United States Department of the Interior

BUREAU OF LAND MANAGEMENT
New Mexico State Office
301 Dinosaur Trail
Santa Fe, New Mexico 87508
www.blm.gov/new-mexico

In Reply Refer To:
NMNM141829
3105.2 (NM925)

APR 30 2020

Reference:
Communitization Agreement
Rana Salada 0504 Fed Com #234H
Section 04: S2S2, N2SW,
Section 05: S2.
T. 23 S., R. 29 E., N.M.P.M.
Eddy County, NM

Novo Oil & Gas Northern Delaware, LLC
1001 W. Wilshire Blvd., Suite 206
Oklahoma City, OK 73116

Gentlemen:

Enclosed is an approved copy of Communitization Agreement NMNM141829 involving 280 acres of Federal land in lease NMNM 59383, 80 acres of Federal land in lease NMNM 121951, and 200 acres of Fee land, Eddy County, New Mexico, which comprise a 560 acre well spacing unit.

The agreement communitizes all rights to all producible hydrocarbons from the Wolfcamp formation beneath the S2S2, N2SW of Sec. 04, and S2 of Sec. 05, T. 23 S., R. 29 E., NMPM, Eddy County, NM, and is effective March 1, 2019. Approval of this agreement does not warrant or certify that the operator, thereof, and other working interest owners hold legal or equitable title to the leases which are committed hereto.

Approval of this agreement does not constitute an adjudication of any state, local government, or private interests, and does not constitute a warranty or certification that the information supplied by the party submitting this agreement regarding any private, state, or local government interests is accurate.

Copies of this approval letter are being distributed to the appropriate Federal agencies. You are requested to furnish all interested parties with the appropriate evidence of this approval. Any production royalties that are due must be reported and paid according to regulations set up by the Office of Natural Resources Revenue at 1-800-525-9167 or 303-231-3504.

If you have any questions regarding this approval, please contact Margie Dupre at (505) 954-2142.

Please furnish all interested principals with appropriate evidence of this approval.

Sincerely,

James Glover
Branch Chief
Branch of Reservoir Management
Division of Minerals

1 Enclosure:
1 - Communitization Agreement

cc:
ONRR, Denver
NM Taxation & Revenue Dept. (Revenue Processing Div.)
NMOCD
NM (9200)
NM (P0220-CFO)
NMSO (NM925, File)
NM STATE LAND COMM.

# Determination – Approval – Certification

Pursuant to the authority nested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the authorized officer of the Bureau of Land Management, I do hereby:

A. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest. Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

B. Approve the attached Communitization Agreement covering S2S2, N2SW of sec. 04 and S2 of sec. 05, T. 23 S., R. 29 E., NMPM, as to all producible hydrocarbons from the Wolfcamp formation. This approval will become invalid if the public interest requirements under section 3105.2-3 (c) are not met.

   Approval also requires operator to submit copies of sundries or any other documentation regarding activity with this well to the Bureau of Land Management (BLM), Carlsbad Field Office pursuant to Item 9 of the approved Communitization Agreement.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

Approved: APR 30 2020

---------------------------------------------
James Glover
Branch Chief,
Branch of Reservoir Management
Division of Minerals

Effective: March 1, 2019

Contract No: Com. Agr. NMNM141829

RECEIVED
AUG 12 2019
BY:..................

# Federal Communitization Agreement

Contract No. NMNM141829

THIS AGREEMENT entered into as of the 1st day of March, 2019 by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto."

WITNESSETH:

WHEREAS, the Act of February 25, 1920 (41 Stat. 437), as amended and supplemented, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico
Section 5: S/2
Section 4: S/2 S/2, N/2 SW/4

Containing **560.00** acres, and this agreement shall include only the Wolfcamp Formation underlying said lands and the oil and gas hereafter referred to as "communitized substances," producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes is Exhibit "A", a plat designating the communitized area and, Exhibit "B", designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. The Operator of the communitized area shall be Novo Oil & Gas Northern Delaware, LLC, 1001 W. Wilshire Boulevard, Suite 206, OKC, OK 73116. All matters of operations shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Authorized Officer.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.

5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced there from shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

All proceeds, 8/8ths, attributed to unleased Federal lands included within the CA area are to be paid into the appropriate Unleased Lands Account by the designated operator until the land is leased or ownership is established.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payments of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding- or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any noncommunitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all

communitized production allocated to such a lease plus any noncommunitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation, or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation, or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. The date of this agreement is March 1, 2019, and it shall become effective as of this date or from the onset of production of communitized substances, whichever is earlier upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or by his duly authorized representative, and shall remain in force and effect for a period of 2 years and for as long as communitized substances are, or can be, produced from the communitized area in paying quantities: Provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The 2-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in

interests until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior, or his duly authorized representative.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all Fee and State mineral operations within the communitized area to the extent necessary to monitor production and measurement, and assure that no avoidable loss of hydrocarbons occur in which the United States has an interest pursuant to applicable oil and gas regulations of the Department of the Interior relating to such production and measurement.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. Nondiscrimination. In connection with the performance of work under this agreement, the operator agrees to comply with all the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246 (30F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

**NOVO OIL & GAS NORTHERN DELAWARE, LLC**
(Operator, Record Title Owner, Working Interest Owner and Overriding Royalty Owner )

By:______________________
Tim Fahler
Chief Executive Officer

Date: June 4, 2019

**WORKING INTEREST OWNERS**
AND/OR LESSEES OF RECORD

**Oxy Y-1 Company**
(Record Title Owner and Working Interest Owner)

By:______________________________

**XTO Delaware Basin, L.L.C.**
(Record Title Owner and Working Interest Owner)

By:______________________________
Name:
Title:

**BTA Oil Producers, LLC**
(Record Title Owner)

By:______________________________
Barry A. Beal, Jr.
Managing Member

~~**Marathon Oil Permian, LLC**~~
(Working Interest Owner)

By______________________________
Name:
Title:

## ACKNOWLEDGEMENT

STATE OF OKLAHOMA )
) ss.
COUNTY OF OKLAHOMA )

This instrument was acknowledged before me on this 6th day of June, 2019, by Tim Fahler as Chief Executive Officer of **Novo Oil & Gas Northern Delaware, LLC**, an Oklahoma limited liability company on behalf of said limited liability company.

(SEAL)

KILEY MIXON
NOTARY
# 16010809
EXP. 11/15/20
PUBLIC
STATE OF OKLAHOMA

11/15/20
My Commission Expires

Kiley Mixon
Notary Public

## ACKNOWLEDGEMENT

STATE OF Texas )
) ss.
COUNTY OF Midland )

This instrument was acknowledged before me on this 14th day of June, 2019, by Barry A. Beal, Jr., as Managing Member of **BTA Oil Producers, LLC**, a Texas limited liability company on behalf of said limited liability company.

(SEAL)

MONA LAGAN
Notary Public, State of Texas
Notary ID 6648700
My Commission Exp. 03-27-2021

3-27-21
My Commission Expires

Mona Lagan
Notary Public, State of Texas

**WORKING INTEREST OWNERS**
AND/OR LESSEES OF RECORD

**Oxy Y-1 Company**
(Record Title Owner and Working Interest Owner)

By:____________________________ JVB

**Bradley S. Dusek**

**Attorney-in-fact**

**XTO Delaware Basin, L.L.C.**
(Record Title Owner and Working Interest Owner)

By:____________________________
Name:
Title:

**BTA Oil Producers, LLC**
(Record Title Owner)

By:____________________________
Barry A. Beal, Jr.
Managing Member

## ACKNOWLEDGEMENT

STATE OF Texas )
) ss.
COUNTY OF Harris )

On this 6th day of June, 2019, before me personally appeared Bradley S. Dusek, as Attorney-in-Fact for **OXY Y-1 Company** known to me to be the person described in and who executed the foregoing instrument and who acknowledged to me that he executed the same.

(SEAL)

4/7/23
My Commission Expires

Notary Public

GINGER BAILEY GARCIA
Notary Public, State of Texas
Comm. Expires 04-07-2023
Notary ID 130181257

## ACKNOWLEDGEMENT

STATE OF ______________ )
) ss.
COUNTY OF ____________ )

On this ________day of_______________, 2019, before me personally appeared ____________________, as________________ for **XTO Delaware Basin, L.L.C.** known to me to be the person described in and who executed the foregoing instrument and who acknowledged to me that he executed the same.

(SEAL)

______________________
My Commission Expires

______________________
Notary Public

**Exhibit "A"**

Attached to and made a part of that certain Communitization Agreement dated March 1, 2019, by and between Novo Oil & Gas Northern Delaware, LLC and Oxy Y-1 Company, etal

Plat of Communitized Area covering 560.00 acres in:

Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico

Section 5: S/2
Section 4: S/2 S/2, N/2 SW/4

Rana Salada Fed Com 0504 No. 234H

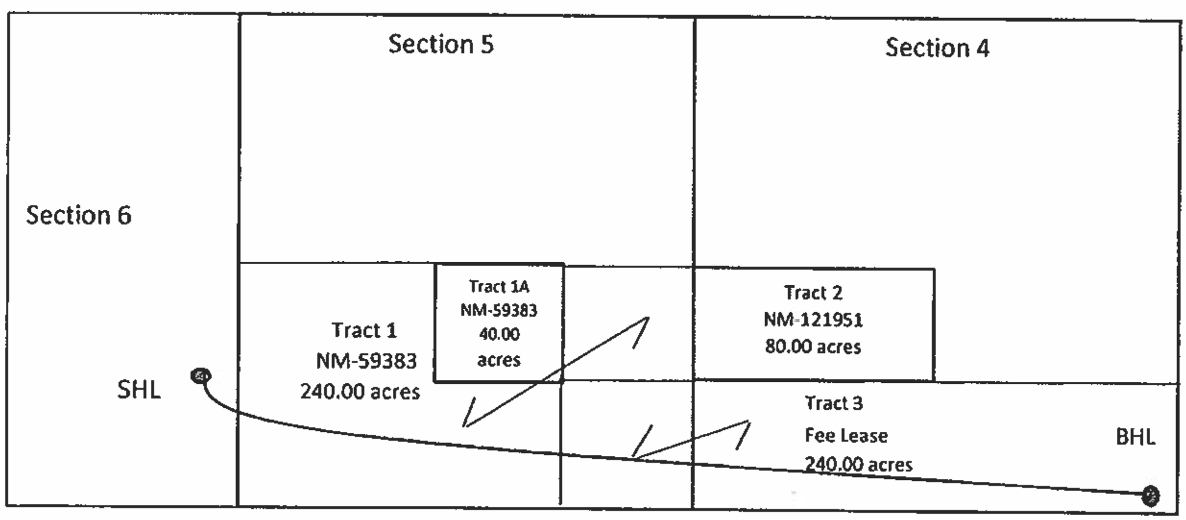

**EXHIBIT "B"**

Attached to and made a part of Communitization Agreement dated March 1, 2019, by and between Novo Oil & Gas Northern Delaware, LLC and Oxy Y-1 Company, etal covering:

<u>Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico</u>
Section 5: S/2
Section 4: S/2 S/2, N/2 SW/4

Operator of Communitized Area: Novo Oil & Gas Northern Delaware, LLC

<u>DESCRIPTION OF LEASES COMMITTED</u>

**<u>Tract No. 1</u>**

| | | |
|---|---|---|
| Lease Serial Number: | NM-59383 | |
| Lease Date: | September 1, 1984 | |
| Recorded: | Unrecorded | |
| Lease Term: | Five (5) years from date | |
| Original Lessor: | United States of America | |
| Original Lessee: | Leo D. Catanach | |
| Current Lessee: | Novo Oil & Gas Northern Delaware, LLC | |
| Description of Land Committed: | **<u>Township 23 South, Range 29 East, N.M.P.M.</u>**<br>Section 5: SW/4, NE/4 SE/4, SW/4 SE/4<br>Eddy County, New Mexico | |
| Number of Acres: | 240.00 | |
| Basic Royalty Rate: | Schedule B 12.5%-25% on oil and gas | |
| Name and Percent ORRI Owners: | Wells Fargo Bank, N.A., Trustee.........<br>Of the John Saleh Charitable Foundation | .500% ORRI |
| | Morris E. Schertz and wife,........... ....<br>Holly K. Schertz | .500% ORRI |
| | Rolla R. Hinkle II..................... | .500% ORRI |
| | Novo Minerals, L.P................. | 1.500% ORRI |
| | Destiny Management, Inc................ | .25% ORRI |
| | Novo Minerals, L.P............................ | 9.25% ORRI |

| | | |
|---|---|---|
| Name and Percent WI Owners: | Novo Oil & Gas Northern Delaware, LLC........... | 100% |

**Tract No. 1A**

| | |
|---|---|
| Lease Serial Number: | NM-59383 |
| Lease Date: | September 1, 1984 |
| Recorded: | Unrecorded |
| Lease Term: | Five (5) years from date |
| Original Lessor: | United States of America |
| Original Lessee: | Leo D. Catanach |
| Current Lessee: | Novo Oil & Gas Northern Delaware, LLC |
| Description of Land Committed: | **Township 23 South, Range 29 East, N.M.P.M.**<br>Section 5: NW/4 SE/4<br>Eddy County, New Mexico |
| Number of Acres: | 40.00 |
| Basic Royalty Rate: | Schedule B 12.5%-25% on oil and gas |
| Name and Percent ORRI Owners: | Wells Fargo Bank, N.A., Trustee......... .500% ORRI<br>Of the John Saleh Charitable Foundation<br>Morris E. Schertz and wife,.......... .... .500% ORRI<br>Holly K. Schertz<br>Rolla R. Hinkle II.................... .500% ORRI<br>Novo Minerals, L.P................. 1.500% ORRI<br>Melinda Lou Mueller........................ .7125% ORRI<br>Eugenic Withrow Thomas.................. .7125% ORRI<br>Laura Dell Withrow......................... .7125% ORRI<br>Novo Minerals, L.P.......................... 7.3625% ORRI |
| Name and Percent WI Owners: | Novo Oil & Gas Northern Delaware, LLC........... 100% |

**Tract No. 2**

| | |
|---|---|
| Lease Serial Number: | NM-121951 |
| Lease Date: | May 1, 2009 |
| Recorded: | Unrecorded |
| Lease Term: | Ten (10) years from date |
| Original Lessor: | United States of America |
| Original Lessee: | Yates Petroleum Corporation (40%)<br>Yates Drilling Company (20%)<br>Abo Petroleum Corporation (20%)<br>Myco Industries, Inc. (20%) |
| Current Lessee: | BTA Oil Producers (80%)<br>Oxy Y-1 Company (20%) |
| Description of Land Committed: | **Township 23 South, Range 29 East, N.M.P.M.**<br>Section 4: N/2 SW/4<br>Eddy County, New Mexico |
| Number of Acres: | 80.00 |
| Basic Royalty Rate: | 1/8 on oil and gas |

| | | |
|---|---|---|
| Name and Percent ORRI Owners: | EOG Resources, Inc. ............ | 9.149690% ORRI |

| | | |
|---|---|---|
| Name and Percent WI Owners: | Novo Oil & Gas Northern Delaware, LLC... | 73.19752% |
| | Oxy Y-1 Company............................ | 26.80248% |

**Tract No. 3**

| | |
|---|---|
| Lease Date: | February 2, 2015 |
| Recorded: | Unrecorded; however, a Memorandum of this lease is Recorded in Book 1014, Page 1190, Eddy County Records |
| Lease Term: | Five (5) years from date |
| Original Lessor: | Bank of America, N.A., Agent for TDY Industries, LLC |
| Original Lessee: | Crown Oil Partners V, LP and Crump Energy Partners II, LLC |
| Current Lessee: | Novo Oil & Gas Northern Delaware, LLC |
| Description of Land Committed: | **Township 23 South, Range 29 East, N.M.P.M.**<br>Section 4: S/2 S/2<br>Section 5: SE/4 SE/4<br>Eddy County, New Mexico |
| Number of Acres: | 200.00* |
| Basic Royalty Rate: | 1/4 on oil and gas |
| Name and Percent ORRI Owners: | None |

| | |
|---|---|
| Name and Percent WI Owners: | Novo Oil & Gas Northern Delaware, LLC... 100% |

*This lease covers a full mineral interest and provides for pooling.

# RECAPITULATION

| Tract No. | No. of Acres Committed | Percentage of Interest in Communitized Area |
|---|---|---|
| 1 | 240.00 | 42.86% |
| 1A | 40.00 | 7.14% |
| 2 | 80.00 | 14.29% |
| 3 | 200.00 | 35.71% |
| Total | 560.00 | 100.00% |

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

**APPLICATION OF XTO DELAWARE BASIN, LLC TO AMEND ORDER NO. R-20249 BY EXCLUDING FEDERAL UNIT ACREAGE FROM HORIZONTAL SPACING UNIT, EDDY COUNTY, NEW MEXICO**

**CASE NO. 20919**
**ORDER NO. R-21194**

## ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having heard this matter through a Hearing Examiner on January 23, 2020, and after considering the record and the recommendation of the Hearing Examiner, issues the following Order.

## FINDINGS OF FACT

1. XTO Delaware Basin, LLC ("XTO") submitted an application ("Application") to amend Division Order No. R-20249 ("Pooling Order"), which was issued to Novo Oil and Gas Northern Delaware, LLC ("Novo") on November 27, 2018.

2. The Pooling Order pooled the mineral interests in the Wolfcamp formation in a horizontal spacing unit comprised of the S/2 of Section 4 and the S/2 of Section 5, Township 23 South, Range 29 East, NMPM, which are dedicated to the Rana Salada Fed. Com. 0504 Well No. 234H ("Well Unit").

3. The Application proposed to amend the Pooling Order to exclude the N/2 SE/4 of Section 4 of Township 23 South, Range 29 East, NMPM, which is located within the Big Eddy Unit and leased to XTO.

4. XTO mailed and published notice for the Application and the hearing as required by 19.15.4 NMAC.

5. Novo entered an appearance through counsel.

6. Novo filed a motion to dismiss the Application.

7. At the hearing, Novo notified OCD and XTO that it withdrew its motion to dismiss and stipulated to the relief requested by XTO.

## CONCLUSIONS OF LAW

8. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.

9. XTO complied with the applicable notice requirements for the Application and the hearing.

## ORDER

1. The Application is granted, and the Pooling Order is amended to exclude N/2 SE/4 of Section 4, Township 23 South, Range 29 East, NMPM, from Novo's Well Unit.

2. The Pooling Order, as amended, includes only the SW/4 and S/2 SE/4 of Section 4 and the S/2 of Section 5, Township 23 South, Range 29 East, NMPM, containing 560 acres, more or less.

3. Novo shall submit to OCD an amended Form C-102 for the Rana Salada Fed. Com. 0504 Well No. 133H consistent with this Order.

4. Novo shall submit an application for a nonstandard location for the Rana Salada Fed. Com. 0504 Well No. 133H.

5. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO**
**OIL CONSERVATION DIVISION**

**ADRIENNE SANDOVAL**
**DIRECTOR**

**Date:** 3/6/2020

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

**IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:**

**APPLICATION OF XTO DELAWARE BASIN, LLC TO AMEND ORDER NO. R-20249 BY EXCLUDING FEDERAL UNIT ACREAGE FROM HORIZONTAL SPACING UNIT, EDDY COUNTY, NEW MEXICO.**

**CASE NO. 20919**
**ORDER NO. R-_____**

**ORDER OF THE DIVISION**

**BY THE DIVISION**:

This matter came on for hearing at 8:15 a.m. on January 23, 2020, at Santa Fe, New Mexico, before Examiner Felicia Orth.

NOW, on this ____ day of February, 2020, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

**FINDS THAT**:

(1) Due public notice has been given and the Division has jurisdiction of this case and the subject matter.

(2) Case Nos. 20918 and 20919 were consolidated for hearing, but separate orders should be entered in each case.

(3) Division Order No. R-20249, dated November 27, 2018, issued to Novo Oil & Gas Northern Delaware, LLC ("Novo"), pooled all mineral interests in the Wolfcamp formation in a horizontal spacing unit comprised of the S/2 of Section 4 and the S/2 of Section 5, Township 23 South, Range 29 East, NMPM. The initial well in the unit is the Rana Salada Fed. Com. 0504 Well No. 234H, which was proposed as a two mile horizontal well. That well has been drilled and completed.

(4) XTO Delaware Basin, LLC ("XTO"), through its application in Case No. 20919, seeks to amend the order to exclude the N/2SE/4 of Section 4, leased to XTO, which is within the Big Eddy Unit. The remaining land in the well unit is not committed to the Big Eddy Unit.

(5) The parties do not agree as to all facts and law applicable to this matter including whether federal unit acreage may be compulsory pooled with non-unit acreage in a well unit. However, at hearing Novo stipulated to the relief requested by XTO.

(6) Novo has notified the Division that, other than XTO, no other interest owners are currently subject to Novo's pooling order because their interests have been voluntarily committed to the well unit. Therefore, by granting the relief requested by XTO, the pooling order is no longer in effect.

(7) Granting XTO's application in Case No. 20919 would create a 560-acre non-standard Wolfcamp horizontal spacing unit in the Wolfcamp; Purple Sage, Gas Pool. Novo has requested approval of a non-standard unit. The only interest excluded from the well unit is XTO.

The Division concludes as follows:

(8) XTO's application should be granted, and the horizontal spacing unit previously created by Division Order No. R-20249 shall be modified to include only the S/2 of Section 5, and the SW/4 and S/2SE/4 of Section 4, Township 23 South, Range 29 East, NMPM, containing 560 acres, more or less. That is a non-standard unit under the rules for the Wolfcamp; Purple Sage, Gas Pool (Pool Code 98220), and it should be approved.

(9) All interests have been voluntarily committed to the 560-acre well unit. Therefore, the pooling order should be of no effect.

(10) Novo should submit an amended Form C-102 to the Division for the Rana Salada Fed. Com. 0504 Well No. 234H reflecting the 560-acre well unit.

**IT IS THEREFORE ORDERED THAT**:

(1) The application of XTO Delaware Basin, LLC to exclude the N/2SE/4 of Section 4 from the terms of Order No. R-20249 is hereby granted.

(2) All interests have been voluntarily committed to the revised well unit. Therefore, pursuant to Ordering Paragraph (19) of Order No. R-20249, it is of no further effect.

(3) Novo shall submit an amended Form C-102 to the Division for the Rana Salada Fed. Com. 0504 Well No. 234H for a 560-acre well unit. The non-standard unit is hereby approved.

(4) Jurisdiction over this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year designated above.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

ADRIENNE SANDOVAL
Director

SEAL

**Exhibit C**

Attached to and made a part of that certain Communitization Agreement dated March 1, 2019 by and between Novo Oil & Gas Northern Delaware, LLC and OXY Y-1 Company, et al

**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 TO CONSIDER:**

spacing has changed
This order only for pooling

**CASE NO. 16286**
**ORDER NO. R-20249**

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

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. July 12, 2018 at Santa Fe, New Mexico, before Examiner Michael A. McMillan, and again on August 9, 2018 before Examiner Scott A. Dawson.

NOW, on this 27th day of November 2018, the Division Director, having considered the testimony, the record and the recommendations of Examiner McMillan,

**FINDS THAT:**

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Cases Nos. 16281, 16282, 16283, 16285, and 16286 were consolidated at the hearing for testimony; however, separate orders will be issued for each case.

(3) Novo Oil & Gas, LLC ("Novo Oil & Gas" or "Applicant"), seeks approval of a 640-acre non-standard gas spacing unit and project area ("the Unit") in the Wolfcamp formation, Purple Sage; Wolfcamp Gas Pool (Pool Code 98220) underlying the S/2 of Sections 4 and 5, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico. Applicant further seeks an order pooling all uncommitted interests within the Unit in the Wolfcamp formation.

(4) The Unit will be dedicated to the following wells (the "proposed wells"). The completed intervals of the proposed wells will be orthodox;

(a) Applicant's Rana Salada Fed Com 6 4 WB Well No. 1H (API No. 30-015-Pending) to be drilled from a surface location, 1241 feet from the South line and 669 feet from the East line (Unit P) of Section 6, Township 23 South, Range 29 East, to a bottom-hole location, 330 feet from the South line and 330 feet from the East line (Unit P) of Section 4, Township 23 South, Range 29 East.

(b) Applicant's Rana Salada Fed Com 6 4 WXY Well No. 1H (API No. 30-015-Pending) to be drilled from a surface location, 1242 feet from the South line and 639 feet from the East line (Unit P) of Section 6, Township 23 South, Range 29 East, to a bottom-hole location, 330 feet from the South line and 330 feet from the East line (Unit P) of Section 4, Township 23 South, Range 29 East.

(5) The proposed wells are within the Purple Sage; Wolfcamp (Gas) Pool (Pool code 98220), which is governed by special pool rules as established by Division Order No. R-14262 which provide for wells to be located no closer than 330 feet from the outer boundary of a standard, 320-acre, deep gas spacing unit. The proposed Unit and project area consist of four adjacent quarter sections oriented west to east.

(6) EOG Resources, Inc., TDY Industries, LLC, Marathon Oil Permian LLC (Marathon), and BTA Oil Producers, LLC made a pre-hearing statement. All these entities, except for BTA Oil Producers, LLC made an appearance at hearing. After the hearing, Marathon withdrew its objection to granting this application. No other party appeared at the hearing, or otherwise opposed the granting of this application.

(7) Applicant appeared at the hearing through counsel and presented evidence to the effect that:

(a) The Wolfcamp in this area is suitable for development by horizontal drilling.

(b) The proposed orientation of the horizontal wells from west to east is appropriate for the Unit.

(c) All quarter sections to be included in the Unit are expected to be productive in the Wolfcamp formation, so that the Unit as requested will not impair correlative rights.

(d) All wells subject to Hearing Cases 16281, 12682, 12684, 12685, and 12686 are in the Potash Area, and the Applicant coordinated with the Bureau of Land Management to get approved drill islands for the wells.

(e) The subject area also has archeological concerns.

(f) At the August 9, 2018 Hearing, Applicant stated that Novo Oil & Gas Northern Delaware, LLC is a wholly owned subsidiary of Novo Oil & Gas, LLC.

(g) At the request of the BLM, Applicant has renamed the Proposed Wells: Rana Salada Fed Com 6 4 WB Well No. 1H to the Rana Salada Fed Com 0504 Well No. 234H. The Rana Salada Fed Com 6 4 WXY Well No. 1H was renamed to the Rana Salada Fed Com 0504 Well No. 214H.

(h) Applicant requested 180 days commencement of drilling and completion of the Proposed Well, versus the Division standard of 120 days between drilling and completion. Further, the Applicant requested 240 days for wells dedicated to gas pools. Applicant is proposing to drill the wells back to back and complete simultaneously. However, after discussion Applicant agreed that there should be a one-year limit after commencing drilling and completion with the requirement that the Applicant provide to the Engineering Bureau and District Office a Sundry Notice that each of the quarter-quarter sections have been penetrated and capable of producing oil and gas.

(i) Notice by certified mail was provided to all uncommitted interest owners in the proposed Unit whose interests were evidenced by a conveyance instrument, either of record or known to Applicant when the Application was filed, and to heirs known to Applicant of deceased persons who appear as owners in such instruments.

(j) Out of abundance of caution, those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

The Division concludes that:

(8) The application in this case was filed prior to the June 26, 2018 date in which the horizontal rule amendments became effective (see Order No. R-14689). In addition, the proposed wells are being permitted for drilling after June 26, 2018.

(9) The acreage dedicated to a horizontal well must consist of a "horizontal spacing unit" as defined in Subsection F of 19.15.16.7 NMAC. Pursuant to Subsection B of 19.15.16.15 NMAC effective June 26, 2018, the proposed horizontal wells will be dedicated to a standard Horizontal Spacing Unit (the "Unit") with acreage described above. This Horizontal Spacing Unit will comprise two (2) adjacent governmental half sections oriented from west to east.

(10) The result of dedication of a standard horizontal spacing unit to the proposed wells in this order is exactly the same as if the order provided for establishment of a non-standard spacing unit for the proposed wells under rules in force prior to June 26, 2018, which would then each become a standard horizontal spacing unit on the effective date of new Rule 19.15.16.15 E(4) NMAC [Transitional provisions].

(11) The portion of this case asking for approval of a non-standard spacing unit is no longer needed and should be dismissed.

(12) Novo Oil & Gas Northern Delaware, LLC should be designated the operator of the proposed wells and of the Unit.

(13) Two or more separately owned tracts are embraced within the Unit, and/or there are royalty interests and/or undivided interests in oil and gas minerals in one or more tracts included in the Unit that are separately owned.

(14) Applicant is an owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the proposed wells to a common source of supply within the Unit at the proposed locations.

(15) There are interest owners in the Unit that have not agreed to pool their interests.

(16) Applicant should be allowed a one-year period after commencing drilling and completion of the Proposed Wells. With the provision that an engineer who is affiliated with the Applicant provide a Sundry notice no later than 10 days after the Proposed Well has been drilled that each quarter-quarter-section has been penetrated and capable of producing oil and gas. If the Applicant does not meet this requirement, then the Division Order should be null and void. Further, it would be difficult for the Oil Conservation Division to accurately determine which well would be subject to the 180 days versus 240 days since the well names are similar, and the spacing units are in the same subject Sections.

(17) To avoid the drilling of unnecessary wells, protect correlative rights, prevent waste and afford to the owner of each interest in the Unit the opportunity to recover or receive without unnecessary expense its just and fair share of hydrocarbons, this application should be approved by pooling all uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation within the Unit.

(18) To ensure protection of correlative rights, any pooled working interest owner whose address is known should be notified and have an opportunity to protest before the Division grants any extension of the time provided herein for commencing drilling.

(19) Infill wells within the Unit should be subject to Division Rules 19.15.13.9 NMAC through 19.15.13.10 NMAC and to the terms and conditions of this order.

(20) Any pooled working interest owner who does not pay its share of estimated well costs for any well in advance should have withheld from production its share of reasonable well costs of such well plus an additional 200% thereof as a reasonable charge for the risk involved in drilling the well.

(21) Reasonable charges for supervision (combined fixed rates) should be fixed at $8,000 per month, per well, while drilling and $800 per month, per well, while producing, provided that these rates should be adjusted annually pursuant to the COPAS form titled "*Accounting Procedure-Joint Operations.*"

**IT IS THEREFORE ORDERED THAT:**

(1) All uncommitted interests, whatever they may be, in the oil and gas in the Wolfcamp formation ~~underlying a 640-acre standard Horizontal Spacing Unit (the "Unit")~~ in the Purple Sage; Wolfcamp Gas Pool (Pool Code 98220) ~~comprised of the S/2 of Sections 4 and 5, Township 23 South, Range 29 East, NMPM, in Eddy County, New Mexico,~~ are hereby pooled. Spacing has changed see attached order

(2) The portion of the case asking for approval of a non-standard spacing unit is dismissed.

(3) The Unit will be dedicated to the following wells (the "proposed wells"). The completed intervals of the proposed wells shall be orthodox;

a. Rana Salada Fed Com 0504 Well No. 234H (API No. 30-015-Pending) to be drilled from a surface location, 1241 feet from the South line and 669 feet from the East line (Unit P) of Section 6, Township 23 South, Range 29 East, to a bottom-hole location, 330 feet from the South line and 330 feet from the East line (Unit P) of Section 4, Township 23 South, Range 29 East.

b. Rana Salada Fed Com 0504 Well No. 214H (API No. 30-015-Pending) to be drilled from a surface location, 1242 feet from the South line and 639 feet from the East line (Unit P) of Section 6, Township 23 South, Range 29 East, to a bottom-hole location, 330 feet from the South line and 330 feet from the East line (Unit P) of Section 4, Township 23 South, Range 29 East.

(4) Novo Oil & Gas Northern Delaware, LLC (OGRID 372920) is hereby designated the operator of the wells and of the Unit.

(5) The operator of the Unit shall commence drilling the proposed wells on or before November 30, 2019 and shall thereafter continue drilling the wells with due diligence to test the Wolfcamp formation at the proposed true vertical and measured depths.

(6) In the event the operator does not commence drilling the proposed wells on or before November 30, 2019, Ordering Paragraph (1) shall be of no effect, unless the

operator obtains a time extension from the Division Director for good cause demonstrated by satisfactory evidence.

(7) Unless at least one of the proposed wells is drilled and completed within one-year commencement of drilling such well, then Ordering Paragraph (1) shall be of no further effect, and the Unit shall terminate unless operator requests in writing an extension of the time for completion of the proposed well for good cause shown by satisfactory evidence and the Division issues written approval.

(8) Upon final plugging and abandonment of the proposed wells and any other well drilled on the Unit pursuant to Division Rule 19.15.13.9 NMAC, the pooled unit created by this order shall terminate unless this order has been amended to authorize further operations.

(9) Infill wells within the Unit shall be subject to Division Rule 19.15.13.9 NMAC and to the terms and conditions of this order.

(10) After pooling, uncommitted working interest owners are referred to as pooled working interest owners. ("Pooled working interest owners" are owners of working interests in the Unit, including unleased mineral interests, who are not parties to an operating agreement governing the Unit.) After the effective date of this order, the operator shall furnish the Division and each known pooled working interest owner in the Unit separate itemized schedules of estimated costs of drilling, completing and equipping the proposed well ("well costs").

(11) Within 30 days from the date the schedule of estimated well costs for any well is furnished, any pooled working interest owner shall have the right to pay its share of estimated well costs to the operator in lieu of paying its share of reasonable well costs out of production as hereinafter provided, and any such owner who pays its share of estimated well costs as provided above for any well shall remain liable for operating costs but shall not be liable for risk charges to the extent computed based on costs of such well. Pooled working interest owners who elect not to pay their share of estimated well costs as provided in this paragraph for shall thereafter be referred to as "non-consenting working interest owners."

(12) The operator shall furnish the Division and each known pooled working interest owner (including non-consenting working interest owners) an itemized schedule of actual well costs of each well within 90 days following completion of the proposed well. If no objection to the actual well costs for any well is received by the Division, and the Division has not objected, within 45 days following receipt of the schedule for such well, the actual well costs shall be deemed to be the reasonable well costs. If there is an objection to actual well costs within the 45-day period, the Division will determine reasonable well costs for such well after public notice and hearing.

(13) Within 60 days following determination of reasonable well costs for any well, any pooled working interest owner who has paid its share of estimated costs of such

well in advance as provided above shall pay to the operator its share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator the amount, if any, that the estimated well costs it has paid for such well exceed its share of reasonable well costs.

(14) The operator is hereby authorized to withhold the following costs and charges from each non-consenting working interest owner's share of production from each well:

a. the proportionate share of reasonable well costs attributable to each non-consenting working interest owner; and

b. as a charge for the risk involved in drilling the well, 200% of the above costs.

(15) The operator shall distribute the costs and charges withheld from production, proportionately, to the parties who advanced the well costs for such well.

(16) Reasonable charges for supervision (combined fixed rates) are hereby fixed at $8,000 per month, per well, while drilling and $800 per month, per well, while producing, provided that these rates shall be adjusted annually pursuant to the COPAS form titled "Accounting Procedure-Joint Operations." The operator is authorized to withhold from production from each well the proportionate share of both the supervision charges and the actual expenditures required for operating of such well, not more than what are reasonable, attributable to pooled working interest owners.

(17) Except as provided in the foregoing paragraphs, all proceeds from production from the well that are not disbursed for any reason shall be held for the account of the person or persons entitled thereto pursuant to the Oil and Gas Proceeds Payment Act (NMSA 1978 Sections 70-10-1 through 70-10-6, as amended). If not disbursed, such proceeds shall be turned over to the appropriate authority as and when required by the Uniform Unclaimed Property Act (NMSA 1978 Sections 7-8A-1 through 70-8A-31, as amended).

(18) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(19) Should all the parties to this compulsory pooling order reach voluntary agreement after entry of this order, this order shall thereafter be of no further effect.

(20) The operator of the wells and Unit shall notify the Division in writing of the subsequent voluntary agreement of any party subject to the compulsory pooling provisions of this order.

(21) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

HEATHER RILEY
Director