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Hilcorp Energy Company

PRODUCTION ALLOCATION FORM

Distribution:
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Accounting
Well File
Revised: March 9, 2018

Status
PRELIMINARY ☒
FINAL ☐
REVISED ☐

Commingle Type
SURFACE ☐ DOWNHOLE ☒
Type of Completion
NEW DRILL ☐ RECOMPLETION ☒ PAYADD ☐ COMMINGLE ☐

Date: **7/31/2018**

API No. **30-039-20434**
DHC No. **DHC 3980AZ**
Lease No. **NMSF-078640**

Well Name
San Juan 28-7 Unit

Well No.
#152

Unit Letter	Section	Township	Range	Footage	County, State
K	**21**	**T27N**	**R07W**	**1840'FSL & 1850'FWL**	**Rio Arriba, New Mexico**

Completion Date	Test Method
7/25/2018	HISTORICAL ☐ FIELD TEST ☐ PROJECTED ☐ OTHER ☒

KP

JUSTIFICATION OF ALLOCATION: Hilcorp requests that production for the downhole commingle be allocated using the subtraction method. The base formation is the Dakota 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: DK- 12%, MV- 88%

APPROVED BY	DATE	TITLE	PHONE
William Tambekou	8/6/2018	Petroleum Engineer	505-564-7746
X Cherylene Weston	8-3-18	Operations/Regulatory Tech.	505-564-0779
Cherylene Weston			

NMOCD

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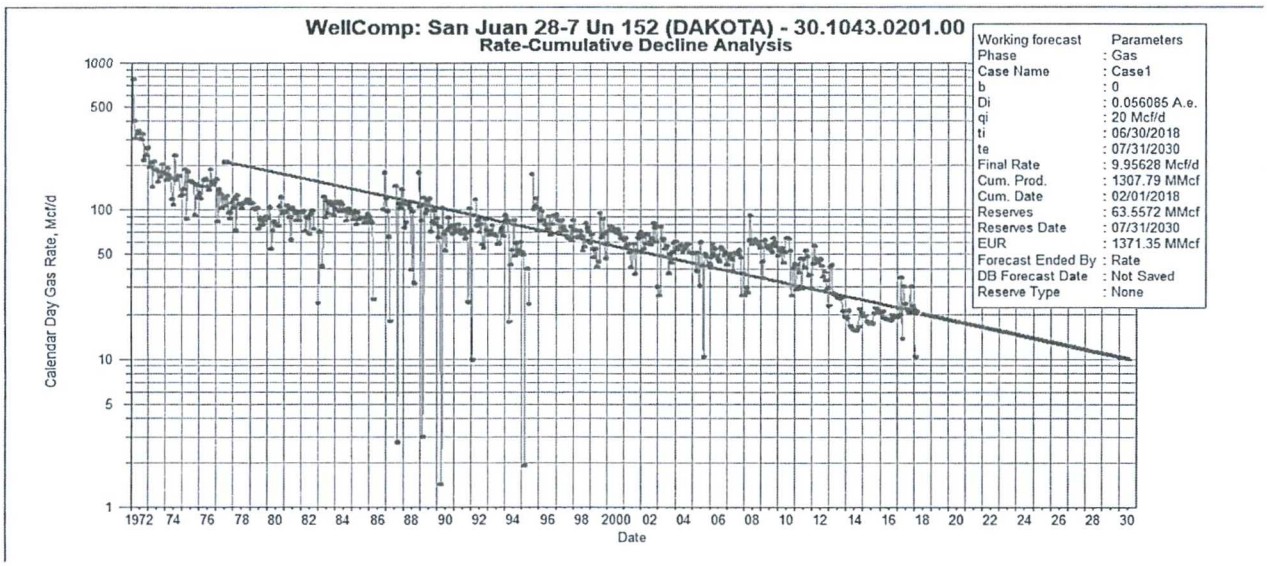
AUG 07 2018
DISTRICT III

2

San Juan 28-7 Unit 152 Subtraction Allocation

Date	Mcfd
7/2018	19.95
8/2018	19.85
9/2018	19.76
10/2018	19.66
11/2018	19.57
12/2018	19.47
1/2019	19.38
2/2019	19.29
3/2019	19.2
4/2019	19.11
5/2019	19.02
6/2019	18.92
7/2019	18.83
8/2019	18.74
9/2019	18.65
10/2019	18.56
11/2019	18.47
12/2019	18.38
1/2020	18.29
2/2020	18.21
3/2020	18.12
4/2020	18.03
5/2020	17.95
6/2020	17.86
7/2020	17.77
8/2020	17.69
9/2020	17.6
10/2020	17.52
11/2020	17.43
12/2020	17.35
1/2021	17.27
2/2021	17.18
3/2021	17.1
4/2021	17.02
5/2021	16.94
6/2021	16.86
7/2021	16.78
8/2021	16.7
9/2021	16.62
10/2021	16.54
11/2021	16.46
12/2021	16.38
1/2022	16.3
2/2022	16.22
3/2022	16.15
4/2022	16.07
5/2022	15.99
6/2022	15.91

Base formation is the Dakota 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 exceding the forecast will be allocated to the new formation. Oil production will be allocated based on average formation yields from offset wells.



Formation	Yield (bbl/MM)	Remaining Reserves (MMcf)	% Oil Allocation
DK	10.63	63.5572	12%
MV	9.73	500	88%