

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

**IN THE MATTER OF APPLICATION FOR  
COMPULSORY POOLING SUBMITTED BY                      CASE NO.    21549  
NOVO OIL & GAS NORTHERN DELAWARE, LLC    ORDER NO. R-21092-A**

**ORDER**

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on December 17, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

**FINDINGS OF FACT**

1.     Novo Oil & Gas Northern Delaware, LLC (“Operator”), submitted an application to amend Order R-21092 (“Existing Order”) issued in Case No. 20886 to expand the 320-acre spacing unit created therein, to include the N/2 of irregular section 18, Township 23 South, Range 29 East, creating a 635.40-acre, more or less, horizontal spacing unit consisting of the N/2 of sections 13 and 18.
2.     Operator is in good standing under state-wide rules and regulations with respect to the Existing Order.
3.     The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

**CONCLUSIONS OF LAW**

4.     OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
5.     Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
6.     OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
7.     This Order affirms the Findings of Fact and Conclusions of Law in the Existing Order and amends paragraphs 8-29 of the Existing Order as stated below.

## **ORDER**

8. The uncommitted interests in the Unit are pooled as set forth in Exhibit A as appended to the original order and incorporated by reference herein.
9. The Unit shall be dedicated to the Well(s) set forth in aforesaid Exhibit A.
10. Operator is designated as operator of the Unit and the Well(s).
11. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
12. The Operator shall commence drilling the Well(s) within one year after the date of this Order and complete each Well no later than one (1) year after the commencement of drilling the Well.
13. This Order shall terminate automatically if Operator fails to comply with Paragraph 12 unless Operator obtains an extension by an amendment of this Order for good cause shown.
14. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
15. Operator shall submit to each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
17. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."
18. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written

objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.

19. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
20. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
21. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
22. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
23. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
24. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 23 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
25. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.

26. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
27. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
28. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
29. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**

  
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**ADRIENNE SANDOVAL**  
**DIRECTOR**  
AES/kms

Date: 12/24/2020

## Exhibit "A"

<b>COMPULSORY POOLING APPLICATION CHECKLIST (pdf)</b>	
<b>ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS</b>	
<b>Case: 21549</b>	<b>APPLICANT'S RESPONSE</b>
<b>Date</b> December 3, 2020	
Applicant	Novo Oil & Gas Northern Delaware, LLC
Designated Operator & OGRID (affiliation if applicable)	<b>372920</b>
Applicant's Counsel:	Holland & Hart, LLP
Case Title	Application of Novo Oil & Gas Northern Delaware, LLC to amend Order R-21092, Eddy County, New Mexico
Entries of Appearance/Intervenors:	None
Well Family	<b>Ovation Fed Com 1318 wells</b>
<b>Formation/Pool</b>	
Formation Name(s) or Vertical Extent:	Bone Spring formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Bone Spring formation
Pool Names and Pool Codes:	Culebra Bluff; Bone Spring, South (Pool code 15011)
Well Location Setback Rules:	Statewide rules
Spacing Unit Size:	635.4-acres, more or less
<b>Spacing Unit</b>	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	635.4-acres, more or less
Building Blocks:	Quarter-Quarter sections
Orientation:	West/East
Description: TRS/County	N/2 of Section 13, Township 23 South, Range 28 East, and Lots 1-2, E/2 NW/4 and the NE/4 (N/2 equivalent) of irregular Section 18, Township 23 South, Range 29 East, NMPPM, Eddy County, New Mexico
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes
<b>Other Situations</b>	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	Yes
Proximity Defining Well: if yes, description	<b>Ovation Fed Com 1318 #132H Well</b> will remain within 330 feet of the N/2 N/2 of Sections 13 and 18 to allow inclusion of these proximity tracts in a standard 635.4-acre horizontal well spacing comprised of the N/2 of Sections 13 and 18
<div style="border: 1px solid black; padding: 5px; margin: 5px;"> <p style="text-align: center;"><b>BEFORE THE OIL CONSERVATION DIVISION</b>  Santa Fe, New Mexico  Exhibit No. A  Submitted by: Novo Oil &amp; Gas Northern Delaware LLC  Hearing Date: December 3, 2020  Case Nos. 21549-21550</p> </div>	
Applicant's Ownership in Each Tract	Exhibit C-3

Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	
Well #1	<p><b>Ovation Federal Com 1318 well #131H</b> (API No. 30-015-Pending)  SHL:798 feet from the North line and 365 feet from the East line,  (Unit A) of Section 14, Township 23 South, Range 28 East, NMPPM.  BHL:726 feet from the North line and 10 feet from the East line,  (Unit A) of Section 18, Township 23 South, Range 29 East, NMPPM.</p> <p>Completion Target: Bone Spring  Well Orientation:West to East  Completion Location expected to be:standard</p>
Well #2	<p><b>Ovation Federal Com 1318 well #132H</b> (API No. 30-015-Pending)  SHL:833 feet from the North line and 345 feet from the East line,  (Unit A) of Section 14, Township 23 South, Range 28 East, NMPPM.  BHL:1518 feet from the North line and 10 feet from the East line,  (Unit H) of Section 18, Township 23 South, Range 29 East, NMPPM.</p> <p>Completion Target: Bone Spring  Well Orientation:West to East  Completion Location expected to be:proximity tract well</p>
Well #3	<p><b>Ovation Federal Com 1318 well #135H</b> (API No. 30-015-Pending)  SHL:142 / feet from the North line and 501 feet from the East line,  (Unit H) of Section 14, Township 23 South, Range 28 East, NMPPM.  BHL:2310 feet from the North line and 10 feet from the East line,  (Unit H) of Section 18, Township 23 South, Range 29 East, NMPPM.</p> <p>Completion Target: Bone Spring  Well Orientation:West to East  Completion Location expected to be:standard</p>
Horizontal Well First and Last Take Points	Exhibit C-2
Completion Target (Formation, TVD and MD)	Exhibit C-6, D-1, D-6
<b>AFE Capex and Operating Costs</b>	
Drilling Supervision/Month \$	\$8,000
Production Supervision/Month \$	\$800
Justification for Supervision Costs	Exhibit C, C-5
Requested Risk Charge	200%
<b>Notice of Hearing</b>	
Proposed Notice of Hearing	Exhibit B
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit E
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit F
<b>Ownership Determination</b>	

Land Ownership Schematic of the Spacing Unit	Exhibits C-3, C-4, C-5
Tract List (including lease numbers and owners)	Exhibits C-3, C-4, C-5
Pooled Parties (including ownership type)	Exhibits C-3, C-4, C-5
Unlocatable Parties to be Pooled	N/A
Ownership Depth Severance (including percentage above & below)	N/A
<b>Joinder</b>	
Sample Copy of Proposal Letter	Exhibit C-6
List of Interest Owners (ie Exhibit A of JOA)	Exhibits C-3, C-4
Chronology of Contact with Non-Joined Working Interests	Exhibit C-7
Overhead Rates In Proposal Letter	Exhibit C-6
Cost Estimate to Drill and Complete	Exhibit C-6
Cost Estimate to Equip Well	Exhibit C-6
Cost Estimate for Production Facilities	Exhibit C-6
<b>Geology</b>	
Summary (including special considerations)	Exhibits D, D-1
Spacing Unit Schematic	Exhibit D-1
Gunbarrel/Lateral Trajectory Schematic	Exhibit D-1
Well Orientation (with rationale)	Exhibits D, D-1
Target Formation	Exhibit D
HSU Cross Section	Exhibit D-6
Depth Severance Discussion	N/A
<b>Forms, Figures and Tables</b>	
C-102	Exhibit C-1
Tracts	Exhibits C-3, C-4, C-5
Summary of Interests, Unit Recapitulation (Tracts)	Exhibits C-3, C-4, C-5
General Location Map (including basin)	Exhibit C-1
Well Bore Location Map	Exhibit D-1
Structure Contour Map - Subsea Depth	Exhibit D-2
Cross Section Location Map (including wells)	Exhibit D-6
Cross Section (including Landing Zone)	Exhibit D-6
<b>Additional Information</b>	
Special Provisions/Stipulations	N/A
<b>CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.</b>	
<b>Printed Name (Attorney or Party Representative):</b>	Kaitlyn A. Luck
<b>Signed Name (Attorney or Party Representative):</b>	