

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

**AMENDMENT TO TAP ROCK OPERATING
LLC'S ORDER APPROVING THE
SEINFELD FEDERAL UNIT,
LEA COUNTY, NEW MEXICO.**

**Case No. 21367
Order No. 21445**

AFFIDAVIT OF ERICA HIXSON

I, being duly sworn on oath, state the following:

1. I am over the age of eighteen years and have the capacity to execute this Affidavit, which is based on my personal knowledge. I am employed as a Landman with Tap Rock Operating, LLC ("Tap Rock"), and I am familiar with the subject Order. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters. My credentials as a petroleum landman have been accepted by the Division and made a matter of record.

2. The purpose of this affidavit is to provide additional background on Tap Rock's request for amendment to Paragraph 4(c) of Order No. 21445 (the "Order"), wherein the Oil Conservation Division approved the Seinfeld Federal Unit (the "Unit").

3. Paragraph 4(c) of the Order stated "The Unit obligation well is the Gipple Federal Com Well No. 214H (API No. 30-025-46671) (the "214H Well") in Unit P, Section 33, Township 24 South, Range 35 East, N.M.P.M. This well will develop the WC-025-G-09-S24S3532M; Wolfbone Pool (Pool Code 98098) which is an oil pool."

4. **Exhibit 1** is an e-mail from the Bureau of Land Management (the “BLM”) stating a unit must receive official approval and be effective before the unit obligation well produces, otherwise the well cannot be considered the unit obligation well.

5. Tap Rock initially produced the 214H Well on August 28th, 2020. Given certain delays in the BLM processing of approval paperwork, as of the initial production for the 214H Well on August 28, 2020, the Unit had not received final approval from the BLM. Accordingly, the 214H Well cannot be considered the unit obligation well. Nonetheless, Tap Rock plans to add the 214H Well to the Unit after the Substitute Obligation Well, as hereinafter defined, receives its paying well determination.

6. **Exhibit 1** contains approval by the BLM to change the initial obligation well from the Gipple Federal Com #214H to the Gipple Federal Com #114H (the “Substitute Obligation Well”).

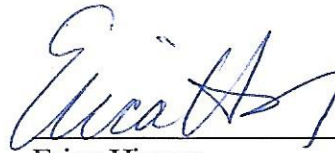
7. Tap Rock would like to amend the order by replacing Paragraph 4(c) in its entirety and replacing it with the following: “The Unit obligation well is the Gipple Federal Com Well No. 114H (API No. 30-025-46668) in Unit P, Section 33, Township 24 South, Range 35 East, N.M.P.M. This well will develop the WC-025 G-07 S243517D; MIDDLE BONE SP (Pool Code 98294), which is an oil pool.”

8. **Exhibit 2** is a C-102 for the Substitute Obligation Well, which shows the proposed surface hole, bottom hole, and first take point for said well.

9. The Exhibits to this Affidavit were prepared by me or compiled from Tap Rock’s company business records.

10. The foregoing is correct and complete to the best of my knowledge and belief.

FURTHER AFFIANT SAYETH NAUGHT



Erica Hixson

STATE OF COLORADO)
)ss
COUNTY OF JEFFERSON)

Subscribed to and sworn before me this 30th day of September, 2020.


Notary Public

My Commission expires 10/31/2021

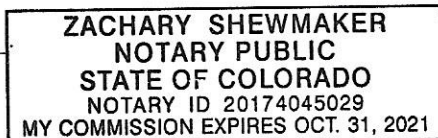


Exhibit 1

From: [Erica Hixson](#)
To: [Haque, Mustafa H](#); [Clayton Sporich](#); [Dana Arnold](#); [Rivera, Elizabeth M](#); [Paradis, Kyle O](#)
Cc: [Glover, James F](#)
Subject: RE: [EXTERNAL] Seinfeld Unit - Request for Final Unit Approval
Date: Tuesday, August 25, 2020 12:21:00 PM
Attachments: [image001.png](#)
[2020-08-25 Unit Agreement Updated.pdf](#)

Haque,

As promised, I'm following up our call here to confirm that we are changing our Seinfeld Unit obligation well from the Gipple Fed Com #214H (30-025-46671 Wolfcamp Formation) to the Gipple Fed Com #114H (API 30-025-46668, Bone Spring Formation). You confirmed the formation change will not be an issue, as our unit is an All Depths unit.

I updated the Unit Agreement listed formation accordingly. Also, we will have producing "Cosmo K" and "Gipple" wellbores in the unit at the time of unit approval. In accordance with the Unit Agreement Guideline Paragraph 15, I added this language to Section 11 of the Unit Agreement: "Determination as to whether a well completed within the Unit Area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as the result of the completion of a well for production in paying quantities in accordance with Section 9 hereof." This language will allow us to request a determination from BLM to convert certain existing wells in to unit wells.

As a heads up, we will be requesting this producing in paying quantities determination to be done as soon as possible for four wells: Gipple Fed Com #134, 138, 214 and 218.

I am sending hard copies of everything to Lisa's attention today.

Thank you,
Erica

From: Erica Hixson
Sent: Monday, August 17, 2020 10:21 AM
To: Haque, Mustafa H <mhaque@blm.gov>; Clayton Sporich <csporich@taprk.com>; Dana Arnold <darnold@taprk.com>; Rivera, Elizabeth M <lriviera@blm.gov>; Paradis, Kyle O <kparadis@blm.gov>
Cc: Glover, James F <jglover@blm.gov>
Subject: RE: [EXTERNAL] Seinfeld Unit - Request for Final Unit Approval

Haque,
Thank you (and Kyle) for taking the time to have a call with me regarding our Seinfeld Unit. I really do appreciate your help and guidance. Summarizing our conversation below in red for those who could not make the call.

Thanks!
Erica

From: Erica Hixson

Sent: Tuesday, August 11, 2020 9:39 AM

To: Haque, Mustafa H <mhaque@blm.gov>; Clayton Sporich <csporich@taprk.com>; Dana Arnold <darnold@taprk.com>; Rivera, Elizabeth M <lriviera@blm.gov>; Paradis, Kyle O <kparadis@blm.gov>

Cc: Glover, James F <jglover@blm.gov>

Subject: RE: [EXTERNAL] Seinfeld Unit - Request for Final Unit Approval

Haque,

I just called, but it did not seem like there was a voicemail set up to leave you a message so following up here with some background – feel free to just give me a call back to discuss as it is a lot.

1. **Initial Well** – I was hoping to discuss with you our options again for the initial Seinfeld Unit well. We are hesitant to change it, as so much of our documentation (partner proposals, OCD hearing, Unit Operating Agreement, other ancillary agreements) has been entered in to by us and our partners on the assumption that Gipple #214 would be our initial well. That being said, we cannot push first production of Gipple to the end of September/early October if that's the unit approval timeline. In the past the BLM has turned around documents related to this unit within a few days, so I think we were a bit spoiled with a false impression that a final approval by next week would be attainable. We thought we remembered Mr. Glover, at one point, saying an existing producing well *can* be your initial well, but it was just complicated to do so. Is there any way to do this or is it a hard rule that the initial well cannot be producing prior to unit approval?
 - a. Our obligation well has to be a new well that has not produced before the unit effective date. This is not a flexible rule, which you confirmed with your team and Mr. Glover. We want to produce the Gipple #214 well this month, which is an impossible approval time for BLM. We need to designate a new obligation well.
 - b. For wells within unit boundaries that are producing prior to the unit effective date (ie Gipple wells), we will request a "paying well determination" where BLM will take drilling and completion costs and compare with production numbers. If the well is considered economic, the existing wells become unit wells.
 - c. We can request a paying well determination on Gipple immediately upon unit approval, and Gipple can likely be included in a larger initial PA along with our obligation wells. Until Gipple is determined to be a unit well, we will pay BLM royalties based on ownership under a communitization agreement (which your office has received).
2. **Hard Copies** - I was waiting to mail the hard copy agreements to you since Exhibit 2 to our Unit Operating Agreement pertains to the Initial Well, which we're still figuring out. But as you mentioned the other day the primary focus for you guys is on the Unit Agreement and that does not mention the initial well. I'll mail everything today.
 - a. Once Ms. Rivera gives the thumbs up on Exhibit C, I will mail a complete hard-copy package with all of our unit documentation. Ms. Rivera will be the one reviewing and inputting to your system the Exhibit B and Exhibit C, which is a time consuming process that cannot be expedited.
3. **Exhibit C** – Is the attached in a format that works for you?
 - a. Ms. Rivera is reviewing.

Thank you,
Erica

From: Haque, Mustafa H <mhaque@blm.gov>
Sent: Monday, August 10, 2020 5:56 PM
To: Erica Hixson <ehixson@taprk.com>; Clayton Sporich <csporich@taprk.com>; Dana Arnold <darnold@taprk.com>; Rivera, Elizabeth M <lriviera@blm.gov>; Paradis, Kyle O <kparadis@blm.gov>
Cc: Glover, James F <jglover@blm.gov>
Subject: Re: [EXTERNAL] Seinfeld Unit - Request for Final Unit Approval

Hello Erica,

You have mentioned on our phone conversation from Friday (8/7/2020) that you guys would like to change the obligation well. If that's the case, please send us a mail request stating the name and location of the new well. Also, I was informed that our office did not receive mailed copy of the Unit Agreement, Exhibit A (Unit Map), and Exhibit C (Commitment Status of the Unit Tracts). Please mail them as well.

Feel free to call or email me with any questions.

-Haque

Regards,

Haque, Mustafa

*Petroleum Engineer - Reservoir Management
Bureau of Land Management
301 Dinosaur Trail
Santa Fe, NM - 87508
Ph: 505-954-2088*

From: Haque, Mustafa H <mhaque@blm.gov>
Sent: Friday, August 7, 2020 10:13 AM
To: Erica Hixson <ehixson@taprk.com>; Clayton Sporich <csporich@taprk.com>; Dana Arnold <darnold@taprk.com>; Rivera, Elizabeth M <lriviera@blm.gov>; Paradis, Kyle O <kparadis@blm.gov>
Cc: Glover, James F <jglover@blm.gov>
Subject: Re: [EXTERNAL] Seinfeld Unit - Request for Final Unit Approval

Good Morning Erica,

In one of your previous emails, it was mentioned that you have mailed the Ratification of Joinder. Did you also mail the Unit Agreement along with all the other Exhibits? Also, the Zip

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

Exhibit 2

Energy, Minerals & Natural Resources
Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

ALM / PIP

FORM C-102

Revised August 1, 2011

Submit one copy to appropriate

District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---|--|--|
| ¹ API Number 30-025-46668 | ² Pool Code 98008-98274 | ³ Pool Name WC-025 G-67 524-3517C; MIDDLE BS |
| ⁴ Property Code 720772 | ⁵ Property Name GIPPLE FED COM | ⁶ Well Number 114H |
| ⁷ GRID No. 372043 | ⁸ Operator Name TAP ROCK OPERATING, LLC. | ⁹ Elevation 3283' |

¹⁰Surface Location

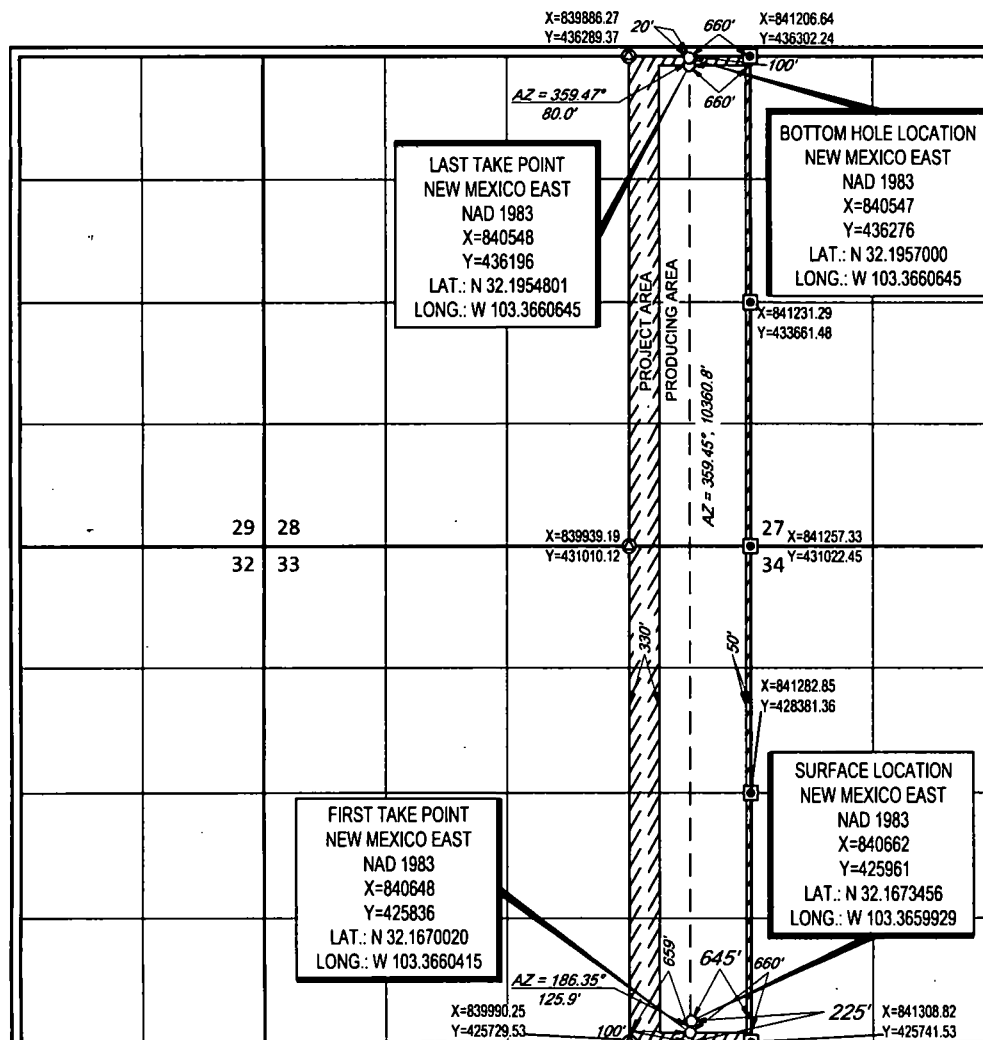
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P | 33 | 24-S | 35-E | - | 225' | SOUTH | 645' | EAST | LEA |

¹¹Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A | 28 | 24-S | 35-E | - | 20' | NORTH | 660' | EAST | LEA |

| ¹² Dedicated Acres | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|-------------------------------|-------------------------------|----------------------------------|-------------------------|
| 320 | | | |

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



¹⁷OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or released mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Cory Walk 08-22-19

Signature Date

Cory Walk

Printed Name

cory@permitswest.com

E-mail Address

¹⁸SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true to the best of my belief.

08/17/2019

Date of Survey Signature and Seal of Professional Surveyor

NEW MEXICO
REGISTERED PROFESSIONAL SURVEYOR
11401
Certificate Number