

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. 16226

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 non-standard 314.93-acre spacing and proration unit. In support of this application, Hilcorp states:

1. Hilcorp is the operator of a non-standard 314.93-acre, more or less, spacing and proration unit, comprised of Lots 8 and 9 and the S/2 NE/4 and SE/4 of Section 6, Township 29 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, which is currently dedicated to the **San Juan 29-7 Unit No. 584 Well** (API No. 30-039-25654) and the **San Juan 29-7 Unit No. 170 Well** (API No. 30-039-26745) and producing from the South Blanco-Pictured Cliffs and Basin-Fruitland Coal Pools.

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 a 154.93-acre and a 160-acre unit for density purposes for the South Blanco-Pictured Cliffs Pool and a 314.93-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. 46B Well** (API No. 30-039-26142), located in Lot 8, Section 6, 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. 46B Well** in the South Blanco-Pictured Cliffs Pool and dedicate and this well to the 314.93-acre spacing and proration unit currently dedicated to the **San Juan 29-7 Unit No. 584 Well** (API No. 30-039-25654) and the **San Juan 29-7 Unit No. 170 Well**.

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 314.93-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 16226

**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 non-standard 314.93-acre, more or less, spacing and proration unit. This non-standard spacing and proration unit is comprised of Lots 8 and 9 and the S/2 NE/4 and SE/4 of Section 6, Township 29 North, Range 7 West, Rio Arriba County, New Mexico and is currently dedicated to the **San Juan 29-7 Unit No. 584 Well** (API No. 30-039-25654) and the **San Juan 29-7 Unit No. 170 Well** (API No. 30-039-26745). Applicant seeks approval to dedicate to this non-standard spacing and proration unit the **San Juan 29-7 Unit No. 46B Well** (API No. 30-039-26142) in the South-Blanco-Pictured Cliffs Pool. Said area is located approximately 12 miles east of Blanco, NM.