

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

**APPLICATION OF CHEVRON U.S.A. INC.
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 16132

**APPLICATION OF CHEVRON U.S.A. INC.
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 16133

**APPLICATION OF TAP ROCK, LLC FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.**

CASE NO. 16134

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

CASE NO. 16160

DOUGLAS MCLEOD'S CLOSING STATEMENT

Mr. Douglas McLeod submits the following closing statement for the above-referenced cases pursuant to an agreement by the parties at May 18, 2018 hearing:

INTRODUCTION

Case Nos. 16133 and 16134 contain competing development plans which both involve the Wolfcamp formation in the SE/4 of Section 14. In Case No. 16133, Chevron U.S.A. Inc. ("Chevron") proposes to drill three Wolfcamp wells that will develop this acreage, as part of its

initial development plans. These wells will each consist of 1.5 mile laterals. In Case No. 16134, Tap Rock Resources, LLC (“Tap Rock”) proposes to drill only one Wolfcamp well in its application, and the lateral for this well will only be 1 mile long.

Similarly, Case Nos. 16132 and 16160 involve competing developments for the Bone Spring formation within the SE/4 of Section 14. In Case No. 16132, Chevron proposes to drill three Bone Spring wells, which will each consist of 1.5 mile laterals. In Case No. 16160, Tap Rock seeks to drill one Bone Spring well with a lateral that will be 1 mile long.

In addition to Chevron’s and Tap Rock’s proposals, EOG has recently filed applications seeking to develop the S/2 of Section 14 with numerous wells. EOG has pending applications for both the Bone Spring and Wolfcamp formations. EOG has proposed to drill four Bone Spring wells, and one Wolfcamp well within the SE/4 of Section 14. It is clear that EOG and Chevron has proposed more wells in the applications pending before the Division and that these additional wells will result in greater recovery and the reduction of waste. As a result, Mr. McLeod asks that the Division deny Tap Rock’s applications.

A comparison of these competing development plans is as follows:

BONE SPRING			
	Tap Rock	Chevron	EOG
No. of Wells	1	3	4
Well Names	<ul style="list-style-type: none"> Double Diamond 24S31E1414 158H 	<ul style="list-style-type: none"> SND 11 14 Fed Com 003 #4 SND 11 14 Fed Com 003 #5 SND 11 14 Fed Com 003 #6 	<ul style="list-style-type: none"> Haracz 23 Fed Com 209H; Haracz 23 Fed Com 207H Haracz 23 Fed Com 603H Haracz 23 Fed Com 615H
Lateral Length	1 mile	1.5 miles	1.5 miles
Target	Third BS Carbonate	Avalon	Leonard; Avalon; Third Bone Spring

WOLFCAMP			
	Tap Rock	Chevron	EOG
No. of Wells	1	3	1
Well Names	<ul style="list-style-type: none"> Double Diamond 24S31E1414 238H 	<ul style="list-style-type: none"> SND 11 14 Fed Com 004 #4 SND 11 14 Fed Com 004 #5 SND 11 14 Fed Com 004 #6 	<ul style="list-style-type: none"> Haracz 23 Fed Com 715H
Lateral Length	1 mile	1.5 miles	1.5 miles
Target	Wolfcamp B	Wolfcamp A and A-1	Upper Wolfcamp

Tap Rock is a new operator with very little experience operating within Eddy County. It has previously only drilled one horizontal well within Eddy County and it operates only one other vertical well. Tap Rock's proposed development plans fail to coincide with development plans followed by other operators within the area including (but not limited to) both Chevron and EOG.

Tap Rock proposes to target less developed subparts of both the Bone Spring and Wolfcamp formations. However, prior to drilling these wells it has failed to acquire any seismic data, core samples or other information which supports its opinion that this plan of development will not result in waste or sub-par recovery. This is concerning to Mr. McLeod, particularly after reviewing the development plans pursued by other operators within the area, including Oxy, COG, Chevron and EOG. *See, e.g.*, permits filed for wells within Section 13, 11, 15, and 23, T24S, R31E.

Mr. McLeod's objection to Tap Rock's 2-well development plan is simple – drilling too few one-mile wells within the spacing and proration units will result in waste and lower recovery. Mr. McLeod also does not support Tap Rock's plan to drill wells in questionable subparts of the formation(s). On November 22, 2017, Mr. McLeod specifically expressed these concerns to Tap Rock in a detailed letter. *See* McLeod, Exhibit 3. Tap Rock ignored Mr. McLeod's concerns. More recently, Mr. McLeod offered Tap Rock \$1,000,000 if Tap Rock

withdraws its proposals and allows either Chevron or EOG to operate the acreage. *See* May 23, 2018 Email, attached as **Exhibit A** hereto. The impetus behind this offer is simple – Mr. McLeod believes that Tap Rock’s development plan is substantially inferior and that it will result in waste and lack of development. Tap Rock has not yet responded to this offer.

LEGAL AUTHORITY

The Oil and Gas Act, NMSA 1978, § 70-2-1, *et seq.*, expressly prohibits the creation of waste. Section 70-2-2 states “[t]he production or handling of crude petroleum oil or natural gas of any type or in any form . . . in such manner or under such conditions or in such amounts as to constitute or result in waste is each hereby prohibited.” The statute further explains that waste may occur underground by “the locating, spacing, drilling, equipping, operating or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool[.]” NMSA 1978, § 70-2-3. Pursuant to this statutory language, the Oil Conservation Commission (the “Commission”) has issued regulations indicating that correlative rights may only be considered by the Division when doing so will not result in waste. *See* 19.15.2.7.C.13 NMAC. In fact, the term “correlative rights” has been defined as:

the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce **without waste** the owner's just and equitable share of the oil or gas in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained **without waste**, substantially in the proportion that the quantity of recoverable oil or gas under the property bears to the total recoverable oil or gas in the pool, and for the purpose to use the owner's just and equitable share of the reservoir energy.

Id. (emphasis added). Thus, the concept of correlative rights cannot be utilized to support a development plan that will result in the creation of waste.

In several Commission and Division Orders, the agency has more recently concluded that the comparison of geologic evidence and prospect difference between the two applications is “*the most important consideration in awarding operations to competing interest owners.*” Order R-14526, p. 6 (quoting Order R-10731-B) (emphasis in the original); *see also* Order R-14443 (focusing primarily on geologic and recovery issues when evaluating competing development plans). When reviewing such competing development plans, the Division considers and weighs the following factors:

- (a) A comparison of geologic evidence, and the potential of each proposal to efficiently recover oil and gas underlying the property;
- (b) A comparison of risks associated with the parties’ respective proposals;
- (c) A review of negotiations between the competing parties, to ensure that the parties attempted to negotiate in good faith;
- (d) A comparison of the ability of each party to prudently operate the property, and thereby, prevent waste;
- (e) A comparison of differences in well cost estimates;
- (f) A comparison of differences in administrative and supervisions expenses; and
- (g) An evaluation of the mineral interest ownership held by each party at the time the application was filed.¹

See Order R-14526; Order R-14518; Order R-107331-B; Order R-14443; and Order R-13372-D.

These factors weigh heavily in the favor of denying Tap Rock’s applications, and further considering Chevron’s and EOG’s development plans.

¹ In cases in which there is no difference in the development plans and geologic evidence presented, the Division will look at issues such as “working interest control” and who first proposed wells within the area. *See* Order R-11869; Order R-12511-A. These factors likely weigh in the favor of Chevron’s development plans.

ARGUMENT

I. TAP ROCK'S APPLICATIONS WILL RESULT IN WASTE AND POSE SIGNIFICANT RISK.

When applying the above factors articulated in Orders R-14526 and R-107331-B, it is clear that Tap Rock's applications in Case Nos. 16134 and 16160 should be denied. The below chart summarizes a comparison of these factors as follows:

	Tap Rock's Proposal	Chevron's and EOG's Proposals
Geologic Evidence	Tap Rock testified that it does not have seismic data, core samples, or prior drilling operations in the area.	Chevron and EOG have seismic data and other data for the Bone Spring and Wolfcamp formations within the area. Thus, they have superior geologic information when drilling their proposed wells.
Targeted Formations	<ul style="list-style-type: none"> • Tap Rock's targeted formations are not within the sub-parts of the Bone Spring and Wolfcamp formations typically targeted by most other operators in the area. • Tap Rock lacked information at hearing concerning recovery from other wells drilled to similar lengths and depths. 	Chevron and EOG are both targeting zones known to be productive in Eddy County.
Recovery/Waste	Significant waste will occur under Tap Rock's development plan because Tap Rock intends to drill its initial wells and then later drill infill wells, resulting in both formation pressure problems and waste created by the parent/child well relationships that will be formed. In addition, Tap Rock will drill shorter laterals.	Chevron and EOG have proposed to drill longer laterals that will result in greater recovery. In addition, Chevron and EOG will be using completion operations which will help prevent waste created through the parent/child well relationship.
Risk	Both EOG and Chevron testified that Tap Rock's targets were riskier, and were not common targets for initial wells drilled in the area.	There is less risk under both Chevron's and EOG's proposals because they have previously drilled numerous wells in Eddy County and are targeting good prospective zones.
Ability to Prudently Operate	Tap Rock's ability to prudently operate is largely unknown since Tap Rock is a new entity.	Chevron and EOG both have a history of prudent operations in New Mexico.
Evaluation of Mineral Ownership	Chevron owns a slightly larger interest in Tap Rock's proposed spacing units.	<ul style="list-style-type: none"> • Chevron owns the majority of mineral interest in both formations under its proposals. • Further factual information is needed regarding EOG's ownership percentages.

These factors clearly show that Tap Rock has not presented the superior development plan. Furthermore, EOG and Chevron both testified that waste will be created by appointing different operators for the Bone Spring and Wolfcamp formations (or for just certain portions of the Bone Spring formation). As a result, Tap Rock's applications must be denied.

II. TAP ROCK'S EFFORT TO AMEND ITS APPLICATION DOES NOT RESOLVE THE ISSUES RELATED TO ITS FAILURE TO NOTIFY OR SEND WELL PROPOSALS TO EOG.

In addition, the Division should not amend Tap Rock's application as to cover the Cotton Draw-Bone Spring Pool, as requested by Tap Rock at hearing. First, the Division does not typically allow parties in contested cases to amend their applications in the middle of a hearing, as this impairs the ability of other parties to properly prepare their cases, exhibits, and arguments to address such issues. Second, the relief requested does not further Tap Rock's case.

At hearing, Tap Rock represented that it only seeks to pool interests in the Bone Spring formation within the Cotton Draw-Bone Spring Pool (Pool Code 13367). However, this pool appears to cover all depths within the Bone Spring formation. Attached hereto as **Exhibit B** are several approved drilling permits which show that the Cotton Draw-Bone Spring Pool includes wells drilled from 7,355' – 10,488'. Since Tap Rock indicated that its Third Bone Spring well also falls within this pool, it is clear that the Cotton Draw-Bone Spring pool applies to all depths within the Bone Spring formation – which includes mineral interests owned by EOG. Consequently, Tap Rock was required to send a well proposal letter to EOG and provide EOG with an opportunity to evaluate its AFE and opt in to the well. Tap Rock was also required to notify EOG of its applications. Tap Rock testified at hearing that it did not do this. As a result, Tap Rock's application as to the Bone Spring formation is not ripe as to EOG's interests within the Cotton Draw-Bone Spring pool, and Tap Rock cannot properly consolidate all of the interests

within the Cotton Draw-Bone Spring Pool without first obtaining EOG's consent or continuing the hearing.

III. TAP ROCK'S DELAYS AND ERRORS INDICATE THAT ITS APPLICATIONS SHOULD BE DENIED.

Finally, Tap Rock had ample time to (1) submit well proposals, and (2) pool uncommitted interests. It, however, waited until the last minute to do so. This is not Mr. McLeod's fault. Mr. McLeod has attempted to be transparent with Tap Rock and has tried to prompt Tap Rock to pursue better development plans for the area. In doing so, Mr. McLeod has consistently executed Tap Rock's AFE's in order to further development on the property in a prudent manner. Tap Rock, nonetheless waited until the last minute to apply for compulsory pooling and has been unable to obtain support for its development plans from Chevron and EOG. The following outlines Tap Rock's course of conduct:

Date	Event
June 21, 2017	Farmout agreement signed by Tap Rock with a one year term.
September 12, 2017	Tap Rock sent out (2) AFEs for two-mile laterals, received by Mr. McLeod September 18, for the Double Diamond 24S31E1411 #201H and #208H wells targeting the Wolfcamp A X/Y.
September 20, 2017	Mr. McLeod signed the Double Diamond 24S31E1411 #201H and #208H AFEs and returned them.
November 1, 2017	Mr. McLeod received (4) AFEs for the one-mile lateral Double Diamond 24S31E1414 #224, #228H, #234H, and #238H wells targeting the Wolfcamp B and Wolfcamp B Lower.
November 14, 2017	Mr. McLeod signed the Double Diamond 24S31E1414 #224, #228H, #234H, and #238H AFEs and returned them
November 22, 2017	Mr. McLeod sent a letter to Tap Rock Operating, LLC stating several objection to the (4) October 30 well proposals because of concerns with this development plan, in hope that the plan would be amended.
March 1, 2018	Mr. McLeod received (3) AFEs, for the Diamond 24S31E1414 #158H, #201H. And #238H wells. The #158H introduced a new target, the 3rd Bone Spring Carbonate, but showed an incorrect TVD of 12,850 feet, and an incorrect measured depth of 17,850 feet.
March 6, 2018	Mr. McLeod signed and returned the Double Diamond 24S31E1414 #158H AFE.
March 12, 2018	Mr McLeod received a letter from Tap Rock Resources, LLC rescinding five wells proposals for the following wells: Double Diamond 24S31E1411 # 201H and #208H, Double Diamond 24S31E1414 #224H, #228H, and #234H wells. Thus, these proposals are no longer active.

It is unclear why Tap Rock waited several months before proposing wells, or why it rescinded the vast majority of its well proposals submitted to Mr. McLeod. *See* rescission letter, attached as **Exhibit C**. What is clear is that Tap Rock was not ready to seriously commit to any of its drilling proposals until close to the end of the one-year term of the farmout agreement.

Even now, additional errors in Tap Rock's development plans are being discovered by the parties. For example, Tap Rock's approved APD for the 238H well in application 16160 lists a proposed depth that differs from the depth for its Wolfcamp well that was presented at hearing. In its permit, Tap Rock represented that its Wolfcamp well would be drilled to a depth of 12,894'. Tap Rock's well proposal letter (Tap Rock, Exhibit 5), however, states that the well will be drilled to a depth of 12,850'. In contrast to both of these representations, Tap Rock's technical exhibits instead show that this Wolfcamp well will be drilled to a shallower depth of around 12,600'. *See* Tap Rock Exhibits 16, 23. It is completely unclear from these documents where the well will be drilled, and it is likely that prior to drilling to the desired depth that Tap Rock will need to amend its APD with the BLM by getting an approved Sundry Notice. Again these errors and delays are created by Mr. McLeod, Chevron or EOG – they are created by Tap Rock. Tap Rock has consistently changed its drilling plans, leading to several issues arising at the eleventh hour and, as a result, it should not be appointed as operator in the S/2 of Section 14.

CONCLUSION

For the foregoing reasons, Mr. McLeod asks that applications 16134 and 16160 be denied and that further hearings be set to evaluate Chevron's and EOG's applications.

Respectfully submitted,
MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

By: 

Earl E. DeBrine, Jr.
Jennifer L. Bradfute
Post Office Box 2168
Bank of America Centre
500 Fourth Street NW, Suite 1000
Albuquerque, New Mexico 87103-2168
Telephone: 505.848.1800

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on counsel of record by electronic mail on May 23, 2018:

James Bruce
369 Montezuma No. 213
Santa Fe, NM 87501
jamesbruc@aol.com

Gary Larson
Hinkle Shanor LLP
218 Montezuma Ave.
Santa Fe, NM 87501
glarson@hinklelawfirm.com

Ernest Padilla
Padilla Law Firm, PA
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epadillaplf@qwestoffice.net

By: _____


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Albuquerque, New Mexico 87103-2168
Telephone: 505.848.1800

Jennifer L. Bradfute

From: Douglas McLeod <dcmcleod@gmail.com>
Sent: Wednesday, May 23, 2018 10:19 AM
To: Clayton Sporich; rlondon@taprk.com
Cc: Jennifer L. Bradfute
Subject: Re: TapRock Douglas McLeod PA, undoing of PA upon refund of 1,000,000\$

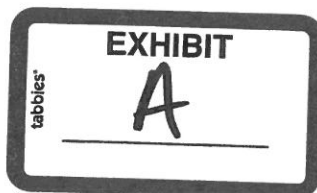
As I haven't had a response from Tap Rock as you both had indicated, I would receive, when we spoke on Monday morning I would like to make the offer contingent upon acceptance by Tap Rock until Noon, tomorrow, May 24, 2018. At that time offer is withdrawn. Respectfully, Douglas Cameron McLeod

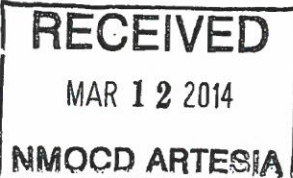
> On 20 May 2018, at 11:02, Douglas McLeod <dcmcleod@gmail.com> wrote:

>

> Dear Sirs: As per Friday with Clayton, as previously offered, should Tap Rock's plans have changed. I would agree to immediately reimburse Tap Rock's 1, 000,000 \$ Farm-out Deposit in return for extinguishment of our Agreement. Best Regards, Douglas McLeod

>





ATS-13-893

Form 3160-3
(March 2012)

OCD Hobbs

FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM097126	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Cimarex Energy Co.		7. If Unit or CA Agreement, Name and No.	
3a. Address 202 S. Cheyenne Ave, Suite 1000; Tulsa OK 74103		8. Lease Name and Well No. White City 8 Federal 3H <312447>	
3b. Phone No. (include area code) 918-295-1799		9. API Well No. 30-015-42160	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At Surface 330 FSL & 2030 FWL At proposed prod. Zone 330 FNL & 1980 FWL Horizontal Bone Spring test		10. Field and Pool, or Exploratory Bone Spring Wildcat	
14. Distance in miles and direction from nearest town or post office* Approx 10 miles SW of Malaga, NM		11. Sec., T. R. M. or Blk. and Survey or Area 8,25S,27E <13367>	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line if any) 330'	16. No of acres in lease 640 acres	17. Spacing Unit dedicated to this well 160 acres	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1700'	19. Proposed Depth 11,791' MD 7,355' TVD	20. BLM/BIA Bond No. on File NM2575; NMB000835	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3220' GR	22. Approximate date work will start* 08.15.13	23. Estimated duration 35 days	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan | 5. Operator Certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Hope Knauls</i>	Name (Printed/Typed) Hope Knauls	Date 06.11.13
-------------------------------------	-------------------------------------	------------------

Regulatory Compliance	
Approved By (Signature) <i>/s/ STEPHEN J. CAFFEY</i>	Name (Printed/Typed) STEPHEN J. CAFFEY
Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.S. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

*(Instructions on page 2)

SEE ATTACHED FOR
CONDITIONS OF APPROVALGeneral Requirements Attached
Carlsbad Controlled Water Basin

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

G-06-59

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

5. Lease Serial No.
NMNM 029234

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.
LOTOS 10 FEDERAL 6

9. API Well No.

10. Field and Pool, or Exploratory

COTTON DRAW; BONESPRING

11. Sec., T. R. M. or Blk. and Survey or Area

10 - 24S - 31E

12. County or Parish
EDDY

13. State
NM

1a. Type of work: ☒ DRILL

☐ REENTER

R-111-POTASH

Fcd

1b. Type of Well:

☒ Oil Well

☐ Gas Well

☐ Other

☐ Single Zone

☐ Multiple Zone

2. Name of Operator

CHESAPEAKE OPERATING, INC.

ATTN: LINDA GOOD

3a. Address P.O. BOX 18496, OKLAHOMA CITY, OK
73154-0496

3b. Phone No. (include area code)
405-767-4275

4. Location of Well (Report location clearly and in accordance with any State requirements.)*

At surface 660 FNL 1980 FEL, NW NE

At proposed prod. zone SAME

14. Distance in miles and direction from nearest town or post office*
APPROX. 33 MILES WEST OF JAL, NEW MEXICO

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

16. No. of acres in lease

1280

17. Spacing Unit dedicated to this well

40

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.

19. Proposed Depth

8350

20. BLM/BIA Bond No. on file

NM2634

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3477 GR 3492 KB

22. Approximate date work will start*

23. Estimated duration

24. Attachments CARLSBAD CONTROLLED WATER BASIN

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.

2. A Drilling Plan.

3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).

5. Operator certification

6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature

Name (Printed/Typed)

HENRY HOOD

Date

4/24/06

Title

SE VICE PRESIDENT - LAND & LEGAL

Approved by (Signature)*

/s/ Linda S.C. Rundell

Name (Printed/Typed)

/s/ Linda S.C. Rundell

Date

JUN 07 2006

Title

STATE DIRECTOR

Office

NM STATE OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

APPROVAL FOR 1 YEAR

DECLARED WATER BASIN
CEMENT BEHIND THE
CASING MUST BE

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

R-111-Potash
Cement behind the 8 5/8"
Casing must be CIRCULATED
WITNESS

S-17 29.5

D.R.G.,
ENGINEERING OK! 5/18/06

NM OIL CONSERVATION
ARTESIA DISTRICT

FEB 26 2018

FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No.
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. 320832 CAL-MON MDP1 35 FEDERAL 2H
2. Name of Operator OXY USA INCORPORATED		9. API Well No. 30-015-44772
3a. Address 5 Greenway Plaza, Suite 110 Houston TX 770	3b. Phone No. (include area code) 16696 (713)366-5716	10. Field and Pool, or Exploratory COTTON DRAW BONE SPRING / 2ND I
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface NWNW / 110 FNL / 1002 FWL / LAT 32.267885 / LONG -103.7538813 At proposed prod. zone SWSW / 180 FSL / 1260 FWL / LAT 32.2541629 / LONG -103.7530458		11. Sec., T. R. M. or Blk. and Survey or Area SEC 35 / T23S / R31E / NMP
14. Distance in miles and direction from nearest town or post office* 21 miles		12. County or Parish EDDY
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 50 feet		13. State NM
16. No. of acres in lease 640		17. Spacing Unit dedicated to this well 160
18. Distance from proposed location* to nearest well, drilling, completed, 30 feet applied for, on this lease, ft.		20. BLM/BIA Bond No. on file FED: ESB000226
19. Proposed Depth 10130 feet / 14951 feet		21. Estimated duration 20 days
22. Approximate date work will start* 06/16/2018		23. Estimated duration 20 days
24. Attachments		

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature (Electronic Submission)	Name (Printed/Typed) David Stewart / Ph: (713)366-5716	Date 06/26/2017
Title Sr. Regulatory Advisor		
Approved by (Signature) (Electronic Submission)	Name (Printed/Typed) Cody Layton / Ph: (575)234-5959	Date 02/07/2018
Title Supervisor Multiple Resources		

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

*(Instructions on page 2)

APPROVED WITH CONDITIONS
Approval Date: 02/07/2018

RWP 2-28-18

OCD Artesia
NM OIL CONSERVATION
ARTESIA DISTRICT

JAN 22 2015

Form 3160-3
(March 2012)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM000503
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator: Devon Energy Production Company, L.P.		7. If Unit or CA Agreement, Name and No. Cotton Draw Unit NM 70928X (300635)
3a. Address: 333 W. Sheridan Oklahoma City, OK 73102-5010		8. Lease Name and Well No. Cotton Draw Unit 227H
3b. Phone No. (include area code) 405.228.7203		9. API Well No. 30-015-42932
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface: 200 FNL & 660 FEL Unit A PP: 200 FNL & 660 FEL At proposed prod. zone: 330 FSL & 660 FEL Unit P		10. Field and Pool, or Exploratory Cotton Draw; Bone Spring (13367)
11. Sec., T. R. M. or Blk. and Survey or Area Sec. 11 T25S R31E		12. County or Parish Eddy County
13. State NM		14. Distance in miles and direction from nearest town or post office* Approximately 20 miles SE of Malaga, NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) See attached map	16. No. of acres in lease NMNM000503 - 2,360 ac	17. Spacing Unit dedicated to this well 160 ac
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. See attached map	19. Proposed Depth 14,899' MD 10,448' TVD	20. BLM/BIA Bond No. on file CO-1104; NBM-000801
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3,454.4 GL	22. Approximate date work will start* 09/01/2014	23. Estimated duration 45 Days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

- | | |
|---|---|
| 1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office). | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the BLM. |
|---|---|

25. Signature:	Name (Printed/Typed) Trina C. Couch	Date 06/18/2014
Title Regulatory Analyst		
Approved by (Signature):	Name (Printed/Typed) Steve Caffey	Date JAN 15 2015
Title FIELD MANAGER		
Office CARLSBAD FIELD OFFICE		

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Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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(Continued on page 2)

*(Instructions on page 2)

NM OIL CONSERVATION
ARTESIA DISTRICT

Carlsbad Controlled Water Basin

JAN 22 2015

RECEIVED

Approval Subject to General Requirements
& Special Stipulations Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL.

1/28/2015

OCD Artesia
NM OIL CONSERVATION
ARTESIA DISTRICT

JAN 22 2015

Form 3160-3
(March 2012)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014

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13. State NM		14. Distance in miles and direction from nearest town or post office* Approximately 20 miles SE of Malaga, NM	
15. Distance from proposed* See attached map location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		16. No. of acres in lease NMNM000503 - 2,360 ac	
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25. Signature		Name (Printed/Typed) Trina C. Couch		Date 06/18/2014	
Title Regulatory Analyst					
Approved by (Signature)		Name (Printed/Typed) Steve Caffey		Date JAN 15 2015	
Title FIELD MANAGER		Office CARLSBAD FIELD OFFICE			

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(Continued on page 2)

NM OIL CONSERVATION
ARTESIA DISTRICT

*(Instructions on page 2)

Carlsbad Controlled Water Basin

JAN 22 2015

1/28/2015

RECEIVED

Approval Subject to General Requirements
& Special Stipulations Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL.

Scanned/Emailed



March 9, 2018

Douglas Cameron McLeod
C/O Petrogulf Corporation
600 Grant Street, Suite 850
Denver, Colorado 80203

RE: Double Diamond Proposals

RECEIVED
MAR 12 2018

Dear Mr. McLeod,

This letter serves as formal notice that Tap Rock is **rescinding** the below five (5) proposals:

1. Double Diamond 24S31E1411 #201H [2 mile lateral]
2. Double Diamond 24S31E1411 #208H [2 mile lateral]
3. Double Diamond 24S31E1414 #224H [1 mile lateral]
4. Double Diamond 24S31E1414 #228H [1 mile lateral]
5. Double Diamond 24S31E1414 #234H [1 mile lateral]

This letter is **not rescinding** the proposals you have received for the below two (2) wells, as Tap Rock Resources fully plans to execute these wells in 2018:

1. Double Diamond 24S31E1414 #238H [1 mile lateral]
2. Double Diamond 24S31E1414 #158H [1 mile lateral]

Please let me know if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Erica Hixson".

Erica Hixson
ehixson@taprk.com
Land
Tap Rock Resources, LLC

