

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

**APPLICATION OF HILCORP ENERGY
COMPANY FOR AN EXCEPTION TO THE
WELL DENSITY REQUIREMENTS OF THE
SPECIAL RULES AND REGULATIONS FOR
THE BASIN-FRUITLAND COAL GAS POOL,
RIO ARriba COUNTY, NEW MEXICO.**

CASE NO. _____

APPLICATION

Hilcorp Energy Company, ("Hilcorp") (OGRID No. 372171), through its undersigned counsel, hereby files this application with the Oil Conservation Division for an order for an exception to the well density requirements of the Basin-Fruitland Coal Gas Pool (71629), Rio Arriba County, New Mexico. Specifically, Hilcorp seeks an exception to the well density requirements of Rule 7(d) of the Special Rules and Regulations of the Basin-Fruitland Coal Gas Pool to permit it to complete and simultaneously produce three Fruitland Coal gas wells in the same standard 320-acre, more or less, spacing unit, with two wells in the same quarter-quarter section. In support of this application, Hilcorp states:

1. Hilcorp is the operator of a standard 320-acre, more or less, spacing unit in the Basin-Fruitland Coal Gas Pool comprised of the W/2 of Section 27, Township 30 North, Range 7 West, Rio Arriba County, New Mexico, in which the following two wells are currently completed and producing:

- a. San Juan 30-6 Unit 422 Well (API No. 30-039-24261), Sec. 27, T30N, R7W (Unit M); and
- b. San Juan 30-6 Unit 422S Well (API No. 30-039-27306), Sec. 27, T30N, R7W (Unit E).

2. The Basin-Fruitland Coal Gas Pool is governed by Special Rules and Regulations which provide for 320-acre spacing units on which as many as two wells may be drilled. *See* Order No. R-8768, as amended. The relevant provisions of the Special Pool Rules and Regulations provide:

RULE 4: *Each standard gas spacing unit will consist of 320 acres, more or less, comprising any two contiguous quarter sections of a single governmental section, being a legal subdivision of the United States Public Lands Survey.*

RULE 7(d): WELL DENSITY

1. *Well density within the "Low Productivity Area": No More than two (2) wells per standard 320-acre gas spacing unit may be located in the "Low Productivity Area" of the pool as follows:*

- (i) *the OPTIONAL INFILL WELL drilled on an existing spacing unit shall be located in the quarter section not containing the INITIAL Fruitland coal gas well;*
- (ii) *the plat (Form C-102) accompanying the "Application for Permit to Drill ("APD")" (Form C-101 or federal equivalent) for the optional infill well within an existing spacing unit shall have outlined the boundaries of the unit and shall show the location (well name, footage location, API number) of the initial Fruitland coal gas well plus the proposed infill well; and*
- (iii) *any deviation from the above-described well density requirements shall be authorized only after hearing.*

See Order R-8768-C.

3. The objective formation in each of the above-described wells in Paragraph 1 is the Basin-Fruitland Coal Gas Pool. Each well was permitted and drilled with a Fruitland Coal completion and is located within the Low Productivity Area of the pool.

4. Hilcorp proposes to simultaneously dedicate and produce the following third well within the same standard spacing unit, at the following location:

- a. **San Juan 30-6 Unit 144 Well** (API No. 30-039-26132), Sec. 27, T30N, R7W (Unit M).

5. The San Juan 30-6 Unit 144 Well is currently completed within and dedicated to a 160-acre spacing unit within the La Jara-Pictured Cliffs Pool (Pool Code 96199). Hilcorp seeks to recomplete and simultaneously dedicate this well to the existing 320-acre, more or less, Basin-Fruitland Coal Gas Pool spacing unit comprised of the W/2 of Section 27.

6. Hilcorp therefore requests that the Division enter an order granting an exception to the well density requirements of the Special Rules and Regulations of the Basin-Fruitland Coal Gas Pool to authorize Hilcorp to simultaneously dedicate and produce the **San Juan 30-6 Unit 144** within the W/2 of Section 27, permitting the total number of wells dedicated and producing within this Basin-Fruitland Coal Gas Pool spacing unit to three, with two wells in the same quarter-quarter section (Unit M).

7. Approval of this application will not impair the correlative rights of any other interest owner in the Blanco-Mesaverde Gas Pool and will afford Hilcorp the opportunity to use existing wells to produce incremental reserves from this spacing unit.

8. Approval of this application will be 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 December 12, 2019, and, after notice and hearing as required by law, that the Division enter an order:

- Granting an exception to the well density requirements of Rule 7(d) of the Special Rules and Regulations of the Basin-Fruitland Coal Gas Pool (71629) permitting the total number of wells dedicated and producing within this spacing unit to three, with two in the same quarter-quarter section;
- Approving the proposed location of the **San Juan 30-6 Unit 144 Well** (API No. 30-039-26132), Sec. 27, T30N, R7W (Unit M) in the Fruitland Coal formation with

a surface location in Unit M within the W/2 of Section 27, Township 30 North,
Range 7 West, Rio Arriba County, New Mexico; and

- Authorizing Hilcorp to simultaneously complete and produce the **San Juan 30-6 Unit 144 Well** from the Basin-Fruitland Gas Pool.

Respectfully submitted,

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ATTORNEYS FOR HILCORP ENERGY COMPANY

CASE _____: **Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Basin-Fruitland Coal Gas Pool, Rio Arriba County, New Mexico.** Applicant in the above-styled cause seeks an order for an exception to the well density requirements of Rule 7(d) of the Special Rules and Regulations of the Basin-Fruitland Coal Gas Pool to permit it to complete and simultaneously produce three Fruitland Coal gas wells in the same standard 320-acre, more or less, spacing unit, with two wells in the same quarter-quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 30-6 Unit 144 Well** (API No. 30-039-26132) in the Mesaverde formation with a surface location in Unit M of the W/2 of Section 27, Township 30 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the **San Juan 30-6 Unit 144 Well** from the Basin-Fruitland Coal Gas Pool. Said area is located approximately 3 miles southeast of Navajo Dam, NM.