

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

**APPLICATION TO AMEND REFERENCE
CASE ORDER R-12865 TO INCLUDE THE
PICTURED CLIFFS AND FRUITLAND COAL
GAS POOLS FOR PRE-APPROVAL OF
DOWNHOLE COMMINGLING AS TO ALL
CRITERIA FOR ITS SAN JUAN 28-4 UNIT
AND TO ELIMINATE THE NOTICE
REQUIREMENT, RIO ARRIBA COUNTY,
NEW MEXICO.**

**CASE NO. 13987 (Re-Open)
ORDER NO. R-12865**

APPLICATION

Hilcorp Energy Company, ("Hilcorp") (OGRID No. 372171), through its undersigned counsel, hereby files this application with the Oil Conservation Division to re-open Case No. 13987 to amend downhole commingling reference case Order R-12865 to include pre-approval to downhole commingle production from the Pictured Cliffs and Fruitland Coal Gas Pools and to eliminate the notification requirement pursuant to 19.15.12.11(C) NMAC on an area-wide basis for existing and future wells within its San Juan 28-4 Unit, Rio Arriba County, New Mexico. In support of this application, Hilcorp states:

1. Hilcorp is the operator of the **San Juan 28-4 Unit**, which covers portions of Township 28 North, Range 4 West, Rio Arriba County, New Mexico, consisting of approximately 6,443.84 acres, more or less, as identified on **Exhibit A**, attached hereto.
2. Order R-11363 pre-approved downhole commingling production from the Basin Dakota Gas Pool and the Blanco-Mesaverde Gas Pool, on a pool-wide basis, for all existing and future wells. In addition, Order R-12984-B pre-approved downhole commingling production from

the Basin-Mancos Pool with gas production from the Basin Dakota Gas Pool and/or the Blanco-Mesaverde Gas Pool, on a pool-wide basis, for all existing and future wells.

3. Order R-12865 established a downhole commingling “reference case” under Division regulations for the San Juan 28-4 Unit. It permits Hilcorp, as operator of the San Juan 28-4 Unit, to reference the Order when applying to the Division for approval to downhole commingle production from Dakota and Mesaverde formations and formal notice of that commingling to diverse owners within the wellbore is not required. All other Division provisions relating to applications for downhole commingling are still in force and effect. The Division has retained jurisdiction for the entry of further orders as the Division may deem necessary.

4. Later, Order R-13681 amended the reference case for the San Juan 28-4 Unit to eliminate the notification requirement to all owners for downhole commingling production from the Basin-Mancos Pool with production from the Basin Dakota Gas Pool and/or the Blanco-Mesaverde Gas Pool within the geographic area of the Unit.

5. The San Juan 28-4 Unit currently includes the following wells in each of the following pools:

- a. 1 well in the Choza Mesa-Pictured Cliffs Pool (74960);
- b. 3 wells in the Basin-Fruitland Coal Gas Pool (71629);
- c. 29 wells in the Blanco-Mesaverde Pool (72319); and
- d. 10 wells in the Basin-Dakota Pool (71599).

6. In the absence of authorization to downhole commingle any combination of these pools in the “reference case” under Order R-12865, Division Rule 19.15.12.11(B) requires that separate administrative applications for downhole commingling of gas production between and among these pools be submitted on Form C-107(A), processed, and approved on a well-by-well basis. Individual applications include a requirement to provide notification by certified mail, return

receipt requested to each interest owner where ownership is not common in the zones to be commingled, with the applicant submitting information required by 19.15.12.11(A) with each application.

7. The Division routinely administratively approves the downhole commingling of production from the Pictured Cliffs pool with production from the Dakota and/or Mesaverde pools.

8. When Order R-12865 was entered in 2008, the operator of the San Juan 28-4 Unit requested that only the Basin-Dakota Gas Pool and Blanco-Mesaverde Gas Pool be included in the reference case, because completions in other pools were less common at that time. That circumstance has now changed.

9. Applicant is planning within the near term to increase the number of completions and downhole commingles within this Unit between the various pools with the geographic area of this Unit.

10. Sufficient data is now available from wells in the Unit to support an order which authorizes pre-approval of downhole commingling of gas production from the Pictured Cliffs and Fruitland Coal Gas Pools with Blanco-Mesaverde and Dakota gas production for all criteria required under 19.15.12.11(A).

11. Order R-11363, dated April 26, 2000, approved downhole commingling of production between the Basin-Dakota (71599) and Blanco-Mesaverde Pools (72319) as “pre-approved pools,” eliminating the need to justify downhole commingling of production on a well-by-well basis for these pools. In addition, the following pools within the geographic area of the San Juan 28-4 Unit have been authorized by the Division as “pre-approved pools” for downhole commingling:

- a. Blanco-Mesaverde (72319) and Basin-Dakota (71599); and
- b. Basin-Fruitland coal (71629) and Choza Mesa-Pictured Cliffs (74960).

12. By approving these pool combinations for downhole commingling, the Division has recognized the need to prevent waste by allowing this commingling.

13. Despite these pre-approvals, the Division still requires separate applications on a Form C-107-A for downhole commingling of production from different combinations of pools within the San Juan 28-4 Unit and for the Applicant to notify in writing each interest owner where ownership is not common in the zones to be commingled.

14. The San Juan 28-4 Unit is a “divided unit” with different ownership interests in various participating areas and between pools within the geographic area of the unit, such that interest ownership between any zones to be downhole commingled within a given wellbore in the Unit will not be common.

15. Accordingly, pursuant to 19.15.12.11, the Applicant is required to notify all interest owners in the Unit every time a Form C-107-A is submitted to the Division for downhole commingling approval in any given Unit wellbore. For the San Juan 28-4 Unit, this rule requires notice to more than 200 interest owners for each application.

16. Providing notice to this number of interest owners for every individual downhole commingling application is an unnecessary and excessive burden on the Applicant. Because numerous interest owners require notice within the San Juan 28-4 Unit, Applicant has a need for relief from the formal notice requirement for downhole commingling.

17. The Division has entered orders in numerous prior reference cases eliminating notice requirements:

- a. Order R-13681, Feb. 20, 2013, Case No. 14928, for the Allison Unit, San Juan 27-4 Unit, San Juan 28-4 Unit, San Juan 28-6 Unit, San Juan 28-7 Unit, San Juan 29-5 Unit, San Juan 29-6 Unit, San Juan 29-7 Unit, San Juan 30-

5 Unit, San Juan 30-6 Unit, San Juan 31-6 Unit, San Juan 32-7 Unit, San Juan 32-8 Unit, and San Juan 32-9 Unit;

- b. Order R-13106, March 25, 2009, Case No. 14281, for the Allison Unit;
- c. Order R-12867, Jan. 3, 2008, Case No. 13989, for the San Juan 27-4 Unit;
- d. Order R-12866, Sept. 20, 2008, Case No. 13988 for the San Juan 30-6 Unit;
- e. Order R-12865, Jan. 3, 2008, Case No. 13987 for the San Juan 28-4 Unit;
- f. Order R-11210, June 21, 1999, Case No. 12137 for the San Juan 32-7 Unit;
- g. Order R-11189, May 25, 1999, Case No. 12139 for the San Juan 32-8 Unit;
- h. Order R-11188, May 25, 1999, Case No. 12138 for the San Juan 31-6 Unit;
- i. Order R-11187, April 25, 1999, Case No. 12136 for the San Juan 29-6 Unit;
- j. Order R-10786, April 2, 1997, Case 11685 for the Canyon Largo Unit;
- k. Order R-10771, Feb. 21, 1997, Case No. 11709 for the San Juan 30-5 Unit;
- l. Order R-10770, Feb. 21, 1997, Case No. 11708 for the San Juan 29-5 Unit;
- m. Order R-10697, Oct. 8, 1996, Case 11629 for the San Juan 29-7 Unit Order;
- n. Order R-10696, Nov. 18, 1996, Case 11628 for the San Juan 28-6 Unit;
- o. Order R-10695, Nov. 12, 1996, Case 11627 for the San Juan 28-5 Unit;
- p. Order R-10694, Nov. 12, 1996, Case 11626 for the San Juan 27-5 Unit;
- q. Order R-10692, Nov. 1, 1996, Case 11601 for the San Juan 32-9 Unit; and
- r. Order R-10476-B, Oct. 17, 1997, Case 11815 for the San Juan 28-7 Unit.

18. Applicant will provide notice of this application to all owners within the San Juan 28-4 Unit to include additional pools as “pre-approved” for downhole commingling within the Unit and to amend the reference case to eliminate the notification requirement for downhole commingling production of gas among and between any combination of Dakota, Mesaverde, Pictured Cliffs, and/or Fruitland Coal Gas Pools in all existing and future wells within the Unit.

19. Approval of this application will not impair the correlative rights of any other interest owner in these pools within the San Juan 28-4 Unit, and will afford Hilcorp the opportunity to use existing wells to economically produce additional reserves.

20. Approval will not adversely affect or otherwise influence the accuracy of Applicant's production allocation between pools within commingled wells, and will not absolve Applicant of Division requirements to keep and maintain accurate records of production between pools and thereby protect owners' rights and prevent waste.

21. Approval will remove the repetitive and burdensome notice requirement and encourage expedient completion of wells within this Unit.

22. Approval is 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 September 5, 2019, and, after notice and hearing as required by law, that the Division enter an order granting this Application.

Respectfully submitted,

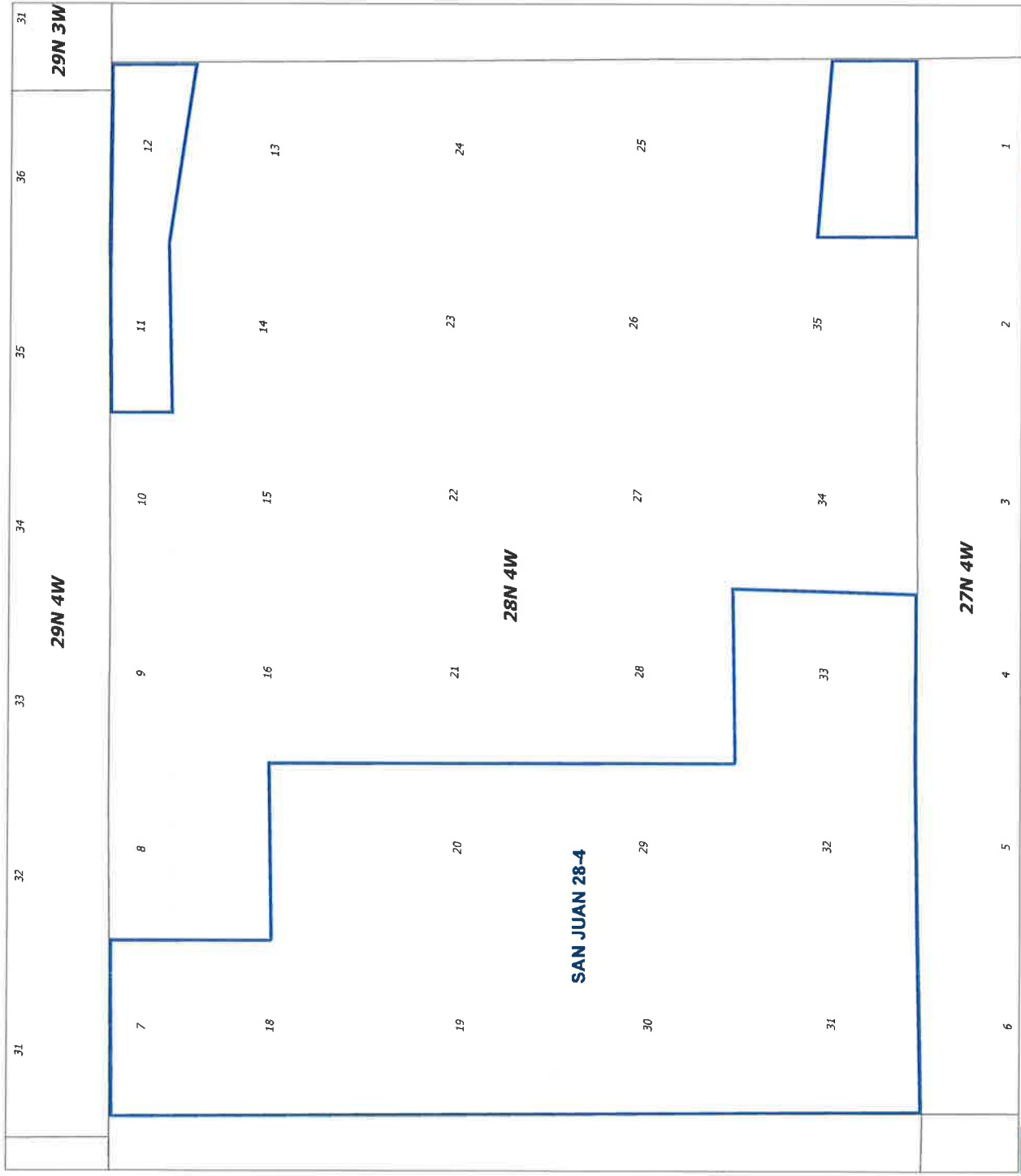
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ATTORNEYS FOR HILCORP ENERGY COMPANY

Case No. 13987 (Re-Open): Application of Hilcorp Energy Company to Amend Reference Case Order R-12865 to Include the Pictured Cliffs and Fruitland Coal Gas Pools for Pre-Approval of Downhole Commingling as to all Criteria for its San Juan 28-4 Unit and to Eliminate the Notice Requirement, Rio Arriba County, New Mexico. Pursuant to 19.15.12.11(C) NMAC, applicant seeks to re-open Case No. 13987 to amend downhole commingling reference case Order R-12865 to include pre-approval to downhole commingle production from the Pictured Cliffs and Fruitland Coal Gas Pools as to all criteria under 19.15.12.11(A) and to eliminate the notification requirement on an area-wide basis for all existing and future wells drilled anywhere within its San Juan 28-4 Unit, Rio Arriba County, New Mexico. Said area is approximately 40 miles east, southeast of Bloomfield, NM.






**Commingle Reference Case
Unit SAN JUAN 28-4**

Scale: 1:10,000
North Arrow: Hilcorp, Alaska Inc.
Date: 12/15/2014
Page: 1 of 1

Map: KNS-1000

0 0.175 0.35 0.7 1.05 1.4 Miles



San Juan 28-4