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April 9, 2018

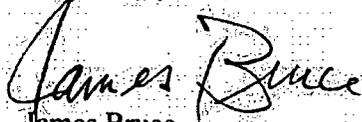
Case 16160

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

Dear Florene:

Enclosed for filing, on behalf of Tap Rock Resources, LLC, are an application for a non-standard unit and compulsory pooling, together with a proposed advertisement. Please set the application for the May 17, 2018 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Tap Rock Resources, LLC

Parties Notified

**Chevron U.S.A. Inc.
6301 Deauville Boulevard
Midland, Texas 79706**

Attention: Permitting Team

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

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

Case No. 16160

APPLICATION

Tap Rock Resources, LLC applies for an order (1) creating a 160-acre spacing and proration unit comprised of the E/2E/2 of Section 14, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is a working interest owner in the E/2E/2 of Section 14, and has the right to drill thereon.
2. Applicant proposes to drill the Double Diamond 24S31E1414 Well No. 158H to a depth sufficient to test the Bone Spring formation, and dedicate the E/2E/2 of Section 14 to the well to form a 160-acre non-standard oil and spacing and proration unit (project area) in the Bone Spring formation. The well will be a horizontal well, with a surface location in the SE/4SE/4 (Unit P), and a bottom hole location in the NE/4NE/4 (Unit A), of Section 14. The completed interval of the well will be orthodox.
3. Applicant has in good faith sought to obtain voluntary joinder of all other mineral interest owners in the E/2E/2 of Section 14 for the purposes set forth herein.
4. Although applicant attempted to obtain to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their

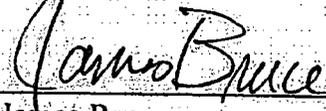
interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Bone Spring formation underlying the E/2E/2 of Section 14 pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit, and the pooling of mineral interests in the Bone Spring formation underlying the non-standard unit, will avoid the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a 160-acre non-standard spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2E/2 of Section 14;
- B. Pooling all uncommitted mineral interests in Bone Spring formation underlying the non-standard spacing and proration unit;
- C. Designating Tap Rock Operating, LLC as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the costs thereof among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk assumed by applicant in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,



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Attorney for Tap Rock Resources, LLC

PROPOSED ADVERTISEMENT

Case No. 16160 :

Application of Tap Rock Resources, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Tap Rock Resources, LLC seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2E/2 of Section 14, Township 24 South, Range 31 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the E/2E/2 of Section 14. The unit will be dedicated to the Double Diamond 24S31E1414 Well No. 158H, a horizontal well with a surface location in the SE/4SE/4, and a terminus in the NE/4NE/4, of Section 14. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of Tap Rock Operating, LLC as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 19-1/2 miles east of Malaga, New Mexico.