

**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. 16224  
ORDER NO. R-14811**

**AMENDED APPLICATION OF HILCORP ENERGY COMPANY FOR AN  
EXCEPTION TO THE WELL DENSITY REQUIREMENTS OF THE BLANCO-  
PICTURED CLIFFS POOL, RIO ARriba COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on June 14, 2018, at Santa Fe, New Mexico, before Examiner Michael A. McMillan. The case was amended and re-advertised and again heard on July 12, 2018 and at that time taken under advisement.

NOW, on this 8<sup>th</sup> day of August 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 155.1-acre (more or less) Pictured Cliffs formation gas spacing unit within the Blanco Pictured Cliffs (Gas) Pool (72359) consisting of the NW/4 of Section 5, Township 29 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

(3) The following well currently produces within this gas spacing unit:

- San Juan 29 7 Unit Well No. 159 (API No. 30-039-25856) Unit C(7)

(4) The following additional well is proposed and would be the second Pictured Cliffs well completion to be produced and dedicated to this gas spacing unit:

- San Juan 29 7 Unit Well No. 079M (API No. 30-039-29972) Unit E(E)

(5) Rule 19.15.15.10 NMAC governs gas spacing unit size, well density, and well setbacks within the Blanco Pictured Cliffs (Gas) Pool. Subsection C of said rule states that shallow [vertical] gas wells in New Mexico (those wells not covered by preceding portions of 19.15.15.10 NMAC) shall be located in a spacing unit consisting of 160 surface contiguous acres, more or less, substantially in the form of a square that is a quarter section and a legal subdivision of the United States public land surveys and shall be located no closer than 660 feet to an outer boundary of the unit and no closer than 10 feet to a quarter-quarter section or subdivision inner boundary.

(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 Pictured Cliffs (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 Pictured Cliffs formation.
- (d) The proposed well could be downhole commingled without harm to the existing deeper completion. Both the deeper completion and the prospective Pictured Cliffs 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) The W/2 of Section 5 comprises one "drill block" for revenue purposes and consists of NW/4 and SW/4 gas spacing units. The NW/4 gas spacing unit is the subject of the exception to the well density rules in this case although all parties surrounding the W/2 have been notified.

- (h) The SW/4 gas spacing unit contains the San Juan 29 7 Unit Well No. 168 API No. 30-039-26652.
- (i) 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 amended and re-advertised this case to correct the pool name. The amended application reflects the correct pool and applicant's testimony applies to this Blanco Pictured Cliffs (Gas) Pool.

(9) 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.

(10) 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 governing the Blanco Pictured Cliffs (Gas) Pool (72359).

(2) The following wells may be simultaneously dedicated to and may produce from within an existing 155.1-acre (more or less) Pictured Cliffs gas spacing unit comprised of the NW/4 of Section 5, Township 29 North, Range 7 West, NMPM, Rio Arriba County, New Mexico:

- San Juan 29 7 Unit Well No. 159 (API No. 30-039-25856) Unit C(7)

Approved Additional Well(s):

- San Juan 29 7 Unit Well No. 079M (API No. 30-039-29972) Unit E(E)

(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 Blanco Pictured Cliffs (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.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Heather Riley".

HEATHER RILEY  
Director