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May 29, 2018

HAND-DELIVERY

MAY 29 2018 PM 02:26

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

Case 16230

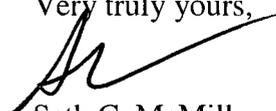
**Re: Application of Tap Rock Operating, LLC for a Non-Standard Oil Spacing
and Proration Unit, Compulsory Pooling, Eddy County, New Mexico**

Dear Ms. Davidson:

Enclosed please find for filing the original and one copy of an Application regarding the above matter. The proposed advertisement will also be emailed to you in Word format. Please set this matter for hearing on the June 28, 2018 examiner docket.

Thank you.

Very truly yours,



Seth C. McMillan

Enclosures

cc: Dana Arnold (via email, w/encs.)

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

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

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

MAY 29 2018 PM02:26

Case No. 16230

APPLICATION

Tap Rock Operating, LLC ("Tap Rock") applies for an order approving a non-standard spacing and proration unit comprised of the E/2 of Section 29 and the E/2 of Section 32, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico, pooling all mineral interests in the Wolfcamp formation (Purple Sage-Wolfcamp Pool) underlying the non-standard unit, and in support thereof, states:

1. Applicant is the operating affiliate of Tap Rock Resources, LLC.
2. Tap Rock Resources, LLC is an interest owner in the lands that are the subject of this application, and has the right to drill thereon.
3. Applicant proposes to drill its **Money Graham 26S29E3229 208H** and **Money Graham 26S29E3229 234H** wells to a depth sufficient to test the Wolfcamp formation.
4. Applicant seeks to dedicate the E/2 of Section 29 and the E/2 of Section 32 to form a non-standard 480-acre \pm oil spacing and proration unit (project area) in the Wolfcamp formation as follows:
 - a. The **Money Graham 26S29E3229 208H** well is an approximately 1.5-mile horizontal well with a surface location approximately 320 feet from the south line and 760 feet from the east line of Section 32, and a bottom hole location 200 feet from the north

line and 337 feet from the east line of Section 29. The first and last take points for the well will be located within the designated setbacks for the pool for the well's project area.

b. The **Money Graham 26S29E3229 234H** well is an approximately 1.5-mile horizontal well with a surface location approximately 320 feet from the south line and 785 feet from the east line of Section 32, and a bottom hole location 200 feet from the north line and 337 feet from the east line of Section 29. The first and last take points for the well will be located within the designated setbacks for the pool for the well's project area.

5. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the Wolfcamp formation in the proposed project area for the purposes set forth herein.

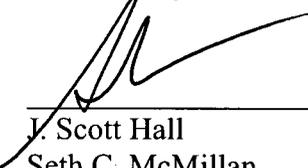
6. Although Applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Wolfcamp formation. Applicant seeks to dedicate the E/2 of Section 29 and the E/2 of Section 32, pursuant to NMSA 1978, §§ 70-2-17, 18.

7. Approval of the non-standard unit and the pooling of all mineral interests in the Wolfcamp formation underlying the E/2 of Section 29 and the E/2 of Section 32 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing on June 28, 2018 and that, following notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit and pooling all mineral interests in the E/2 of Section 29 and the E/2 of Section 32, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico;
- B. Designating Applicant as operator of the well;
- C. Considering the cost of drilling and completing the wells, and allocating the cost among the wells' working interest owners or mineral interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner or mineral interest owner elects not to participate in the wells.

Respectfully submitted,



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Attorneys for Tap Rock Operating, LLC

Case No. ~~16250~~ : Application of Tap Rock Operating, LLC for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order approving a non-standard spacing and proration unit comprised of the E/2 of Section 29 and the E/2 of Section 32, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico, pooling all mineral interests in the Wolfcamp formation (Purple Sage-Wolfcamp Pool) underlying the non-standard unit. The unit will be dedicated to Applicant's proposed **Money Graham 26S29E3229 208H** and **Money Graham 26S29E3229 234H** wells. The Money Graham 26S29E3229 208H well is an approximately 1.5-mile horizontal well with a surface location approximately 320 feet from the south line and 760 feet from the east line of Section 32, and a bottom hole location 200 feet from the north line and 337 feet from the east line of Section 29. The Money Graham 26S29E3229 234H well is an approximately 1.5-mile horizontal well with a surface location approximately 320 feet from the south line and 785 feet from the east line of Section 32, and a bottom hole location 200 feet from the north line and 337 feet from the east line of Section 29. The first and last take points for both wells will be located within the designated setbacks for the pool for the wells' project area. 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 16 miles south of downtown Malaga, New Mexico.