

1                               STATE OF NEW MEXICO  
2               ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
3                               OIL CONSERVATION DIVISION  
4   IN THE MATTER OF THE HEARING CALLED  
5   BY THE OIL CONSERVATION DIVISION FOR  
6   THE PURPOSE OF CONSIDERING:  
7   APPLICATION OF TAP ROCK OPERATING,               CASE NO. 20321  
8   LLC FOR A STANDARD HORIZONTAL SPACING  
9   AND PRORATION UNIT AND COMPULSORY POOLING,  
10   EDDY COUNTY, NEW MEXICO.

11                               REPORTER'S TRANSCRIPT OF PROCEEDINGS

12                               EXAMINER HEARING

13                               April 4, 2019

14                               Santa Fe, New Mexico

15   BEFORE:   MICHAEL McMILLAN, CHIEF EXAMINER  
16               TERRY WARNELL, TECHNICAL EXAMINER  
17               WILLIAM V. JONES, TECHNICAL EXAMINER  
18               DAVID K. BROOKS, LEGAL EXAMINER

19               This matter came on for hearing before the  
20   New Mexico Oil Conservation Division, Michael McMillan,  
21   Chief Examiner; Terry Warnell and William V. Jones,  
22   Technical Examiners; and David K. Brooks, Legal  
23   Examiner, on Thursday, April 4, 2019, at the New Mexico  
24   Energy, Minerals and Natural Resources Department,  
25   Wendell Chino Building, 1220 South St. Francis Drive,  
26   Porter Hall, Room 102, Santa Fe, New Mexico.

27   REPORTED BY:   Mary C. Hankins, CCR, RPR  
28                       New Mexico CCR #20  
29                       Paul Baca Professional Court Reporters  
30                       500 4th Street, Northwest, Suite 105  
31                       Albuquerque, New Mexico 87102  
32                       (505) 843-9241

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# APPEARANCES

FOR APPLICANT TAP ROCK OPERATING, LLC:

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# EXHIBITS OFFERED AND ADMITTED

Tap Rock Operating, LLC Exhibit Numbers 1 through 14	6
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1 (10:15 a.m.)

2 EXAMINER McMILLAN: I'd like to call Case  
3 Number 20321, application of Tap Rock Operating, LLC for  
4 a standard horizontal spacing and proration unit and  
5 compulsory pooling, Eddy County, New Mexico.

6 Call for appearances.

7 MS. SHAHEEN: Sharon Shaheen on behalf of  
8 Tap Rock Operating, LLC.

9 EXAMINER McMILLAN: Any other appearances?  
10 Please proceed.

11 MS. SHAHEEN: Tap Rock proposes to create a  
12 standard 320-acre unit in the Purple Sage; Wolfcamp  
13 pool. This unit would be dedicated to the defining  
14 well, Delirium State Com #201H. And also to be drilled  
15 is the infill well, Delirium State Com #215H. Tap Rock  
16 requests that all uncommitted interests be pooled,  
17 designating the #201 well as the defining well and  
18 allowing the drilling of the #215H well, designating Tap  
19 Rock as operator and authorizing Tap Rock to recover its  
20 costs and imposing a 200 percent penalty for any  
21 interest owner who does not voluntarily participate.

22 In support, we have two affidavits, again,  
23 from Mr. Phillips, the landman. Mr. Phillips states  
24 that no opposition is expected. Tap Rock -- the  
25 proposed C-102s are attached as Exhibit 1.

1                   The plat outlining the unit is attached as  
2   Exhibit 2 and shows that the unit will be comprised of  
3   state and fee acreage.

4                   The parties being pooled in the nature of  
5   their interests are found in Exhibit 3. My  
6   understanding is that we have the same situation here,  
7   50/50. And let me double-check that in Exhibit 3.  
8   Actually, it looks like COG does have a small  
9   uncommitted working interest in this -- in this  
10  proposal.

11                  EXAMINER BROOKS: Yeah. Well, since they  
12  are here, represented, I would assume I don't have to  
13  worry about whether they had notice or not. Even if  
14  they not here represented -- it doesn't matter. Go  
15  ahead.

16                  MS. SHAHEEN: Okay. I believe the same JOA  
17  was at issue here. I'm not sure how it comes out, but I  
18  understand that's being worked out with the parties.

19                  There are no depth severances within the  
20  Wolfcamp Formation.

21                  In paragraph 12, Mr. Phillips provides the  
22  proposed surface-hole location, bottom-hole location,  
23  total vertical depth, first and last take points.

24                  Paragraph 13 identifies the proposed  
25  surface-hole location, bottom-hole location, total

1 vertical depth, first and last take points with respect  
2 to the 215H.

3 Mr. Phillips represents that he's conducted  
4 a diligent search and mailed all parties well proposals.  
5 He's made a good-faith effort to obtain voluntary  
6 joinder.

7 Also, he attaches Exhibit 4 as a sample  
8 proposal letter, which includes an AFE. Tap Rock  
9 requests overhead and administrative costs of 7,000 a  
10 month for drilling, 700 a month for producing. Also  
11 asks for a maximum cost plus 200 percent risk charge and  
12 that it be designated the operator.

13 Mr. Smith, the geologist, also offers an  
14 affidavit in support here. He provides Exhibit 6, which  
15 is a project locator map; Exhibit 7, which is a Wolfcamp  
16 structure map.

17 Exhibit 8 is a Wolfcamp stratigraphic cross  
18 section for the 201H.

19 Exhibit 9 is a gross isopach map for the  
20 201H. Exhibit 10 is a simplified wellbore diagram for  
21 the 201H.

22 He offers the same exhibits for the 215H in  
23 Exhibit 11, Exhibit 12 and Exhibit 13.

24 Exhibit 14 is a simplified wellbore diagram  
25 for the 215H, which will be standard. The first and

1 last take points will be standard.

2 I would like to offer for admission  
3 Exhibits 1 through 14 in support of this application,  
4 and I ask that the Division take Case Number 20321 under  
5 advisement.

6 EXAMINER McMILLAN: Okay. Exhibits 1  
7 through 14 may now be accepted as part of the record.

8 (Tap Rock Operating, LLC Exhibit Numbers 1  
9 through 14 are offered and admitted into  
10 evidence.)

11 EXAMINER McMILLAN: For both cases, are  
12 there any unlocatable interests?

13 MS. SHAHEEN: No.

14 EXAMINER BROOKS: I just thought you were  
15 through.

16 EXAMINER McMILLAN: No.

17 EXAMINER BROOKS: Go ahead. Tell me when  
18 you're through.

19 MS. SHAHEEN: He's just getting started.

20 EXAMINER McMILLAN: Well, I'll tell you  
21 what, you can go ahead because I'm going through my  
22 notes.

23 EXAMINER BROOKS: Are there any overrides?

24 MS. SHAHEEN: Taking a look at Exhibit 3,  
25 Tap Rock and Devon have overrides.

1 EXAMINER BROOKS: On their leases?

2 MS. SHAHEEN: That's what it says.

3 EXAMINER BROOKS: Doesn't say who they are?

4 MS. SHAHEEN: Well, they hold the  
5 overrides.

6 EXAMINER BROOKS: Oh, they hold the  
7 overrides?

8 MS. SHAHEEN: Uh-huh.

9 EXAMINER BROOKS: Okay. They've had  
10 notice, obviously, so that's not an issue.

11 I want to make sure we understand, though.  
12 When you say they have an override, that means they have  
13 an override in addition to their working interest?

14 MS. SHAHEEN: That is my understanding.

15 EXAMINER BROOKS: Okay. Go ahead. I mean,  
16 I'm through.

17 EXAMINER McMILLAN: And you expect each  
18 quarter section to contribute equally to production?

19 MS. SHAHEEN: Yes. Mr. Smith represents  
20 that he expects each quarter-quarter section to  
21 contribute to production.

22 EXAMINER McMILLAN: The only weird part I'm  
23 seeing here is that your AFE for the Wolfcamp is less  
24 than the Bone Spring. That's kind of odd.

25 MS. SHAHEEN: I hadn't noticed, but I can

1 ask about it if you'd like.

2 EXAMINER McMILLAN: This looks weird. It's  
3 6.9 versus 6.5.

4 I don't have any questions.

5 Do you?

6 EXAMINER BROOKS: No.

7 EXAMINER McMILLAN: All right.

8 MS. SHAHEEN: Thank you.

9 I ask that the Division take Case Number  
10 20321 under advisement.

11 EXAMINER McMILLAN: Okay. Case Number  
12 20321 shall be taken under advisement.

13 MS. SHAHEEN: Thank you.

14 (Case Number 20321 concludes, 10:22 a.m.)

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1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO  
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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court  
6 Reporter, New Mexico Certified Court Reporter No. 20,  
7 and Registered Professional Reporter, do hereby certify  
8 that I reported the foregoing proceedings in  
9 stenographic shorthand and that the foregoing pages are  
10 a true and correct transcript of those proceedings that  
11 were reduced to printed form by me to the best of my  
12 ability.

13 I FURTHER CERTIFY that the Reporter's  
14 Record of the proceedings truly and accurately reflects  
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither  
17 employed by nor related to any of the parties or  
18 attorneys in this case and that I have no interest in  
19 the final disposition of this case.

20 DATED THIS 24th day of April 2019.  
21

22  
23 MARY C. HANKINS, CCR, RPR  
24 Certified Court Reporter  
25 New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2019  
Paul Baca Professional Court Reporters