

20184, OCD February 21, final 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 NO. 20184  
DELAWARE, LLC FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

February 21, 2019

Santa Fe, New Mexico

BEFORE:   MICHAEL McMILLAN, CHIEF EXAMINER  
          TERRY WARNELL, TECHNICAL EXAMINER  
          DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Michael McMillan, Chief Examiner, Terry Warnell, Technical Examiner, and David K. Brooks, Legal Examiner, on Thursday, February 21, 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  
                  Paul Baca Professional Court Reporters  
                  500 4th Street, Northwest, Suite 105  
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                  (505) 843-9241

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APPEARANCES

FOR APPLICANT NOVO OIL & GAS NORTHERN DELAWARE, LLC:

ADAM G. RANKIN, ESQ.  
HOLLAND & HART, LLC  
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Santa Fe, New Mexico 87501  
(505) 988-4421  
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FOR INTERESTED PARTY TDY INDUSTRIES, LLC:

JAMES G. BRUCE, ESQ.  
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EXHIBITS OFFERED AND ADMITTED

Novo Oil & Gas Northern Delaware, LLC Exhibit Number 1 and A through C	5
Novo Oil & Gas Northern Delaware, LLC Exhibit Number 2A through 2D	8
Novo Oil & Gas Northern Delaware, LLC Exhibit Number 3	9

1 (3:37 p.m.)

2 EXAMINER McMILLAN: Do you want to do Case  
3 20184?

4 MR. RANKIN: That is me.

5 EXAMINER McMILLAN: Okay. Give me one  
6 second here.

7 I'd like to call Case Number 20184,  
8 application of Novo Oil & Gas Northern Delaware Basin,  
9 LLC for compulsory pooling, Eddy County, New Mexico.  
10 Call for appearances.

11 MR. RANKIN: Thank you, Mr. Examiner. Adam  
12 Rankin, from the law firm of Holland & Hart, on behalf  
13 of the Applicant in this case. No witnesses. We'll be  
14 presenting this case by affidavit.

15 EXAMINER McMILLAN: Any other appearances?

16 MR. BRUCE: Jim Bruce representing TDY  
17 Industries, LLC. I have no witnesses.

18 MR. RANKIN: Thank you, Mr. Examiner. I'll  
19 let you get your stuff together.

20 EXAMINER McMILLAN: Please proceed.

21 MR. RANKIN: Thank you, Mr. Examiner.

22 In this case Novo is seeking to pool the  
23 Wolfcamp gas pool and the Purple Sage gas pool, a 320  
24 spacing unit, which will be dedicated to its Goonch Fed  
25 Com 04 #211H well. Mr. Brandon Patrick provided an

1 affidavit that addresses the spacing unit and the  
2 request here that Novo is making. Mr. Patrick has  
3 previously been accepted as an expert in petroleum land  
4 matters, so I won't review that.

5 The well will be wholly within the required  
6 setbacks of the special pool rules for the Purple Sage.

7 Exhibit 1A is a C-102 for the proposed  
8 well. As I mentioned, the entire completed interval  
9 will remain within the setback requirements of the  
10 special pool rules.

11 Exhibit 1B is a depiction of the land  
12 tracts that comprise the spacing unit, along with the  
13 interests by tract and as recapped for the entire  
14 spacing unit on a spacing-unit basis. There are no  
15 ownership depth severances underlying the acreage. The  
16 working interest owners that Novo seeks to pool are  
17 identified in Exhibit 1B. And in addition to the  
18 working interests, there are some overrides, which are  
19 listed there, that Novo is seeking to pool.

20 Exhibit 1C is a sample well-proposal letter  
21 that was sent to all the working interest owners for the  
22 well. Novo estimates that the overhead costs while  
23 drilling will be 8,000 per month and 800 while  
24 producing. Mr. Patrick lays out his basis for -- his  
25 basis that he undertook a good-faith effort to reach

1 agreement with these parties and identified all  
2 potential pool parties. There are no unlocatable  
3 interests.

4 If there are no other questions,  
5 Mr. Examiner, as to the content of the affidavit, I  
6 would ask that Exhibits 1A, B and C be admitted to the  
7 record.

8 EXAMINER McMILLAN: Jim?

9 MR. BRUCE: No objection.

10 EXAMINER McMILLAN: Exhibit 1 and Exhibits  
11 A, B and C may now be accepted as part of the record.

12 (Novo Oil & Gas Northern Delaware, LLC  
13 Exhibit Number 1 and A through C are  
14 offered and admitted into evidence.)

15 MR. RANKIN: Do you have any questions,  
16 Mr. Examiner, about the land testimony and the  
17 affidavit?

18 EXAMINER McMILLAN: Okay. Well -- okay.  
19 Looking at the C-102 for the 211, but then when I see  
20 the letter to Marathon, it has the 214H also.

21 MR. RANKIN: They were both proposed  
22 together. We initially had intended to present these  
23 cases at the same time, but the 211H well was continued.  
24 So in other words, we presented the 214H -- it's a  
25 different spacing unit. They were proposed together,

1 but for different spacing units.

2 EXAMINER McMILLAN: Oh, okay. All right.

3 MR. RANKIN: All right? They're different  
4 spacing units, but they're included within the same  
5 well-proposal letter. So the 214H is a different  
6 spacing unit to the east.

7 EXAMINER McMILLAN: Okay. Kind of threw me  
8 for a loop there.

9 MR. RANKIN: Yeah.

10 EXAMINER McMILLAN: Okay. Proceed.

11 MR. RANKIN: Thank you, Mr. Examiner.

12 Moving on to Exhibit Number 2 in this  
13 exhibit packet is an affidavit from Mr. Michael Hale,  
14 who has previously been accepted as an expert in  
15 petroleum geology by the Division.

16 EXAMINER McMILLAN: Yeah.

17 No objections to that, Jim?

18 MR. BRUCE: No objection.

19 MR. RANKIN: Mr. Hale, in his affidavit,  
20 reviews the geology in the proposed spacing unit.

21 Exhibit 2C [sic] is a copy of a structure  
22 map on the top of the Wolfcamp X-Y, which is the target  
23 interval for the 211H well. Mr. Hale reviews the  
24 geology in the area and identifies that there are no  
25 impediments, faulting or pinch-outs that would impede

1 development of a horizontal well in the area.

2 Exhibit 2C is a copy of an isopach map that  
3 he prepared reflecting again that there is a  
4 continuous -- the interval is continuous across the zone  
5 and across the proposed horizontal spacing unit.

6 Exhibit 2D is a copy of the -- is a  
7 depiction of the stratigraphic cross section from A to A  
8 prime in which he identifies three representative wells,  
9 which are depicted in those structure maps and the  
10 isopach map.

11 In his affidavit, Mr. Hale identifies the  
12 target interval, which is depicted on the cross section  
13 in yellow highlighting. It's approximately 170 feet  
14 thick. It is continuous across the spacing unit.

15 Mr. Hale testifies that there are no  
16 impediments to drilling a horizontal well and that the  
17 Wolfcamp Formation underlying this area is suitable for  
18 horizontal development and that production will be  
19 contributed equally across -- for every tract in the  
20 spacing unit.

21 If there are no questions about these  
22 exhibits, Mr. Examiner, I would move the admission of  
23 Exhibit 2A, which is Mr. Hale's resume and CV, 2B, C and  
24 D into the record.

25 EXAMINER McMILLAN: Any objections?

1 MR. BRUCE: No objection.

2 EXAMINER McMILLAN: Exhibits 2A, B, C and D  
3 may now be accepted as part of the record.

4 (Novo Oil & Gas Northern Delaware, LLC.  
5 Exhibit Number 2A through 2D are offered  
6 and admitted into evidence.)

7 MR. RANKIN: Finally, Mr. Examiner, Exhibit  
8 3 is a copy of the affidavit that I prepared reflecting  
9 that we provided notice in accordance with the Division  
10 rules. The second page of the exhibit is a copy of the  
11 notice letter that was sent out. The following page is  
12 a list of the parties that received notice, all the  
13 working interest parties and overrides that were  
14 identified to us by Novo. The final page is a copy of  
15 the Notice of Publication that was provided, giving  
16 notice by publication identifying each party by name.

17 EXAMINER McMILLAN: There were no  
18 unlocatables, correct?

19 MR. RANKIN: No unlocatables.

20 EXAMINER McMILLAN: Okay.

21 MR. RANKIN: With that, I'd ask that  
22 Exhibit 3 be admitted into the record.

23 EXAMINER McMILLAN: Any objection?

24 MR. BRUCE: No objection.

25 EXAMINER McMILLAN: Exhibit 3 may now be

1 accepted as part of the record.

2 (Novo Oil & Gas Northern Delaware, LLC  
3 Exhibit Number 3 is offered and admitted  
4 into evidence.)

5 MR. RANKIN: With that, I'd ask that Case  
6 20184 be taken under advisement by the Division.

7 MR. BRUCE: No objection.

8 EXAMINER McMILLAN: Case Number 20184 may  
9 now be taken under advisement.

10 (Case Number 20184 concludes, 3:46 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 27th day of March 2019.

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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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