

**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. 20350

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 three Mesaverde gas wells in the same quarter section within the same standard 320-acre, more or less, spacing and proration unit. 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 7, Township 27 North, Range 5 West, Rio Arriba County, New Mexico, in which the following three wells are currently, or soon will be, completed and producing:

- a. San Juan 27-5 Unit 46 Well (API No. 30-039-07112), Sec. 7, T27N, R5W,
(Unit M);

- b. San Juan 27-5 Unit 126M Well (API No. 30-039-23756), Sec. 7, T27N, R5W (Unit C); and
- c. San Juan 27-5 Unit 126 Well (API No. 30-039-20400), Sec. 7, T27N, R5W (Unit K).¹

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 See Order No. R-8170, as superseded by Order No. R-10987-A, and amended by Order No. R-10987-A(1), effective Dec. 2, 2002.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

¹ This Dakota well is not yet completed into the Mesaverde formation, but is scheduled to be recompleted into the Mesaverde. It will be the second well in the SW/4, making the proposed recompletion of the San Juan 27-5 Unit 126E well the third well in the quarter section, thereby requiring a well density exception.

(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 126E Well** (API No. 30-039-30518), Sec. 7, T27N, R5W, with a surface location in Unit L and bottom-hole location in Unit F.

5. Hilcorp therefore requests 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 Pool to authorize Hilcorp to simultaneously dedicate and produce the **San Juan 27-5 Unit 126E Well** (API No. 30-039-30518) within the W/2 of Section 7, Township 27 North, Range 5 West, permitting the total number of wells dedicated and producing within the same 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.

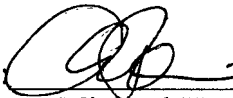
7. Approval of this application will be in the best interest of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Hilcorp Energy Company requests that this application be set before an Examiner of the Oil Conservation Division on April 4, 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 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 the same quarter section to three;
- Approving the proposed location of the **San Juan 27-5 Unit 126E Well** (API No. 30-039-30518) in the Mesaverde formation with a surface location in Unit L and bottom-hole location in Unit F within the W/2 of Section 7, 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 126E Well** from the Blanco-Mesaverde Gas Pool.

Respectfully submitted,

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ATTORNEYS FOR HILCORP ENERGY COMPANY

CASE 20350 :

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 three Mesaverde gas wells in the same quarter section within the same standard 320-acre, more or less, spacing and proration unit. Hilcorp further seeks approval for the proposed location of the **San Juan 27-5 Unit 126E Well** (API No. 30-039-30518) in the Mesaverde formation with a surface location in Unit L and a bottom-hole location in Unit F of the W/2 of Section 7, 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 126E Well** from the Blanco-Mesaverde Gas Pool. Said area is located approximately 28 miles east of Bloomfield, NM.