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HAND-DELIVERY

Florene Davidson
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

16430

**Re: Applications of Tap Rock Operating, LLC for a Standard Horizontal Spacing
and Proration Unit and Compulsory Pooling, Eddy County, New Mexico**

Dear Ms. Davidson:

Enclosed please find for filing two originals and two copies of Applications regarding the above matters. The proposed advertisements will also be emailed to you in Word format. Please set these matters for hearing on the October 4, 2018 examiner docket.

Thank you.

Very truly yours,

Seth C. McMillan

Enclosures

cc: Dana Arnold (via email, w/encs.)
Clayton Sporich (via email, w/encs.)
Erica Hixson (via email, w/encs.)

REPLY TO:

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

**APPLICATION OF TAP ROCK OPERATING, LLC
FOR A STANDARD HORIZONTAL SPACING
AND PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

16430
Case No. 16430

APPLICATION

Tap Rock Operating, LLC ("Tap Rock"), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order (1) creating a standard 640-acre, more or less, horizontal spacing and proration unit comprised of the N/2 of Section 7 and the N/2 of Section 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, pooling all mineral interests in the Wolfcamp formation (Purple Sage-Wolfcamp Pool) underlying the standard unit, and (2) pooling all uncommitted interests in the Wolfcamp formation (Purple Sage-Wolfcamp Pool). In support of its application, Tap Rock states:

1. Tap Rock is a working interest owner in the proposed standard horizontal spacing unit and has the right to drill thereon.

2. Tap Rock proposes to dedicate the above-referenced standard horizontal spacing and proration unit for its proposed **Old Chub 23S27E0807 Fed Com #201H well**, to be horizontally drilled from an approximate surface location 637' FNL and 366' FEL of Section 8 to a bottom hole location 3500' FNL and 200' FWL of Section 7. This is the "defining well" for this unit.

3. Also to be drilled are the following infill wells: (1) **Old Chub 23S27E0807 Fed Com #202H well**, to be horizontally drilled from an approximate surface location 1805' FNL and

360' FEL of Section 8 to a bottom hole location 1668' FNL and 200' FWL of Section 7, (2) the **Old Chub 23S27E0807 Fed Com #205H well**, to be horizontally drilled from an approximate surface location 667' FNL and 366' FEL of Section 8 to a bottom hole location 1000' FNL and 200' FWL of Section 7, and (3) the **Old Chub 23S27E0807 Fed Com #207H well**, to be horizontally drilled from an approximate surface location 1835' FNL and 360' FEL of Section 8 to a bottom hole location 2326' FNL and 200' FWL of Section 7.

4. The completed intervals and first and last take points for the Old Chub 23S27E0807 #201H, Old Chub 23S27E0807 #202H well, Old Chub 23S27E0807 #205H well and Old Chub 23S27E0807 #207H well are within the setbacks required by the Purple Sage-Wolfcamp Pool rules.

5. Tap Rock has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the subject horizontal spacing unit ("HSU").

6. Approval of the standard HSU and the pooling of all mineral interest owners in the Wolfcamp formation underlying the HSU will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

7. In order to permit Tap Rock to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted interests in this HSU should be pooled and Tap Rock should be designated the operator of the proposed HSU.

WHEREFORE, Tap Rock requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 20, 2018, and, after notice and hearing as required by law, the Division enter an order:

A. Creating a 640-acre, more or less, horizontal spacing and proration unit comprised of the N/2 of Section 7 and the N/2 of Section 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted interests in the standard HSU;

C. Designating the Old Chub 23S27E0807 Fed Com #201H well as the defining well for the standard HSU and allowing the drilling of the Old Chub 23S27E0807 Fed Com #202H well, Old Chub 23S27E0807 Fed Com #205H well and Old Chub 23S27E0807 Fed Com #207H well as infill wells;

D. Designating Tap Rock as operator of this standard HSU and the wells to be drilled thereon;

E. Authorizing Tap Rock to recover its costs of drilling, equipping and completing the wells;

F. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and

G. Imposing a 200% penalty for the risk assumed by Tap Rock in drilling and completing the well against any interest owner who does not voluntarily participate in the drilling of the wells.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

/s/ Seth C. McMillan

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Attorneys for Tap Rock Operating, LLC

Case No. 16470 *Application of Tap Rock Operating, LLC for a Standard Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.* Applicant in the above-styled cause seeks an order from the Division: (1) creating a standard 640-acre, more or less, horizontal spacing and proration unit comprised of the N/2 of Section 7 and the N/2 of Section 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, pooling all mineral interests in the Wolfcamp formation (Purple Sage-Wolfcamp Pool) underlying the standard unit, and (2) pooling all uncommitted interests in the Wolfcamp formation (Purple Sage-Wolfcamp Pool). Said horizontal spacing unit is to be assigned to the proposed initial **Old Chub 23S27E0807 Fed Com #201H well**, to be horizontally drilled from an approximate surface location 637' FNL and 366' FEL of Section 8 to a bottom hole location 3500' FNL and 200' FWL of Section 7. This well is the "defining well" for this unit. Also to be drilled are the following infill wells: (1) **Old Chub 23S27E0807 Fed Com #202H well**, to be horizontally drilled from an approximate surface location 1805' FNL and 360' FEL of Section 8 to a bottom hole location 1668' FNL and 200' FWL of Section 7, (2) the **Old Chub 23S27E0807 Fed Com #205H well**, to be horizontally drilled from an approximate surface location 667' FNL and 366' FEL of Section 8 to a bottom hole location 1000' FNL and 200' FWL of Section 7, and (3) the **Old Chub 23S27E0807 Fed Com #207H well**, to be horizontally drilled from an approximate surface location 1835' FNL and 360' FEL of Section 8 to a bottom hole location 2326' FNL and 200' FWL of Section 7. The completed intervals and first and last take points for these wells are within the setbacks required by the Purple Sage-Wolfcamp pool rules. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost, the designation of Applicant as Operator of the well, and a 200% charge for the risk involved in drilling and completing the wells. The wells and lands are located approximately 4 miles South of Carlsbad, New Mexico.