

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION

4 IN THE MATTER OF THE HEARING CALLED
5 BY THE OIL CONSERVATION DIVISION FOR
6 THE PURPOSE OF CONSIDERING:

7 APPLICATION OF TAP ROCK OPERATING, CASE NO. 20321
8 LLC FOR A STANDARD HORIZONTAL SPACING
9 AND PRORATION UNIT AND COMPULSORY POOLING,
10 EDDY COUNTY, NEW MEXICO.

11 REPORTER'S TRANSCRIPT OF PROCEEDINGS

12 EXAMINER HEARING

13 April 4, 2019

14 Santa Fe, New Mexico

15 BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
16 TERRY WARNELL, TECHNICAL EXAMINER
17 WILLIAM V. JONES, TECHNICAL EXAMINER
18 DAVID K. BROOKS, LEGAL EXAMINER

19 This matter came on for hearing before the
20 New Mexico Oil Conservation Division, Michael McMillan,
21 Chief Examiner; Terry Warnell and William V. Jones,
22 Technical Examiners; and David K. Brooks, Legal
23 Examiner, on Thursday, April 4, 2019, at the New Mexico
24 Energy, Minerals and Natural Resources Department,
25 Wendell Chino Building, 1220 South St. Francis Drive,
Porter Hall, Room 102, Santa Fe, New Mexico.

26 REPORTED BY: Mary C. Hankins, CCR, RPR
27 New Mexico CCR #20
28 Paul Baca Professional Court Reporters
29 500 4th Street, Northwest, Suite 105
30 Albuquerque, New Mexico 87102
31 (505) 843-9241

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APPEARANCES

FOR APPLICANT TAP ROCK OPERATING, LLC:

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1 (10:15 a.m.)

2 EXAMINER McMILLAN: I'd like to call Case
3 Number 20321, application of Tap Rock Operating, LLC for
4 a standard horizontal spacing and proration unit and
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MS. SHAHEEN: Sharon Shaheen on behalf of
8 Tap Rock Operating, LLC.

9 EXAMINER McMILLAN: Any other appearances?
10 Please proceed.

11 MS. SHAHEEN: Tap Rock proposes to create a
12 standard 320-acre unit in the Purple Sage; Wolfcamp
13 pool. This unit would be dedicated to the defining
14 well, Delirium State Com #201H. And also to be drilled
15 is the infill well, Delirium State Com #215H. Tap Rock
16 requests that all uncommitted interests be pooled,
17 designating the #201 well as the defining well and
18 allowing the drilling of the #215H well, designating Tap
19 Rock as operator and authorizing Tap Rock to recover its
20 costs and imposing a 200 percent penalty for any
21 interest owner who does not voluntarily participate.

22 In support, we have two affidavits, again,
23 from Mr. Phillips, the landman. Mr. Phillips states
24 that no opposition is expected. Tap Rock -- the
25 proposed C-102s are attached as Exhibit 1.

1 The plat outlining the unit is attached as
2 Exhibit 2 and shows that the unit will be comprised of
3 state and fee acreage.

4 The parties being pooled in the nature of
5 their interests are found in Exhibit 3. My
6 understanding is that we have the same situation here,
7 50/50. And let me double-check that in Exhibit 3.
8 Actually, it looks like COG does have a small
9 uncommitted working interest in this -- in this
10 proposal.

11 EXAMINER BROOKS: Yeah. Well, since they
12 are here, represented, I would assume I don't have to
13 worry about whether they had notice or not. Even if
14 they not here represented -- it doesn't matter. Go
15 ahead.

16 MS. SHAHEEN: Okay. I believe the same JOA
17 was at issue here. I'm not sure how it comes out, but I
18 understand that's being worked out with the parties.

19 There are no depth severances within the
20 Wolfcamp Formation.

21 In paragraph 12, Mr. Phillips provides the
22 proposed surface-hole location, bottom-hole location,
23 total vertical depth, first and last take points.

24 Paragraph 13 identifies the proposed
25 surface-hole location, bottom-hole location, total

1 vertical depth, first and last take points with respect
2 to the 215H.

3 Mr. Phillips represents that he's conducted
4 a diligent search and mailed all parties well proposals.
5 He's made a good-faith effort to obtain voluntary
6 joinder.

7 Also, he attaches Exhibit 4 as a sample
8 proposal letter, which includes an AFE. Tap Rock
9 requests overhead and administrative costs of 7,000 a
10 month for drilling, 700 a month for producing. Also
11 asks for a maximum cost plus 200 percent risk charge and
12 that it be designated the operator.

13 Mr. Smith, the geologist, also offers an
14 affidavit in support here. He provides Exhibit 6, which
15 is a project locator map; Exhibit 7, which is a Wolfcamp
16 structure map.

17 Exhibit 8 is a Wolfcamp stratigraphic cross
18 section for the 201H.

19 Exhibit 9 is a gross isopach map for the
20 201H. Exhibit 10 is a simplified wellbore diagram for
21 the 201H.

22 He offers the same exhibits for the 215H in
23 Exhibit 11, Exhibit 12 and Exhibit 13.

24 Exhibit 14 is a simplified wellbore diagram
25 for the 215H, which will be standard. The first and

1 last take points will be standard.

2 I would like to offer for admission
3 Exhibits 1 through 14 in support of this application,
4 and I ask that the Division take Case Number 20321 under
5 advisement.

6 EXAMINER McMILLAN: Okay. Exhibits 1
7 through 14 may now be accepted as part of the record.

8 (Tap Rock Operating, LLC Exhibit Numbers 1
9 through 14 are offered and admitted into
10 evidence.)

11 EXAMINER McMILLAN: For both cases, are
12 there any unlocatable interests?

13 MS. SHAHEEN: No.

14 EXAMINER BROOKS: I just thought you were
15 through.

16 EXAMINER McMILLAN: No.

17 EXAMINER BROOKS: Go ahead. Tell me when
18 you're through.

19 MS. SHAHEEN: He's just getting started.

20 EXAMINER McMILLAN: Well, I'll tell you
21 what, you can go ahead because I'm going through my
22 notes.

23 EXAMINER BROOKS: Are there any overrides?

24 MS. SHAHEEN: Taking a look at Exhibit 3,
25 Tap Rock and Devon have overrides.

1 EXAMINER BROOKS: On their leases?

2 MS. SHAHEEN: That's what it says.

3 EXAMINER BROOKS: Doesn't say who they are?

4 MS. SHAHEEN: Well, they hold the
5 overrides.

6 EXAMINER BROOKS: Oh, they hold the
7 overrides?

8 MS. SHAHEEN: Uh-huh.

9 EXAMINER BROOKS: Okay. They've had
10 notice, obviously, so that's not an issue.

11 I want to make sure we understand, though.
12 When you say they have an override, that means they have
13 an override in addition to their working interest?

14 MS. SHAHEEN: That is my understanding.

15 EXAMINER BROOKS: Okay. Go ahead. I mean,
16 I'm through.

17 EXAMINER McMILLAN: And you expect each
18 quarter section to contribute equally to production?

19 MS. SHAHEEN: Yes. Mr. Smith represents
20 that he expects each quarter-quarter section to
21 contribute to production.

22 EXAMINER McMILLAN: The only weird part I'm
23 seeing here is that your AFE for the Wolfcamp is less
24 than the Bone Spring. That's kind of odd.

25 MS. SHAHEEN: I hadn't noticed, but I can

1 ask about it if you'd like.

2 EXAMINER McMILLAN: This looks weird. It's
3 6.9 versus 6.5.

4 I don't have any questions.

5 Do you?

6 EXAMINER BROOKS: No.

7 EXAMINER McMILLAN: All right.

8 MS. SHAHEEN: Thank you.

9 I ask that the Division take Case Number
10 20321 under advisement.

11 EXAMINER McMILLAN: Okay. Case Number
12 20321 shall be taken under advisement.

13 MS. SHAHEEN: Thank you.

14 (Case Number 20321 concludes, 10:22 a.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

20 DATED THIS 24th day of April 2019.

21

22

23 MARY C. HANKINS, CCR, RPR
24 Certified Court Reporter
25 New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2019
Paul Baca Professional Court Reporters