

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

**APPLICATION OF HILCORP ENERGY COMPANY  
FOR APPROVAL OF A STANDARD OVERLAPPING  
HORIZONTAL WELL SPACING UNIT  
AND COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.**

**CASE NO.** \_\_\_\_\_

**APPLICATION**

Hilcorp Energy Company ("Applicant") (OGRID No. 372171), through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of NMSA 1978, § 70-2-17, for an order (a) approving a standard 588.80-acre, more or less, overlapping horizontal well spacing unit in the Basin Fruitland Coal formation underlying Lots 5 and 6, E/2 SW/4 and SE/4 (S/2 equivalent) of irregular Section 7 and Lots 7 and 8, E/2 SW/4 and SE/4 (S/2 equivalent) of irregular Section 8, Township 32 North, Range 8 West, NMPM, San Juan County, New Mexico; and (b) pooling the uncommitted interest owners in this acreage. In support of its application, Applicant states:

1. Applicant is a working interest owner in the proposed horizontal spacing unit and has the right to drill thereon.
2. Applicant seeks to initially dedicate the above-referenced spacing unit to the proposed **Trail Canyon 100 Federal Com 001H** well, with a surface location in Lot 12 (NE/4 SE/4 equivalent) of irregular Section 12, T32N-R9W, with a first take point in the SE/4 SW/4 (Unit N) of irregular Section 7, T32N-R8W, and a last take point in the SE/4 SE/4 (Unit P) of irregular Section 8, T32N-R8W.

3. This proposed standard horizontal well spacing unit will overlap the following existing vertical well spacing units in the Fruitland formation (Basin Fruitland Coal (Gas) [71629]):

- An existing 314.78-acre spacing unit underlying Lots 1-6, E/2 SW/4 and SE/4 (All equivalent) of irregular Section 7, T32N-R8W, currently dedicated to the Trail Canyon 100 (30-045-26983), operated by Hilcorp; and
- An existing 375.07-acre spacing unit underlying Lots 1-2 and 5-8, E/2 SW/4 and SE/4 (All equivalent) of irregular Section 8, T32N-R8W, currently dedicated to the Trail Canyon 101 (30-045-27096), operated by Hilcorp.

4. Applicant has sought and been unable to obtain voluntary agreement for the development of these lands from all interest owners in the subject spacing unit.

5. The granting of this application will allow Applicant to obtain a just and fair share of the oil and gas underlying the subject lands, avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before an Examiner of the Oil Conservation Division on the February 5, 2026, hearing docket and after notice and hearing as required by law, the Division enter an order:

- A. Approving the overlapping, standard horizontal well spacing unit and pooling all uncommitted interest owners therein;
- B. Designating Applicant as operator of this overlapping spacing unit and the horizontal wells to be drilled thereon;
- C. Authorizing Applicant to recover its costs of drilling, completing, and equipping the well;

- D. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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**ATTORNEYS FOR HILCORP ENERGY COMPANY**

CASE: \_\_\_\_\_

**Application of Hilcorp Energy Company for Approval of a Standard Overlapping Horizontal Well Spacing Unit and Compulsory Pooling, San Juan County, New Mexico.** Applicant in the above-styled cause seeks an order (a) approving a standard 588.80-acre, more or less, overlapping horizontal well spacing unit in the Basin Fruitland Coal formation underlying Lots 5 and 6, E/2 SW/4 and SE/4 (S/2 equivalent) of irregular Section 7 and Lots 7 and 8, E/2 SW/4 and SE/4 (S/2 equivalent) of irregular Section 8, Township 32 North, Range 8 West, NMPM, San Juan County, New Mexico; and (b) pooling the uncommitted interest owners in this acreage. This spacing unit will be initially dedicated to the proposed **Trail Canyon 100 Federal Com 001H** well, with a surface location in Lot 12 (NE/4 SE/4 equivalent) of irregular Section 12, T32N-R9W, with a first take point in the SE/4 SW/4 (Unit N) of irregular Section 7, T32N-R8W, and a last take point in the SE/4 SE/4 (Unit P) of irregular Section 8, T32N-R8W. This proposed standard horizontal well spacing unit will overlap the following existing vertical well spacing units in the Fruitland formation (Basin Fruitland Coal (Gas) [71629]):

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- An existing 375.07-acre spacing unit underlying Lots 1-2 and 5-8, E/2 SW/4 and SE/4 (All equivalent) of irregular Section 8, T32N-R8W, currently dedicated to the Trail Canyon 101 (30-045-27096), operated by Hilcorp.

Also to be considered will be the cost of drilling and completing the wells and the allocation of the costs thereof, the operating costs and charges for supervision, the designation of applicant as operator of the proposed spacing unit, and a 200% charge for risk involved in drilling said well. The subject area is located along the Colorado and New Mexico border.