

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

**APPLICATION OF HILCORP ENERGY
COMPANY FOR AN EXCEPTION TO THE
WELL DENSITY REQUIREMENTS OF THE
SPECIAL RULES AND REGULATIONS FOR
THE SOUTH BLANCO-PICTURED CLIFFS
POOL, RIO ARRIBA COUNTY, NEW
MEXICO.**

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CASE NO. 16224

APPLICATION

Hilcorp Energy Company ("Hilcorp") (OGRID No. 372171), through its undersigned counsel, hereby files this application with the Oil Conservation Division for an order approving an exception to the well density requirements of the South Blanco-Pictured Cliffs Pool, Rio Arriba County, New Mexico to allow up to three wells within a standard 320-acre spacing and proration unit. In support of this application, Hilcorp states:

1. Hilcorp is the operator of a standard 320-acre, more or less, spacing and proration unit, comprised of Lots 7 and 8 and the S/2 NW/4 and SW/4 of Section 5, Township 29 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, which is currently dedicated to the **San Juan 29-7 Unit No. 168 Well** (API No. 30-039-26652) and the **San Juan 29-7 Unit No. 159 Well** (API No. 30-039-25856) and producing from the South Blanco-Pictured Cliffs Pool.

2. The South Blanco-Pictured Cliffs Pool is governed by Special Rules and Regulations, which provide for 160-acre spacing and proration units. *See* Order No. R-8170, as amended by Order No. R-10987, effective April 9, 1998. However, this spacing and proration unit is also subject to the Unit Agreement San Juan 29-7 Federal Exploratory Unit, which allows

for the creation of 320-acre drilling blocks for the Pictured Cliffs formation. As a result, this spacing and proration unit consists of two 160-acre units for density purposes for the South Blanco-Pictured Cliffs Pool and one 320-acre unit for revenue purposes for the Pictured Cliffs, pursuant to the Unit Agreement, which was approved by the Division in Order R-421.

3. Hilcorp is also the operator of the **San Juan 29-7 Unit No. 79M Well** (API No. 30-039-29972), located in Unit E, Section 5, Township 29 North, Range 7 West, NMPM, and is currently producing from the Blanco-Mesaverde Pool.

4. Hilcorp now proposes to recomplete the **San Juan 29-7 Unit No. 79M Well** (API No. 30-039-29972) in the South Blanco-Pictured Cliffs Pool and dedicate and this well to the 320-acre spacing and proration unit currently dedicated to the **San Juan 29-7 Unit No. 168 Well** (API No. 30-039-26652) and the **San Juan 29-7 Unit No. 159 Well** (API No. 30-039-25856).

5. Hilcorp, therefore, requests that the Division enter an order granting an exception to the well density requirements of the South Blanco-Pictured Cliffs Pool.

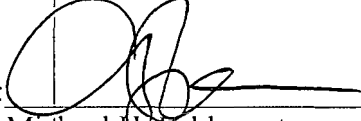
6. Approval of this application will afford Hilcorp the opportunity to produce incremental reserves from this 320-acre spacing and proration unit that will otherwise not be recovered by the existing dedicated wells.

7. Approval of this application will be in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Hilcorp Energy Company requests that this application be set before an Examiner of the Oil Conservation Division on June 14, 2018, and, after notice and hearing as required by law, that the Division enter an order granting this application.

Respectfully submitted,

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ATTORNEYS FOR HILCORP ENERGY COMPANY

CASE 16224

Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the South Blanco-Pictured Cliffs Pool, Rio Arriba County, New Mexico.

Applicant in the above-styled cause seeks an order for an exception to the well density requirements of the Special Rules and Regulations for the South Blanco-Pictured Cliffs Pool, Rio Arriba County, New Mexico, to permit three Pictured Cliffs gas wells in a standard 320-acre, more or less, spacing and proration unit. This standard spacing and proration unit is comprised of Lots 7 and 8 and the S/2 NW/4 and SW/4 of Section 5, Township 29 North, Range 7 West, NMPM, Rio Arriba County, New Mexico and is currently dedicated to the **San Juan 29-7 Unit No. 168 Well** (API No. 30-039-26652) and the **San Juan 29-7 Unit No. 159 Well** (API No. 30-039-25856). Applicant seeks approval to dedicate to this standard spacing and proration unit the **San Juan 29-7 Unit No. 79M Well** (API No. 30-039-29972) in the South-Blanco-Pictured Cliffs Pool. Said area is located approximately 13 miles east of Blanco, NM.