

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

**APPLICATION OF TAP ROCK OPERATING, LLC
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**

Case No. _____

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 pooling all mineral interests in the Bone Spring formation (WC-025 G-07 S243517D; MIDDLE BONE SPRING [98294]) in a standard 240-acre, more or less, horizontal spacing and proration unit (“HSU”) comprised of the W/2 W/2 of Section 28 and the W/2 NW/4 of Section 33, Township 24 South, Range 35 East in Lea County, New Mexico. In support of its application, Tap Rock states as follows:

1. Tap Rock is a working interest owner in the proposed HSU and has the right to drill thereon.
2. Tap Rock proposes to drill the following one and a half-mile well in the proposed HSU: **Coonskin Fee #111H** well, to be horizontally drilled from an approximate surface hole location 2303’ FNL and 1143’ FWL of Section 33, T24S-R35E, to an approximate bottom hole location 5’ FNL and 331’ FWL of Section 28, T24S-R35E.
3. The completed intervals and first and last take points meet the setback requirements set forth in the statewide rules for horizontal oil wells.
4. Tap Rock NM10 Minerals, LLC has filed a complaint to quiet title against the New Mexico Department of Transportation (“NMDOT”) in the Fifth Judicial District Court located in

Lea County, New Mexico. Tap Rock Resources, LLC, is the lessee of those minerals owned by Tap Rock NM10 Minerals, LLC. The quiet title suit covers, among other lands, an approximately 1.9-acre mineral tract in the SW/4NW/4 of Section 33, Township 24 South, Range 35 East in Lea County, New Mexico, which is within the Coonskin Fee #111H drilling and spacing unit. Tap Rock Resources, LLC, as Operator, proposed the Coonskin Fee #111H to the New Mexico Department of Transportation out of an abundance of caution until a Final Judgment is received by the Court.

5. Tap Rock Resources, LLC owns the entirety of the remaining working interest in the proposed HSU.

6. Tap Rock has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from the NMDOT in the HSU.

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

8. 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 HSU.

WHEREFORE, Tap Rock requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 6, 2022, and that, after notice and hearing as required by law, the Division enter an order:

A. Creating a standard 240-acre, more or less, horizontal spacing and proration unit comprised of the W/2 W/2 of Section 28 and W/2 NW/4 of Section 33, Township 24 South, Range 35 East in Lea County, New Mexico;

- B. Pooling all mineral interests in the Bone Spring formation underlying the HSU;
- C. Allowing the drilling of the Coonskin Fee #111H well in the proposed HSU;
- D. Designating Tap Rock as operator of the HSU and the well to be drilled thereon;
- E. Authorizing Tap Rock to recover its costs of drilling, equipping and completing the well;
- F. Approving the operating charges and costs of supervision while drilling of \$8,000/month and, after completion, \$800/month, 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 well.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

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