

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

**APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY TAP ROCK OPERATING, LLC**

ORDER NO. PLC-731

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having considered the application and the recommendation of the OCD Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. Tap Rock Operating, LLC (“Applicant”) submitted a complete application to surface commingle and off-lease measure the oil and gas production ("Application") from the pools, leases, and wells identified in Exhibit A.
2. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools, leases, and wells to be commingled is identical as defined in 19.15.12.7(B) NMAC.
3. Applicant proposed a method to allocate the oil and gas production to the pools, leases, and wells to be commingled.
4. To the extent that ownership is diverse, Applicant provided notice of the Application to all persons owning an interest in the oil and gas production to be commingled, including the owners of royalty and overriding royalty interests, regardless of whether they have a right or option to take their interests in kind, and those persons either submitted a written waiver or did not file an objection to the Application.
5. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
6. Applicant certified the commingling of oil and gas production from the pools, leases, and wells will not in reasonable probability reduce the value of the oil and gas production to less than if it had remained segregated.
7. Applicant in the notice for the Application stated that it sought authorization to add additional pools, leases, and wells and identified the parameters to make such additions.
8. Applicant stated that it sought authorization to surface commingle and off-lease measure, as applicable, oil and gas production from an infill well which produces from a pool and spacing unit dedicated to a well identified in Exhibit A.
9. Applicant submitted or intends to submit one or more application(s) to the BLM or NMSLO, as applicable, to form or revise a participating area (“PA”) and has identified the acreage of

each lease within each spacing unit (“Pooled Area”) to be included in the application(s), as described in Exhibit B.

CONCLUSIONS OF LAW

10. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, and 19.15.12 NMAC.
11. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10(A)(2), (C)(4)(c), and (C)(4)(e) NMAC, as applicable.
12. Applicant’s proposed method of allocation, as modified herein, complies with 19.15.12.10(B)(1) or (C)(1) NMAC, as applicable.
13. Commingling of oil and gas production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10(B)(3) and (C)(4)(h) NMAC.
14. Applicant satisfied the notice requirements for the subsequent addition of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10(C)(4)(g) NMAC. Subsequent additions of pools, leases, and wells within Applicant’s defined parameters, as modified herein, will not, in reasonable probability, reduce the commingled production’s value or otherwise adversely affect the interest owners in the production to be added.
15. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to surface commingle and off-lease measure oil and gas production from the pools, leases, and wells identified in Exhibit A.

Applicant is authorized to surface commingle and off-lease measure, as applicable, oil and gas production from an infill well producing from the same pool and spacing unit dedicated to a well identified in Exhibit A.

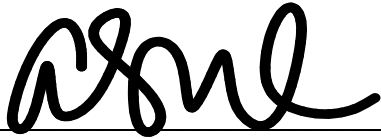
2. No later than sixty (60) days after the BLM or NMSLO, as applicable, approves Applicant’s paying well determination for a well, Applicant shall submit to the BLM or NMSLO an application to form or revise a PA that includes the Pooled Area as defined in Applicant’s Form C-102 and Exhibit B (“PA Application”). If Applicant fails to submit the PA Application, this Order shall terminate on the following day. No later than sixty (60) days after the BLM or NMSLO approves or denies the PA Application, Applicant shall submit Form C-103 to OCD with a copy of the decision. If Applicant withdraws or the BLM or NMSLO denies the PA Application, this Order shall terminate on the date of such action. If the BLM or NMSLO approves but modifies the PA Application, Applicant shall comply with the approved PA, and no later than sixty (60) days after such decision, Applicant shall submit a new surface commingle application to OCD to conform this Order with the approved PA.

If OCD denies the new surface commingle application, this Order shall terminate on the date of such action.

3. Applicant shall allocate the oil and gas production to each lease within a Pooled Area in proportion to the acreage that each lease bears to the entire acreage of the Pooled Area described in Exhibit B until the Pooled Area is included in a PA. After a Pooled Area is included in a PA, the oil and gas production from the Pooled Area shall be allocated as required by the BLM's or NMSLO's, as applicable, approval of the PA, including any production that had been allocated previously in accordance with this Order.
4. The allocation of oil and gas production to an infill well shall be determined in the same manner as oil and gas production to the well dedicated to the pool and spacing unit.
5. The oil and gas production for each well identified in Exhibit A shall be separated and metered prior to commingling.
6. Applicant shall measure the commingled oil at a central tank battery described in Exhibit A in accordance with 19.15.18.15 NMAC or 19.15.23.8 NMAC.
7. Applicant shall measure the commingled gas at a central delivery point or central tank battery described in Exhibit A in accordance with 19.15.19.9 NMAC, provided however that if the gas is flared, and regardless of whether OCD has granted an exception pursuant to 19.15.18.12(B) NMAC, Applicant shall report the gas in accordance with 19.15.18.12(F) NMAC.
8. Applicant shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10(C)(2) NMAC.
9. If the commingling of oil and gas production from any pool, lease, or well reduces the value of the commingled oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new surface commingling application to OCD to amend this Order to remove the pool, lease, or well whose oil and gas production caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
10. Applicant may submit an application to amend this Order to add pools, leases, and subsequently drilled wells with spacing units adjacent to or within the tracts commingled by this Order by submitting a Form C-107-B via the OCD Fee Portal in accordance with 19.15.12.10(C)(4)(g) NMAC.
11. Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau identifying an infill well prior to commingling and off-lease measuring, as applicable, oil and gas production from an infill well with the production from another well.
12. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.

13. OCD retains jurisdiction and reserves the right to modify or revoke this Order as it deems necessary to prevent waste or protect correlative rights, public health, or the environment.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

A handwritten signature in black ink, appearing to read 'AS', is written over a horizontal line.

**ADRIENNE SANDOVAL
DIRECTOR**

AS/dm

DATE: 3/18/2021

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **PLC-731**

Operator: **Tap Rock Operating, LLC (372043)**

Central Tank Battery: **Mulva Man Hands W2 W2 Tank Battery**

Central Tank Battery Location (NMPM): **W/2 SW/4 Section 27, Township 24 South, Range 35 East**

Gas Custody Transfer Meter Location (NMPM): **W/2 SW/4 Section 27, Township 24 South, Range 35 East**

Pools

Pool Name	Pool Code
WC-025 G-09 S243532M; WOLFBONE	98098
WC-025 G-07 S243517D; MIDDLE BONE SP	98294

Leases as defined in 19.15.12.7(C) NMAC

Lease	Location (NMPM)	
NMNM 138890	W/2	Sec 22-T24S-R35E
Fee	NW/4, E/2 SW/4	Sec 27-T24S-R35E
NMNM 138893	W/2 SW/4	Sec 27-T24S-R35E
	NW/4 NW/4	Sec 34-T24S-R35E
Fee	NE/4 NW/4, S/2 NW/4, N/2 SW/4	Sec 34-T24S-R35E
NMNM 138895	S/2 SW/4	Sec 34-T24S-R35E
Fee	NW/4	Sec 3-T25S-R35E

Wells

Well API	Well Name	Location (NMPM)	Pool Code	Train
30-025-47341	Mulva Fed Com #111H	M-27-24S-35E	98098	
30-025-47740	Mulva Fed Com #112H	N-27-24S-35E	98294	
30-025-47342	Mulva Fed Com #131H	M-27-24S-35E	98098	
30-025-47343	Mulva Fed Com #211H	M-27-24S-35E	98098	
30-025-47344	Mulva Fed Com #215H	M-27-24S-35E	98098	
30-025-47743	Mulva Fed Com #132H	N-27-24S-35E	98098	
30-025-47787	Mulva Fed Com #212H	N-27-24S-35E	98098	
30-025-47788	Mulva Fed Com #217H	N-27-24S-35E	98098	
30-025-47290	Man Hands Fed Com #135H	M-27-24S-35E	98098	
30-025-47803	Man Hands Fed Com #137H	C-34-24S-35E	98098	
30-025-47291	Man Hands Fed Com #211H	D-34-24S-35E	98098	
30-025-47804	Man Hands Fed Com #212H	C-34-24S-35E	98098	
30-025-47292	Man Hands Fed Com #215H	D-34-24S-35E	98098	
30-025-47808	Man Hands Fed Com #217H	C-34-24S-35E	98098	
30-025-47073	Man Hands Fed Com #111H	D-34-24S-35E	98294	
30-025-47798	Man Hands Fed Com #112H	N-27-24S-35E	98294	

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit B

Order: [PLC-731](#)

Operator: [Tap Rock Operating, LLC \(372043\)](#)

Pooled Areas

Pooled Area	Location (NMPM)		Acres	Pooled Area ID
PA WB BLM	W/2 W/2 W/2 NW/4	Sec 34-T24S-R35E Sec 3-T25S-R35E	240.81	A
PA BS BLM	W/2 NW/4	Sec 34-T24S-R35E Sec 3-T25S-R35E	481.66	B
PA WB BLM	W/2 NW/4	Sec 34-T24S-R35E Sec 3-T25S-R35E	481.66	C
PA BS BLM	W/2 W/2	Sec 22-T24S-R35E Sec 27-T24S-R35E	640	D
PA WB BLM	W/2 W/2	Sec 22-T24S-R35E Sec 27-T24S-R35E	640	E

Leases Comprising Pooled Areas

Lease	Location (NMPM)		Acres	Pooled Area ID
NMNM 138893	NW/4 NW/4	Sec 34-T24S-R35E	40	A
Fee	SW/4 NW/4, NW/4 SW/4	Sec 34-T24S-R35E	80	A
NMNM 138895	SW/4 SW/4	Sec 34-T24S-R35E	40	A
Fee	W/2 NW/4	Sec 3-T25S-R35E	80.81	A
NMNM 138893	NW/4 NW/4	Sec 34-T24S-R35E	40	B
Fee	E/2 NW/4, SW/4 NW/4, N/2 SW/4	Sec 34-T24S-R35E	200	B
NMNM 138895	S/2 SW/4	Sec 34-T24S-R35E	80	B
Fee	NW/4	Sec 3-T25S-R35E	161.66	B
NMNM 138893	NW/4 NW/4	Sec 34-T24S-R35E	40	C
Fee	E/2 NW/4, SW/4 NW/4, N/2 SW/4	Sec 34-T24S-R35E	200	C
NMNM 138895	S/2 SW/4	Sec 34-T24S-R35E	80	C
Fee	NW/4	Sec 3-T25S-R35E	161.66	C
NMNM 138890	W/2	Sec 22-T24S-R35E	320	D
Fee	NW/4, E/2 SW/4	Sec 27-T24S-R35E	240	D
NMNM 138893	W/2 SW/4	Sec 27-T24S-R35E	80	D
NMNM 138890	W/2	Sec 22-T24S-R35E	320	E
Fee	NW/4, E/2 SW/4	Sec 27-T24S-R35E	240	E
NMNM 138893	W/2 SW/4	Sec 27-T24S-R35E	80	E