

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

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

MAY 24 2018 PM04:17

CASE NOS. 16193

HILCORP'S PREHEARING STATEMENT

Hilcorp Energy Company, ("Hilcorp") (OGRID.No. 372171), through its undersigned counsel, hereby submits this Consolidated Pre-Hearing Statement for the above referenced matters scheduled for hearing before the Division Examiners on May 31, 2018.

APPEARANCES

APPLICANT

Hilcorp Energy Company
1111 Travis St.
Houston, Texas 77002

ATTORNEYS

Michael H. Feldewert, Esq.
Adam G. Rankin, Esq.
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
agrarkin@hollandhart.com

STATEMENT OF THE CASE

The Blanco-Mesaverde 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 See Order No. R-8170, as superseded by Order No. R-10987-A, and amended by Order No. R-10987-A(1), effective Dec. 2, 2002. These Special Pool Rules and Regulations require exceptions to the well density requirements to be approved only after hearing:

I. ACREAGE AND WELL LOCATION REQUIREMENTS

A. Standard GPU (Gas Proration Unit): A standard GPU in the Blanco-Mesaverde 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 standard GPU, as follows:

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

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

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

Hilcorp has identified numerous additional existing wells which are ideal candidates for simultaneous completion in the Blanco-Mesaverde Gas Pool. Without amendment, the Special Rules will require that all of these applications be presented to a Division examiner at hearing. Accordingly, Hilcorp requests that the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319) be amended to allow administrative approval by the Division for exceptions to the well density requirements, as follows:

I. ACREAGE AND WELL LOCATION REQUIREMENTS

A. Standard GPU (Gas Proration Unit): A standard GPU in the Blanco-Mesaverde 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 vertical (4) wells may be drilled on a standard GPU, as follows:

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

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

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

(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.~~

II. ADMINISTRATIVE EXCEPTIONS:

The Division Director, in accordance with ~~Division Rule 104~~Subsection C of 19.15.15.11 NMAC, may administratively grant an exception to the well density and locations requirements of I.C above upon application to the Division which includes notification by certified mail-return receipt requested to affected parties [see 19.15.4.12.A(2) NMAC]; provided, however, that notice is not required to affected parties where ownership between an adjoining spacing unit and the spacing unit containing the proposed additional simultaneous dedication is common. ~~[See Division Rule 1207.A(2)].~~

APPLICANT'S PROPOSED EVIDENCE

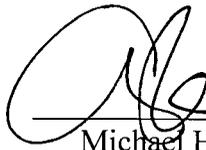
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Chuck Creekmore, Landman	Approx. 20	Approx. 5
Andrew Sparks, Geology	Approx. 20	Approx. 8
Michelle Sivadon, Reservoir Engineer	Approx. 20	Approx. 8

PROCEDURAL MATTERS

Hilcorp has filed a motion to strike the intervention of the San Juan Citizens Alliance, the Oil and Gas Accountability Project, and Don Schreiber on the grounds that the putative intervenors do not have standing and their notices of intervention were legally deficient. Putative intervenors should be precluded from being recognized as parties and should be precluded from being permitted to file a motion for continuance.

Respectfully submitted,

HOLLAND & HART LLP



Michael H. Feldewert

Adam Rankin

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

(505) 983-6043 Facsimile

mfeldewert@hollandhart.com

agrarkin@hollandhart.com

ATTORNEYS FOR HILCORP ENERGY COMPANY

11008307_1

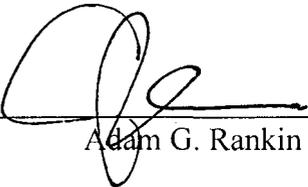
CERTIFICATE OF SERVICE

I hereby certify that on May 24, 2018, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

Bruce Baizel, Director
Oil & Gas Accountability Project
970-259-3353
bruce@earthworks.org

Don Schreiber
vivarioarriba@gmail.com

Mike Eisenfeld
San Juan Citizens Alliance
PO Box 6655
Farmington, NM 87499
office: 505.325.6724
mike@sanjuancitizens.org



Adam G. Rankin