

**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-816

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 the oil and gas production from the pools, leases, and wells identified in Exhibit A (“Application”).
2. Applicant proposed a method to allocate the oil and gas production to the pools, leases, and wells to be commingled.
3. Applicant stated that it intends to keep the oil and gas production from one or more group(s) of wells identified in Exhibit C segregated from the oil and gas production from all other wells prior to measuring that production with an allocation meter.
4. 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.
5. 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.
6. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
7. 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.
8. 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.
9. Applicant stated that it sought authorization to surface commingle and off-lease measure, as applicable, oil and gas production from wells which have not yet been approved to be drilled, but will produce from a pool and lease identified in Exhibit A.

10. Applicant submitted or intends to submit one or more proposed communitization agreement(s) (“Proposed Agreement(s)”) to the BLM or NMSLO, as applicable, identifying the acreage of each lease to be consolidated into a single pooled area (“Pooled Area”), as described in Exhibit B.

CONCLUSIONS OF LAW

11. 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, 19.15.12. NMAC, and 19.15.23. NMAC.
12. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10.A.(2) NMAC, 19.15.12.10.C.(4)(c) NMAC, and 19.15.12.10.C.(4)(e) NMAC, as applicable.
13. Applicant satisfied the notice requirements for the Application in accordance with 19.15.23.9.A.(5) NMAC and 19.15.23.9.A.(6) NMAC, as applicable.
14. Applicant’s proposed method of allocation, as modified herein, complies with 19.15.12.10.B.(1) NMAC or 19.15.12.10.C.(1) NMAC, as applicable.
15. 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) NMAC and 19.15.12.10.C.(4)(h) NMAC.
16. 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.
17. 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 oil and gas production from the pools, leases, and wells identified in Exhibit A.

Applicant is authorized to store and measure oil and gas production off-lease from the pools, leases, and wells identified in Exhibit A at a central tank battery described in Exhibit A.

Applicant is authorized to surface commingle oil and gas production from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A.

Applicant is authorized to store and measure oil and gas production off-lease from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A at a central tank battery described in Exhibit A.

2. For each Pooled Area described in Exhibit B, Applicant shall submit a Proposed Agreement to the BLM or NMSLO, as applicable, prior to commencing oil and gas production. If

Applicant fails to submit the Proposed Agreement, this Order shall terminate on the following day.

No later than sixty (60) days after the BLM or NMSLO approves or denies a Proposed Agreement, Applicant shall submit Form C-103 to OCD with a copy of the decision and a description of the approved lands, as applicable. If Applicant withdraws or the BLM or NMSLO denies a Proposed Agreement, this Order shall terminate on the date of such action, and Applicant shall cease commingling the production from the Pooled Area. If the BLM or NMSLO approves but modifies the Proposed Agreement(s), Applicant shall comply with the approved Agreement(s), 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 Agreement(s). If OCD denies the new surface commingle application, this Order shall terminate on the date of such action.

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 Proposed Agreement which includes the Pooled Area is approved. After the Proposed Agreement is approved, 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 Agreement, including any production that had been allocated previously in accordance with this Order.

3. The allocation of oil and gas production to wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A shall be determined in the same manner as to wells identified in Exhibit A that produce from that pool and lease, provided that if more than one allocation method is being used or if there are no wells identified in Exhibit A that produce from the pool and lease, then allocation of oil and gas production to each well not included in Exhibit A shall be determined by OCD prior to commingling production from it with the production from another well.
4. The allocation of oil and gas production to each group of wells identified in Exhibit C shall be determined by separating and metering the production from each group as described by Train in Exhibit C prior to commingling that production with production from any other well.
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 and market the commingled oil at a central tank battery described in Exhibit A in accordance with this Order and 19.15.18.15. NMAC or 19.15.23.8. NMAC.
7. Applicant shall measure and market the commingled gas at a well pad, central delivery point, central tank battery, or gas title transfer meter described in Exhibit A in accordance with this Order and 19.15.19.9. NMAC, provided however that if the gas is vented or flared, and regardless of the reason or authorization pursuant to 19.15.28.8.B. NMAC for such venting or flaring, Applicant shall measure or estimate the gas in accordance with 19.15.28.8.E. 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 in accordance with 19.15.12.10.C.(4)(g) NMAC, provided the pools, leases, and subsequently drilled wells are within the identified parameters included in the Application.
11. If a well is not included in Exhibit A but produces from a pool or lease identified in Exhibit A, then Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau after the well has been approved to be drilled and prior to off-lease measuring or commingling oil or gas production from it with the production from another well. The Form C-103 shall reference this Order and identify the well and proposed method to determine the allocation of oil and gas production to it.
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. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).
14. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



ADRIENNE E. SANDOVAL
DIRECTOR

DATE: 4/22/2022

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **PLC-816**

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

Central Tank Battery: **Nailed It Tank Battery A**

Central Tank Battery Location: **UL A, Section 36, Township 26 South, Range 30 East**

Central Tank Battery: **Nailed It Tank Battery B**

Central Tank Battery Location: **UL D E, Section 36, Township 26 South, Range 30 East**

Gas Title Transfer Meter Location: **UL A, Section 36, Township 26 South, Range 30 East**

Gas Title Transfer Meter Location: **UL D E, Section 36, Township 26 South, Range 30 East**

Pools

Pool Name	Pool Code
PURPLE SAGE; WOLFCAMP (GAS)	98220
WC 015 G06 S242630A BONE SPRING	98319

Leases as defined in 19.15.12.7(C) NMAC

Lease	UL or Q/Q	S-T-R
NMNM 138850	S/2	25-26S-30E
VB 21920001	A B C D L1	36-26S-30E
EO 09200000	L2 L3 L4	36-26S-30E

Wells

Well API	Well Name	UL or Q/Q	S-T-R	Pool
30-015-46885	Nailed It Federal Com #123H	SE/4	25-26S-30E	98319
		NE/4	36-26S-30E	
30-015-46845	Nailed It Federal Com #156H	SE/4	25-26S-30E	98319
		NE/4	36-26S-30E	
30-015-46846	Nailed It Federal Com #124H	SE/4	25-26S-30E	98319
		NE/4	36-26S-30E	
30-015-46876	Nailed It Federal Com #154H	SE/4	25-26S-30E	98319
		NE/4	36-26S-30E	
30-015-46879	Nailed It Federal Com #208H	SE/4	25-26S-30E	98220
		NE/4	36-26S-30E	
30-015-46886	Nailed It Federal Com #214H	SE/4	25-26S-30E	98220
		NE/4	36-26S-30E	
30-015-46859	Nailed It Federal Com #204H	SE/4	25-26S-30E	98220
		NE/4	36-26S-30E	
30-015-46883	Nailed It Federal Com #224H	SE/4	25-26S-30E	98220
		NE/4	36-26S-30E	
30-015-46924	Nailed It Federal Com #218H	SE/4	25-26S-30E	98220
		NE/4	36-26S-30E	
30-015-46842	Nailed It Federal Com #234H	SE/4	25-26S-30E	98220
		NE/4	36-26S-30E	
30-015-46858	Nailed It Federal Com #207H	SE/4	25-26S-30E	98220
		NE/4	36-26S-30E	

30-015-46881	Nailed It Federal Com #151H	SW/4 NW/4	25-26S-30E 36-26S-30E	98319
30-015-46923	Nailed It Federal Com #155H	SW/4 NW/4	25-26S-30E 36-26S-30E	98319
30-015-46844	Nailed It Federal Com #152H	SW/4 NW/4	25-26S-30E 36-26S-30E	98319
30-015-46843	Nailed It Federal Com #122H	SW/4 NW/4	25-26S-30E 36-26S-30E	98319
30-015-46884	Nailed It Federal Com #121H	SW/4 NW/4	25-26S-30E 36-26S-30E	98319
30-015-46855	Nailed It Federal Com #211H	SW/4 NW/4	25-26S-30E 36-26S-30E	98220
30-015-46891	Nailed It Federal Com #231H	SW/4 NW/4	25-26S-30E 36-26S-30E	98220
30-015-46857	Nailed It Federal Com #215H	SW/4 NW/4	25-26S-30E 36-26S-30E	98220
30-015-46854	Nailed It Federal Com #212H	SW/4 NW/4	25-26S-30E 36-26S-30E	98220
30-015-46887	Nailed It Federal Com #222H	SW/4 NW/4	25-26S-30E 36-26S-30E	98220
30-015-46874	Nailed It Federal Com #202H	SW/4 NW/4	25-26S-30E 36-26S-30E	98220
30-015-46877	Nailed It Federal Com #232H	SW/4 NW/4	25-26S-30E 36-26S-30E	98220

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit B

Order: **PLC-816**
Operator: **Tap Rock Operating, LLC (372043)**

Pooled Areas

Pooled Area	UL or Q/Q	S-T-R	Acres	Pooled Area ID
CA Bone Spring NMNM 144255	SE/4 NE/4	25-26S-30E 36-26S-30E	288.4	A
CA Wolfcamp NMNM 144259	SE/4 NE/4	25-26S-30E 36-26S-30E	288.4	B
CA Bone Spring NMNM 144258	SW/4 NW/4	25-26S-30E 36-26S-30E	289.2	C
CA Wolfcamp NMNM 144260	SW/4 NW/4	25-26S-30E 36-26S-30E	289.2	D

Leases Comprising Pooled Areas

Lease	UL or Q/Q	S-T-R	Acres	Pooled Area ID
NMNM 138850	SE/4	25-26S-30E	160	A
VB 21920001	A B L1	36-26S-30E	104.1	A
EO 09200000	L2	36-26S-30E	24.3	A
NMNM 138850	SE/4	25-26S-30E	160	B
VB 21920001	A B L1	36-26S-30E	104.1	B
EO 09200000	L2	36-26S-30E	24.3	B
NMNM 138850	SW/4	25-26S-30E	160	C
VB 21920001	C D	36-26S-30E	80	C
EO 09200000	L3 L4	36-26S-30E	49.2	C
NMNM 138850	SW/4	25-26S-30E	160	D
VB 21920001	C D	36-26S-30E	80	D
EO 09200000	L3 L4	36-26S-30E	49.2	D

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit C

Order: PLC-816
Operator: Tap Rock Operating, LLC (372043)

Wells				
Well API	Well Name	UL or Q/Q	S-T-R	Train
30-015-46885	Nailed It Federal Com #123H	SE/4 NE/4	25-26S-30E 36-26S-30E	A1
30-015-46845	Nailed It Federal Com #156H	SE/4 NE/4	25-26S-30E 36-26S-30E	A1
30-015-46846	Nailed It Federal Com #124H	SE/4 NE/4	25-26S-30E 36-26S-30E	A1
30-015-46876	Nailed It Federal Com #154H	SE/4 NE/4	25-26S-30E 36-26S-30E	A1
30-015-46879	Nailed It Federal Com #208H	SE/4 NE/4	25-26S-30E 36-26S-30E	A1
30-015-46886	Nailed It Federal Com #214H	SE/4 NE/4	25-26S-30E 36-26S-30E	A1
30-015-46859	Nailed It Federal Com #204H	SE/4 NE/4	25-26S-30E 36-26S-30E	A1
30-015-46883	Nailed It Federal Com #224H	SE/4 NE/4	25-26S-30E 36-26S-30E	A1
30-015-46924	Nailed It Federal Com #218H	SE/4 NE/4	25-26S-30E 36-26S-30E	A1
30-015-46842	Nailed It Federal Com #234H	SE/4 NE/4	25-26S-30E 36-26S-30E	A1
30-015-46858	Nailed It Federal Com #207H	SE/4 NE/4	25-26S-30E 36-26S-30E	B1
30-015-46881	Nailed It Federal Com #151H	SW/4 NW/4	25-26S-30E 36-26S-30E	B1
30-015-46923	Nailed It Federal Com #155H	SW/4 NW/4	25-26S-30E 36-26S-30E	B1
30-015-46844	Nailed It Federal Com #152H	SW/4 NW/4	25-26S-30E 36-26S-30E	B1
30-015-46843	Nailed It Federal Com #122H	SW/4 NW/4	25-26S-30E 36-26S-30E	B1
30-015-46884	Nailed It Federal Com #121H	SW/4 NW/4	25-26S-30E 36-26S-30E	B1
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30-015-46891	Nailed It Federal Com #231H	SW/4 NW/4	25-26S-30E 36-26S-30E	B1
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