

**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, NON-STANDARD
WELL LOCATION, AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO**

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Case No. 20118

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 480-acre, more or less, horizontal spacing and proration unit comprised of the W/2 of Section 10 and the SW/4 of Section 3, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted interests in the Wolfcamp formation (Purple Sage-Wolfcamp; Pool code 98220) underlying the standard unit.

In support of its application, Tap Rock states:

1. Tap Rock is a working interest owner in the proposed standard horizontal spacing unit ("HSU") and has the right to drill thereon.
2. Tap Rock proposes to dedicate the above-referenced standard horizontal spacing and proration unit to its proposed Nick Cage Fed Com #201H well, to be horizontally drilled from an approximate surface location 2416' FSL and 910' FWL of Section 3 to a bottom hole location 5' FSL and 638' FWL of Section 10.
3. The completed interval and first and last take points for the Nick Cage Fed Com #201H well are not within the setbacks required by the Purple Sage-Wolfcamp Pool rules. Tap Rock therefore requests the Division grant a non-standard well location.

4. 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 HSU.

5. 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.

6. 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 December 6, 2018, and, after notice and hearing as required by law, the Division enter an order:

A. Creating a 480-acre, more or less, standard horizontal spacing and proration unit comprised of the W/2 of Section 10 and the SW/4 of Section 3, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted interests in the standard HSU;

C. Designating the **Nick Cage Fed Com #201H well** as the defining well for the HSU;

D. Granting a non-standard well location for the Nick Cage Fed Com #201H well;

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

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

G. 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

H. 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.

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Case No. _____: ***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 480-acre, more or less, horizontal spacing and proration unit comprised of the W/2 of Section 10 and the SW/4 of Section 3, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted interests in the Wolfcamp formation (Purple Sage-Wolfcamp Pool; Pool code 98220). Said horizontal spacing unit is to be dedicated to the proposed **Nick Cage Fed Com #201H well**, to be horizontally drilled from an approximate surface location 2416' FSL and 910' FWL of Section 3 to a bottom hole location 5' FSL and 638' FWL of Section 10. This well is the "defining well" for this unit. The completed interval and first and last take points for this well are less than the setbacks required by the Purple Sage-Wolfcamp pool rules, and Applicant therefore requests the Division grant a non-standard location for this well. 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 5 miles southeast of Malaga, New Mexico.

Case No. _____: ***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 E/2 of Section 10 and the E/2 of Section 3, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted interests in the Wolfcamp formation (Purple Sage-Wolfcamp Pool; Pool code 98220) underlying the standard unit. Said horizontal spacing unit is to be dedicated to the proposed **Nick Cage Fed Com #244H well**, to be horizontally drilled from an approximate surface location 660' FNL and 571' FEL of Section 3 to a bottom hole location 5' FSL and 750' FEL of Section 10. This well is the "defining well" for this unit. The completed intervals and first and last take points for this well are less than the setbacks required by the Purple Sage-Wolfcamp pool rules, and Applicant therefore requests the Division grant a non-standard location for this well. 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 5 miles southeast of Malaga, New Mexico.