

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. 16285

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 636.30-acre non-standard spacing and proration unit (project area) in the Wolfcamp formation comprised of the N/2 of Section 5 and N/2 of Section 6, Township 23 South, Range 29 East, Eddy County, New Mexico. Applicant further seeks the pooling of all uncommitted mineral interests in the Wolfcamp 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 two proposed initial wells: (1) the **Rana Salada Fed Com 1 5 WB 1H well** which will be horizontally drilled to test the Wolfcamp formation 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 NE/4NE/4 of Section 5, Township 23 South, Range 29 East; and (2) the **Rana Salada Fed Com**

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1 5 WXY 1H well which will be horizontally drilled to test the Wolfcamp formation 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 NE/4NE/4 of Section 5, Township 23 South, Range 29 East.

3. These wells 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.

4. The Division's district office has placed these wells in the Purple Sage Wolfcamp Gas Pool (Pool Code 98220), which is subject to Special Rules pursuant to Order R-14262. The Special Rules for the Purple Sage Pool require 320-acre standard spacing for all wells. NOVO requests approval of a standard 320-acre spacing unit to be combined with a 320-acre standard spacing unit for the purposes of drilling two 2-mile wells. The completed interval for each well will remain within the 330-foot standard offset required by the Special Rules.

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 Wolfcamp 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 wells will be simultaneously drilled and completed, 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 636.30-acre non-standard spacing and proration unit (project area) in the Wolfcamp formation comprised of the N/2 of Section 5 and N/2 of Section 6, 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 wells to the non-standard spacing and proration unit;

D. Providing an extension of the 120-day requirement to drill and complete the wells;

E. Designating NOVO Oil & Gas, LLC operator of this non-standard spacing unit and the horizontal wells to be drilled thereon;

F. Authorizing NOVO to recover its costs of drilling, equipping and completing each of the four wells;

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 each of the initial wells against any working interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

BEATTY & WOZNIAK, P.C.

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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 636.30-acre non-standard spacing and proration unit (project area) in the Wolfcamp formation comprised of the N/2 of Section 5 and N/2 of Section 6, Township 23 South, Range 29 East, Eddy County, New Mexico. Applicant further seeks the pooling of all uncommitted mineral interests in the Wolfcamp formation underlying this acreage. This non-standard unit is to be dedicated to the applicant's **Rana Salada Fed Com 1 5 WB 1H well** which will be horizontally drilled to test the Wolfcamp formation 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 NE/4NE/4 of Section 5, Township 23 South, Range 29 East, and the **Rana Salada Fed Com 1 5 WXY 1H well** which will be horizontally drilled to test the Wolfcamp formation 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 NE/4NE/4 of Section 5, Township 23 South, Range 29 East. The completed interval for each well will remain within the 330-foot standard offset required by the Special Rules for the Purple Sage Pool. 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.