

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

**APPLICATION OF HILCORP ENERGY COMPANY TO AMEND
THE WELL DENSITY AND LOCATION REQUIREMENTS AND
ADMINISTRATIVE EXCEPTIONS OF THE SPECIAL RULES
FOR THE BLANCO-MESAVERDE GAS POOL, RIO ARRIBA
AND SAN JUAN COUNTIES, NEW MEXICO.**

**CASE NO. 16403
ORDER NO. R-10987-A(6)**

ORDER OF THE COMMISSION

THIS MATTER came before the Oil Conservation Commission (“the Commission”) at a meeting on August 15, 2019, pursuant to the Order for Rehearing, Order No. R-10987-A(4), filed on January 8, 2019 in this case. The full Commission having considered the evidence, pleadings and other materials submitted in this matter; having accepted additional exhibits demonstrating the expanded public notice required by the Order for Rehearing has been met; and being otherwise fully advised, enters this order.

THE COMMISSION FINDS THAT:

1. Since the Order for Rehearing was entered in January of 2019, the New Mexico State Land Office engaged in discussions and negotiations with the participants in this matter culminating in the filing of an Unopposed Motion To Amend The Special Rules For The Blanco-Mesaverde Pool adopted by the Commission in December of 2018 under Order R-10987-A(2). These proposed amendments addressed only the Well Density provisions (Part 1(B)) of the Special Rules adopted under Commission Order R-10987-A(2).

2. At the August 15th hearing, additional modifications to the Well Density provisions were discussed by participants in this case. Following these discussions, the New Mexico State Land Office presented the following modifications to the Well Density provisions adopted under Order R-10987-A(2):

B. Well density:

- (1) Up to four eight (84) vertical or directional wells may be drilled and completed in the Blanco-Mesaverde Pool underlying a standard GPU;
- (2) In addition to the four (4) wells authorized to be drilled and completed under B(1), an operator may conduct operations to recomplete up to four (4) vertical or directional wells in the Blanco-Mesaverde Pool formation within a standard GPU;
- (3) No more than four (4) wells producing from the Blanco-Mesaverde Pool formation shall be located within either quarter section in a GPU; and
- (4) Any deviation from the above-described well density requirements shall be authorized only after hearing.

3. The following participants confirmed through counsel approval of these changes at the August 14, 2019 hearing: Hilcorp Energy Company, Enduring Resources, the Oil Conservation Division, the New Mexico State Land Office and the San Juan Citizens Alliance. No other interested persons appeared at the hearing.

4. The Commission finds that the unopposed modifications to the Well Density provisions presented at the August 15th hearing are supported by the evidence, is consistent with the Commission's management of this reservoir since 1949, represents a logical progression of the well density previously approved by this Commission, and is necessary to prevent waste and protect correlative rights.

5. All notice required by Commission rules and Order R-10987-(A)(4) issued on March 20, 2019 was properly provided.

IT IS THEREFORE ORDERED THAT

A. Effective as of the date of this Order, Part 1B of the Special Rules For The Blanco-Mesaverde Pool set forth in Exhibit A to Commission Order R-10987-A(2) are hereby amended to read as follows:

B. Well density:

- (1) Up to four (4) vertical or directional wells may be drilled and completed in the Blanco-Mesaverde Pool underlying a standard GPU;
- (2) In addition to the four (4) wells authorized to be drilled and completed under B(1), an operator may conduct operations to recomplete up to four (4) vertical or directional wells in the Blanco-Mesaverde Pool within a standard GPU;
- (3) No more than four (4) wells producing from the Blanco-Mesaverde Pool shall be located within either quarter section in a GPU; and
- (4) Any deviation from the above-described well density requirements shall be authorized only after hearing.

B. A complete restatement of the Amended Special Rules For The Blanco-Mesaverde Pool are hereby set forth in their entirety in the attached Exhibit "A," which supersedes the special rules for the Blanco-Mesaverde Pool in Division Order R-10987-A(1) and Commission Order R-10987-A(2).

C. Jurisdiction is retained for the entry of such further orders as the Commission or Division may deem necessary.

DONE at Santa Fe; New Mexico on the 25th of September 2019.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**



SEAL

A handwritten signature in blue ink, appearing to read "Dr. Engler", written in a cursive style.

**DR. THOMAS ENGLER, P.E.,
MEMBER**

A handwritten signature in blue ink, appearing to read "Scott Dawson", written in a cursive style.

SCOTT DAWSON, P.G., MEMBER

A handwritten signature in blue ink, appearing to read "Adrienne Sandoval", written in a cursive style.

ADRIENNE SANDOVAL, M.E., CHAIR

EXHIBIT "A"
Case No. 16403
Order No. R-10987-A(6)

**AMENDED SPECIAL RULES FOR THE
BLANCO-MESAVERDE POOL**

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) vertical or directional wells may be drilled and completed in the Blanco-Mesaverde Pool underlying a standard GPU;
- (2) In addition to the four (4) wells authorized to be drilled and completed under B(1), an operator may conduct operations to recomplete up to four (4) vertical or directional wells in the Blanco-Mesaverde Pool within a standard GPU;
- (3) No more than four (4) wells producing from the Blanco-Mesaverde Pool shall be located within either quarter section in a GPU; and
- (4) Any deviation from the above-described well density requirements shall be authorized only after hearing.

C. Well locations:

- (1) Except as provided in subparagraph I.C (2) below, wells drilled on a GPU shall be located no closer than 660 feet to the outer boundary of the GPU and no closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary.
- (2) A well drilled or recompleted within a federal exploratory unit is not subject to the 660-foot setback requirement to the outer boundary of a GPU, provided however:

- (a) the well shall not be closer than 10 feet to any section, quarter section, or interior quarter-quarter section line or subdivision inner boundary;
 - (b) the well shall not be closer than 660 feet to the outer boundary of the federal exploratory unit;
 - (c) if the well is located within the federal exploratory unit area but adjacent to an existing or prospective GPU containing a non-committed tract or partially committed tract, it shall not be closer than 660 feet to the outer boundary of its GPU;
 - (d) if the well is located within a non-committed or partially committed GPU, it shall not be closer than 660 feet to the outer boundary of its GPU;
 - (e) if the well is located within a participating area but adjacent to an existing or prospective GPU that is not within the same participating area, it shall not be closer than 660 feet to the outer boundary of the participating area; and
 - (f) if the well is located within the federal exploratory unit area but in an existing or prospective GPU that is a non-participating GPU, it shall not be closer than 660 feet to the outer boundary of its GPU.
- (3) The operator filing an APD for any well within a federal exploratory unit area that is closer to the outer boundary of its assigned GPU than 660 feet shall provide proof in the form of a participating area plat that such well meets the requirements of I.C (2) above.

II. ADMINISTRATIVE EXCEPTIONS:

The Division Director, in accordance with Subsection C of 19.15.15.11 NMAC, may administratively grant an exception to the well location requirements of I.C above upon application to the Division which includes notification by certified mail-return receipt requested to affected persons. [See 19.15.2.7.A(8) NMAC].

III. ALLOCATION AND GRANTING ALLOWABLES:

- A. Non-Marginal GPU Allowable:** The pool allowable remaining each month after deducting the total allowable assigned to marginal GPU's shall be allocated among the non-marginal GPU's entitled to an allowable in the following manner:

- (1) Seventy-five percent (75%) of the pool allowable remaining to be allocated to the non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's AD Factor bears to the total AD Factor for all non-marginal GPU's in the pool.

When calculating the allowable for a GPU containing one or more infill wells, the deliverability of the wells shall be added in calculating the AD Factor and the allowable may be produced from all wells.

- (2) Twenty-five percent (25%) of the pool allowable remaining to be allocated to non-marginal GPU's shall be allocated among such GPU's in the proportion that each GPU's acreage factor bears to the total acreage factor for all non-marginal GPU's in the pool.

- B. **Minimum Allowable:** A minimum allowable of 250 MCF per month per GPU is assigned to prevent the premature abandonment of wells.
- C. **A GPU in the Blanco-Mesaverde Pool** shall be classified as marginal unless reclassified by the Director pursuant to Division Rule 605.F.(2). Any operator in the Blanco-Mesaverde Pool may request a reclassification of a GPU in that pool.

IV. VERTICAL LIMITS OF THE BLANCO-MESA VERDE POOL:

The vertical limits for the Blanco-Mesaverde Pool are described in relation to the Chacra line and to the Huerfanito Bentonite Marker as follows: (i) Southwest of the Chacra line the top of the pool is a point 750 feet below the Huerfanito Bentonite Marker and the base of the pool is a point 500 feet below the top of the Point Lookout Sandstone; and (ii) Northeast of the Chacra line the top of the pool is a point 300 feet above the Huerfanito Bentonite Marker and the base of the pool is a point 500 feet below the top of the Point Lookout Sandstone.

The northwest southeast trending Chacra Line (originally established by Order R-5459, as amended) divides the Blanco-Mesaverde pool for purposes of defining the vertical limits of the pool. This line traverses the south side or west side of the sections listed below:

TOWNSHIP 24 NORTH, RANGE 1 EAST, NMPM

Section 31: West

TOWNSHIP 24 NORTH, RANGE 1 WEST, NMPM

Section 3: West
Section 10: West and South
Section 14: West and South
Section 24: West
Section 25: West and South

TOWNSHIP 25 NORTH, RANGE 1 WEST, NMPM

Section 7: West
Section 18: West and South
Section 20: West and South
Section 28: West
Section 33: West and South

TOWNSHIP 25 NORTH, RANGE 2 WEST, NMPM

Section 1: West and South

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPM

Sections 7 and 8: South
Section 16: West and South
Section 22: West and South
Section 26: West
Section 35: West and South

TOWNSHIP 26 NORTH, RANGE 3 WEST, NMPM

Sections 2 and 3: South
Section 4: West and South
Section 12: West and South

TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM

Sections 31 and 32: South

TOWNSHIP 27 NORTH, RANGE 4 WEST, NMPM

Sections 31 through 36: South

TOWNSHIP 27 NORTH, RANGE 5 WEST, NMPM

Sections 31: West and South
Sections 32 through 36: South

TOWNSHIP 27 NORTH, RANGE 6 WEST, NMPM

Section 6:	West
Section 7:	West and South
Sections 8 and 9:	South
Section 14:	South
Section 15:	West and South
Section 24:	West
Section 25:	West and South

TOWNSHIP 28 NORTH, RANGE 6 WEST, NMPM

Section 7:	West
Sections 18 and 19:	West
Sections 30 and 31:	West

TOWNSHIP 29 NORTH, RANGE 7 WEST, NMPM

Section 31:	West and South
Sections 32 through 36:	South

TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM

Section 17:	South
Section 18:	West and South
Section 21:	West and South
Section 22:	South
Section 25:	South
Section 26:	West and South

TOWNSHIP 29 NORTH, RANGE 9 WEST, NMPM

Section 3:	South
Section 4:	West and South
Section 11:	West and South
Section 12:	South

TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPM

Section 31:	West and South
Section 32:	South

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM

Section 18:	South
Section 20:	West and South
Sections 21 and 22:	South
Section 25:	South
Section 26:	West and South

TOWNSHIP 30 NORTH, RANGE 11 WEST, NMPM

Section 6:	West and South
Section 8:	West and South
Sections 9 through 11:	South
Section 13:	West and South

TOWNSHIP 31 NORTH, RANGE 12 WEST, NMPM

Section 19:	South
Sections 27 and 28:	South
Section 29:	West and South
Section 35:	West and South
Section 36:	South

TOWNSHIP 31 NORTH, RANGE 13 WEST, NMPM

Sections 7 and 8:	South
Sections 14 and 15:	South
Section 16:	West and South
Section 24:	West and South

TOWNSHIP 31 NORTH, RANGE 14 WEST, NMPM

Section 12:	South.
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