

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

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

**CASE NO. 16403
ORDER NO. R-10987-A⁽⁴⁾**

ORDER FOR REHEARING

THIS MATTER came before the Oil Conservation Commission (“Commission”) at a meeting on January 8, 2019 to consider the applications for rehearing filed in this case. The Commission having reviewed the applications, responses and reply, and being otherwise familiar with the record in this case, enters the following order.

THE COMMISSION FINDS THAT:

1. Hilcorp Energy Company (“Hilcorp”) filed an application seeking to amend the rules for the Blanco-Mesaverde Gas Pool (72319) to permit up to eight wells in a standard 320-acre gas proration and spacing unit (“Hilcorp Application”). After hearings on September 13 and November 19, 2018, the Commission entered Order No. R-10987-A(2).
2. Applications for rehearing (“Rehearing Applications”) were filed by the San Juan Citizens Alliance (“SJCA”) and the New Mexico State Land Office (“Land Office”). Hilcorp filed responses to both Applications and SJCA filed a reply.
3. The SJCA Rehearing Application stated that rehearing should be granted because the prior Commission decision was not supported by the record, improperly denied intervention by SJCA, was conducted as an adjudicatory rather than a rulemaking proceeding and should

have been continued. At the meeting on January 8, 2019, SJCA admitted that, while they had timely served their Application on each party, they had not timely filed the Application with the Commission.

4. The Land Office Rehearing Application stated, *inter alia*, that the Commission erroneously denied the Land Office's motions to continue the prior hearing and to participate as a party in the prior hearing.

5. The prior hearing in this case was conducted by the Commission, rather than the Oil Conservation Division ("OCD"), pursuant to a determination by the OCD Director. NMSA 1978, §70-2-6(B). The OCD did not conduct a hearing in this Case nor did the OCD participate in the Commission proceeding.

6. After reviewing the record and the Rehearing Applications, the Commission finds that a decision of this magnitude – doubling the well density over an area of greater than one million acres – requires greater development of issues related to waste and correlative rights. The Commission finds that the lack of an OCD hearing or OCD technical review contributed to a minimal technical record in the original proceeding. The Commission finds that a technical review of the Hilcorp Application by the OCD would assist the Commission in its review.

7. The Commission also finds that the decisions to deny intervenor status to either SJCA or the Land Office may have been erroneous and that greater transparency would benefit the proceeding. At the meeting on January 8, 2019, the Commission considered various options for providing additional notice of the proceeding. After the meeting, SJCA filed a "List of Navajo Nation Chapters to be Noticed" and Hilcorp filed a Response. The Commission will provide direction on notice in this Order.

8. The Commission concludes that there is sufficient support in the Act, NMSA 1978, §§70-2-11(A) and -25, and in the Land Office Rehearing Application to justify a rehearing on this matter.

THE COMMISSION ORDERS THAT:

1. Rehearing in this case be granted to allow further review of the Hilcorp Application and the opportunity to present additional evidence related to the Hilcorp Application.

2. The rehearing on the Hilcorp Application be held May 9, 2019.

3. Notice of the rehearing shall be provided in accordance with 19.15.4 NMAC. In addition, notice of the rehearing shall be also provided by certified mail to:

(a) the U.S. DOI Bureau of Land Management;

(b) the U.S. DOI Bureau of Indian Affairs;

(c) the U.S. Forest Service;

(d) the New Mexico State Land Office;

(e) the Jicarilla Apache Tribe;

(f) the Navajo Nation; and

(g) the Chapters of the Navajo Nation which fall within the area of the Pool. Huerfano Chapter is the sole Chapter within the Pool.

4. All notice, including newspaper publications, shall be completed at least 30 days prior to the date of the rehearing.

5. The OCD is requested to review the Hilcorp Application for the implications for waste and correlative rights.

6. The rehearing will consider all evidence currently in the record and any new evidence submitted at the rehearing. Any person seeking to participate as a party in the rehearing shall file a notice as provided in 19.15.4.11 NMAC.

7. Order R-10987(A)(2) is suspended pending completion of the rehearing process.

DONE at Santa Fe, New Mexico on the 20th day of March, 2019.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



GABRIEL WADE, Chair

