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**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 BLANCO-MESAVERDE GAS POOL,
RIO ARriba COUNTY, NEW MEXICO.**

CASE NO. 16121

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 Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico. Specifically, Hilcorp seeks an exception to the well density requirements of Rule I.B of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool to permit it to complete and simultaneously produce five Mesaverde gas wells in the same standard 320-acre, more or less, spacing and proration unit, and three wells in the same quarter section. In support of this application, Hilcorp states:

1. Hilcorp is the operator of a standard 320-acre, more or less, spacing and proration unit in the Blanco-Mesaverde Gas Pool comprised of the W/2 of Section 20, Township 27 North, Range 5 West, Rio Arriba County, New Mexico, in which the following four wells are currently completed and producing:

- a. San Juan 27-5 Unit 19 Well (API No. 30-039-06961) Sec. 20, T27N, R5W
(Unit N);

- b. San Juan 27-5 Unit 139M Well (API No. 30-039-23898), Sec. 20, T27N, R5W (Unit E);
- c. San Juan 27-5 Unit 139N Well (API No. 30-039-29353), Sec. 20, T27N, R5W (Unit F); and
- d. San Juan 27-5 Unit 139P Well (API No. 30-039-30786), Sec. 20, T27N, R5W (Unit M).

2. 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 *See* Order No. R-8170, as superseded by Order No. R-10987-A, and amended by Order No. R-10987-A(1), effective Dec. 2, 2002.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 provide:

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.

3. The objective formation in each of the above-described wells in Paragraph 1 is the Blanco-Mesaverde Gas Pool, and each well was permitted and drilled with a Mesaverde completion.

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

- a. **San Juan 27-5 Unit 139** (API No. 30-039-20464), Sec. 20, T27N, R5W
(Unit K).

5. Hilcorp therefore requests that the Division enter an order granting an exception to the well density requirements of Rule 1.B of the Special Rules and Regulations of the Blanco-Mesaverde Pool to authorize Hilcorp to simultaneously dedicate and produce the **San Juan 27-5 Unit 139** (API No. 30-039-20464) within the W/2 of Section 20, Township 27 North, Range 5 West, permitting the total number of wells dedicated and producing within this spacing and proration unit to five, and the number of wells within a quarter section to three.

6. 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.

7. 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 May 3, 2018, 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 I.B of the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool (72319) permitting the total number of wells dedicated and producing within this spacing and proration unit to five, and the number of wells within a quarter section to three;
- Approving the proposed location of the **San Juan 27-5 Unit 139** (API No. 30-039-20464) in the Mesaverde formation with a surface location in Unit K within the W/2 of Section 20, Township 27 North, Range 5 West, NMPM, Rio Arriba County, New Mexico; and
- Authorizing Hilcorp to simultaneously complete and produce the San Juan 27-5 Unit 139 Well from the Blanco-Mesaverde Gas Pool.

Respectfully submitted,

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ATTORNEYS FOR HILCORP ENERGY COMPANY

CASE 16121:

Application of Hilcorp Energy Company for an Exception to the Well Density Requirements of the Special Rules and Regulations of the Blanco-Mesaverde 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 I.B of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool (72319), Rio Arriba County, New Mexico, to permit it to complete and simultaneously produce five Mesaverde gas wells in the same standard 320-acre, more or less, spacing and proration unit, and three wells within the same quarter section. Hilcorp further seeks approval for the proposed location of the **San Juan 27-5 Unit 139** (API No. 30-039-20464) in the Mesaverde formation with a surface location in Unit K of the W/2 of Section 20, Township 27 North, Range 5 West, NMPM, Rio Arriba County, New Mexico, and authorization to simultaneously complete and produce the San Juan 27-5 Unit 139 Well from the Blanco-Mesaverde Gas Pool. Said area is located approximately 35 miles east of Bloomfield, NM.