



COMMONWEALTH OF PENNSYLVANIA  
GOVERNOR'S OFFICE OF GENERAL COUNSEL

January 22, 2014

Glenda Davidson  
Docket Clerk  
Department of Environmental Protection  
400 Market Street  
Rachel Carson State Office Building  
16<sup>th</sup> Floor  
Harrisburg, PA 17101

RE: CONFIDENTIAL  
In Re. Hilcorp Energy Company  
MMS No. 2013-SLAP-000528  
Docket No. 2013-01

Dear Ms. Davidson:

Enclosed for filing in the above-referenced matter is the Commonwealth of Pennsylvania, Department of Environmental Protection's letter to Hilcorp Energy Company regarding Hilcorp's Application for Well Spacing Units.

Thank you, and if you have any questions, please call me.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth A. Nolan".

Elizabeth A. Nolan  
PA I.D. No. 309648  
Assistant Counsel

Enclosures

cc: Michael L. Bangs, Hearing Officer  
Hilcorp Energy Company  
Kevin L. Colosimo  
Daniel P. Craig



# pennsylvania

DEPARTMENT OF ENVIRONMENTAL PROTECTION

OFFICE OF OIL AND GAS MANAGEMENT

January 22, 2014

Hilcorp Energy Company  
1201 Louisiana Street, Suite 1400  
Houston, TX 77002

RE: CONFIDENTIAL  
In Re. Hilcorp Energy Company  
MMS No. 2013-SLAP-000528  
Docket No. 2013-01

Dear Hilcorp Energy Company:

The Department of Environmental Protection (DEP) has reviewed the Application for Well Spacing Units (Application) submitted by Hilcorp Energy Company (Hilcorp) received on December 2, 2013. DEP has determined that the Application is incomplete. In accordance with the Oil and Gas Conservation Law (Conservation Law), the Administrative Agency Law, 25 Pa. Code Chapter 79, 1 Pa. Code Chapter 31 and 1 Pa. Code Chapter 35, please be advised that your Application contains the following significant deficiencies.

The Application does not set forth the following required material:

- The Application does not contain information concerning the “maximum area which may be drained efficiently and economically by one well” as required by the application requirements in 25 Pa. Code § 79.21(a)(3). This is a critical requirement, as Section 407(4) of the Conservation Law, 58 P.S. § 407(4), bars DEP from entering a final order establishing spacing units “smaller than the maximum area that can be efficiently and economically drained by one well.”

Instead, the Application, in Section II. Project Description on page 3 and Section VI.B.iv on page 11, proposes two units that “represent the maximum area that can be efficiently and economically drained from a single well pad.” Additionally, the Application contains a conclusory statement contained in paragraph (9) of the affidavit of Kyle Koerber (Koerber Affidavit) relating to the maximum area that may be efficiently and economically drained from a single well pad. The Application does not contain any information demonstrating that the proposed spacing units are the maximum area that can economically be drained by one well. Further, the Application does not contain any technical information or data demonstrating that the proposed spacing units are the maximum area that can be efficiently drained by one well.

- The Application does not contain information that a well has been drilled establishing a pool as required by Section 407(1) of the Conservation Law, 58 P.S. § 407(1), and 25 Pa.

---

Rachel Carson State Office Building | P.O. Box 2063 | Harrisburg, PA 17105-2063

Code § 79.21(a). Section 407(1) of the Conservation Law and the application requirements in 25 Pa. Code § 79.21(a) require that a discovery well establishing a pool be drilled prior to the submission of an application for well spacing and units in that pool. There is no information in the Application that the Pulaski-Kinkela 1H Well established a “pool,” as that term is defined in Section 402 of the Conservation Law, 58 P.S. § 402, and 25 Pa. Code § 79.1 (relating to definitions) and that the proposed units are to be established in that pool.

The Affidavit of Nina Delano (Delano Affidavit) contains a conclusory statement to that effect but no information is included in the Application which supports Ms. Delano’s conclusion.

DEP requests that the information generated and/or reviewed by Ms. Delano in reaching the conclusions outlined in her Affidavit be submitted to DEP pursuant to Section 407(1) of the Conservation Law, including:

- Well log data,
  - Core data,
  - Reservoir quality analyses,
  - Geological prognosis and horizontal well plans for the HEC-110 unit,
  - Geological prognosis for the HEC-111 unit,
  - Geological prognosis and directional plans for the Pulaski-Kinkela 1H, 2H and 3H Wells in the Pulaski-Kinkela South Unit,
  - Geological prognosis and directional plans for the Pulaski-Kinkela 4H Well in the Pulaski-Kinkela North Unit,
  - Maps prepared from public well logs and wireline logs from the recently drilled Hilcorp wells (presumably but not explicitly the Pulaski-Kinkela 1H, 2H 3H and 4H Wells) tracing the thickness of the Utica and Point Pleasant shales over the Pulaski Accumulation, and
  - Production and microseismic data regarding the Utica/Point Pleasant formation in the Pulaski Accumulation.
- The Application does not contain a plat “indicating the latitude and longitude of each well drilled to the pool to be spaced . . . .” as required by 25 Pa.Code § 79.21(a)(2).

And, the Application is otherwise insufficient as follows:

- The Application does not contain the information Mr. Koerber reviewed. DEP requests that the information reviewed by Mr. Koerber in reaching the conclusions outlined in his Affidavit be submitted to DEP pursuant to Section 407(1) of the Conservation Law, including:
  - Maps prepared by Hilcorp geologists from public well logs and recently drilled Hilcorp well logs tracing the thickness of the Utica/Point Pleasant shales over the Pulaski formation,
  - Wireline well log data,
  - Core data,
  - Seismic data,
  - Aeromagnetic data,
  - Stimulation designs,
  - Reservoir quality analyses from the Pulaski Accumulation,
  - Reservoir quality analyses from other portions of the Utica/Point Pleasant formation,
  - Production data from analog tight rock shale plays,
  - Production data from the Kinkela pad,
  - Development plan for the existing Pulaski-Kinkela North and Pulaski-Kinkela South Units, and
  - Development plans for the proposed HEC 110-H and HEC 111-H Units.

Additionally, DEP requests pursuant to Section 407(1) of the Conservation Law Hilcorp's development plans, including well pad layout, drilling, stimulation, expected reserves and economic analysis for the proposed HEC 110-H and HEC 111-H Units with and without a spacing order. Based on Hilcorp's development plans, DEP further requests, an estimate of how much gas will be extracted with and without a spacing order as well as an estimate of the difference in costs of production with and without a spacing order.

For the reasons outlined above, DEP has determined that the Application is not a "proper application" as required by the Oil and Gas Conservation Law, 1 Pa. Code Chapter 31 and 1 Pa. Code Chapter 35 for the DEP to hold a public hearing on the Application. *See* 58 P.S. § 405(c)(1), 407, 407(1), 1 Pa. Code § 31.5(c), 1 Pa. Code § 35.1, 1 Pa. Code § 35.2 A hearing on

the Application may not proceed until the deficiencies are corrected and the requested information is provided resulting in submission of a "proper application" under the Conservation Law. You should resubmit the Application responding to the listed deficiencies and the requested information for a "proper application."

If you believe that any of the stated deficiencies are not significant, instead of submitting a response to that deficiency, you have the option of asking for a decision based on the information with regard to the subject matter of that deficiency that you have already made available. If you choose this option with regard to any deficiency, you should explain and justify how your current submission satisfies that deficiency. Please keep in mind that if you fail to respond, your application may be dismissed in accordance with the Conservation Law.

This deficiency letter is not a final action of DEP. Upon receipt of the requested information DEP will notify you of receipt of a proper application in accordance with Section 407 of the Conservation Law. Upon receipt of a proper application, DEP will notify the hearing officer that a hearing is necessary in accordance with the Conservation Law.

Sincerely,



Scott R. Perry  
Deputy Secretary  
Oil and Gas Management

cc: Michael L. Bangs, Esquire, Hearing Officer  
Glenda Davidson, Docket Clerk  
Kevin L. Colosimo, Attorney for Applicant Hilcorp Energy Company  
Daniel P. Craig, Attorney for Applicant Hilcorp Energy Company