

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

CASE NO. 20427

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), San Juan 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 for a total of three Mesaverde gas wells within the same non-standard 160-acre, more or less, spacing and proration unit. In support of this application, Hilcorp states:

1. Hilcorp is the operator of a non-standard 160-acre, more or less, spacing and proration unit in the Blanco-Mesaverde Gas Pool comprised of the SW/4 of Section 7, Township 31 North, Range 12 West, San Juan County, New Mexico, in which the following two wells are currently completed and producing:

- a. Owens 001 Well (API No. 30-045-10866) Sec. 7, T31N, R12W (Unit M);
and
- b. Owens 001A Well (API No. 30-045-30130), Sec. 7, T31N, R12W (Unit K).

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 See Order No. R-8170, as superseded by Order No. R-10987-A, and amended by Order No. R-10987-A(1), effective Dec. 2, 2002.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. The subject non-standard spacing unit was approved by the Division after hearing in Order No. R-6760 on August 26, 1981. That Order did not alter or modify the well density requirements in the Special Rules and Regulations governing the Blanco-Mesaverde Gas Pool applicable to subject non-standard spacing unit. Accordingly, any exception to the well density limits imposed by the Special Rules must be approved after hearing.

5. Hilcorp now proposes to simultaneously dedicate and produce the following third well within a quarter section, at the following location:

a. **Gross 001** (API No. 30-045-10856) Sec. 7, T31N, R12W (Unit N).

6. 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 **Gross 001** (API No. 30-045-10856) within the SW/4 of Section 7, Township 31 North, Range 12 West, permitting the total number of wells dedicated and producing within this non-standard spacing and proration unit to three, with three wells in the same quarter section.

7. 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.

8. 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 2, 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 this non-standard spacing and proration unit to three, with three wells in the same quarter section;
- Approving the proposed location of the **Gross 001** (API No. 30-045-10856) in the Mesaverde formation with a surface location in Unit N within the SW/4 of Section 7, Township 31 North, Range 12 West, NMPM, San Juan County, New Mexico; and
- Authorizing Hilcorp to simultaneously complete and produce the **Gross 001 Well** from the Blanco-Mesaverde Gas Pool.

Respectfully submitted,

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ATTORNEYS FOR HILCORP ENERGY COMPANY

CASE 20427:

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, San Juan 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), San Juan County, New Mexico, to permit it to complete and simultaneously produce three Mesaverde gas wells in the same non-standard 160-acre, more or less, spacing and proration unit, with three wells in the same quarter section. Hilcorp further seeks approval for the proposed location of the **Gross 001** (API No. 30-045-10856) in the Mesaverde formation with a surface location in Unit N of the SW/4 of Section 7, Township 31 North, Range 12 West, NMPM, San Juan County, New Mexico, and authorization to simultaneously complete and produce the **Gross 001** from the Blanco-Mesaverde Gas Pool. Said area is located approximately 9 miles northwest of Aztec, NM.