

**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 for an exception to the well density requirements of the Basin-Dakota Gas Pool (71599), San Juan County, 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 two additional Dakota vertical and/or directional gas wells, with three of the wells to produce within the same quarter section of the same standard 320-acre, more or less, 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 units in the Basin-Dakota Gas Pool comprised of the E/2 of Section 36, Township 29 North, Range 8 West, San Juan County, New Mexico, in which the following two vertical and/or directional wells were drilled and completed, and are currently producing:

- a. State Com Q 013R Well (API No. 30-045-29083), which is vertically drilled with a surface hole location in the SE/4 NE/4 (Unit H) of said Section 36;
- b. State Com Q 013M Well (API No. 30-045-30428), which is vertically drilled with a surface location in SE/4 SE/4 (Unit P) of said Section 36.

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. See Order No. R-8170, as amended by Order No. R-10987-B, and superseded by Order No. R-10987-B(1), effective January 29, 2002.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 two additional wells within the same standard spacing and proration unit, at the following locations:

- a. **State Com Q 013N Well** (API No. 30-045-PENDING), to be directionally drilled with a surface hole location in the SE/4 NE/4 (Unit H and bottom-hole location in the NE/4 NE/4 (Unit A); and
- b. **State Com Q 013P Well** (API No. 30-045-PENDING), to be directionally drilled with a surface hole location in the SE/4 NE/4 (Unit H) and bottom-hole location in the NW/4 NE/4 (Unit B).

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 **State Com Q 013N Well** (API No. 30-045-PENDING) and the **State Com Q 013P Well** (API No. 30-045-PENDING), within the E/2 of Section 36, Township 29 North, Range 8 West, permitting three of the wells to produce within the same quarter section of the spacing 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 July 10, 2025, and, after notice and hearing as required by law, 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 Gas Pool (71599) permitting three of the wells to produce within the same quarter section of the spacing unit; and
- Authorizing Hilcorp to simultaneously complete and produce the **State Com Q 013N Well** (API No. 30-045-PENDING) and the **State Com Q 013P Well** (API No. 30-045-PENDING) from the Basin-Dakota Gas Pool.

Respectfully submitted,

HOLLAND & HART LLP

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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 two additional Basin-Dakota vertical and/or directional gas wells, making a total of four vertical and/or directional gas wells within the same standard 320-acre, more or less, spacing and proration unit comprised of the E/2 of Section 36, Township 29 North, Range 8 West, San Juan County, New Mexico, with three wells producing from the same quarter section. Hilcorp further seeks approval for the proposed locations of the **State Com Q 013N Well** (API No. 30-045-PENDING), to be directionally drilled with a surface hole location in the SE/4 NE/4 (Unit H) and bottom-hole location in the NE/4 NE/4 (Unit A), and the **State Com Q 013P Well** (API No. 30-045-PENDING), to be directionally drilled with a surface hole location in the SE/4 NE/4 (Unit H) and bottom-hole location in the NW/4 NE/4 (Unit B), and authorization to simultaneously complete and produce both wells from the Basin-Dakota Gas Pool. Said area is located approximately 11 miles southeast of Blanco, NM.