

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

**APPLICATION OF HILCORP ENERGY  
COMPANY TO AMEND THE WELL  
DENSITY REQUIREMENTS AND  
ADMINISTRATIVE EXCEPTIONS OF THE  
SPECIAL RULES FOR THE BLANCO-  
MESAVERDE GAS POOL TO PERMIT  
ADMINISTRATIVE APPROVAL FOR WELL  
DENSITY EXCEPTIONS, RIO ARRIBA AND  
SAN JUAN COUNTIES, NEW MEXICO.**

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**CASE NOS. 16193**

**HILCORP'S PREHEARING STATEMENT**

Hilcorp Energy Company, ("Hilcorp") (OGRID.No. 372171), through its undersigned counsel, hereby submits this Consolidated Pre-Hearing Statement for the above referenced matters scheduled for hearing before the Division Examiners on May 31, 2018.

**APPEARANCES**

**APPLICANT**

Hilcorp Energy Company  
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**ATTORNEYS**

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## STATEMENT OF THE CASE

The Blanco-Mesaverde Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing and proration units on which as many as four wells may be drilled. See Order No. R-8170, as superseded by Order No. R-10987-A, and amended by Order No. R-10987-A(1), effective Dec. 2, 2002. These Special Pool Rules and Regulations require exceptions to the well density requirements to be approved only after hearing:

### I. ACREAGE AND WELL LOCATION REQUIREMENTS

**A. Standard GPU (Gas Proration Unit):** A standard GPU in the Blanco-Mesaverde Pool shall be 320 acres (more or less) comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U. S. Public Land Surveys.

#### **B. Well density:**

(1) Up to four (4) wells may be drilled on a standard GPU, as follows:

(a) the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section not containing the INITIAL Mesaverde well;

(b) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one (1) Mesaverde well;

(c) the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one (1) Mesaverde well;

(d) at the discretion of the operator, the second or third optional infill well may be drilled prior to the drilling of the first optional infill well;

(e) no more than two wells shall be located within either quarter section in a GPU; and

(f) any deviation from the above-described well density

requirements shall be authorized only after hearing.

Hilcorp has identified numerous additional existing wells which are ideal candidates for simultaneous completion in the Blanco-Mesaverde Gas Pool. Without amendment, the Special Rules will require that all of these applications be presented to a Division examiner at hearing. Accordingly, Hilcorp requests that the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319) be amended to allow administrative approval by the Division for exceptions to the well density requirements, as follows:

**I. ACREAGE AND WELL LOCATION REQUIREMENTS**

**A. Standard GPU (Gas Proration Unit):** A standard GPU in the Blanco-Mesaverde Pool shall be 320 acres, more or less, comprising any two contiguous quarter sections of a single section that is a legal subdivision of the U. S. Public Land Surveys.

**B. Well density:**

(1) Up to four vertical (4) wells may be drilled on a standard GPU, as follows:

(a) the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section not containing the INITIAL Mesaverde well;

(b) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one (1) Mesaverde well;

(c) the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing a Mesaverde well and within a quarter section not containing more than one (1) Mesaverde well;

(d) at the discretion of the operator, the second or third optional infill well may be drilled prior to the drilling of the first optional infill well; and

(e) no more than two wells shall be located within either quarter section in a GPU; and.

~~(f) any deviation from the above-described well density requirements shall be authorized only after hearing.~~

## **II. ADMINISTRATIVE EXCEPTIONS:**

The Division Director, in accordance with ~~Division Rule 104~~Subsection C of 19.15.15.11 NMAC, may administratively grant an exception to the well density and locations requirements of I.C above upon application to the Division which includes notification by certified mail-return receipt requested to affected parties [see 19.15.4.12.A(2) NMAC]; provided, however, that notice is not required to affected parties where ownership between an adjoining spacing unit and the spacing unit containing the proposed additional simultaneous dedication is common. ~~[See Division Rule 1207.A(2)].~~

## **APPLICANT'S PROPOSED EVIDENCE**

<b>WITNESS Name and Expertise</b>	<b>ESTIMATED TIME</b>	<b>EXHIBITS</b>
Chuck Creekmore, Landman	Approx. 20	Approx. 5
Andrew Sparks, Geology	Approx. 20	Approx. 8
Michelle Sivadon, Reservoir Engineer	Approx. 20	Approx. 8

## **PROCEDURAL MATTERS**

Hilcorp has filed a motion to strike the intervention of the San Juan Citizens Alliance, the Oil and Gas Accountability Project, and Don Schreiber on the grounds that the putative intervenors do not have standing and their notices of intervention were legally deficient. Putative intervenors should be precluded from being recognized as parties and should be precluded from being permitted to file a motion for continuance.

Respectfully submitted,

HOLLAND & HART LLP

A handwritten signature in black ink, appearing to be 'MF', is written over a horizontal line.

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**ATTORNEYS FOR HILCORP ENERGY COMPANY**

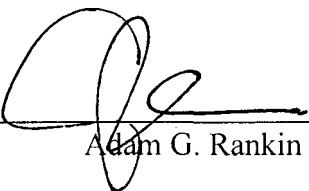
**CERTIFICATE OF SERVICE**

I hereby certify that on May 24, 2018, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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