

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

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

**Case No. 16467**

**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 (1) creating a standard 640-acre, more or less, horizontal spacing and proration unit comprised of the N/2 of Section 7 and the N/2 of Section 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, pooling all mineral interests in the Bone Spring formation (Cass Draw Bone Spring; Pool code 10380) underlying the standard unit, and (2) pooling all uncommitted interests in the Bone Spring formation (Cass Draw Bone Spring; Pool code 10380). In support of its application, Tap Rock states:

1. Tap Rock is a working interest owner in the proposed standard horizontal spacing unit and has the right to drill thereon.
2. Tap Rock proposes to dedicate the above-referenced standard horizontal spacing and proration unit for its proposed **Old Chub 23S27E0807 Fed Com #131H** well, to be horizontally drilled from an approximate surface location 742' FNL and 396' FEL of Section 8 to a bottom hole location 660' FNL and 5' FWL of Section 7. This is the "defining well" for this unit.

3. Also to be drilled is the following infill well: **Old Chub 23S27E0807 Fed Com #132H well**, to be horizontally drilled from an approximate surface location 1785' FNL and 390' FEL of Section 8 to a bottom hole location 1980' FNL and 5' FWL of Section 7.

4. The completed intervals and first and last take points for the Old Chub 23S27E0807 Fed Com #131H and Old Chub 23S27E0807 Fed Com #132H wells are within the setbacks required by state-wide pool rules.

5. Tap Rock has in good faith sought and been unable to obtain voluntary agreement for the development of these lands from all of the mineral interest owners in the subject horizontal spacing unit ("HSU").

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

7. 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 proposed HSU.

WHEREFORE, Tap Rock requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 1, 2018, and, after notice and hearing as required by law, the Division enter an order:

A. Creating a 640-acre, more or less, horizontal spacing and proration unit comprised of the N/2 of Section 7 and the N/2 of Section 8, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico pooling all mineral interests in the Bone Spring formation (Cass Draw Bone Spring; Pool code 10380) underlying the standard unit;

B. Pooling all uncommitted interests pooling all mineral interests in the Bone Spring formation (Cass Draw Bone Spring; Pool code 10380) underlying the standard HSU;

C. Designating the Old Chub 23S27E0807 Fed Com #131H well as the defining well for the standard HSU and allowing the drilling of the Old Chub 23S27E0807 Fed Com #132H well as an infill well;

D. Designating Tap Rock as operator of this standard HSU and the wells to be drilled thereon;

E. Authorizing Tap Rock to recover its costs of drilling, equipping and completing the wells;

F. Approving the actual operating charges and costs of supervision while drilling and after completion, 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 wells.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

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