

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

**APPLICATIONS OF HILCORP ENERGY
COMPANY FOR AN EXCEPTION TO THE
WELL DENSITY REQUIREMENTS OF THE
SPECIAL RULES AND REGULATIONS FOR
THE BLANCO-MESAVERDE GAS POOL,
SAN JUAN AND RIO ARRIBA COUNTIES,
NEW MEXICO.**

APR 26 2018 PM03:38

CASE NOS. 16118 through 16127

HILCORP'S CONSOLIDATED 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 3, 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 well density requirements in the Special Rules and Regulations of the Blanco-Mesaverde Gas Pool currently state 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 (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.

In these consolidated cases, Hilcorp seeks approval under Rule I(B)(1)(f) to add an additional vertical well as follows:

- In **Case Nos. 16119 through 16126**, the company seeks authority to complete and simultaneously produce a fifth vertical Mesaverde gas well within standard spacing and proration units by adding a third vertical well in one of the two quarter sections comprising the standard spacing and proration unit in these cases; and
- In **Case Nos. 16118 and 16127**, the company seeks authority to complete and simultaneously produce three Mesaverde gas wells in one of the two quarter sections comprising the standard spacing and proration unit in these cases.

APPLICANT'S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Chuck Creekmore, Landman	Approx. 15	Approx. 3 for each consolidated case
James Osborn, Reservoir Engineer	Approx. 20	Approx. 5 for each consolidated case

PROCEDURAL MATTERS

Hilcorp has requested and obtained similar relief in prior consolidated cases heard by the Division on January 11, 2018, and resulting in Division Orders R-14553 through R-14563 (issued on January 24, 2018). For purposes of administrative efficiency, Hilcorp requests that (a) these matters likewise be consolidated for purposes of presenting evidence, and (b) the Examiners take administrative notice of the testimony and Division findings in the prior cases resulting in Division Orders R-14553 through R-14563.

Respectfully submitted,

HOLLAND & HART LLP

A handwritten signature in black ink, appearing to be 'M. Feldewert', written over a horizontal line.

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