

RECEIVED

## Hilcorp Energy Company

Farmington Field Office  
Bureau of Land ManagementDistribution:  
BLM 4 Copies  
Regulatory  
Accounting  
Well File

Revised: March 9, 2006

## PRODUCTION ALLOCATION FORM

Status

PRELIMINARY ☒FINAL ☐REVISED ☐

Commingle Type

SURFACE ☐ DOWNHOLE ☒

Type of Completion

NEW DRILL ☐ RECOMPLETION ☒ PAYADD ☐ COMMINGLE ☐

Date: 3/8/2018

API No. 30-045-25464

DHC No. DHC 3963AZ

Lease No. SF-080724-A

Federal

Well Name

Zachry

Well No.

#38

Unit Letter  
KSection  
12Township  
T028NRange  
R010WFootage  
1800' FSL & 1845' FWLCounty, State  
San Juan,  
New Mexico

Completion Date

2/28/2018

Test Method

HISTORICAL ☐ FIELD TEST ☐ PROJECTED ☐ OTHER ☒

JUSTIFICATION OF ALLOCATION: Hilcorp requests that production for the downhole commingle be allocated using the subtraction method. The base formation is the Armenta Gallup and the added formation to be commingled is the Mesaverde. The subtraction method applies an average monthly production forecast to the base formation(s) using historic production. All production from this well exceeding the forecast will be allocated to the new formation(s). A fixed percentage based allocation will be submitted after the fourth year of production. See attached documents for production forecast.

Oil production will be allocated based on average formation yields from offset wells. MV- 83%, GP- 17%

APPROVED BY	DATE	TITLE	PHONE
William Tambekou	3/12/2018	Petroleum Engineer	505-564-7746
X Christine Brock	3/8/18	Regulatory/Operations Tech	505-324-5155
Christine Brock			

NMOCD

NMOCD

MAR 13 2018

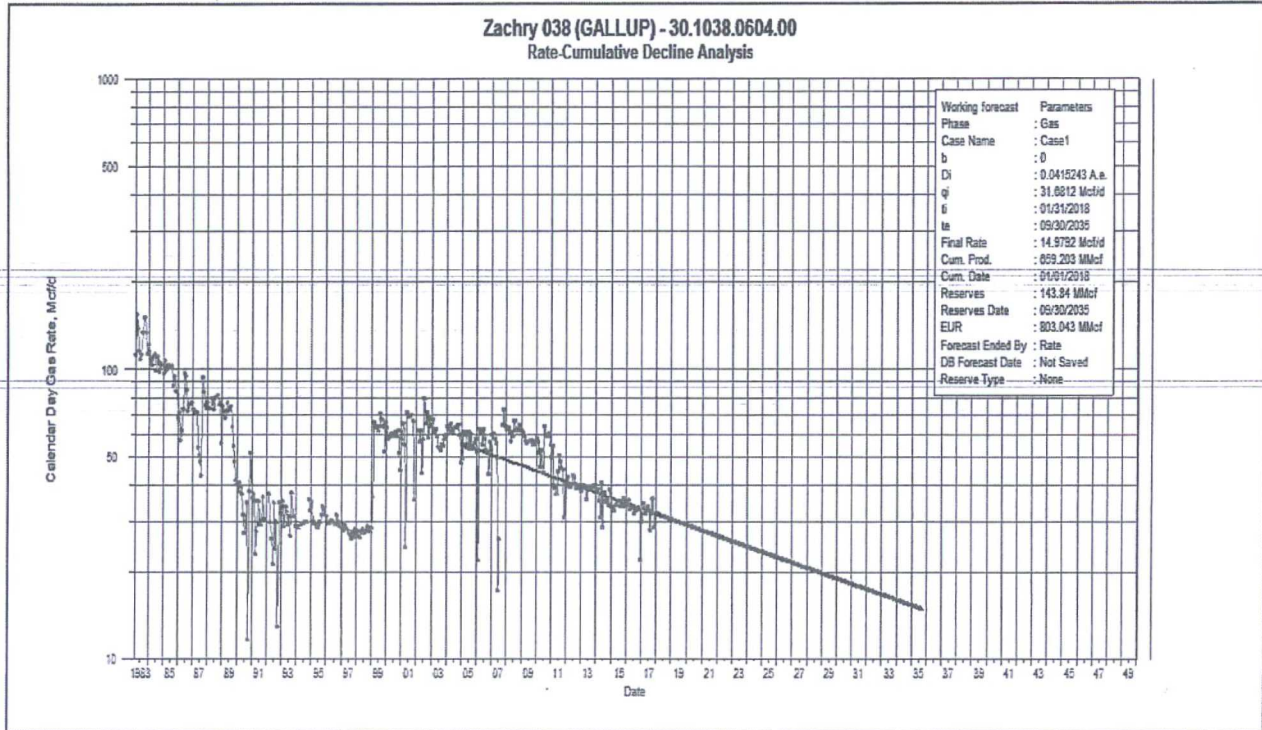
DISTRICT III

## San Jacinto 6E Subtraction Allocation

Date	Mcf/d
Feb-18	31.63
Mar-18	31.52
Apr-18	31.41
May-18	31.3
Jun-18	31.19
Jul-18	31.08
Aug-18	30.97
Sep-18	30.86
Oct-18	30.75
Nov-18	30.64
Dec-18	30.53
Jan-19	30.42
Feb-19	30.32
Mar-19	30.21
Apr-19	30.11
May-19	30

Base formation is the Armenta Gallup and the added formation to be commingled is the MesaVerde.  
The subtraction method applies an average monthly production forecast to the base formation using historic production. All production from this well exceeding the forecast will be allocated to the new formation.

Zachry 38 GP Forecast



Jun-19	29.89
Jul-19	29.79
Aug-19	29.68
Sep-19	29.58
Oct-19	29.47
Nov-19	29.37
Dec-19	29.26
Jan-20	29.16
Feb-20	29.06
Mar-20	28.96
Apr-20	28.85
May-20	28.75
Jun-20	28.65
Jul-20	28.55
Aug-20	28.45
Sep-20	28.35
Oct-20	28.25
Nov-20	28.15
Dec-20	28.05
Jan-21	27.95
Feb-21	27.85
Mar-21	27.75
Apr-21	27.66
May-21	27.56
Jun-21	27.46
Jul-21	27.36
Aug-21	27.27
Sep-21	27.17
Oct-21	27.07
Nov-21	26.98
Dec-21	26.88
Jan-22	26.79

Formation	Yield (bbl/MM)	Remaining Reserves (MMcf)	% Allocation
GP	24.96255695	143.833	17%
MV	28.55653	634	83%

**NMOC**

**MAR 13 2018**

**DISTRICT III**