

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

**APPLICATION FOR SURFACE COMMINGLING
SUBMITTED BY TAP ROCK OPERATING, LLC**

ORDER NO. PLC-899

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having considered the application and the recommendation of the OCD Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. Tap Rock Operating, LLC (“Applicant”) submitted a complete application to surface commingle the oil and gas production from the pools, leases, and wells identified in Exhibit A (“Application”).
2. Applicant proposed a method to allocate the oil and gas production to the pools, leases, and wells to be commingled.
3. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that the ownership in the pools, leases, and wells to be commingled is identical as defined in 19.15.12.7.B. NMAC.
4. Applicant provided notice of the Application to the Bureau of Land Management (“BLM”) or New Mexico State Land Office (“NMSLO”), as applicable.
5. Applicant certified the commingling of oil and gas production from the pools, leases, and wells will not in reasonable probability reduce the value of the oil and gas production to less than if it had remained segregated.
6. Applicant in the notice for the Application stated that it sought authorization to prospectively include additional pools, leases, and wells in accordance with 19.15.12.10.C.(4)(g) NMAC.
7. Applicant stated that it sought authorization to surface commingle and off-lease measure, as applicable, oil and gas production from wells which have not yet been approved to be drilled, but will produce from a pool and lease identified in Exhibit A.
8. Applicant submitted or intends to submit one or more proposed communitization agreement(s) (“Proposed Agreement(s)”) to the BLM or NMSLO, as applicable, identifying the acreage of each lease to be consolidated into a single pooled area (“Pooled Area”), as described in Exhibit B.

CONCLUSIONS OF LAW

9. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, §§ 70-2-6, 70-2-11, 70-2-12, 70-2-16, and 70-2-17, 19.15.12. NMAC, and 19.15.23. NMAC.

10. Applicant satisfied the notice requirements for the Application in accordance with 19.15.12.10.A.(2) NMAC, 19.15.12.10.C.(4)(c) NMAC, and 19.15.12.10.C.(4)(e) NMAC, as applicable.
11. Applicant satisfied the notice requirements for the Application in accordance with 19.15.23.9.A.(5) NMAC and 19.15.23.9.A.(6) NMAC, as applicable.
12. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.10.B.(1) NMAC or 19.15.12.10.C.(1) NMAC, as applicable.
13. Commingling of oil and gas production from state, federal, or tribal leases shall not commence until approved by the BLM or NMSLO, as applicable, in accordance with 19.15.12.10.B.(3) NMAC and 19.15.12.10.C.(4)(h) NMAC.
14. Applicant satisfied the notice requirements for the subsequent addition of pools, leases, and wells in the notice for the Application, in accordance with 19.15.12.10.C.(4)(g) NMAC. Subsequent additions of pools, leases, and wells within Applicant's defined parameters, as modified herein, will not, in reasonable probability, reduce the commingled production's value or otherwise adversely affect the interest owners in the production to be added.
15. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to surface commingle oil and gas production from the pools, leases, and wells identified in Exhibit A.

Applicant is authorized to store and measure oil and gas production off-lease from the pools, leases, and wells identified in Exhibit A at a central tank battery or gas title transfer meter described in Exhibit A.

Applicant is authorized to surface commingle oil and gas production from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A.

Applicant is authorized to store and measure oil and gas production off-lease from wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A at a central tank battery or gas title transfer meter described in Exhibit A.

2. For each Pooled Area described in Exhibit B, Applicant shall submit a Proposed Agreement to the BLM or NMSLO, as applicable, prior to commencing oil and gas production. If Applicant fails to submit the Proposed Agreement, this Order shall terminate on the following day.

No later than sixty (60) days after the BLM or NMSLO approves or denies a Proposed Agreement, Applicant shall submit a Form C-103 to OCD with a copy of the decision and a description of the approved lands, as applicable. If Applicant withdraws or the BLM or NMSLO denies a Proposed Agreement, this Order shall terminate on the date of such action, and Applicant shall cease commingling the production from the Pooled Area. If the BLM or


NMSLO approves but modifies the Proposed Agreement(s), Applicant shall comply with the approved Agreement(s), and no later than sixty (60) days after such decision, Applicant shall submit a new surface commingling application to OCD to conform this Order with the approved Agreement(s). If Applicant fails to submit the new surface commingling application or OCD denies the new surface commingling application, this Order shall terminate on the date of such action.

Applicant shall allocate the oil and gas production to each lease within a Pooled Area in proportion to the acreage that each lease bears to the entire acreage of the Pooled Area described in Exhibit B until the Proposed Agreement which includes the Pooled Area is approved. After the Proposed Agreement is approved, the oil and gas production from the Pooled Area shall be allocated as required by the BLM's or NMSLO's, as applicable, approval of the Agreement, including any production that had been allocated previously in accordance with this Order.

3. The allocation of oil and gas production to wells not included in Exhibit A but that produce from a pool and lease identified in Exhibit A shall be determined in the same manner as to wells identified in Exhibit A that produce from that pool and lease, provided that if more than one allocation method is being used or if there are no wells identified in Exhibit A that produce from the pool and lease, then allocation of oil and gas production to each well not included in Exhibit A shall be determined by OCD prior to commingling production from it with the production from another well.
4. The oil and gas production for each well identified in Exhibit A shall be separated and metered prior to commingling it with production from another well.
5. Applicant shall measure and market the commingled oil at a central tank battery described in Exhibit A in accordance with this Order and 19.15.18.15. NMAC or 19.15.23.8. NMAC.
6. Applicant shall measure and market the commingled gas at a well pad, central delivery point, central tank battery, or gas title transfer meter described in Exhibit A in accordance with this Order and 19.15.19.9. NMAC, provided however that if the gas is vented or flared, and regardless of the reason or authorization pursuant to 19.15.28.8.B. NMAC for such venting or flaring, Applicant shall measure or estimate the gas in accordance with 19.15.28.8.E. NMAC.
7. Applicant shall calibrate the meters used to measure or allocate oil and gas production in accordance with 19.15.12.10.C.(2) NMAC.
8. If the commingling of oil and gas production from any pool, lease, or well reduces the value of the commingled oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new surface commingling application to OCD to amend this Order to remove the pool, lease, or well whose oil and gas production caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.

9. Applicant may submit an application to amend this Order to add pools, leases, and subsequently drilled wells with spacing units adjacent to or within the tracts commingled by this Order by submitting a Form C-107-B in accordance with 19.15.12.10.C.(4)(g) NMAC, provided the pools, leases, and subsequently drilled wells are within the identified parameters included in the Application.
10. If a well is not included in Exhibit A but produces from a pool and lease identified in Exhibit A, then Applicant shall submit Forms C-102 and C-103 to the OCD Engineering Bureau after the well has been approved to be drilled and prior to off-lease measuring or commingling oil or gas production from it with the production from another well. The Form C-103 shall reference this Order and identify the well, proposed method to determine the allocation of oil and gas production to it, and the location(s) that commingling of its production will occur.
11. Applicant shall not commence commingling oil or gas production from state, federal, or tribal leases until approved by the BLM or NMSLO, as applicable.
12. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).
13. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



DYLAN M. FUGE
DIRECTOR

DATE: 7/21/23_____

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **PLC-899**

Operator: **Tap Rock Operating, LLC (372043)**

Central Tank Battery: **Schlitz Central Tank Battery**

Central Tank Battery Location: **SW/4 Section 16, Township 25 South, Range 26 East**

Gas Title Transfer Meter Location: **SW/4 Section 16, Township 25 South, Range 26 East**

Pools

| Pool Name | Pool Code |
|----------------------------------|-----------|
| COTTONWOOD DRAW; BONE SPRING (O) | 97494 |
| PURPLE SAGE; WOLFCAMP (GAS) | 98220 |

Leases as defined in 19.15.12.7(C) NMAC

| Lease | UL or Q/Q | S-T-R |
|-------------------------|-----------|------------|
| Fee | N/2 NW/4 | 9-25S-26E |
| Fee | SW/4 NW/4 | 9-25S-26E |
| Fee | SE/4 NW/4 | 9-25S-26E |
| Fee | W/2 SW/4 | 9-25S-26E |
| NMNM 105450435 (019836) | NE/4 SW/4 | 9-25S-26E |
| NMNM 105369821 (100324) | SE/4 SW/4 | 9-25S-26E |
| V0 5711 0001 | NW/4 | 16-25S-26E |
| V0 5710 0001 | SW/4 | 16-25S-26E |

Wells

| Well API | Well Name | UL or Q/Q | S-T-R | Pool |
|--------------|---------------------------|-----------|------------|-------|
| 30-015-53350 | Schlitz Federal Com #121H | W/2 | 9-25S-26E | 97494 |
| | | W/2 | 16-25S-26E | |
| 30-015-53351 | Schlitz Federal Com #141H | W/2 | 9-25S-26E | 97494 |
| | | W/2 | 16-25S-26E | |
| 30-015-49950 | Schlitz Federal Com #151H | W/2 | 9-25S-26E | 97494 |
| | | W/2 | 16-25S-26E | |
| 30-015-49942 | Schlitz Federal Com #152H | W/2 | 9-25S-26E | 97494 |
| | | W/2 | 16-25S-26E | |
| 30-015-49022 | Schlitz Federal Com #202H | W/2 | 9-25S-26E | 98220 |
| | | W/2 | 16-25S-26E | |
| 30-015-47671 | Schlitz Federal Com #211H | W/2 | 9-25S-26E | 98220 |
| | | W/2 | 16-25S-26E | |
| 30-015-47672 | Schlitz Federal Com #231H | W/2 | 9-25S-26E | 98220 |
| | | W/2 | 16-25S-26E | |
| 30-015-49025 | Schlitz Federal Com #232H | W/2 | 9-25S-26E | 98220 |
| | | W/2 | 16-25S-26E | |

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit B

Order: **PLC-899**
Operator: **Tap Rock Operating, LLC (372043)**

Pooled Areas

| Pooled Area | UL or Q/Q | S-T-R | Acres | Pooled Area ID |
|----------------------------|-----------|------------|-------|----------------|
| CA Wolfcamp NMNM 105775287 | W/2 | 9-25S-26E | 640 | A |
| | W/2 | 16-25S-26E | | |
| CA Bone Spring BLM | W/2 | 9-25S-26E | 640 | B |
| | W/2 | 16-25S-26E | | |

Leases Comprising Pooled Areas

| Lease | UL or Q/Q | S-T-R | Acres | Pooled Area ID |
|-------------------------|-----------|------------|-------|----------------|
| Fee | N/2 NW/4 | 9-25S-26E | 80 | A |
| Fee | SW/4 NW/4 | 9-25S-26E | 40 | A |
| Fee | SE/4 NW/4 | 9-25S-26E | 40 | A |
| Fee | W/2 SW/4 | 9-25S-26E | 80 | A |
| NMNM 105450435 (019836) | NE/4 SW/4 | 9-25S-26E | 40 | A |
| NMNM 105369821 (100324) | SE/4 SW/4 | 9-25S-26E | 40 | A |
| V0 5711 0001 | NW/4 | 16-25S-26E | 160 | A |
| V0 5710 0001 | SW/4 | 16-25S-26E | 160 | A |
| Fee | N/2 NW/4 | 9-25S-26E | 80 | B |
| Fee | SW/4 NW/4 | 9-25S-26E | 40 | B |
| Fee | SE/4 NW/4 | 9-25S-26E | 40 | B |
| Fee | W/2 SW/4 | 9-25S-26E | 80 | B |
| NMNM 105450435 (019836) | NE/4 SW/4 | 9-25S-26E | 40 | B |
| NMNM 105369821 (100324) | SE/4 SW/4 | 9-25S-26E | 40 | B |
| V0 5711 0001 | NW/4 | 16-25S-26E | 160 | B |
| V0 5710 0001 | SW/4 | 16-25S-26E | 160 | B |

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 Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

COMMENTS

Action 243709

COMMENTS

| | |
|--|--|
| Operator: TAP ROCK OPERATING, LLC 523 Park Point Drive Golden, CO 80401 | OGRID: 372043 |
| | Action Number: 243709 |
| | Action Type: [IM-SD] Admin Order Support Doc (ENG) (IM-AAO) |

COMMENTS

| Created By | Comment | Comment Date |
|------------|----------------------------------|--------------|
| dmcclure | Approved under Action ID: 192964 | 7/24/2023 |

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 Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

CONDITIONS

Action 243709

CONDITIONS

| | |
|--|--|
| Operator: TAP ROCK OPERATING, LLC 523 Park Point Drive Golden, CO 80401 | OGRID: 372043 |
| | Action Number: 243709 |
| | Action Type: [IM-SD] Admin Order Support Doc (ENG) (IM-AAO) |

CONDITIONS

| Created By | Condition | Condition Date |
|------------|--|----------------|
| dmcclure | Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me. | 7/24/2023 |