

**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 AZTEC-PICTURED CLIFFS GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.**

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CASE NO. 16227

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 Aztec-Pictured Cliffs Gas Pool (71280), San Juan County, New Mexico to allow up to three wells within a non-standard 202.82-acre, more or less, spacing and proration unit in the Aztec-Pictured Cliffs Gas Pool. In support of this application, Hilcorp states:

1. Hilcorp is the operator of a non-standard 202.82-acre, more or less, spacing and proration unit, comprised of Lots 2-4 and the S/2 SW/4 and SW/4 SE/4 of irregular Section 12, Township 28 North, Range 10 West, San Juan County, New Mexico, which is currently dedicated to the **Zachry 1R Well** (API No. 30-045-29559) and the **Zachry 1 Well** (API No. 30-045-07566) which are producing from the Aztec-Pictured Cliffs Gas Pool.

2. The Aztec-Pictured Cliffs Gas Pool is governed by Special Rules and Regulations, which provide for 160-acre spacing and proration units. See Order No. R-1670, effective April 13, 1960. However, this non-standard 202.82-acre spacing and proration unit was created by Order No. R-658.

3. Hilcorp is also the operator of the **Zachry 19E Well** (API No. 30-045-24357), which has a surface location 1120 feet from the south line, 1520 feet from the east line (Unit O) of Section 12, Township 28 North, Range 10 West, and is currently producing from the Basin Dakota and Otero Chacra Pools.

4. Hilcorp now proposes to recomplete the **Zachry 19E Well** in the Aztec-Pictured Cliffs Gas Pool and dedicate the well to the non-standard 202.82-acre, more or less, spacing and proration unit which is currently dedicated to the **Zachry 1R Well** (API No. 30-045-29559) and the **Zachry 1 Well** (API No. 30-045-07566).

5. Hilcorp, therefore, requests that the Division enter an order granting an exception to the well density requirements of the Aztec-Pictured Cliffs Gas Pool to authorize Hilcorp to recomplete the **Zachry 19E Well** in the Aztec-Pictured Cliffs Gas Pool, permitting the total number of wells dedicated and producing within said spacing and proration unit to three.

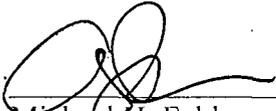
6. Approval of this application will afford Hilcorp the opportunity to produce incremental reserves from this 202.82-acre spacing and proration unit that will otherwise not be recovered by the existing dedicated well

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,

HOLLAND & HART LLP

By:  _____

Michael H. Feldewert

Adam G. Rankin

Julia Broggi

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

(505) 983-6043 Facsimile

Email: mfeldewert@hollandhart.com

Email: agrarkin@hollandhart.com

Email: jbroggi@hollandhart.com

ATTORNEYS FOR HILCORP ENERGY COMPANY

CASE 16227:

Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Aztec-Pictured Cliffs Gas Pool, San Juan 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 Aztec-Pictured Cliffs Gas Pool, San Juan County, New Mexico, to permit three Pictured Cliffs gas wells in the same non-standard 202.82-acre, more or less, spacing and proration unit, comprised of Lots 2-4 and the S/2 SW/4 and SW/4 SE/4 of irregular Section 12, Township 28 North, Range 10 West, San Juan County, New Mexico and is currently dedicated to the **Zachry 1R Well** (API No. 30-045-29559) and the **Zachry 1 Well** (API No. 30-045-07566). Applicant further seeks approval for the existing location of the **Zachry 19E Well** (API No. 30-045-24357) in the Pictured Cliffs formation with a surface location in Unit O of said Section 12 and authorization to simultaneously recomplete and produce the **Zachry 19E Well** from the Aztec-Pictured Cliffs Gas Pool. Said area is located approximately 8 miles southeast of Bloomfield, NM.