

**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.

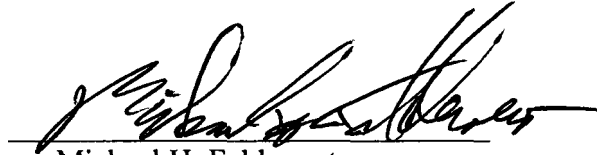
8. In the event the parties are unable to reach agreement, a continuance to the August 23, 2018 docket will allow BTA’s competing plan of development be heard concurrently with that proposed by NOVO.

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

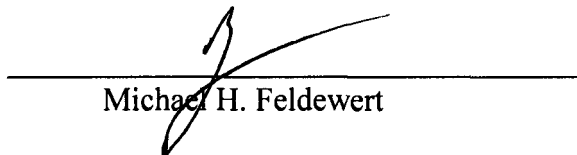


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ATTORNEYS FOR BTA OIL PRODUCERS, LLC

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@bwenergyllaw.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
bpatrick@novoog.com

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] 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

A handwritten signature in black ink, appearing to read 'Brandon Patrick', with a stylized flourish at the end.

Brandon Patrick
Land Manager



NOVO OIL & GAS NORTHERN DELAWARE, LLC

AUTHORIZATION FOR EXPENDITURE

105 North Hudson Ave. Suite 300
Oklahoma City, Oklahoma 73102
405 606.1628

WELL NAME	Rena Salada Fed Com 6 8 23S 28E 28 1H	AFE TYPE	Development	AFE NUMBER	2015010
LATERAL LOCATION	Twn-23S, Rge-28E, Sec-8/8, Slot-4, Az-S	FIELD	Northern Delaware	DRILLING DAYS	22
SURFACE LOCATION	Twn-23S, Rge-28E, Sec-8 NE/4	2nd Bore Spring	DEPTH (TVD/TMD)	8,485' / 19,285'	
BOTTOM-HOLE LOCATION	Twn-23S, Rge-28E, 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			
	INTANGIBLE COSTS	DRILLING (300)	COMPLETION (600)	TOTAL	
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	
06	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		75,000	75,000	
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 & IIDS	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	129,150		129,150	
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	
14	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 TANGIBLE 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:

Chief Financial Officer

DATE: 4/24/2018

OPERATOR'S APPROVAL:

Executive VP - Exploration

DATE: 4/25/18

OPERATOR'S APPROVAL:

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.