

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

**APPLICATION OF HILCORP ENERGY COMPANY FOR
AN EXCEPTION TO THE WELL DENSITY
REQUIREMENTS OF THE SPECIAL RULES AND
REGULATIONS FOR THE BASIN-DAKOTA GAS POOL,
SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Hilcorp Energy Company, ("Hilcorp") (OGRID No. 372171), through its undersigned counsel, hereby files this application with the Oil Conservation Division for an order granting an exception to the well density requirements of the Basin-Dakota Gas Pool (71599), San Juan, New Mexico. Specifically, Hilcorp seeks an exception to the well density requirements of Rule II.B of the Special Rules and Regulations of the Basin-Dakota Gas Pool to permit it to drill and complete an additional Dakota vertical and/or directional gas well, in the NW/4 with a total of three wells in the same 160-acre quarter section, and five wells within the standard 317.84-acre, more or less, spacing and proration unit. In support of this application, Hilcorp states:

1. Hilcorp is the operator of a standard 317.84-acre, more or less, spacing and proration unit in the Basin-Dakota Gas Pool comprised of Lots 1-5, SE/4 NE/4 and S/2 NW/4 (N/2 equivalent) of irregular Section 1, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico, in which the following four vertical and/or directional wells were drilled and completed, and are currently producing:

- a. Scott Gas Com 1 Well (API No. 30-045-09991), which is vertically drilled with a surface hole location in Lot 1 (NE/4 NE/4 equivalent) of said irregular Section 1;

- b. Scott Gas Com 1F Well (API No. 30-045-32872), which is vertically drilled with a surface hole location in Lot 5 (SW/4 NE/4 equivalent) of said irregular Section 1;
- c. Scott Gas Com 1N Well (API No. 30-045-38488), which is vertically drilled with a surface hole location in Lot 3 (NE/4 NW/4 equivalent) of said irregular Section 1; and
- d. Scott Gas Com 1E Well (API No. 30-045-33030), which is vertically drilled with a surface hole location in Lot 4 (NW/4 NW/4 equivalent) of said irregular Section 1.

2. The Basin-Dakota 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, and no more than two wells located within either quarter section. *See* Order No. R-8170, as amended by Order No. R-10987-B, and superseded by Order No. R-10987-B(1), effective January 29, 2002. These Special Pool Rules and Regulations provide:

I. ACREAGE AND WELL LOCATION REQUIREMENTS

A. Standard GPU (Gas Proration Unit): *A standard GPU in the Basin-Dakota 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 GPU, as follows:

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

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

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

3. The objective formation in each of the above-described wells in Paragraph 1 is the Basin-Dakota Gas Pool, and each well was permitted and drilled with a Dakota completion.

4. Hilcorp now proposes to simultaneously dedicate and produce the following additional well within the same standard spacing and proration unit, at the following location:

- a. **Scott Gas Com 1M Well** (API No. 30-045-PENDING), to be directionally drilled with a surface hole location in Lot 4 (NW/4 NW/4 equivalent) and a bottom hole location in Lot 4 (NW/4 NW/4 equivalent) of said irregular Section 1.

5. Hilcorp therefore requests that the Division enter an order granting an exception to the well density requirements of Rule II.B of the Special Rules and Regulations of the Basin-Dakota Pool to authorize Hilcorp to simultaneously dedicate and produce the **Scott Gas Com 1M Well** (API No. 30-045-PENDING) within Lots 1-5, SE/4 NE/4 and S/2 NW/4 (N/2 equivalent) of irregular Section 1, Township 30 North, Range 12 West, permitting three wells to produce within the NW/4 of the spacing unit, and produce five wells within the standard 317.84-acre, more or less, N/2 spacing and proration unit.

6. Approval of this application will not impair the correlative rights of any other interest owner in the Basin-Dakota Gas Pool and will afford Hilcorp the opportunity to produce incremental reserves from this spacing unit, avoiding waste.

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 October 8 2026, and, after notice and hearing as required by law, that the Division enter an order:

- A. Granting an exception to the well density requirements of Rule II.B of the Special Rules and Regulations of the Basin-Dakota Gas Pool (71599) permitting three wells to produce within the NW/4 of the spacing unit, and permitting five wells to produce within the spacing unit; and
- B. Authorizing Hilcorp to simultaneously complete and produce the **Scott Gas Com 1M Well** (API No. 30-045-PENDING) from the Basin-Dakota Gas Pool.

Respectfully submitted,

HOLLAND & HART LLP

By: 

Michael H. Feldewert
Adam G. Rankin
Paula M. Vance
A. Raylee Starnes
215 Lincoln Avenue, Suite 100
Santa Fe, NM 87501
505-988-4421
505-983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com
pmvance@hollandhart.com
arstarnes@hollandhart.com

ATTORNEYS FOR HILCORP ENERGY COMPANY

CASE _____: **Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Basin-Dakota 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 Rule II.B of the Special Rules and Regulations for the Basin-Dakota Gas Pool (71599), San Juan County, New Mexico, to permit it to drill and complete an additional Basin-Dakota vertical and/or directional gas well, making a total of five vertical and/or directional gas wells within the same standard 317.84-acre, more or less, spacing and proration unit comprised of Lots 1-5, SE/4 NE/4 and S/2 NW/4 (N/2 equivalent) of irregular Section 1, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico, with three wells producing from the same quarter section. Hilcorp further seeks approval for the proposed location of the **Scott Gas Com 1M Well** (API No. 30-045-PENDING), to be directionally drilled with a surface hole location in Lot 4 (NW/4 NW/4 equivalent) and a bottom hole location in Lot 4 (NW/4 NW/4 equivalent) of said irregular Section 1, and authorization to simultaneously complete and produce the well from the Basin-Dakota Gas Pool. Said area is located approximately 2.5 miles northwest of Aztec, New Mexico.