

**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:**

**APPLICATION OF TAP ROCK RESOURCES,
LLC FOR COMPULSORY POOLING, EDDY
COUNTY, NEW MEXICO.**

Case No. 16134

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Tap Rock Resources, LLC as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Tap Rock Resources, LLC

APPLICANT'S ATTORNEY

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OPPONENT

Chevron U.S.A. Inc.

OPPONENT'S ATTORNEY

Gary W. Larson

OTHER PARTY

EOG Resources, Inc.

OTHER PARTY'S ATTORNEY

Ernest L. Padilla

Douglas McLeod

Jennifer L. Bradfute

STATEMENT OF THE CASE

APPLICANT

Tap Rock Resources, LLC seeks an order approving a 320-acre standard gas spacing and proration unit (project area) in the Wolfcamp formation comprised of the E/2 of Section 14, Township 24 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Wolfcamp formation underlying the E/2 of Section 14. The unit will be dedicated to the Double Diamond 24S31E1414 Well No. 238H, a horizontal well with a surface location in the SE/4SE/4, and a terminus in the NE/4NE/4, of Section 14. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Tap Rock Operating, LLC as operator of the well, and a 200% charge for the risk involved in drilling and completing the well.

Chevron U.S.A. Inc. ("Chevron") has filed a counter-application in Case No. 16133, seeking approval of 1-1/2 mile well unit in the Wolfcamp formation.

Tap Rock has been working on this prospect since June 2017, and mailed its well proposal to Chevron (the only party it seeks to pool) in October of 2017. Tap Rock continued negotiations with Chevron for over 6 months, and believed it had reached verbal agreement with Chevron on a JOA covering certain depths for the E/2 of Section 14 on or about March 21, 2018. Chevron then refused to sign the agreement. As a result, Tap Rock filed its application.

Tap Rock has a term assignment from Douglas McLeod which expires in June 2018. Currently, Mr. McLeod has refused to approve an extension of this agreement until he has the opportunity to attend a hearing on the application. As a result, denial of Tap Rock's application, or failure to timely approve the application, will cause Tap Rock financial loss and its correlative rights will be violated.

Tap Rock understands that EOG Resources, Inc. ("EOG") has plans for developing the Bone Spring formation. EOG owns no interest in the Wolfcamp in Section 14, and is unaffected by Tap Rock's well proposal.

OPPONENT

OTHER PARTY

PROPOSED EVIDENCE

APPLICANT

WITNESSES

Clayton Sporich
(landman)

EST. TIME

20 min.

EXHIBITS

Approx. 9

Adam Smith (geologist)	20 min.	Approx. 5
Aaron Byrd (engineer)	15 min.	Approx. 2
Rob Tonnsen (engineer)	15 min.	Approx. 2

OPPONENT

WITNESSES

EST. TIME

EXHIBITS

PROCEDURAL MATTERS

1. The above case should be consolidated for hearing with the application of Chevron in Case No. 16133.
2. Tap Rock Resources, LLC ("Tap Rock") has near term lease obligations requiring it to commence drilling operations on a well in June 2018, and thus the hearing must be held on May 17th or 18th.

Respectfully submitted,



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Attorney for Tap Rock Resources, LLC


CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 10th day of May, 2018 by e-mail:

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James Bruce