

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

APPLICATION OF NOVO OIL & GAS, LLC  
FOR A NON-STANDARD SPACING AND PRORATION UNIT  
AND COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

CASE NO. 16281

APPLICATION

NOVO Oil & Gas, LLC ("NOVO"), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. §70-2-17, for an order creating a 279.42-acre non-standard spacing unit and proration unit (project area) in the Bone Spring formation comprised of Lots 1 – 4 (N/2N/2) of Section 6 and Lots 2, 3 and 4 (N/2NW/4 and NW/4NE/4) of Section 5, Township 23 South, Range 29 East, Eddy County, New Mexico. Applicant further seeks the pooling of all uncommitted interests in the Bone Spring formation underlying this acreage. In support of its application, NOVO states:

1. NOVO (OGRID 372920) is a working interest owner in the subject acreage and has the right to drill thereon.
2. NOVO proposes to dedicate the above-referenced spacing and proration unit as the project area for the **Rana Salada Fed Com 1 5 23S 29E 2B #1H well** which will be horizontally drilled from a surface location in the NE/4NE/4 of Section 1, Township 23 South, Range 28 East, to a first take-point location in the NW/4NW/4 of Section 6, Township 23 South, Range 29 East, to a bottom hole location in the NW/4NE/4 of Section 5, Township 23 South, Range 29 East.
3. This well will be pad-drilled sequentially and batch completed with other wells which are the subject of separate Applications filed by NOVO contemporaneously with this Application.

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4. The well proposed in this Application is subject to Statewide 40-acre standard oil spacing and the completed interval for this well will be orthodox.

5. NOVO has sought and been unable to obtain the voluntary agreement for the development of the lands, by joinder or otherwise, from all of the mineral interest owners in the Bone Spring formation underlying the proposed unit.

6. The pooling of all mineral interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

7. As the proposed well will be simultaneously drilled and completed with other adjacent wells, NOVO requests an extension of the 120-day time period to drill and complete the wells provided by the standard pooling order.

8. In order to permit NOVO to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and NOVO Oil & Gas, LLC should be designated the operator of these proposed horizontal wells and spacing unit.

9. Notice of this application is being given in accordance with Division rules.

**WHEREFORE**, NOVO requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 12, 2018, and, after notice and hearing as required by law, the Division enter an order:

A. Creating a 279.42-acre non-standard spacing unit and proration unit (project area) in the Bone Spring formation comprised of Lots 1 – 4 (N/2N/2) of Section 6 and Lots 2, 3 and 4 (N/2NW/4 and NW/4NE/4) of Section 5, Township 23 South, Range 29 East, Eddy County, New Mexico;

- B. Pooling all uncommitted mineral interests in the non-standard spacing and proration unit;
- C. Dedicating the initial well to the non-standard spacing and proration unit;
- D. Providing an extension of the 120-day requirement to drill and complete the well;
- E. Designating NOVO Oil & Gas, LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- F. Authorizing NOVO to recover its costs of drilling, equipping and completing this well;
- G. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- H. Imposing a 200% penalty for the risk assumed by NOVO in drilling and completing this well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

BEATTY & WOZNAK, P.C.

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ATTORNEYS FOR NOVO OIL & GAS, LLC

### PROPOSED ADVERTISEMENT

**Case No. \_\_\_\_\_ : Application of Novo Oil & Gas, LLC for a non-standard spacing and proration unit, and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order creating a 279.42-acre non-standard spacing unit and proration unit (project area) in the Bone Spring formation comprised of Lots 1 – 4 (N/2N/2) of Section 6 and Lots 2, 3 and 4 (N/2NW/4 and NW/4NE/4) of Section 5, Township 23 South, Range 29 East, Eddy County, New Mexico. Applicant further seeks the pooling of all uncommitted interests in the Bone Spring formation underlying this acreage. This non-standard unit is to be dedicated to the applicant's **Rana Salada Fed Com 1 5 23S 29E 2B #1H well** which will be horizontally drilled from a surface location in the NE/4NE/4 of Section 1, Township 23 South, Range 28 East, to a first take-point location in the NW/4NW/4 of Section 6, Township 23 South, Range 29 East, to a bottom hole location in the NW/4NE/4 of Section 5, Township 23 South, Range 29 East. The producing interval will be orthodox. Also to be considered will be the cost of drilling and completing each well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a 200% charge for risk involved in drilling the well. Said area is located approximately 5 miles Northeast of Loving, New Mexico.