please go through the fee portal to seek that
18 continuance because it's under (unclear) you will not have
19 to repeat everything you said today, we will simply wrap it
20 up after you have given the proper notice.

21 In the meantime, the Exhibits A through F are
22 admitted and we will see you on December 17.

23 MS. LUCK: Thank you.

24 (Exhibits admitted.)

25 (Cases continued.)

1 HEARING EXAMINER ORTH: So it is shortly before
2 10. We still have several matters to handle, a couple of
3 affidavit cases, some brief arguments on a motion to dismiss
4 and then another status conference. What I would like to do
5 is take a short break, nine minutes, really, and reconvene
6 at 10. We will see you then.

7 (Recess taken.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 REPORTER'S CERTIFICATE

5 I, IRENE DELGADO, New Mexico Certified Court
6 Reporter, CCR 253, do hereby certify that I reported the
7 foregoing virtual proceedings in stenographic shorthand and
8 that the foregoing pages are a true and correct transcript
9 of those proceedings to the best of my ability.

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

14 I FURTHER CERTIFY that the Virtual Proceeding was
15 of poor to good quality.

16 Dated this 3rd day of December 2020.

17

/s/ Irene Delgado

18

Irene Delgado, NMCCR 253
License Expires: 12-31-20

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