

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. 20320

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 160-acre, more or less, horizontal spacing and proration unit comprised of the W/2W/2 of Section 13, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted interests in the Bone Spring formation (Hay Hollow Bone Spring North Pool; Pool code [30216]) underlying the standard unit. In support of its application, Tap Rock states:

1. Tap Rock is a working interest owner in the proposed standard horizontal spacing unit ("HSU") 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 **Delirium State Com #131H well**, to be horizontally drilled from an approximate surface location 334' FSL and 876' FWL of Section 13 to a bottom hole location 5' FNL and 990' FWL of Section 13. This is the "defining well" for this unit.
3. The completed intervals and first and last take points for the **Delirium State Com #131H well** are within the setbacks required by the statewide pool rules.
4. 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 HSU.

5. 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.

6. 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 April 4, 2019, and, after notice and hearing as required by law, the Division enter an order:

A. Creating a 160-acre, more or less, horizontal spacing and proration unit comprised of the W/2W/2 of Section 13, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico;

B. Pooling all uncommitted interests in the standard HSU;

C. Designating the **Delirium State Com #131H well** as the defining well for the standard HSU;

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.

/s/ Kaitlyn A. Luck

Seth C. McMillan

Kaitlyn A. Luck

Post Office Box 2307

Santa Fe, NM 87504-2307

(505) 982-3873

smcmillan@montand.com

kluck@montand.com

Attorneys for Tap Rock Operating, LLC

Case No. 20328 *Application of Tap Rock Operating, LLC for a Standard Horizontal Spacing and Proration Unit and Compulsory Pooling, Eddy County, New Mexico.* Applicant in the above-styled cause seeks an order from the Division: (1) creating a standard 160-acre, more or less, horizontal spacing and proration unit comprised of the W/2W/2 of Section 13, Township 25 South, Range 27 East, NMPM, Eddy County, New Mexico, and (2) pooling all uncommitted interests in the Bone Spring formation (Hay Hollow Bone Spring North Pool; Pool code 30216) underlying the standard unit. Said horizontal spacing unit is to be assigned to the proposed initial **Delirium State Com #131H well**, to be horizontally drilled from an approximate surface location 334' FSL and 876' FWL of Section 13 to a bottom hole location 5' FNL and 990' FWL of Section 13. This is the "defining well" for this unit. The completed intervals and first and last take points for these wells are within the statewide rule for setbacks. 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 7 miles Southwest of Malaga, New Mexico.