

State of New Mexico  
Energy, Minerals and Natural Resources Department

---

Michelle Lujan Grisham  
Governor

Sarah Cottrell Propst  
Cabinet Secretary

Todd E. Leahy, JD, PhD  
Deputy Secretary

Adrienne Sandoval, Director  
Oil Conservation Division



April 10, 2019

**HILCORP ENERGY COMPANY**

Attn: Jodi-lyn Curtis  
1111 Travis Street  
Houston, TX 77002  
[Address of record]

**HILCORP ENERGY COMPANY**

Attn: Jodi-lyn Curtis  
382 Road 3100  
Aztec, NM 87410  
[Address on C-104]

**DENIAL OF REQUEST FOR ALLOWABLE  
AND AUTHORIZATION TO TRANSPORT**

**Re: HILCORP ENERGY COMPANY OGRID [372171]**

- San Juan 29-7 Unit #105, A-36-T29N-R7W, 825'FNL & 1145'FEL, API 30-039-20616, Rio Arriba County, New Mexico
- San Juan 28-5 Unit #63E, J-20-T28N-R05W, 1685' FSL & 1625' FEL, API 30-039-23814, Rio Arriba County, New Mexico
- San Juan 28-6 Unit #211E, L-09-T28N-R06W, 1555'FSL & 830' FWL, API 30-039-30071, Rio Arriba County, New Mexico
- San Juan 28-6 Unit #120, I-09-T28N-R06W, 1530'FSL & 1145' FEL, API 30-039-82242, Rio Arriba County, New Mexico
- San Juan 29-6 Unit #114, A-07-T29N-R06W, 810'FNL & 1090' FEL, API 30-039-22995, Rio Arriba County, New Mexico
- San Juan 28-6 Unit #102, H-26-T28N-R06W, 1850'FNL & 790' FEL, API 30-039-07316, Rio Arriba County, New Mexico
- San Juan 28-6 Unit #117, J-10-T28N-R06W, 1545'FSL & 1700' FEL, API 30-039-07548, Rio Arriba County, New Mexico
- San Juan 28-6 Unit #133, B-04-T27N-R06W, 981'FNL & 1790' FEL, API 30-039-20584, Rio Arriba County, New Mexico
- San Juan 28-6 Unit #128, H-17-T28N-R06W, 1800'FNL & 1150' FEL, API 30-039-20068, Rio Arriba County, New Mexico

- Fogelson Gas Com #1E, N-26-T30N-R11W, 955'FSL & 1515' FWL, API 30-045-30274, San Juan County, New Mexico
- Hardie #4E, E-24-T29N-R08W, 1800'FNL & 790' FWL, API 30-045-24938, San Juan County, New Mexico
- Zachry #37, I-11-T28N-R10W, 1725'FSL & 475' FEL, API 30-045-25463, San Juan County, New Mexico
- Scott Federal 27 11 23 #1, H-23-T27N-R11W, 1645'FNL & 360' FEL, API 30-045-30892, San Juan County, New Mexico
- San Juan 29-6 Unit Com 601 #1H, E-8-T29N-R06W, 2579'FNL & 18' FWL, API 30-039-31369, Rio Arriba County, New Mexico
- Fullerton Federal 14 #1, A-14-T27N-R11W, 1105'FNL & 1115' FEL, API 30-045-30855, San Juan County, New Mexico
- San Juan 28-7 Unit #133G, L-35-T28N-R07W, 2170'FSL & 320' FWL, API 30-039-26699, Rio Arriba County, New Mexico
- Sunray F #1F, I-26-T30N-R10W, 2565'FSL & 885' FEL, API 30-045-34450, San Juan County, New Mexico
- Zachry #4I, O-12-T28N-R10W, 552'FSL & 1945' FEL, API 30-045-25499, San Juan County, New Mexico
- Pan American Federal Gas Com B #1E, G-31-T30N-R11W, 1710'FNL & 1660' FEL, API 30-045-24842, San Juan County, New Mexico

Dear Operator:

The Oil Conservation Division (OCD) **denies** your request for allowable and authorization to transport for the wells identified above because your company is out of compliance with 19.15.5.9(A) NMAC [Part 5.9(A)]. See 19.15.16.20(A)(4) NMAC.

Your company is out of compliance with Part 5.9(A) on the following ground(s):

— **Financial assurances.** Your company is in violation of the financial assurance requirements for well plugging set out in 19.15.8.9 NMAC. See 19.15.5.9(A)(1) NMAC. Specifically, your company [has not posted the required blanket financial assurance] [has not posted the single-well financial assurances required for state or fee wells which have been inactive for more than two years. The wells requiring single-well financial assurances are identified in the attached sheet.]

— **Corrective action.** Order \_\_\_\_\_, issued on \_\_\_\_\_ after notice and hearing, found your company to be in violation of an order requiring corrective action. See 19.15.5.9(A)(2) NMAC.

— **Unpaid penalties.** Your company has not paid the penalties assessed against your company in \_\_\_\_\_, issued on \_\_\_\_\_. More than 70 days have passed since the issuance of the order assessing the penalty. See 19.15.5.9(A)(3) NMAC.

X **Inactive wells.** According to the attached inactive well list, your company has too many wells in violation of the inactive well rule (19.15.25.8 NMAC) that are not subject to an inactive well agreed compliance order. See 19.15.5.9(A)(4) NMAC. As an operator of 11,391 wells, your company may have no more than 10 wells in violation of the inactive well rule. Your company has 18 wells in violation of the inactive well rule. In addition,

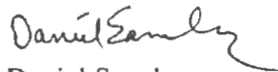
---

---

---

I have enclosed an information sheet explaining the requirements of Part 5.9. You may re-submit your request after your company has returned to compliance with Part 5.9. You may request an Agreed Compliance Order, which would remove these wells from the inactive well list for six months, allowing your company to bring wells back into compliance while remaining compliant with 19.15.5.9.A(4) NMAC. Feel free to contact me if this option is acceptable to your company.

Respectfully yours,



Daniel Sanchez,  
Compliance and Enforcement Manager

Ec: Adrienne Sandoval, OCD Director  
Gabriel Wade, OCD Deputy Director  
Brandon Powell, Acting OCD District 3 Supervisor  
Paul Kautz, Acting OCD District 1 Supervisor  
Mike Bratcher, OCD District 2 Supervisor  
David Brooks, OCD Assistant General Counsel-Santa Fe

### Inactive Well List

Total Well Count: 11391 Inactive Well Count: 18  
Printed On: Wednesday, April 10 2019

District	API	Well	ULSTR	OCD Unit	Ogrd	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
3	30-045-07815	ABRAMS GAS COM E #001	1-30-29N-10W	I	372171	HILCORP ENERGY COMPANY		G	05/2017	BASIN DAKOTA		
3	30-039-23825	CANYON LARGO UNIT #307	1-11-24N-06W	I	372171	HILCORP ENERGY COMPANY		D	08/2014	INT TO TAV BLM 10-19-15		
3	30-039-23850	CANYON LARGO UNIT #308	10-05-24N-06W	D	372171	HILCORP ENERGY COMPANY		D	05/2011	TA 12-19-12	T	12/19/2017
3	30-039-23266	CANYON LARGO UNIT #328	12-05-24N-06W	E	372171	HILCORP ENERGY COMPANY		O	07/2012	TA 1 7-14	T	1/7/2019
3	30-039-23326	CANYON LARGO UNIT #332	8-01-24N-07W	A	372171	HILCORP ENERGY COMPANY		O	08/2014			
3	30-039-23399	CANYON LARGO UNIT #337	L 05-24N-06W	L	372171	HILCORP ENERGY COMPANY		O	01/2016			
3	30-039-23401	CANYON LARGO UNIT #338	J 08-24N-06W	J	372171	HILCORP ENERGY COMPANY		D	06/2018	RTP 6-1-12		
3	30-039-23402	CANYON LARGO UNIT #340	I 01-24N-07W	I	372171	HILCORP ENERGY COMPANY		D	10/2017			
3	30-039-23387	CANYON LARGO UNIT #344	K-30-25N-06W	K	372171	HILCORP ENERGY COMPANY		O	05/2015	INT TO TAVBLM 10/19/15		
3	30-039-29283	CANYON LARGO UNIT #458	H-02-25N-07W	H	372171	HILCORP ENERGY COMPANY		G	10/2016	BASIN DAKOTA/RET TO PROD 7-13-10		
3	30-019-27747	CANYON LARGO UNIT #450	5-06-25N-06W	E	372171	HILCORP ENERGY COMPANY		G	12/2017	BASIN DAKOTA		
3	30-039-05532	CANYON LARGO UNIT NP #122	D-08-24N-06W	O	372171	HILCORP ENERGY COMPANY		D	06/2015			
3	30-019-23575	CANYON LARGO UNIT NP #347	9-01-24N-07W	H	372171	HILCORP ENERGY COMPANY		D	10/2012	DEVILS FORK M/TA 3-25-14	T	3/25/2019
3	30-045-05995	DAVIS #002	O-05-26N-08W	O	372171	HILCORP ENERGY COMPANY		G	02/2017			
3	30-045-26144	DUFF GAS COM #001E	4-34-30N-12W	G	372171	HILCORP ENERGY COMPANY		G	03/2014	FC/TA 3-5-14	T	3/5/2019
3	30-045-30350	FARMINGTON A #100	P-01-29N-13W	F	372171	HILCORP ENERGY COMPANY	P	G	08/2007	FONDI TO P&A	T	1/15/2019
3	30-039-30526	NCRA FEDERAL 22 #008	F-22-26N-07W	F	372171	HILCORP ENERGY COMPANY		G	10/2016	TAP PCMV/DKNEED PT PERMIT		
3	30-045-05775	NEWSOM D #002	C-22-20N-08W	C	372171	HILCORP ENERGY COMPANY		G	10/2017			

WHERE Operator:372171, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells In Approved TA Period