

**BEFORE THE OIL & GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO**

IN THE MATTER OF AN APPLICATION BY HILCORP ENERGY COMPANY FOR AN ORDER GRANTING A RULE 502.B. VARIANCE TO CERTAIN FINAL RECLAMATION REQUIREMENTS REMAINING AT THE MYERS 21-06CH LOCATION, WILDCAT FIELD, EL PASO COUNTY, COLORADO	Cause No. 1 Docket No. Type: General Administrative
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APPLICATION

Hilcorp Energy Company, Operator No. 10133, (“Hilcorp” or “Applicant”), by and through its attorneys, Beatty & Wozniak, P.C., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (“Commission”) for an order granting a Rule 502.b. variance to certain final reclamation requirements, identified below, remaining at the Myers 21-06CH Location. In support of its Application, Applicant states and alleges as follows.

1. Procedural History.

a. Hilcorp is a corporation duly authorized to conduct business in the State of Colorado and is a registered operator in good standing with the Commission.

b. Hilcorp is the registered Operator of the Myers 21-06CH Location, Location ID 428932 (“Location”). The Well Site associated with the Location is located in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 6, Township 14 South, Range 63 West, 6th P.M., El Paso County, Colorado. The Myers #21-06CH Well, API No. 05-041-06072 (“Well”) was the only well drilled on the Location. The Well was spud on or about November 18, 2012. The Well was drilled to the Niobrara Formation, and tested for two weeks ending on or about February 12, 2013, but never produced. The Well was plugged and abandoned on July 25, 2013. The approximate size of the Well Site following interim reclamation is 2.10 acres. The Location also contains an access road running from the east line of Section 5, Township 14 South, Range 63 West, 6th P.M. to the Well Site in the NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 6, Township 14 South, Range 63 West, 6th P.M. (“Access Road”). See Exhibit A attached hereto.

c. Subsequent to interim reclamation, Hilcorp began final reclamation in accordance with Commission rules and also in accordance with surface owner requests.

d. On June 10, 2014, Hilcorp entered into a Settlement Agreement with the surface owner of the Location, which released Hilcorp from the requirement to remove the Access Road.

e. On May 12, 2016, Commission staff inspected the Well and subsequently issued an inspection report stating that the access road to the Well had not been reclaimed, that certain areas were lacking in revegetation, that there was erosion along

the access road causing sediment to be deposited into the adjacent pasture, that sediment control wattles were displaced and degraded, and that silt fence segments at the location needed maintenance.

f. In late 2016, Hilcorp submitted a variance with respect to the requirement to remove the access road, attaching the 2014 Settlement Agreement. Staff denied the variance on the basis that staff did not consider the request to be consistent with the COGCC 1001.c: Reclamation Variances and Waivers guidance document ("Guidance").

g. Thereafter, Stagecoach Ranch on the Range ("Stagecoach") acquired surface ownership of the Location. On August 9, 2017, Hilcorp entered into an agreement with Stagecoach regarding remediation of the Location, whereby Stagecoach waived and released all claims against Hilcorp regarding final reclamation obligations for the Location as required by the Commission, including but not limited to, the removal, or general repair, responsibility and ongoing maintenance of the Access Road, control of noxious weeds, revegetation and erosion control on the Location.

h. Additionally, on September 21, 2017, Hilcorp entered into a letter agreement with the other surface owners (owning a portion of the lands on which the Access Road is located), William and Crystal Reilly, which released Hilcorp from final reclamation obligations related to the access road, as it is used as a private driveway to access their residence.

i. On November 13, 2017, Hilcorp filed a variance request pursuant to Rule 502.b., requesting that the Commission waive various requirements of Rule 1004.

j. On December 5, 2017, Commission staff denied Hilcorp's request, claiming that Hilcorp did not comply with various requirements of the Commission's December 17, 2015 version of the Guidance.

k. On February 20, 2018, Hilcorp submitted a supplemental variance request, which remedied the deficiencies that Commission staff alleged in response to Hilcorp's November 13, 2017 variance request.

l. On March 20, 2018, Commission staff denied Hilcorp's supplemental variance request. The March 20, 2018 denial indicates that yet another supplemental request would be futile under the circumstances, and that regardless of the surface owner's desires, Hilcorp will be required to remove the Access Road.

2. Hearing on 502.b. Variance.

a. Pursuant to Rule 502.b.(1), Hilcorp desires that the full Commission consider Hilcorp's request for a variance under Rule 502.b. from various requirements of Rules 1001, 1002, and 1004, pertaining to surface reclamation of the Location, including removal of the Access Road, site stabilization, topsoil reclamation, revegetation, and other issues identified in Commission staff's March 20, 2018 denial letter.

b. Hilcorp asserts that it has complied with the requirements for such a variance. Furthermore, Hilcorp respectfully asserts that staff's denial of its variance request is not proper under the circumstances for various reasons, including without limitation:

i. Failure to grant the variance constitutes unreasonable governmental interference with private contractual relationships;

ii. Failure to grant the variance will force Hilcorp to interfere with a surface owner's expressly stated intended use of its property; and

iii. Hilcorp has made a good faith effort to comply, or is unable to comply with the requirements in the rules from which Hilcorp seeks a variance, and that the requested variance will not violate the basic intent of the Colorado Oil and Gas Conservation Act.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice be given as required by law and that upon such hearing, the Commission enter an order:

a. Granting Hilcorp a variance from Rules 1001, 1002, and 1004 as to the Location;

b. Providing that Hilcorp has complied with all Commission Rules for successful final reclamation for the Location and that final reclamation for the Location is complete pursuant to Rules 1004.c. and 1004.d.

c. Providing that relief granted under this Application be effective on oral order by the Commission, relying on the Applicant's desire to be bound by said oral order.

d. For such other findings and orders as the Commission may deem proper or advisable in the premises.

DATED this 12th day of April, 2018.

Respectfully submitted,

HILCORP ENERGY COMPANY

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VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

Jamie Malek, Landman for Hilcorp Energy Company, upon oath deposes and says that she has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information, and belief.

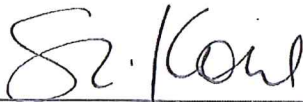
HILCORP ENERGY COMPANY



Jamie Malek

Subscribed and sworn to before me this 2th day of April, 2018,
by Jamie Malek, Landman for Hilcorp Energy Company.

Witness my hand and official seal.



Notary Public

