

Hilcorp Energy Company

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Revised: March 9, 2018

PRODUCTION ALLOCATION FORM

Farmington Field Office
Bureau of Land Management

Status
PRELIMINARY ☒
FINAL ☐
REVISED ☐

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

Date: 7/31/2018
API No. 30-039-26700
DHC No. DHC 347AZ
Lease No. NMSF-078640

Well Name
San Juan 28-7 Unit

Well No.
#154E

| | | | | | |
|-------------------------|----------------------|-------------------------|----------------------|--|--|
| Unit Letter P | Section 17 | Township T27N | Range R07W | Footage 790'FSL & 1180'FEL | County, State Rio Arriba, New Mexico |
|-------------------------|----------------------|-------------------------|----------------------|--|--|

| | |
|-------------------------------------|---|
| Completion Date 7/23/2018 | Test Method HISTORICAL <input type="checkbox"/> FIELD TEST <input type="checkbox"/> PROJECTED <input type="checkbox"/> OTHER <input checked="" type="checkbox"/> |
|-------------------------------------|---|

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- 4%, MV- 96%

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

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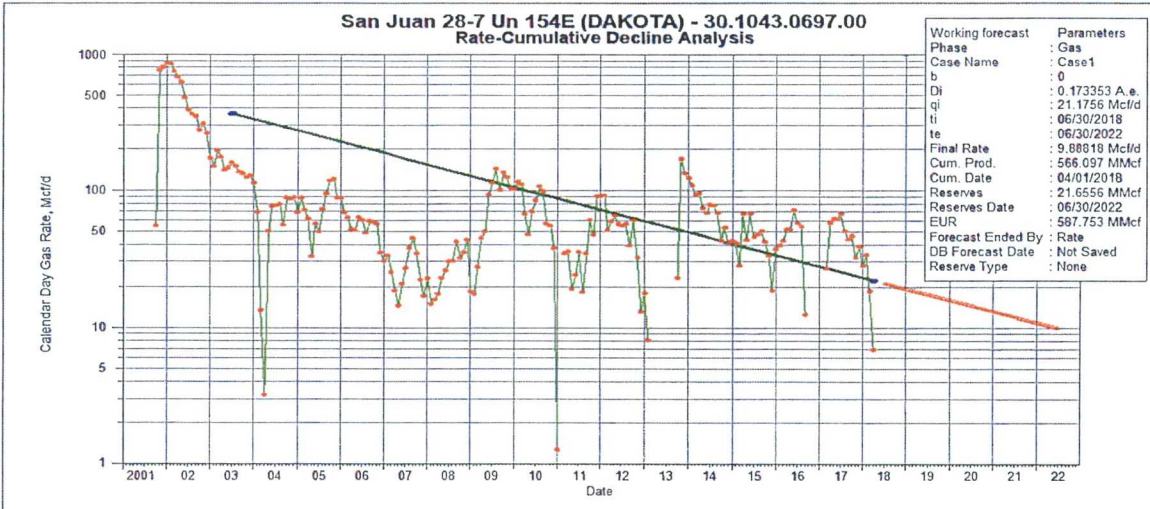
AUG 07 2018

DISTRICT III

San Juan 28-7 Unit 154E Subtraction Allocation

| Date | Mcf/d |
|---------|-------|
| 7/2018 | 21.01 |
| 8/2018 | 20.67 |
| 9/2018 | 20.34 |
| 10/2018 | 20.02 |
| 11/2018 | 19.71 |
| 12/2018 | 19.4 |
| 1/2019 | 19.08 |
| 2/2019 | 18.79 |
| 3/2019 | 18.51 |
| 4/2019 | 18.21 |
| 5/2019 | 17.93 |
| 6/2019 | 17.64 |
| 7/2019 | 17.37 |
| 8/2019 | 17.09 |
| 9/2019 | 16.82 |
| 10/2019 | 16.55 |
| 11/2019 | 16.29 |
| 12/2019 | 16.04 |
| 1/2020 | 15.78 |
| 2/2020 | 15.53 |
| 3/2020 | 15.29 |
| 4/2020 | 15.05 |
| 5/2020 | 14.81 |
| 6/2020 | 14.58 |
| 7/2020 | 14.35 |
| 8/2020 | 14.12 |
| 9/2020 | 13.9 |
| 10/2020 | 13.68 |
| 11/2020 | 13.46 |
| 12/2020 | 13.25 |
| 1/2021 | 13.04 |
| 2/2021 | 12.84 |
| 3/2021 | 12.64 |
| 4/2021 | 12.44 |
| 5/2021 | 12.25 |
| 6/2021 | 12.05 |
| 7/2021 | 11.86 |
| 8/2021 | 11.67 |
| 9/2021 | 11.49 |
| 10/2021 | 11.31 |
| 11/2021 | 11.13 |
| 12/2021 | 10.95 |
| 1/2022 | 10.78 |
| 2/2022 | 10.61 |
| 3/2022 | 10.45 |
| 4/2022 | 10.29 |
| 5/2022 | 10.13 |
| 6/2022 | 9.97 |

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 exceeding 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 | 10.55 | 21.6556 | 4% |
| MV | 9.90 | 561 | 96% |