

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

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION TO CONSIDER:**

**CASE NO. 16204  
ORDER NO. R-14780**

**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, SAN JUAN  
COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on May 31, 2018, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 9<sup>th</sup> day of July 2018, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

**FINDS THAT**

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Hilcorp Energy Company ("Applicant"), seeks approval for one or more additional vertical well completion(s) within an existing, standard 320.4-acre (more or less) Mesaverde formation gas spacing unit within the Blanco-Mesaverde (Prorated Gas) Pool (72319) consisting of the N/2 of Section 3, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico.

(3) The following wells currently produce within this gas spacing unit:

- Zella Calloway Well No. 001M (API No. 30-045-34888) SHL:Unit A(1) BHL:Unit B(2)
- Lester Well No. 001 (API No. 30-045-21065) Unit H(H)
- Lester Well No. 001A (API No. 30-045-24155) Unit D(4)
- Lester Well No. 001B (API No. 30-045-35073) SHL:Unit D(4) BHL:Unit F

(4) The following additional well or wells is proposed and would be the fifth Mesaverde well completion to be produced and dedicated to this gas spacing unit and the third completion within the NE/4 quarter section:

- Zella Calloway Well No. 001 (API No. 30-045-09977) Unit A(1)

(5) Well density, well locations, and gas spacing unit size, within the Blanco-Mesaverde (Prorated Gas) Pool, are governed by Special Rules detailed in Division Order No. R-10987-A(1) effective December 2, 2002. That portion of those Special Rules pertaining to gas spacing unit size and well density limit each gas spacing unit to simultaneous dedicate and produce from a maximum of four wells, limit each quarter section within the spacing unit to two wells, and each quarter-quarter section within the spacing unit to one well. Said rules also state that, *“any deviation from the above-described well density requirements shall be authorized only after hearing.”*

(6) Subsection C of 19.15.15.11 NMAC specifies that the director may grant exceptions to the [limited] number of [vertical] wells per spacing unit after notice to all affected persons as defined in Paragraph (2) of Subsection A of 19.15.4.12 NMAC.

(7) The Applicant appeared at the hearing through counsel and presented testimony and facts as follows:

- (a) Applicant has done a reservoir study of its properties in the Blanco-Mesaverde (Prorated Gas) Pool and identified areas of underperformance. Applicant used decline analysis and log derived volumetric parameters to calculate ultimate recovery and original gas in place values and to map these points for its wells in the pool.
- (b) The estimated ultimate gas recovery from the subject gas spacing unit is low relative to the average gas spacing unit despite the presence of existing well completions.
- (c) The subject gas spacing unit has one or more wellbores currently producing from a deeper formation that is available for completion up-hole in the Mesaverde formation.
- (d) The proposed well could be downhole commingled without harm to the existing deeper completion. Both the deeper completion and the prospective Mesaverde completion are expected to produce little water.
- (e) The proposed well is expected to recover additional gas in place within this gas spacing unit that would not otherwise be recovered.
- (f) The additional well completion in this gas reservoir is not expected to cause harm to offsetting interests.

- (g) Notice of the intended well density exception was provided as per Paragraph (2) of Subsection A of 19.15.4.12 NMAC to all affected persons.

The Division finds that

(8) Applicant has shown this gas spacing unit is underdeveloped and the existing well or wells will not recover the percentage of gas in place that would be expected. The proposed additional well completion(s) is needed to recover additional gas and is not expected to harm offsetting gas spacing units.

(9) Notice was provided as required and there has been no objection. This application should be approved to prevent waste and protect correlative rights.

**IT IS THEREFORE ORDERED THAT**

(1) The application of Hilcorp Energy Company is hereby approved. An exception is granted as follows to the well density provisions of the Special Rules of the Blanco-Mesaverde (Prorated Gas) Pool (72319).

(2) The following wells may be simultaneously dedicated to and may produce from within an existing standard 320.4-acre (more or less) Mesaverde gas spacing unit comprised of the N/2 of Section 3, Township 30 North, Range 11 West, NMPM, San Juan County, New Mexico:

- Zella Calloway Well No. 001M (API No. 30-045-34888) SHL:Unit A(1) BHL:Unit B(2)
- Lester Well No. 001 (API No. 30-045-21065) Unit H(H)
- Lester Well No. 001A (API No. 30-045-24155) Unit D(4)
- Lester Well No. 001B (API No. 30-045-35073) SHL:Unit D(4) BHL:Unit F

Approved Additional Well(s):

- Zella Calloway Well No. 001 (API No. 30-045-09977) Unit A(1)

(3) Substitutions of other wells within this GPU for any of the wells detailed herein may be granted administratively in the absence of objection after providing notice to affected persons as required in Paragraph (2) of Subsection A of 19.15.4.12 NMAC.

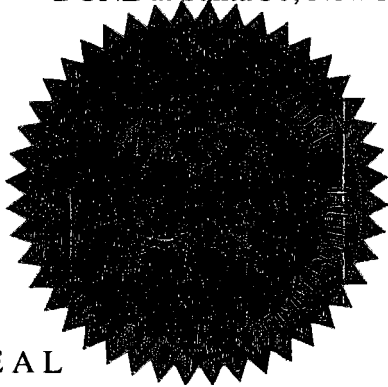
(4) Except as granted above, all spacing and location provisions of the Special Rules of the Blanco-Mesaverde (Prorated Gas) Pool remain in effect.

(5) The location of the approved additional well or wells is governed by Division rules or by Special Pool Rules and the well or wells may only be produced if the

location is orthodox or if Hilcorp Energy Company applies for and obtains a location exception from the Division.

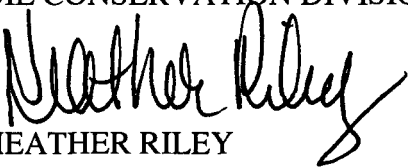
(6) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
HEATHER RILEY  
Director