

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

**HILCORP'S SUPPLEMENTAL PREHEARING STATEMENT
FOR THE CONTINUANCE OF THE COMMISSION HEARING**

Hilcorp Energy Company, ("Hilcorp") through its undersigned counsel, hereby submits
this supplemental pre-hearing statement for the continuation of above referenced matter
scheduled for further hearing on August 15, 2019.

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STATEMENT OF THE CASE

After receiving evidence, extensive public comment and argument on various legal issues presented during evidentiary hearings held in September and November of 2018, the full Commission deliberated and ultimately entered Order R-10987-A(2) in December of 2018. This December order outlines the procedural record in this matter (*see* Order R-10987-A(2) at p. 3-5), addresses the procedural and legal issues raised in this matter (*id.* at p. 5); examines the history of the Blanco-Mesaverde Pool (*id.* at p. 6 at ¶¶ 26-29); outlines the evidence presented in this

matter (*id.* at p. 6-7) and ultimately adopts limited amendments to the Special Rules for the Blanco-Mesaverde Pool codified in an “Exhibit A” to the order. *Id.* at p. 7-14.

In January of 2019, two new and acting members of the Commission stated at a public hearing that they intended to grant a “rehearing” in this matter. On March 20, 2019, the then acting Chair of the Commission signed Order R-10987-A(4). This March order “suspended” Commission Order R-10987-A(2) to allow “further review of the Hilcorp Application” by the new Commissioners and “the opportunity to present additional evidence related to the Hilcorp Application.” *See* Order R-10987-A(4) at p. 3, ¶ 1. This March order set a rehearing in May of 2019, granted “party” status to the New Mexico State Land Office (“NMSLO”) and other specific governmental entities, and instructed the New Mexico Oil Conservation Division “to review the Hilcorp Application for the implications for waste and correlative rights.” *Id.* at p. 3, ¶ 3-5. Citing vacancies remaining on the Commission in March, the Division moved to have the rehearing continued until August 15, 2019 which was subsequently approved by the acting Commission Chair. *See* Motion for Continuance filed March 20, 2019; Order R-10987-A(5) filed March 27, 2019.

Since the issuance of these 2019 orders, Hilcorp understands the Division has reviewed the extensive evidence and comments received at the public hearings in September and November of 2018. In addition, the NMSLO has coordinated discussions with the San Juan Citizen’s Alliance and other interested persons or entities that appeared at the public hearings. These efforts have culminated in an Unopposed Motion To Amend The Special Rules for the Blanco-Mesaverde Pool recently filed by the NMSLO. This Unopposed Motion modifies the “well density” provisions adopted by the full Commission in December under Order R-10987-A(2). As noted in the NMSLO filing, Hilcorp does not oppose these amendments.

APPLICANT'S PROPOSED ADDITIONAL EVIDENCE

Hilcorp will present the attached Exhibits 9 and 10, which follow the sequencing of Exhibits 1, 1A, 2 through 8 presented at the public hearings in this matter. Exhibits 9 and 10 demonstrate the additional notice required by Commission Order R-10987-A(4) has been met.

PROCEDURAL MATTERS

The San Juan Citizen's Alliance has filed a third Notice of Intervention seeking to overturn the following conclusions reached by the Commission and its counsel in December of 2018:

21. Hilcorp's Application raises issues of geology and reservoir engineering that relate solely to the proper management of an underground gas pool to avoid the prevention of underground waste and the protection of correlative rights. The drilling, operation, and production of oil and gas wells and the disposition of oil field wastes are not at issue under this Application.

22. The SJCA has not established a basis to intervene in this proceeding. The potential injuries alleged by the SJCA are outside the zone of interest to be protected by the statutes and rules at issue under Hilcorp's Application. The SJCA also did not establish that it or its proposed witnesses have the special expertise necessary to contribute substantially to the prevention of underground waste or the protection of correlative rights.

23. The potential injuries and harm alleged by the SJCA are limited to surface related issues that are not at issue in this proceeding. The fears and concerns raised by the SJCA are addressed by proceedings and rules governing the actual drilling, recompletion, operation, and production of oil and gas wells, and the disposition of oil field wastes. These other regulatory proceedings and rules are not before the Commission under Hilcorp's Application.

24. The SJCA has not established a proper basis for intervention in this case.

See R-10987-A(2) at p. 5. The SJCA offers no new arguments in support of this third request to intervene.

Hilcorp appreciates the cooperation and efforts that led to the filing of NMSLO's Unopposed Motion and will offer no amendments or changes thereto. Moreover, since the

SJCA's filings confirm it "will not present witnesses or otherwise actively participate in the case if the OCC grants that Unopposed Motion" (*see* Renewed Notice of Intervention at p. 8) and that the "SCJA will not present witnesses or seek to cross-examine Hilcorp's witnesses in the case if the OCC grants that Unopposed Motion" (*see* SCJA's Pre-Hearing Statement at p. 4), it is unnecessary to address the SJCA's third request to intervene. Instead, the Commission should grant NMSLO's Unopposed Motion and issue a final order in this matter.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on August 8, 2019, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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