

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  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
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APPEARANCES

FOR APPLICANT NOVO OIL & GAS NORTHERN DELAWARE, LLC:

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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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