



**From:** [Cory Walk](#)  
**To:** [McClure, Dean, EMNRD](#)  
**Subject:** [EXT] Re: Surface commingle for the Rana Salada Fed Com 0504 Pad E  
**Date:** Monday, May 4, 2020 2:15:52 PM  
**Attachments:** [AAC Signed.pdf](#)  
[NMNM 141829 w Approval Letter.pdf](#)

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Hi Dean,

Novo just received the approved CA for these wells (see attached). Similar to what we did about a month ago on the Rana Salada Fed Com 0605 Pad A, Novo doesn't plan on drilling any of the BS wells on this pad anytime soon. So, can you remove the BS wells and wells that are not approved yet? That means the only wells that should be tied to this OLM are the Rana Salada Fed Com 0504 234H & 214H. I've also attached a filled out and attached an AAC form. Please let me know if you have any questions or need any additional information.

Thank you,

On Thu, Apr 2, 2020 at 12:34 PM McClure, Dean, EMNRD <[Dean.McClure@state.nm.us](mailto:Dean.McClure@state.nm.us)> wrote:

Hello Mr. Walk,

I am reviewing the surface commingle application (PLC-669) for the Rana Salada Fed Com 0504 Pad E operated by Novo Oil and Gas Northern Delaware, LLC.

Please fill out an admin checklist for this application and email to me.

What is the status of the 134H, 136H, 213H, 216H, 223H, 224H, 226H, 233H, and 236H wells? I cannot add these wells until they have been assigned APIs.

The OCD database has the wells on this application as accessing both the WC and BS. Is this correct?

I am needing to see a copy of the approved or pending CAs for these wells.

Dean McClure

Petroleum Specialist

New Mexico Energy, Minerals and Natural Resources Department

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**Cory Walk**

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**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:**

**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 27<sup>th</sup> 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.

(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).

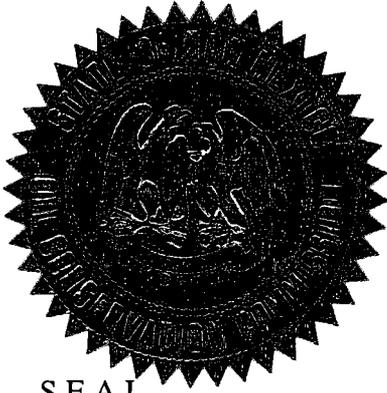
(18) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under this order. Any costs that are to be paid out of production shall be withheld only from the working interests' share 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*  
HEATHER RILEY  
Director

**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:**

**CASE NO. 16282  
ORDER NO. R-20567**

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

**AMENDED APPLICATION OF NOVO OIL & GAS NORTHERN DELAWARE, 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 Santa Fe, New Mexico at 8:15 a.m. on July 12, 2018 before Examiner Michael A. McMillan and again on August 9, 2018 before Examiner Scott A. Dawson. The case was then amended and presented on February 21, 2019, before Examiner Michael A. McMillan.

NOW, on this 29<sup>th</sup> day of May 2019, 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) Applicant seeks to compulsory pool all uncommitted oil and gas interests within a spacing unit, as that unit is described in the attached Exhibit "A".
- (3) Applicant seeks to dedicate the Proposed Well(s) detailed in Exhibit "A" to the Unit.
- (4) TDY Industries, LLC, Marathon Oil Permian, LLC, EOG Resources, and BTA Oil Producers each entered an appearance but did not oppose. No other party entered an appearance in this case or otherwise opposed this application.

(5) The Applicant stated in the initial Hearing that a depth severance exists within the Unit. COG Operating, LLC (COG) has 100 percent leasehold interest from the surface to the base of the 2<sup>nd</sup> Bone Spring member. COG operates the Road Lizard 5 Federal Well No. 2H which contains a horizontal spacing unit in the SW/4 NE/4 and W/2 SE/4 of Section 5, and the W/2 E/2 of Section 8, all in Township 23 South, Range 29 East, which produces from the 2<sup>nd</sup> Bone Spring Sand.

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

- (a) All completed well locations are expected to be standard or Applicant will apply administratively for approval of location exceptions.
- (b) Applicant stated at the Hearing that the depth severance is “all depths below 8773 feet subsurface to the stratigraphic equivalent of the base of the Bone Spring formation as delineated on the Type log for the Cartel Federal 2, API 30-015-23389 located in the SW/4 NE/4 and W/2 SE/4 of Section 5 and W/2 E/2 of Section 8, Township 23 South, Range 29 East, Eddy County, New Mexico.” (Type log)
- (c) The Affidavit by the geologist stated that 3<sup>rd</sup> Bone Spring Lime barrier will prevent communication between the 2<sup>nd</sup> and 3<sup>rd</sup> Bone Spring intervals and fracs for the proposed well will not extend into the 2<sup>nd</sup> Bone Spring interval.
- (d) The Affidavit by the engineer stated there is approximately 977 feet between the proposed target interval in the 3<sup>rd</sup> Bone Spring Sand and the top of the depth severance in the Type log.
- (e) The maximum frac height is not expected to exceed 100 feet.
- (f) Engineer stated there is over 300 feet of tight lime between the target interval and the depth severance in the Type log.
- (g) Notice was provided to all owners in the mineral estate within the Unit; irrespective if it had any interest in the proposed well and horizontal spacing unit.
- (h) 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 instrument.
- (i) Notice to certain affected parties was posted in a newspaper of general circulation in the county as provided in Rule 19.15.4.12.B NMAC.

The Division finds and concludes that

(7) The engineering and geological testimony presented at the Hearing provided conclusive evidence that the completion methods in the 3<sup>rd</sup> Bone Spring Sand target interval will not adversely affect the mineral estate owners in the 2<sup>nd</sup> Bone Spring Sand within the horizontal limits of the Unit **and the application should be approved.**

(8) The initial suggested description did not specify whether the type log was a vertical or horizontal well or the specific footage depths. The well with the Type log was initially a Morrow test. The base of the Bone Spring formation at 9865 feet is clearly depicted in the Applicant's type log. This depth should be included in the depth severance description.

(9) Applicant stated that only the NW/4 SE/4 of Section 5 is governed by a depth severance.

(10) The pooled interval should be stated as "all depths below 8773` subsurface to the stratigraphic equivalent of the base of the Bone Spring formation at 9865 feet as delineated by the Type log for the Cartel Federal 2 [Cartel Well], API 30-015-23389."

(11) The non-standard spacing unit portion of the application is no longer needed and should be dismissed.

(12) If the location of any of the Well(s) is unorthodox when the well is completed under the spacing rules then in effect and applicable to the well, the operator must obtain a non-standard location approval prior to producing the well.

(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 owner of an oil and gas working interest within the Unit. Applicant has the right to drill and proposes to drill the Well(s) to a common source of supply within the Unit at the described depths and location(s). Applicant should be allowed a one year period to complete at least one of the Well(s) after commencing drilling of the Well(s).

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

(16) 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 a 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 pooling depths or formation(s) within the Unit.

(17) To ensure protection of correlative rights, any pooled working interest owner whose address is known, and who has elected to participate under the terms of this order should be notified before the Division grants any extension of the time provided herein for commencing drilling.

Any such owner may file an application, with notice to the operator, requesting that the extension be denied.

(18) 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.

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

(20) Exhibit "A" and its details should be accepted and made a part of this order.

**IT IS THEREFORE ORDERED THAT**

(1) All uncommitted interests, whatever they may be, in the oil and gas within the spacing unit (or the portion thereof within the pooled vertical extent) described in Exhibit "A" are hereby pooled. Exhibit "A" is incorporated herein by this reference and made a part of this order for all purposes.

(2) The Unit shall be dedicated to the proposed "Well(s)".

(3) The request for approval of a non-standard spacing unit is dismissed.

(4) If any of the Well(s) is completed at an unorthodox location under applicable rules in effect at the time such well is completed, the operator shall provide notice and apply administratively for a location exception prior to producing the well.

(5) The operator of the Unit shall commence drilling the Well(s) on or before the end of the month in the year following the date of this order and shall thereafter continue drilling the Well(s) with due diligence to test the pooled formation or pooled vertical depths. The Well(s) shall be drilled approximately to the proposed true vertical and measured depths.

(6) In the event the operator does not commence drilling the Well(s) on or before the date provided in the foregoing paragraph, the compulsory pooling provision of this order shall be of no effect, unless the operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(7) In the event the operator does not commence completion operations within one year after commencement of drilling operations pursuant to this order, then the compulsory pooling provisions of this order shall be of no effect unless operator obtains a written time extension from the Division Director pursuant to a written request stating its reasons for such extension and attaching satisfactory evidence.

(8) The operator shall provide a copy of any request for extension of time to drill or complete any well filed with the Director pursuant to this order to each pooled working interest owner who has elected to participate in the drilling of any well that is the subject of the request. Such copy shall be sent at the same time the request is sent to the Director.

(9) Upon final plugging and abandonment of the Well(s) 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.

(10) 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.

(11) 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 each of the Well(s) ("well costs").

(12) 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 elect 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. Payment shall be rendered within 90 days after expiration of the 30-day election period 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 do not elect to pay their share of estimated well costs, or who do not render timely payment to the operator, as provided in this paragraph shall thereafter be referred to as "non-consenting working interest owners."

(13) 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 180 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.

(14) 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.

(15) 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 the non-consenting working interest owner; and

(b) as a charge for the risk involved in drilling the well, the percent (shown in Exhibit A) of the above costs.

(16) During the cost recovery period, the operator shall furnish to the Division and to each known non-consenting pooled working interest owner, annually, and within 90 days after payout occurs, a schedule of all revenues attributable to each proposed well, and all charges for supervision and operating costs charged against such revenues. Operating costs shall include all reasonable costs incurred for the maintenance and operation of the well, except for "well costs" reported pursuant to prior ordering paragraphs, that are properly chargeable to the joint account pursuant to COPAS procedures. If no objection to the operating costs is received by the Division, and the Division has not objected, within 45 days following receipt of any schedule, the costs shall be deemed to be the reasonable operating costs. If there is an objection to the accuracy or reasonableness of operating costs reported within the 45-day period, the Division will determine reasonable operating costs after public notice and hearing.

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

(18) Reasonable charges for supervision (combined fixed rates) are hereby fixed at the rates shown in Exhibit "A" per month, per well, while drilling and 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.

(19) Except as provided in the foregoing paragraphs, all proceeds from production from the Well(s) 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 sooner 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).

(20) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for 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.

(21) 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.

(22) 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.

(23) 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

ADRIENNE SANDOVAL  
Director

### Exhibit A

Applicant: Novo Oil & Gas Northern Delaware, LLC (Amended Application)  
Operator: Novo Oil & Gas Northern Delaware (OGRID 372090)

Cases Consolidated for the Amended Hearing: 16282 and 16283

Spacing Unit: Horizontal Oil  
Building Blocks: quarter-quarter sections  
Size (more or less): 320 acres (more or less)  
Orientation of Unit: West to East  
Unit Description: S/2 S/2 of Sections 4 and 5, Township 23 South, Range 29 East, NMPM, Eddy County, New Mexico

Pooling this Vertical Extent: Bone Spring Formation within depths:  
Depth Severance? (Yes/No): Yes "all depths below 8773' subsurface to the stratigraphic equivalent of the base of the Bone Spring formation at 9865 feet as delineated by the Type log for the Cartel Federal 2 [Cartel Well], API 30-015-23389  
Pool: Culebra Bluff; Bone Spring, South (Pool code 15011)  
Pool Spacing Unit Size: quarter-quarter sections  
Governing Well Setbacks: Horizontal Oil Well Rules,  
Pool Rules: Latest Horizontal Rules Apply

Proximity Tracts: N/A

Monthly charge for supervision: While drilling: \$8000 While producing: \$800

As the charge for risk, 200 percent of reasonable well costs.

#### **Proposed Well:**

##### **Rana Salada Federal Com 05 04 Well No. 134H (API No. 30-015-Pending)**

SHL: 1243 feet from the South line and 609 feet from the East line,  
(Unit P) of Section 6, Township 23 South, Range 29 East, NMPM.  
BHL: 330 feet from the South line and 330 feet from the East line,  
(Unit P) of Section 4, Township 23 South, Range 29 East, NMPM.

#### **For the Proposed Well:**

Completion Target:  
3rd Bone Spring Sand at approximately 9750 feet TVD  
Well Orientation: West to East  
Completion Location expected to be: Standard

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:

CASE NOS: 20916 and 20917

APPLICATION of NOVO OIL & GAS NORTHERN  
DELAWARE LLC for COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

November 15, 2019

SANTA FE, NEW MEXICO

This matter came on for hearing before the New Mexico Oil Conservation Division, EXAMINERS LEONARD LOWE, KATHLEEN MURPHY, PHILLIP GOETZE, DYLAN COSS and LEGAL EXAMINER ERIC AMES, on Friday, November 15, 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: Irene Delgado, NMCCR 253  
PAUL BACA PROFESSIONAL COURT REPORTERS  
500 Fourth Street, NW, Suite 105  
Albuquerque, NM 87102  
505-843-9241

1 it's -- not Mosaic, sorry -- what did BTA say the problems  
2 were with the location?

3 THE WITNESS: Because they wanted to operate the  
4 N/2 of 7, NW of 8, and they had plans for it.

5 EXAMINER COSS: Well, they might -- would there  
6 be any problems with the one that's in the Section 7, in the  
7 S/2 of Section 7 then?

8 THE WITNESS: No. I don't believe they're  
9 contesting any of that. That pad will actually be solely  
10 dedicated to our S/2 of 8 and 9. We showed it here because  
11 it was relevant. It was one of the pads that we did onsite  
12 at the October 24 onsite, and we are going to be using that  
13 pad to develop the S/2 of 8 and 9.

14 So I don't -- I don't want to speak for BTA on  
15 that, but I don't believe they have expressed any concern  
16 with that particular pad location.

17 EXAMINER COSS: I see. And then you are unable  
18 to put any other pads further south in the S/2 of 7?

19 THE WITNESS: That is as close as we could get  
20 south, and we would have preferred to put it farther south.  
21 We tried, but the BLM said they didn't want us to go farther  
22 south. It's going to be a heck of a kickout, but it's not  
23 outside the realm of possibility, and it's definitely  
24 something we can do from a technical standpoint, but, yeah,  
25 we can't go farther south.