

**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.**

JUL 05 2018 PM 04:29

CASE NOS. 16281-16286

MOTION FOR CONTINUANCE

BTA Oil Producers, LLC ("BTA") moves the Division to continue the above-referenced cases which are currently set for hearing on the July 12, 2018 docket until the August 23, 2018 docket. In support of this Motion, BTA states,

1. Novo Oil & Gas ("Novo") has filed the following applications seeking to create and pool spacing and proration units in the Bone Spring and Wolfcamp formations underlying acreage in Sections 4, 5, 6 and 8 of Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico:

- a. Case No. 16281 seeks to create a non-standard, 279.42-acre spacing and proration unit in the Bone Spring formation in the N/2 N/2 (Lots 1-4) of Section 6 and the N/2 NW/4 and NW/4 NE/4 (Lots 2, 3 and 4) of Section 5.
- b. Case No. 16282 seeks to create a non-standard, 320-acre spacing and proration unit in the Bone Spring formation in the S/2 S/2 of Section 4 and the S/2 S/2 of Section 5, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico, and to pool all mineral interests therein.

- c. Case No. 16283 seeks to create a non-standard, 320-acre spacing and proration unit in the Bone Spring formation in the N/2 S/2 of Section 4 and the N/2 S/2 of Section 5.
- d. Case No. 16284 seeks to create a non-standard, 320.36-acre spacing and proration unit in the Bone Spring formation in the NE/4 NE/4, SE/4 NE/4, and E/2 SE/4 of Section 5 and the E/2 E/2 of Section 8.
- e. Case No. 16285 seeks to create a non-standard, 636.30-acre spacing and proration unit in the Wolfcamp formation in the N/2 of Section 5 and the N/2 of Section 6.
- f. Case No. 16286 seeks to create a non-standard, 636.30-acre spacing and proration unit in the Wolfcamp formation in the S/2 of Section 4 and the S/2 of Section 5.

2. BTA is an interest owner in the subject acreage and has proposed standup wells in the Bone Spring and Wolfcamp formations underlying Sections 5 and 8. BTA intends to file pooling applications for its proposed wells after NOVO informed BTA on Tuesday, July 3rd, that it will not consider BTA's alternative development plans.

3. NOVO's well proposal letters for the subject acreage are replete with inconsistencies. For example:

- The attached well proposal letter references a single "Proposed Well" as the Rana Salda Fed Com 5 8 23S 29E 2B 1H.¹ See Attachment 1, p. 1. However, page two of the well proposal letter refers to the "eight (8) proposed wells."

¹ This letter presumably relates to Case No. 16284.

- The attached well proposal letter references a Wolfcamp B target (“The well will be drilled...to evaluate the Wolfcamp “B” formation.”), yet the AFE accompanying the letter indicates it is for a “2nd Bone Spring” well.
- Page one of the attached well proposal letter refers to the Rana Salda Fed Com 5 8 23S 29E 2B 1H Well’s location as being in Sections 5 and 8, while page two refers to the location as Sections 4, 5, 6, and 8.

4. To be valid, well proposal letters must identify the location, orientation, and target formation of a proposed well so that interest owners to make an informed decisions. *See* R-13165, ¶ 5(a).

5. After receiving the confusing and inconsistent NOVO well proposals, BTA representatives contacted Novo on multiple occasions for clarification. BTA did not receive a response until July 3, 2018.

6. On July 3, 2018, NOVO informed BTA in a short conference call that it intended to operate the subject acreage, is not interested in BTA’s alternative plan of development and intended to proceed to hearing under the well proposals submitted to the working interest owners.

7. Given the inaccuracies contained in NOVO’s well proposal letters and NOVO’s failure to discuss its confusing well proposal letters with BTA, Novo’s cases should be continued until August 23, 2018, to allow the parties time to review and discuss development of the subject acreage.

8. In the event the parties are unable to reach agreement, a continuance to the August 23, 2018 docket will allow BTA’s competing plan of development be heard concurrently with that proposed by NOVO.

9. NOVO’s attorney has been contacted and opposes this motion.

WHEREFORE, for the reasons stated above, and for reasons of administrative efficiency, BTA respectfully requests that the Division continue the hearing in the above-referenced cases until the August 23, 2018, Examiner Docket.

Respectfully submitted,

HOLLAND & HART LLP

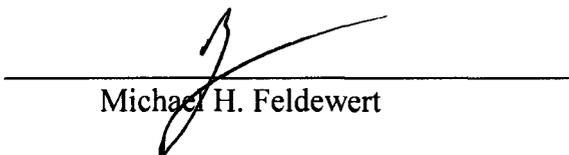


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ATTORNEYS FOR BTA OIL PRODUCERS, LLC

CERTIFICATE OF SERVICE

I hereby certify that on July 5, 2018, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

Candace Callahan
CCallahan@bwenergylaw.com
Attorney for Novo Oil & Gas, LLC



Michael H. Feldewert



Brandon Patrick
Land Manager
Novo Oil & Gas Northern Delaware, LLC
105 N. Hudson Avenue, Suite 500
Oklahoma City, Oklahoma 73102
Office: 405-609-1740
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May 2, 2018

BTA Oil Producers, LLC
104 S. Pecos
Midland, TX 79701

Re: Proposed Working Interest Units (WIU)
Rana Salada 5/8 2BS Working Interest Unit

Proposed Well
Rana Salada Fed Com 5 8 23S 29E 2B 1H
Eddy County, NM

Ladies and Gentlemen:

Novo Oil & Gas Northern Delaware, LLC ("Novo") as Operator hereby proposes to form a 320.36 acre Second Bone Spring Working Interest Unit (WIU) covering Lot 1, SE/4NE/4 & E/2SE/4 of Section 5 and the E/2E/2 of Section 8, Township 23 South, Range 29 East, Eddy County, NM.

Further, in connection with the formation of the Rana Salada 5/8 2BS WIU, as described above, Novo hereby proposes the drilling of the Rana Salada Fed Com 5 8 23S 29E 2B 1H horizontal well as more particularly set forth below. According to public records, BTA Oil Producers, LLC claims a 200 net acre interest in the SE/4SE/4 of Section 5 and the E/2E/2 of Section 8, representing a 62.4297% working interest in the proposed well described below.

Rana Salada Fed Com 5 8 23S 29E 2B 1H

SHL: Lot 1 of Section 5, Township 23 South, Range 29 East.

BHL: 330' FSL, 330' FEL of Section 8, Township 23 South, Range 29 East.

The E/2E/2 of Section 5 and the E/2E/2 of Section 8 will be dedicated to the well as its 320 acre project area. The well will be drilled to an approximate true vertical depth (TVD) of 8,465 feet subsurface to evaluate the [REDACTED] [REDACTED]. The proposed well will have a measured depth (MD) of approximately 19,265 feet.

Proposed WIU and Wells – Rana Salada
Sections 5, 6 & 8, Township 23 South, Range 29 East
Eddy County, NM
Page 2

Regarding the above, enclosed for your handling are AFEs for each of the [REDACTED] listed above. In the event you elect to participate in the proposed wells, please execute the enclosed AFEs and return to the attention of the undersigned within thirty (30) days from receipt of this letter. Upon receipt of the executed AFEs, Novo will provide you with its proposed Operating Agreement for execution. Should you have any questions regarding the above, please call me at (405) 609-1740 or if by email, my email address is bpatrick@novoog.com.

Sincerely,

Novo Oil & Gas Northern Delaware, LLC



Brandon Patrick
Land Manager



NOVO OIL & GAS NORTHERN DELAWARE, LLC
AUTHORIZATION FOR EXPENDITURE
 105 North Hudson Ave. Suite 300
 Oklahoma City, Oklahoma 73102
 405.608.1628

| | | | | | |
|----------------------|---|----------|-------------------|-----------------|------------------|
| WELL NAME | Rana Salada Fad Com 6 8 23S 20E 28 1H | AFE TYPE | Development | AFE NUMBER | 2015010 |
| LATERAL LOCATION | Twn-23S, Rge-20E, Sec-8/8, Slot-4, Az-S | FIELD | Northern Delaware | DRILLING DAYS | 22 |
| SURFACE LOCATION | Twn-23S, Rge-20E, Sec-8 NE/4 | SECTION | 2nd Bone Spring | DEPTH (TVD/TMD) | 8,485' / 19,285' |
| BOTTOM-HOLE LOCATION | Twn-23S, Rge-20E, Sec-8 NE/4 | COUNTY | Eddy County | STATE | New Mexico |
| PROJECT DESCRIPTION | Drilling, completion, facilities and pipeline costs for 9,900' horizontal well. | | | | |

| ACCT. CODE | DESCRIPTION OF EXPENDITURE | COST ESTIMATE | | |
|-------------------------|----------------------------------|-----------------------|-------------------------|---------------------|
| | | DRILLING (300) | COMPLETION (600) | TOTAL |
| INTANGIBLE COSTS | | | | |
| 01 | SURVEY/PERMITS/DAMAGES/LEGAL | \$ 25,000 | | \$ 25,000 |
| 02 | LOCATION & ROAD | 80,000 | | 80,000 |
| 03 | RIG MOVE | 60,000 | | 60,000 |
| 04 | DRILLING - FOOTAGE | 50,000 | | 50,000 |
| 05 | DRILLING - DAYWORK | 477,000 | | 477,000 |
| 08 | COMPLETION/WORKOVER RIG | | 60,000 | 60,000 |
| 07 | COIL TUBING/SNUBBING UNIT | | 160,000 | 160,000 |
| 08 | SLICKLINE/SWABBING | | | 0 |
| 09 | BITS | 100,000 | 5,000 | 105,000 |
| 10 | DIRECTIONAL SERVICES | 147,000 | | 147,000 |
| 11 | CASING CREW | 80,000 | | 80,000 |
| 12 | TOOL & EQUIPMENT RENTAL | 50,000 | 80,000 | 130,000 |
| 13 | FUEL & POWER | 144,000 | 20,000 | 164,000 |
| 14 | DIESEL - BASE FOR MUD | 100,000 | | 100,000 |
| 15 | MUD LOGGING & GEOLOGIST | 14,000 | | 14,000 |
| 16 | DISPOSAL, RESTORATION & BACKFILL | 150,000 | | 150,000 |
| 17 | TRUCKING | 120,000 | 40,000 | 160,000 |
| 18 | TESTING | | | 0 |
| 19 | CEMENTING | 150,000 | | 150,000 |
| 20 | PERFORATING | | 358,000 | 358,000 |
| 21 | CASED HOLE LOGS | | | 0 |
| 22 | DOWNHOLE TOOLS & SERVICE | | 78,000 | 78,000 |
| 23 | OTHER STIMULATION | | 120,000 | 120,000 |
| 24 | FORMATION STIMULATION | | 4,500,000 | 4,500,000 |
| 25 | CONSULTING SERVICES | | 20,000 | 20,000 |
| 26 | SUPERVISION | 100,000 | 100,000 | 200,000 |
| 27 | CONTRACT LABOR | 2,000 | 20,000 | 22,000 |
| 28 | OTHER LABOR | | 100,000 | 100,000 |
| 29 | COMPANY CONSULTING/SUPV | | | 0 |
| 30 | WATER | 20,000 | 891,000 | 911,000 |
| 31 | FLUIDS & CHEMICALS | 150,000 | | 150,000 |
| 32 | CORING & ANALYSIS | | | 0 |
| 33 | COMMUNICATIONS | 10,000 | 10,000 | 20,000 |
| 34 | BOP TESTING | 10,000 | 10,000 | 20,000 |
| 35 | DRILL STEM TEST | | | 0 |
| 36 | FISHING TOOLS & SERVICES | | | 0 |
| 37 | INSPECTIONS | 10,000 | 5,000 | 15,000 |
| 38 | WIRELINE SERVICES | | | 0 |
| 39 | ENGINEERING & GEOLOGY - FIELD | | | 0 |
| 40 | ENGINEERING & GEOLOGY - OFFICE | | | 0 |
| 41 | MULTISHOT & GYRO | | | 0 |
| 42 | RE-ENTRY SERVICES | | | 0 |
| 43 | CAMPS & TRAILERS | 15,000 | 15,000 | 30,000 |
| 44 | SAFETY EQUIPMENT & IIS | 10,000 | 5,000 | 15,000 |
| 45 | CONTINGENCY | | | 0 |
| 46 | INSURANCE | 5,000 | 2,000 | 7,000 |
| 47 | MISCELLANEOUS | 10,000 | 1,000 | 11,000 |
| 48 | OUTSIDE OPERATED | | | 0 |
| 49 | SIM-OPS | | | 0 |
| | TOTAL INTANGIBLE COSTS | \$ 2,049,000 | \$ 6,697,000 | \$ 8,746,000 |
| TANGIBLE COSTS | | | | |
| | | DRILLING (400) | COMPLETION (600) | TOTAL |
| 01 | CASING - CONDUCTOR | | | |
| 02 | CASING - SURFACE | \$ 19,280 | | \$ 19,280 |
| 03 | CASING - INTERMEDIATE | 128,150 | | 128,150 |
| 04 | CASING - INTERMEDIATE 2 | | | 0 |
| 05 | CASING - PRODUCTION / LINER | 358,403 | | 358,403 |
| 06 | SUBSURFACE EQUIPMENT | 25,000 | | 25,000 |
| 07 | PRODUCTION TUBING | | 40,888 | 40,888 |
| 08 | SUBSURFACE PUMPING EQUIPMENT | | | 0 |
| 09 | WELLHEAD EQUIPMENT | 60,000 | 10,000 | 70,000 |
| 10 | FLOWLINES | | 50,000 | 50,000 |
| 11 | SURFACE PUMPING EQUIPMENT | | | 0 |
| 12 | LINER HANGER & ASSOC EQUIP | | | 0 |
| 13 | VALVES & FITTINGS | | 10,000 | 10,000 |
| 15 | RODS | | | 0 |
| 17 | TRUCKING | 40,000 | 2,000 | 42,000 |
| 20 | RE-ENTRY EQUIPMENT | | | 0 |
| 34 | PRODUCTION EQUIPMENT | | 200,000 | 200,000 |
| 47 | MISCELLANEOUS | 10,000 | 10,000 | 20,000 |
| 48 | OUTSIDE OPERATED | | | 0 |
| 49 | TANGIBLE EQUIP-ACQUISITIONS | | | 0 |
| | TOTAL INTANGIBLE COSTS | \$ 639,843 | \$ 322,888 | \$ 962,728 |
| | TOTAL ESTIMATED WELL COST | \$ 2,688,843 | \$ 6,919,888 | \$ 9,608,728 |

PREPARED BY: KURT A. SHIPLEY Vice President - Operations DATE: 4/23/2018

OPERATOR'S APPROVAL: [Signature] Chief Financial Officer DATE: 4/23/2018

OPERATOR'S APPROVAL: [Signature] Executive VP - Exploration DATE: 4/23/18

OPERATOR'S APPROVAL: [Signature] Chief Executive Officer DATE: 4/23/18

The costs of this AFE are estimates only. Participants in this project agree to pay their proportionate share of the actual costs. Please make a note that some expenditures such as tubing, artificial lift or surface equipment may occur up to one year after the project has been initiated.