

District I
1625 N. French Drive, Hobbs, NM 88240

District II
811 S. First St., Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised August 1, 2011

APPLICATION TYPE
____Single Well
____Establish Pre-Approved Pools
EXISTING WELLBORE
____Yes ____No

APPLICATION FOR DOWNHOLE COMMINGLING

Hilcorp Energy Company

382 Road 3100, Aztec, NM 87410

Operator

Address

San Juan 28-7 Unit

159M

I-22-28N-07W

Rio Arriba

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 372171 Property Code 318432 API No. 30-039-25572 Lease Type: X Federal ____ State ____ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Fruitland Coal	Blanco P.C. South	Blanco Mesaverde	Basin Dakota
Pool Code	71629	72439	72319	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3,246’ - 3,338’	3,352’ -3,388’	4,981’ -5,676’	7,602’ -7,817’
Method of Production (Flowing or Artificial Lift)	Artificial Lift	Artificial Lift	Artificial Lift	Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	1110 PSI	916 PSI	1098 PSI	1754 PSI
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1143 BTU	1199 BTU	1270 BTU	1150 BTU
Producing, Shut-In or New Zone	Producing Zone	Producing Zone	Producing Zone	New Zone
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 2/1/2024 Rates: Oil-0 bbl Gas-448 Mcf Water-0 bbl	Date: 2/1/2024 Rates: Oil-0 bbl Gas-394 Mcf Water-0 bbl	Date: 2/1/2024 Rates: Oil-12 bbl Gas-948 Mcf Water-0 bbl	Date: 2/1/2024 Rates: Oil-0 bbl Gas-448 Mcf Water-0 bbl
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas % %	Oil Gas % %	Oil Gas % %	Oil Gas % %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?

Yes____ No____

If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes____ No____

Are all produced fluids from all commingled zones compatible with each other?

Yes____ No____

Will commingling decrease the value of production?

Yes____ No____

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?

Yes____ No____

NMOCD Reference Case No. applicable to this well: R-10476-B

Attachments:

C-102 for each zone to be commingled showing its spacing unit and acreage dedication.

Production curve for each zone for at least one year. (If not available, attach explanation.)

For zones with no production history, estimated production rates and supporting data.

Data to support allocation method or formula.

Notification list of working, royalty and overriding royalty interests for uncommon interest cases.

Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Cherylene Weston

TITLE Operations/Regulatory Tech-Sr.

DATE 5/14/2024

TYPE OR PRINT NAME Cherylene Weston

TELEPHONE NO. 713-289-2615

E-MAIL ADDRESS cweston@hilcorp.com

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

96 FEB -1 PM 1:52

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <u>30-039-25572</u>		Pool Code <u>72319/71599</u>	Pool Name <u>Blanco Mesaverde/Basin Dakota</u>
Property Code <u>016608</u>	Property Name <u>San Juan 28-7 Unit</u>		Well Number <u>159M</u>
OCRID No. <u>005073</u>	Operator Name <u>Conoco Inc.</u>		Elevation <u>6656'</u>

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
<u>I</u>	<u>22</u>	<u>28 N</u>	<u>7 W</u>		<u>1605</u>	<u>South</u>	<u>330</u>	<u>East</u>	<u>R.A.</u>

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres <u>320</u>	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div style="writing-mode: vertical-rl; transform: rotate(180deg);">5280.00'</div> <div style="text-align: center; font-size: 2em;">22</div> <div style="text-align: center;">5283.96'</div>	<div style="text-align: right;">5286.60'</div>	<div style="text-align: right;">5280.00'</div>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><u>Jerry W. Hoover</u> Signature <u>Jerry W. Hoover</u> Printed Name <u>Sr. Conservation Coordinator</u> Title <u>1/30/96</u> Date</p>
			<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p><u>12-13-95</u> Date of Survey <u>NEALE C. EDWARDS</u> Signature and Seal of Professional Surveyor <u>0857</u> Certificate Number</p>

RECEIVED
APR 12 1996

OIL CON. DIV.
DIST. 3

District I

1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720

District II

1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources

Oil Conservation Division**1220 S. St Francis Dr.****Santa Fe, NM 87505**

Form C-102
Permit 126587

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-039-25572	2. Pool Code 72439	3. Pool Name BLANCO P. C. SOUTH (PRORATED GAS)
4. Property Code 31739	5. Property Name SAN JUAN 28 7 UNIT	6. Well No. 159M
7. OGRID No. 217817	8. Operator Name CONOCOPHILLIPS COMPANY	9. Elevation 6656

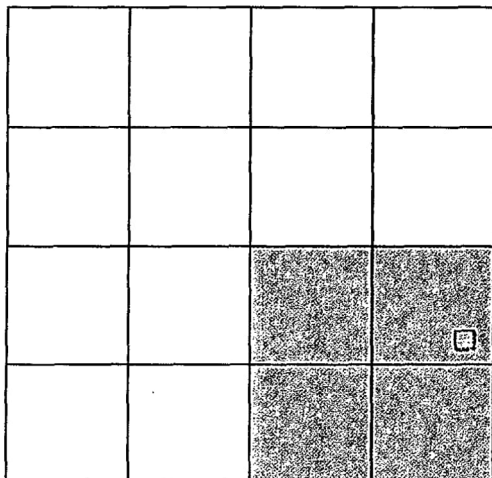
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
I	22	28N	07W		1605	S	330	E	RIO ARriba

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 160.00 (SE/4)		13. Joint or Infill		14. Consolidation Code		15. Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



SE/4 - 160.00 acres for PC spacing/density
E/2 - 320.00 acres for Federal Unit
Agreement Drillblocks Spacing

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Crystal Tafuya 2/1/11

E-Signed By: **Crystal Tafuya**
Title: **Staff Regulatory Technician**
Date: **February 1, 2011**

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Surveyed By: **Neale C. Edwards**
Date of Survey: **12/13/1995**
Certificate Number: **6857**

District I

1625 N. French Dr., Hobbs, NM 88240
Phone: (505) 393-6161 Fax: (505) 393-0720

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1301 W. Grand Ave., Artesia, NM 88210
Phone: (505) 748-1283 Fax: (505) 748-9720

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1000 Rio Brazos Rd., Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

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1220 S. St Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3470 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources

Oil Conservation Division

1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
Permit 126587

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-039-25572	2. Pool Code 71629	3. Pool Name BASIN FRUITLAND COAL (GAS)
4. Property Code 31739	5. Property Name SAN JUAN 28 7 UNIT	6. Well No. 159M
7. OGRID No. 217817	8. Operator Name CONOCOPHILLIPS COMPANY	9. Elevation 6656

10. Surface Location

UL - Lot I	Section 22	Township 28N	Range 07W	Lot Idn	Feet From 1605	N/S Line S	Feet From 330	E/W Line E	County RIO ARRIBA
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11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.00 (E/2)	13. Joint or Infill		14. Consolidation Code			15. Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p align="center">OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p align="right"><i>Crystal Tafoya 2/1/11</i></p> <p>E-Signed By: Crystal Tafoya Title: Staff Regulatory Tech Date: February 1, 2011</p>
	<p align="center">SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Surveyed By: Neale C. Edwards Date of Survey: 12/13/1995 Certificate Number: 6857</p>

San Juan 28-7 Unit 159M Production Allocation Method – Subtraction

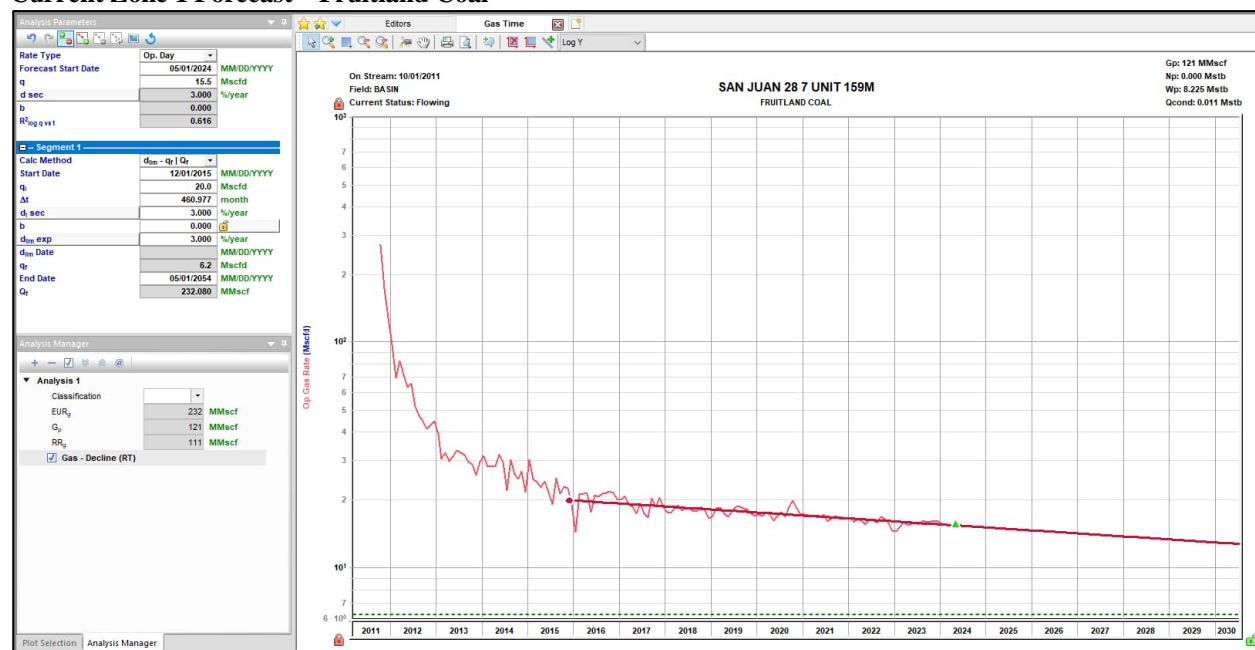
Gas Allocation:

Production for the downhole commingle will be allocated using the subtraction method in agreement with local agencies. The base formations are the Fruitland Coal/Pictured Cliffs/Mesaverde and the added formation to be commingled is the Dakota. The subtraction method applies an average monthly production forecast to the base formation using historic production. All production from this well exceeding the base formation forecasts will be allocated to the new formation.

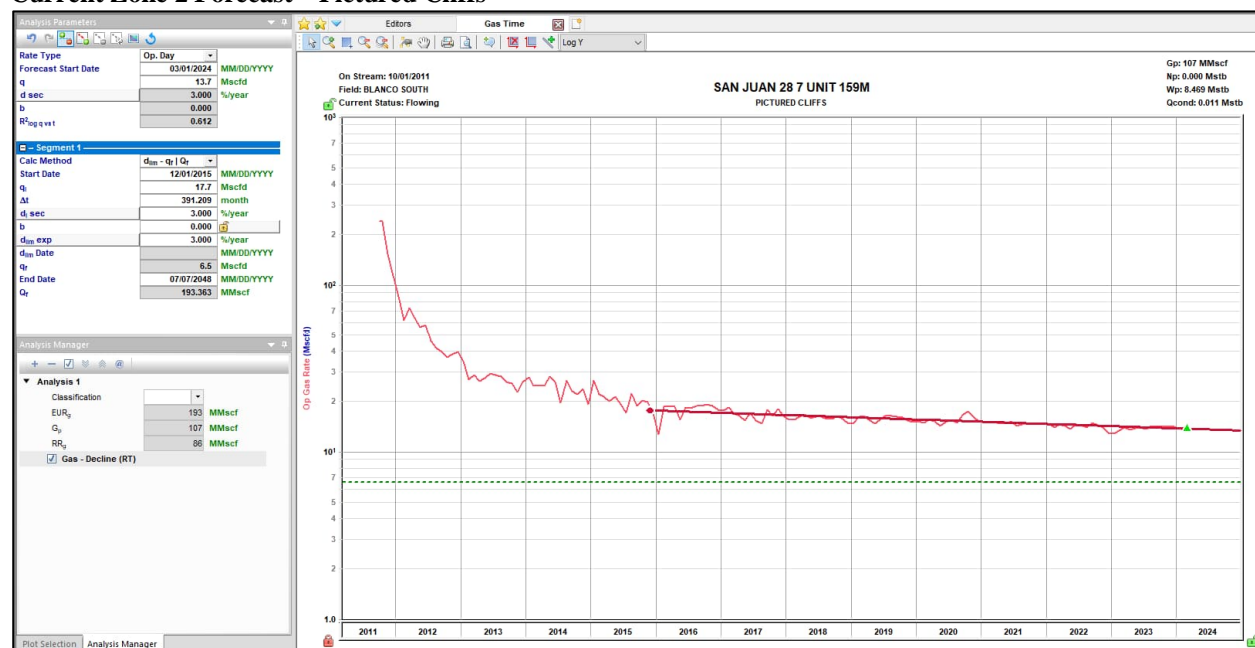
Hilcorp intends to continue to allocate the projected base production on the same fixed percentages to the following pools 25% (FRC), 22% (PC) & 53% (MV) while the subtraction method is being used to determine the allocation to the DK.

After 3 years production will stabilize. A production average will be gathered during the 4th year and will be utilized to create a fixed percentage-based allocation.

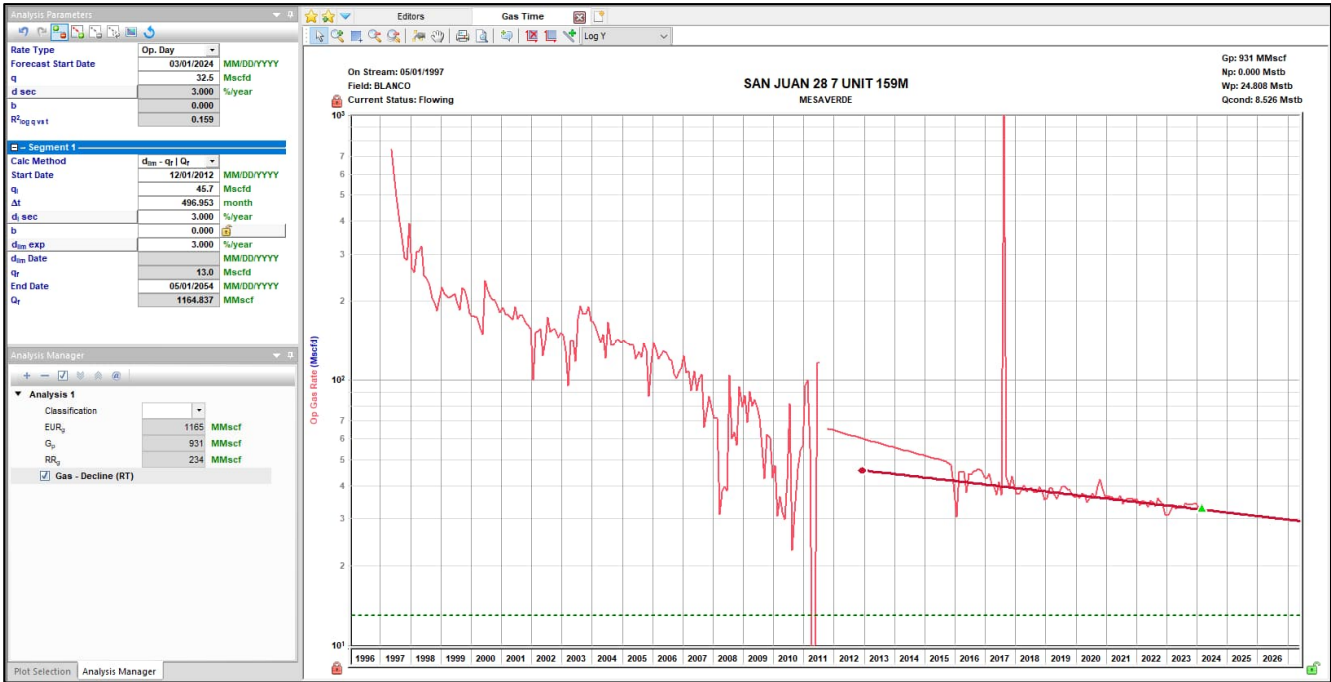
Current Zone 1 Forecast – Fruitland Coal



Current Zone 2 Forecast – Pictured Cliffs



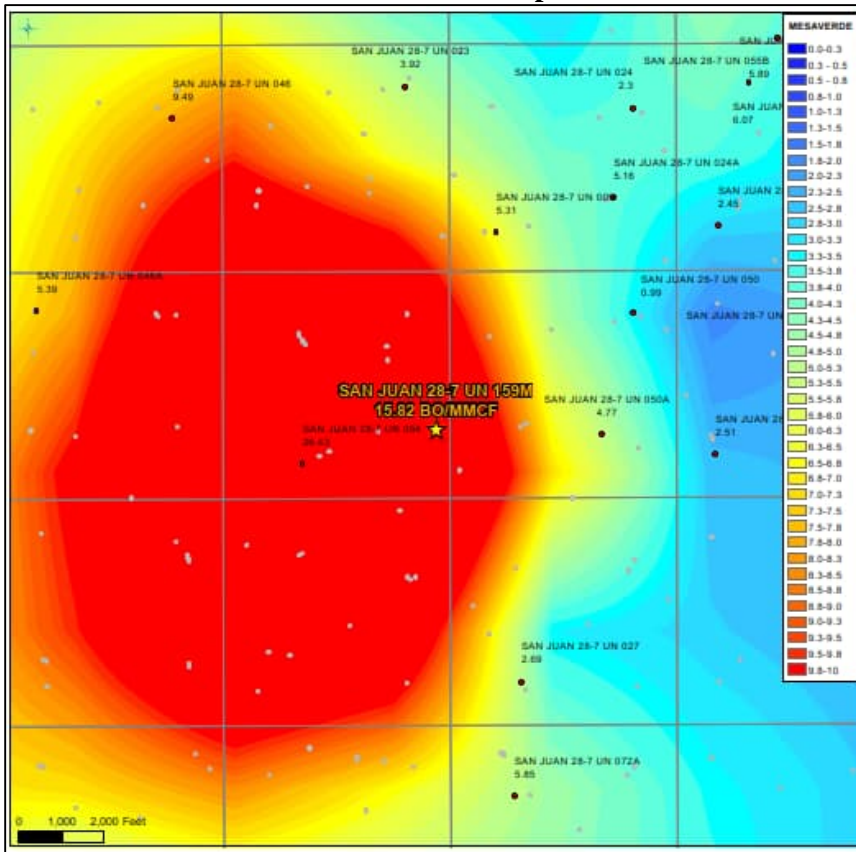
Current Zone 3 Forecast - Mesaverde



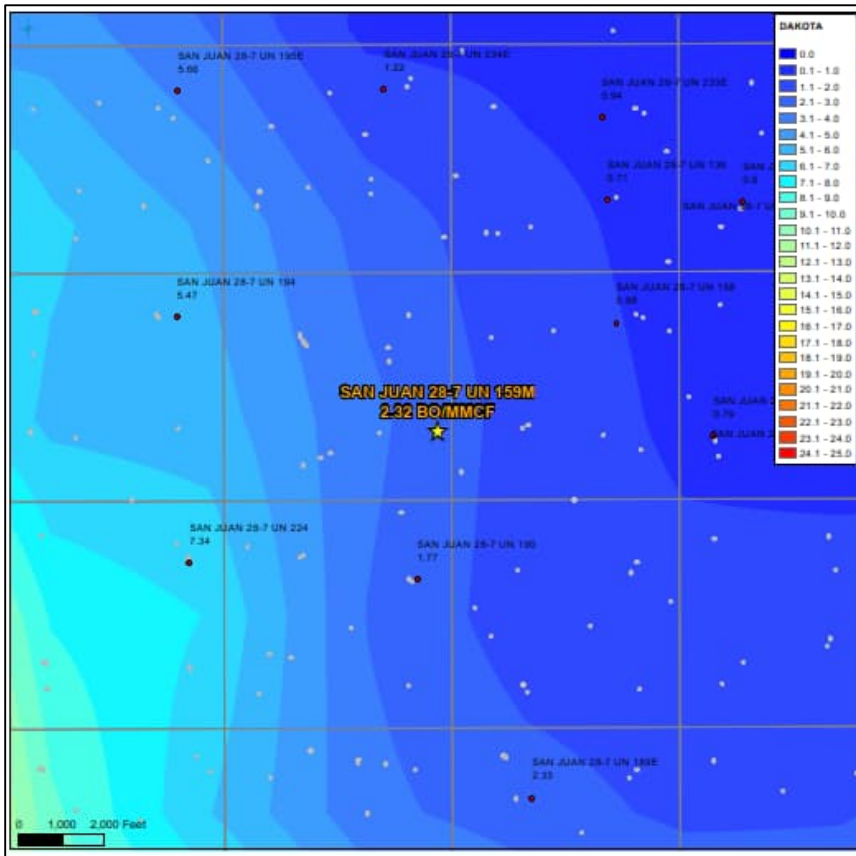
Oil Allocation:

Oil production will be allocated based on average formation yields from offset wells and will be a fixed rate for 4 years. After 4 years oil will be reevaluated and adjusted as needed based on average formation yields and new fixed gas allocation. **Fruitland Coal and Pictured Cliffs have historically not produced oil in this area, therefore will not be allocated any oil.**

Formation	Yield (bbl/MM)	Remaining Reserves (MMcf)	% Oil Allocation
FRC	0.00	111	0%
PC	0.00	86	0%
MV	15.82	234	76%
DK	2.32	512	24%

Current Zone 3 – Mesaverde Oil Yield Map

Average Oil Yield observed in this well.

Proposed Zone – Dakota Oil Yield Map

Average Oil Yield observed in this well.

Well Name: SAN JUAN 28-7 UNIT	Well Location: T28N / R7W / SEC 22 / NESE / 36.64381 / -107.55229	County or Parish/State: RIO ARRIBA / NM
Well Number: 159M	Type of Well: CONVENTIONAL GAS WELL	Allottee or Tribe Name:
Lease Number: NMSF079289A	Unit or CA Name: SAN JUAN 28-7 UNIT--DK, SAN JUAN 28-7 UNIT--FRCL, SAN JUAN 28-7 UNIT--MV, SAN JUAN 28-7 UNIT--PC	Unit or CA Number: NMNM78413A, NMNM78413B, NMNM78413C, NMNM78413E
US Well Number: 3003925572	Operator: HILCORP ENERGY COMPANY	

Notice of Intent

Sundry ID: 2789547

Type of Submission: Notice of Intent

Type of Action: Workover Operations

Date Sundry Submitted: 05/10/2024

Time Sundry Submitted: 01:02

Date proposed operation will begin: 05/15/2024

Procedure Description: Hilcorp Energy requests permission to remove the Dakota isolation plugs and return the well to production as a Dakota, Fruitland Coal, Mesaverde and Pictured Cliffs quadmingle.

Surface Disturbance

Is any additional surface disturbance proposed?: No

NOI Attachments

Procedure Description

San_Juan_28_7_Unit_159M_DK_RTP_NOI_20240510130208.pdf

Well Name: SAN JUAN 28-7 UNIT

Well Location: T28N / R7W / SEC 22 /
NESE / 36.64381 / -107.55229

County or Parish/State: RIO
ARRIBA / NM

Well Number: 159M

Type of Well: CONVENTIONAL GAS
WELL

Allottee or Tribe Name:

Lease Number: NMSF079289A

Unit or CA Name: SAN JUAN 28-7
UNIT--DK, SAN JUAN 28-7 UNIT--FRCL,
SAN JUAN 28-7 UNIT--MV, SAN JUAN
28-7 UNIT--PC

Unit or CA Number:
NMNM78413A, NMNM78413B,
NMNM78413C, NMNM78413E

US Well Number: 3003925572

Operator: HILCORP ENERGY
COMPANY

Operator

I certify that the foregoing is true and correct. Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction. Electronic submission of Sundry Notices through this system satisfies regulations requiring a

Operator Electronic Signature: CHERYLENE WESTON

Signed on: MAY 10, 2024 01:02 PM

Name: HILCORP ENERGY COMPANY

Title: Operations/Regulatory Tech - Sr

Street Address: 1111 TRAVIS STREET

City: HOUSTON

State: TX

Phone: (713) 289-2615

Email address: CWESTON@HILCORP.COM

Field

Representative Name:

Street Address:

City:

State:

Zip:

Phone:

Email address:

BLM Point of Contact

BLM POC Name: MATTHEW H KADE

BLM POC Title: Petroleum Engineer

BLM POC Phone: 5055647736

BLM POC Email Address: MKADE@BLM.GOV

Disposition: Approved

Disposition Date: 05/13/2024

Signature: Matthew Kade



HILCORP ENERGY COMPANY
San Juan 28-7 Unit 159M
Dakota RTP Sundry

Prepared by:	Matthew Esz
Preparation Date:	May 9, 2024

WELL INFORMATION			
Well Name:	San Juan 28-7 Unit 159M	State:	NM
API #:	3003925572	County:	
Area:	10	Location:	
Route:	1007	Latitude:	
Spud Date:	May 26, 1996	Longitude:	

PROJECT DESCRIPTION
Drill out DK isolation plugs. RTP Dakota formation. Commingle Dakota with Mesa verde, Pictured Cliffs, and Fruitland Coal.

CONTACTS			
Title	Name	Office Phone #	Cell Phone #
Engineer	Matthew Esz		770-843-9226
Area Foreman	Ryan Frost		
Lead			
Artificial Lift Tech			
Operator			



HILCORP ENERGY COMPANY
San Juan 28-7 Unit 159M
Dakota RTP Sundry

JOB PROCEDURES
<ol style="list-style-type: none"> 1 MIRU service rig and associated equipment; test BOP. 2 TOOH with 2-3/8" tubing set at 5,482'. 3 TIH with a mill and drill out Dakota isolation plugs at 7,505' and 7,685'. 4 Clean out to PBTD of 7,828'. TOOH. 5 TIH and land production tubing. RTP Dakota interval. 6 Set pumping unit, install pump and rods. Get a commingled Dakota/Mesa Verde/Pictured Cliffs/Fruitland Coal flow rate.



HILCORP ENERGY COMPANY
San Juan 28-7 Unit 159M
Dakota RTP Sundry

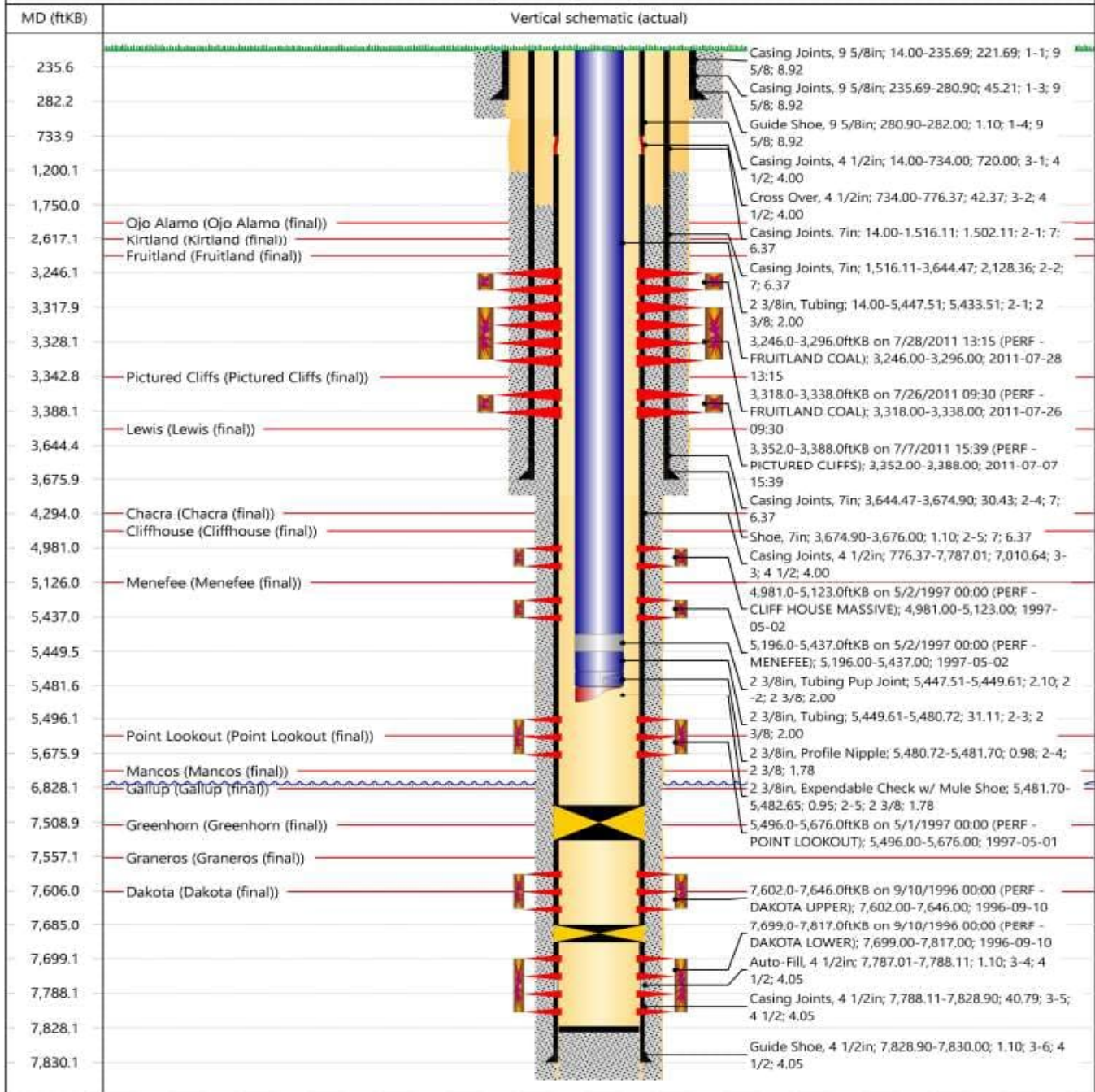
San Juan 28-7 Unit 159M - CURRENT WELLBORE SCHEMATIC

Well Name: SAN JUAN 28-7 UNIT #159M

API / UWI 3003925572	Lease AREA 10	Field Name MV	Route 1007	License No.	State/Province NEW MEXICO
Ground Elevation (ft) 6,656.00	Casing Flange Elevation (ft) 6,656.00	RKB to GL (ft) 14.00	KB-Casing Flange Distance (ft) 14.00	Original Spud Date 5/26/1996 00:00	Rig Release Date 6/5/1996 00:00

TD: 7,835.0

Original Hole [Vertical]





HILCORP ENERGY COMPANY
San Juan 28-7 Unit 159M
Dakota RTP Sundry

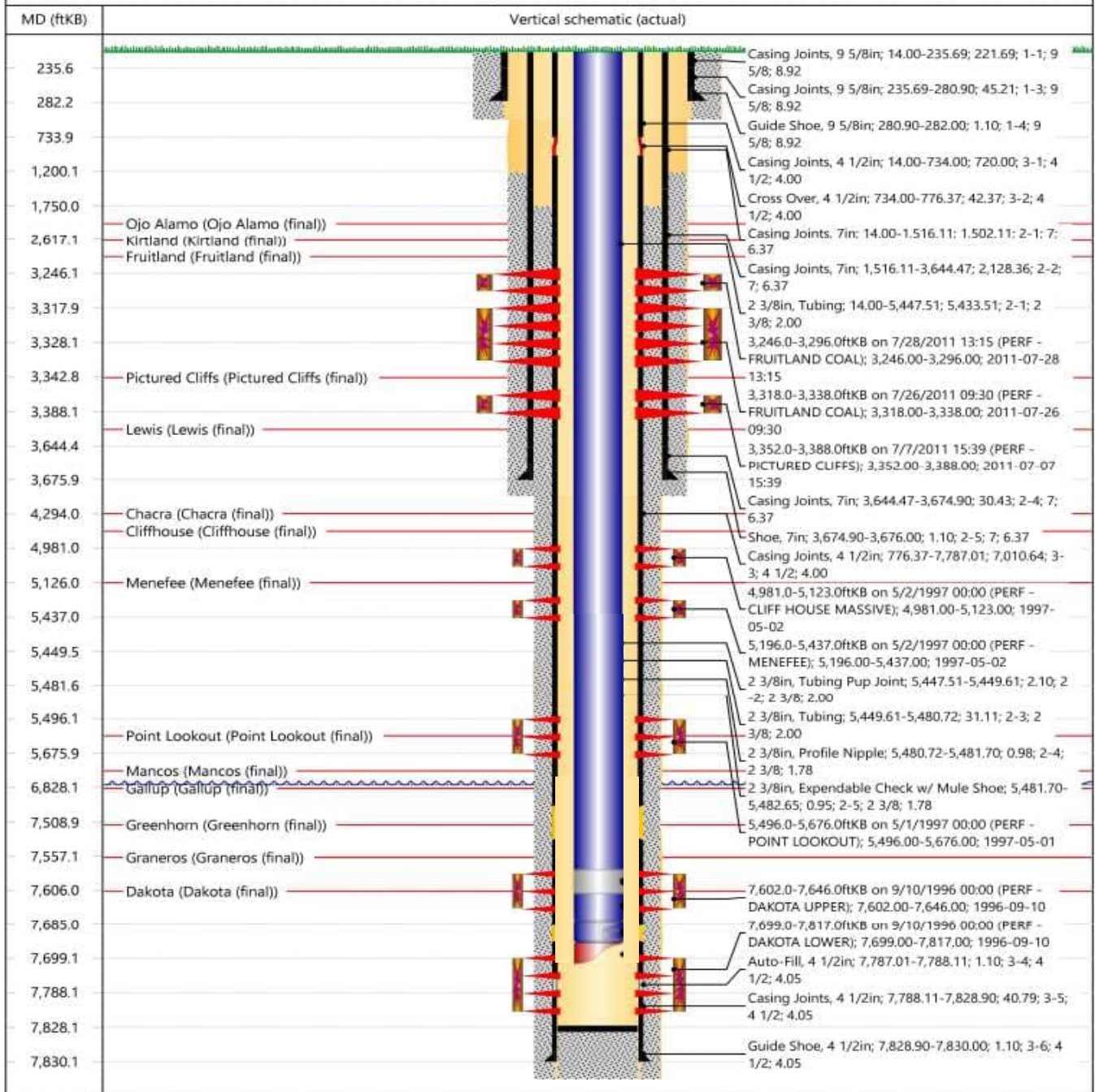
San Juan 28-7 Unit 159M - Proposed Schematic

Well Name: SAN JUAN 28-7 UNIT #159M

API / UWI 3003925572	Lease AREA 10	Field Name MV	Route 1007	License No.	State/Province NEW MEXICO
Ground Elevation (ft) 6,656.00	Casing Flange Elevation (ft) 6,656.00	RKB to GL (ft) 14.00	KB-Casing Flange Distance (ft) 14.00	Original Spud Date 5/26/1996 00:00	Rig Release Date 6/5/1996 00:00

TD: 7,835.0

Original Hole [Vertical]





May 15, 2024

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: C-107A (Downhole Commingle)
San Juan 28-7 Unit 159M
API No. 30-039-25572
Section 22-T28N-R07W
Rio Arriba County, NM

Concerning Hilcorp Energy Company's C-107A application to downhole commingle production in the subject well, this letter serves to confirm the following:

Interest is diverse between the formations listed below:

- *Fruitland Coal Pool Code: 71629*
- *Blanco P.C. South Pool Code: 72439*
- *Blanco Mesaverde Pool Code: 72319*
- *Basin Dakota Pool Code: 71599*

Order No. R-10476-B waives the notice requirement and thus no notices will be sent.

The subject well is located within the bounds of a Federal Unit. Therefore, pursuant to Subsection C. (1) of 19.15.12.11 NMAC, written notice has been sent to the Bureau of Land Management as of the date of this letter.

If you have any questions or concerns, please contact the undersigned using the information provided below.

Sincerely,

By: HILCORP ENERGY COMPANY,
Its General Partner

A handwritten signature in blue ink that reads 'Chuck Creekmore'.

Charles E (Chuck) Creekmore
Division Landman
Hilcorp Energy Company
1111 Travis Street, Houston TX 77002
PO Box 61229, Houston TX 77208-1229
Main: 713/209-2400; Direct: 832/839-
4601 Cell: 505/320-9910; Fax: 713/209-
2420
ccreekmore@hilcorp.com

From: [McClure, Dean, EMNRD](#) on behalf of [Engineer, OCD, EMNRD](#)
To: [Cheryl Weston](#); [Mandi Walker](#)
Cc: [McClure, Dean, EMNRD](#); [Lowe, Leonard, EMNRD](#); [Rikala, Ward, EMNRD](#); [Wrinkle, Justin, EMNRD](#); [Powell, Brandon, EMNRD](#); [Paradis, Kyle O](#); [David Mankiewicz](#)
Subject: Approved Administrative Order DHC-5404
Date: Thursday, July 18, 2024 8:38:22 AM
Attachments: [DHC5404 Order.pdf](#)

NMOCD has issued Administrative Order DHC-5404 which authorizes Hilcorp Energy Company (372171) to downhole commingle production within the following well:

Well Name: **San Juan 28 7 Unit #159M**
Well API: **30-039-25574**

The administrative order is attached to this email and can also be found online at OCD Imaging.

Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

From: [Cheryl Weston](#)
To: [McClure, Dean, EMNRD](#); [Mandi Walker](#)
Cc: [Lowe, Leonard, EMNRD](#)
Subject: RE: [EXTERNAL] Action ID: 344778; DHC-5404
Date: Saturday, July 13, 2024 9:46:57 AM
Attachments: [SJ 28-7 Unit 159M Subtraction Allocation.pdf](#)
[San Juan 28-7 Unit 159M DHC C-107A Revised.pdf](#)

Dean,

The C-107A with bottom portion filled out is attached and the allocation with DK decline curve.

Thanks,
Cheryl

From: McClure, Dean, EMNRD Dean.McClure@emnrd.nm.gov
Sent: Friday, July 12, 2024 1:48 PM
To: Cheryl Weston <cweston@hilcorp.com>; Mandi Walker <mwalker@hilcorp.com>
Cc: Lowe, Leonard, EMNRD <Leonard.Lowe@emnrd.nm.gov>
Subject: RE: [EXTERNAL] Action ID: 344778; DHC-5404

CAUTION: External sender. DO NOT open links or attachments from UNKNOWN senders.

Cheryl,

Please address the topics highlighted in my original email below.

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

From: Cheryl Weston <cweston@hilcorp.com>
Sent: Saturday, July 6, 2024 7:41 AM
To: McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>; Mandi Walker <mwalker@hilcorp.com>
Cc: Lowe, Leonard, EMNRD <Leonard.Lowe@emnrd.nm.gov>
Subject: RE: [EXTERNAL] Action ID: 344778; DHC-5404

Dean,

Here is the admin checklist. Let me know if you have any questions or need anything else.

Thanks,
Cheryl

From: McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>
Sent: Friday, July 5, 2024 3:15 PM
To: Cheryl Weston <cweston@hilcorp.com>; Mandi Walker <mwalker@hilcorp.com>
Cc: Lowe, Leonard, EMNRD <Leonard.Lowe@emnrd.nm.gov>
Subject: [EXTERNAL] Action ID: 344778; DHC-5404

CAUTION: External sender. DO NOT open links or attachments from UNKNOWN senders.

To whom it may concern (c/o Cheryl Weston for Hilcorp Energy Company),

The Division is reviewing the following application:

Action ID	344778
Admin No.	DHC-5404
Applicant	Hilcorp Energy Company (372171)
Title	San Juan 28 7 Unit #159M
Sub. Date	5/15/2024

Please provide the following additional supplemental documents:

- Please submit an admin checklist

Please provide additional information regarding the following:

- The current C-107A does not have the bottom portion of it filled out. Please provide a fully completed form C-107A.
- Please provide the decline curve for the DK pool.

Additional notes:

-

All additional supplemental documents and information may be provided via email and should be done by replying to this email. The produced email chain will be uploaded to the file for this application.

Please note that failure to take steps to address each of the requests made in this email within 10 business days of receipt of this email may result in the Division rejecting the application requiring the submittal of a new application by the applicant once it is prepared to address each of the topics raised.

Dean McClure
Petroleum Engineer, Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
(505) 469-8211

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From: [Cheryl Weston](#)
To: [McClure, Dean, EMNRD](#); [Mandi Walker](#)
Cc: [Lowe, Leonard, EMNRD](#)
Subject: RE: [EXTERNAL] Action ID: 344778; DHC-5404
Date: Saturday, July 6, 2024 7:41:52 AM
Attachments: [SJ 28-7 Unit 159M NMOCD Admin Applic Checklist.pdf](#)

Dean,

Here is the admin checklist. Let me know if you have any questions or need anything else.

Thanks,
Cheryl

From: McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>
Sent: Friday, July 5, 2024 3:15 PM
To: Cheryl Weston <cweston@hilcorp.com>; Mandi Walker <mwalker@hilcorp.com>
Cc: Lowe, Leonard, EMNRD <Leonard.Lowe@emnrd.nm.gov>
Subject: [EXTERNAL] Action ID: 344778; DHC-5404

CAUTION: External sender. DO NOT open links or attachments from UNKNOWN senders.

To whom it may concern (c/o Cheryl Weston for Hilcorp Energy Company),

The Division is reviewing the following application:

Action ID	344778
Admin No.	DHC-5404
Applicant	Hilcorp Energy Company (372171)
Title	San Juan 28 7 Unit #159M
Sub. Date	5/15/2024

Please provide the following additional supplemental documents:

- Please submit an admin checklist

Please provide additional information regarding the following:

- The current C-107A does not have the bottom portion of it filled out. Please provide a fully completed form C-107A.
- Please provide the decline curve for the DK pool.

Additional notes:

-

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Dean McClure
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District I
1625 N. French Drive, Hobbs, NM 88240

District II
811 S. First St., Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised August 1, 2011

APPLICATION TYPE
☐ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☐ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Hilcorp Energy Company
Operator

382 Road 3100, Aztec, NM 87410
Address

San Juan 28-7 Unit
Lease

159M
Well No.

I-22-28N-07W
Unit Letter-Section-Township-Range

Rio Arriba
County

OGRID No. 372171 Property Code 318432 API No. 30-039-25572 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Fruitland Coal	Blanco P.C. South	Blanco Mesaverde	Basin Dakota
Pool Code	71629	72439	72319	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3,246’ - 3,338’	3,352’ -3,388’	4,981’ -5,676’	7,602’ -7,817’
Method of Production (Flowing or Artificial Lift)	Artificial Lift	Artificial Lift	Artificial Lift	Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	1110 PSI	916 PSI	1098 PSI	1754 PSI
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1143 BTU	1199 BTU	1270 BTU	1150 BTU
Producing, Shut-In or New Zone	Producing Zone	Producing Zone	Producing Zone	New Zone
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 2/1/2024 Rates: Oil-0 bbl Gas-448 Mcf Water-0 bbl	Date: 2/1/2024 Rates: Oil-0 bbl Gas-394 Mcf Water-0 bbl	Date: 2/1/2024 Rates: Oil-12 bbl Gas-948 Mcf Water-0 bbl	Date: 2/1/2024 Rates: Oil-0 bbl Gas-448 Mcf Water-0 bbl
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas % %	Oil Gas % %	Oil Gas % %	Oil Gas % %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes_____ No ☒
Yes_____ No ☒

Are all produced fluids from all commingled zones compatible with each other?

Yes ☒ No _____

Will commingling decrease the value of production?

Yes_____ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?

Yes ☒ No _____

NMOCD Reference Case No. applicable to this well: R-10476-B

Attachments:

C-102 for each zone to be commingled showing its spacing unit and acreage dedication.

Production curve for each zone for at least one year. (If not available, attach explanation.)

For zones with no production history, estimated production rates and supporting data.

Data to support allocation method or formula.

Notification list of working, royalty and overriding royalty interests for uncommon interest cases.

Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools

List of all operators within the proposed Pre-Approved Pools

Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.

Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Cherylene Weston

TITLE Operations/Regulatory Tech-Sr.

DATE 5/14/2024

TYPE OR PRINT NAME Cherylene Weston

TELEPHONE NO. 713-289-2615

E-MAIL ADDRESS cweston@hilcorp.com

San Juan 28-7 Unit 159M Production Allocation Method – Subtraction

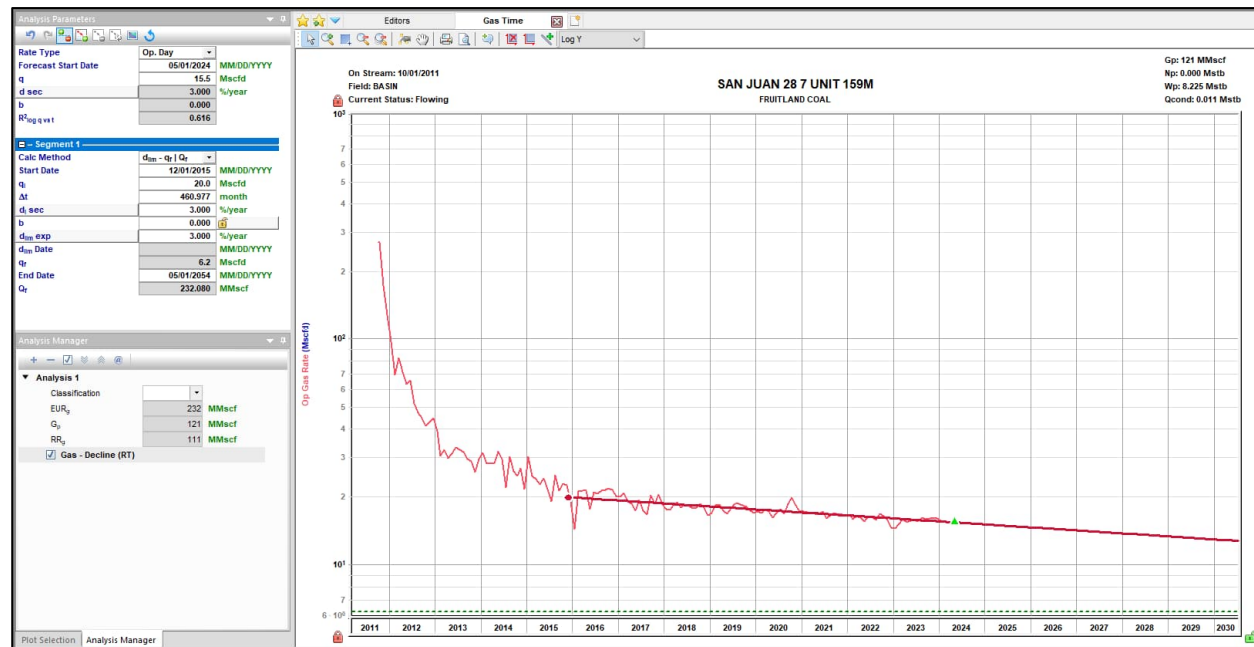
Gas Allocation:

Production for the downhole commingle will be allocated using the subtraction method in agreement with local agencies. The base formations are the Fruitland Coal/Pictured Cliffs/Mesaverde and the added formation to be commingled is the Dakota. The subtraction method applies an average monthly production forecast to the base formation using historic production. All production from this well exceeding the base formation forecasts will be allocated to the new formation.

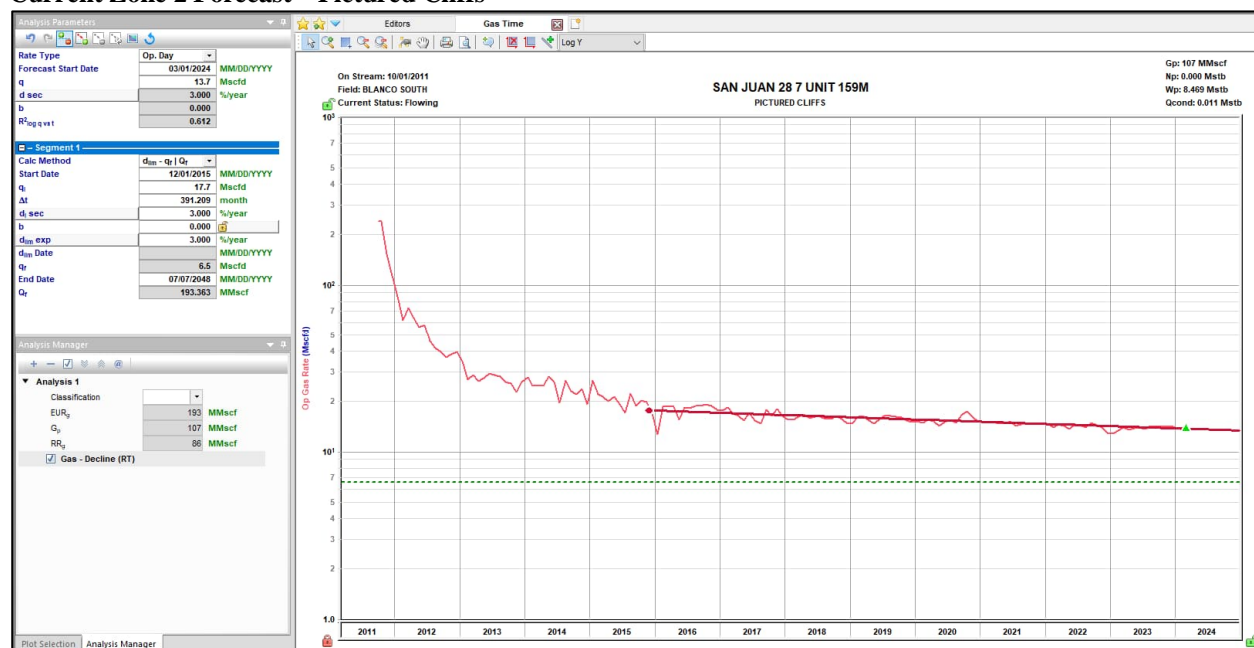
Hilcorp intends to continue to allocate the projected base production on the same fixed percentages to the following pools **25% (FRC), 22% (PC) & 53% (MV)** while the subtraction method is being used to determine the allocation to the DK.

After 3 years production will stabilize. A production average will be gathered during the 4th year and will be utilized to create a fixed percentage-based allocation.

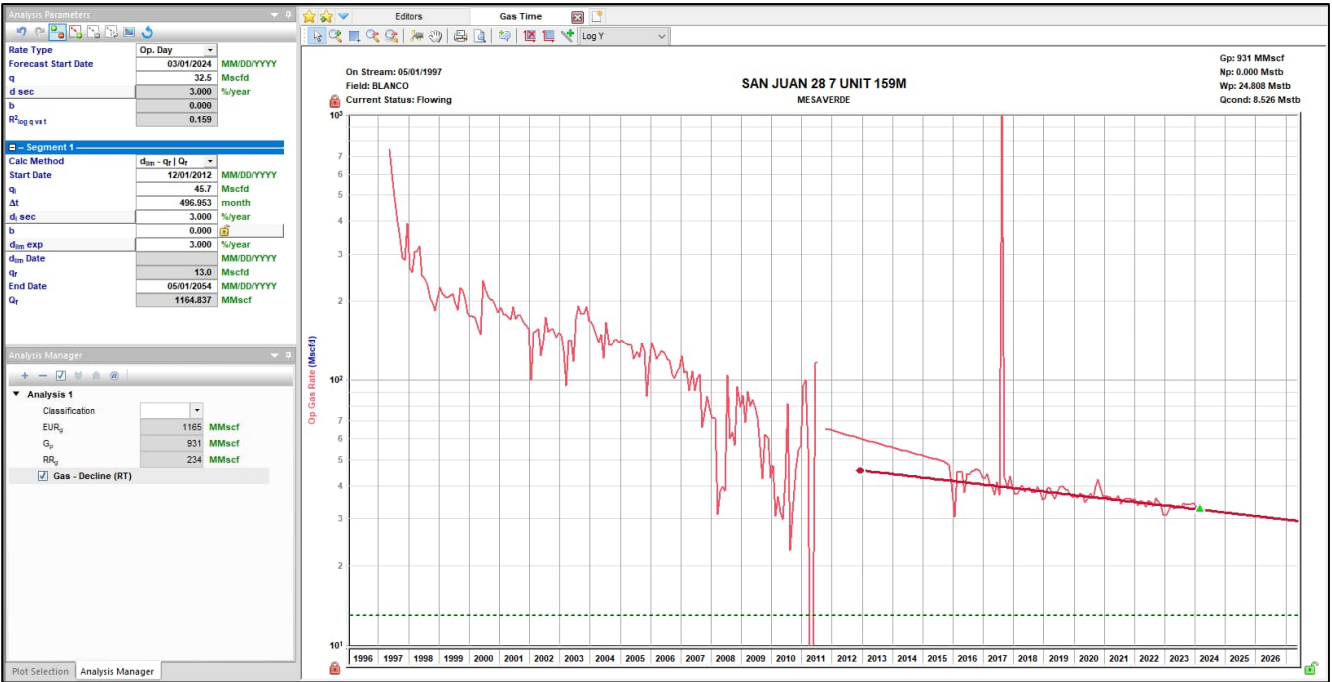
Current Zone 1 Forecast – Fruitland Coal



Current Zone 2 Forecast – Pictured Cliffs



Current Zone 3 Forecast - Mesaverde



Proposed Zone Forecast - Dakota

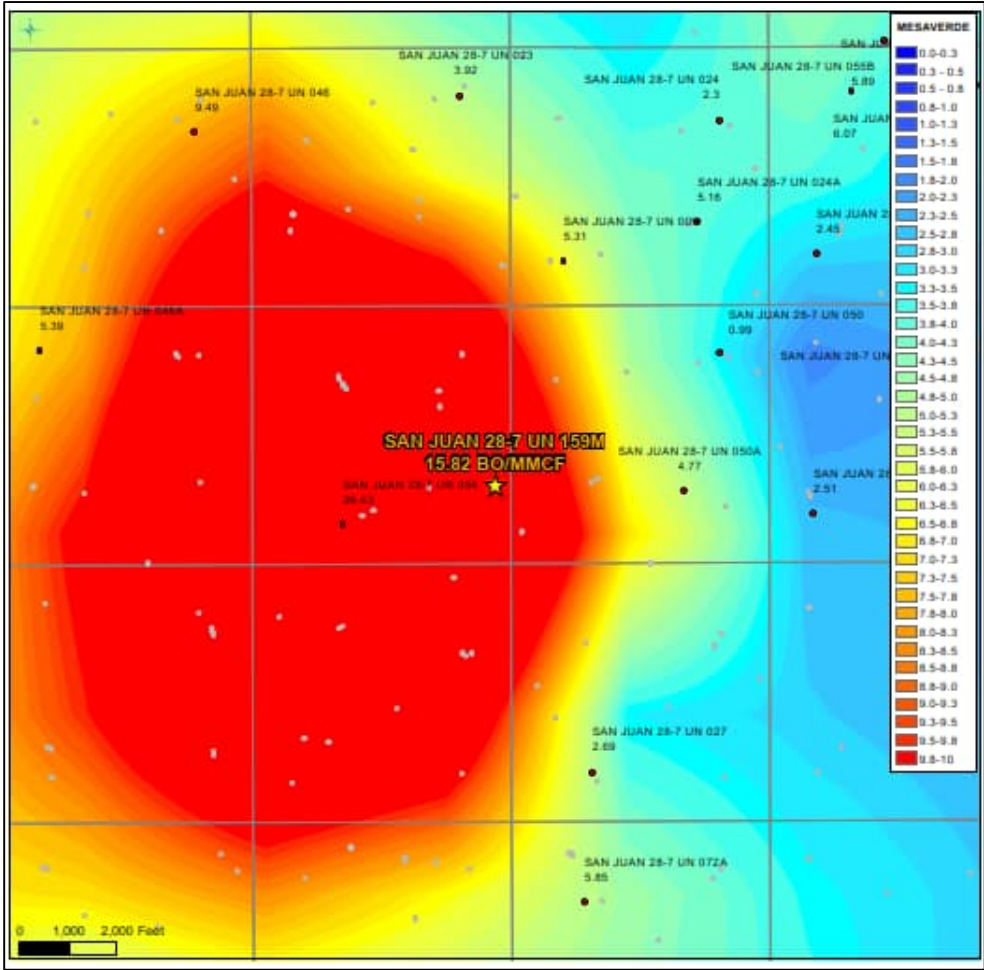


Oil Allocation:

Oil production will be allocated based on average formation yields from offset wells and will be a fixed rate for 4 years. After 4 years oil will be reevaluated and adjusted as needed based on average formation yields and new fixed gas allocation. **Fruitland Coal and Pictured Cliffs have historically not produced oil in this area, therefore will not be allocated any oil.**

Formation	Yield (bbl/MM)	Remaining Reserves (MMcf)	% Oil Allocation
FRC	0.00	111	0%
PC	0.00	86	0%
MV	15.82	234	76%
DK	2.32	512	24%

Current Zone 3 – Mesaverde Oil Yield Map



Average Oil Yield observed in this well.

Average Oil Yield observed in this well.

Revised March 23, 2017

RECEIVED:	REVIEWER:	TYPE:	APP NO:
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND
 REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: _____ OGRID Number: _____
 Well Name: _____ API: _____
 Pool: _____ Pool Code: _____

SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED BELOW

1) **TYPE OF APPLICATION:** Check those which apply for [A]

A. Location – Spacing Unit – Simultaneous Dedication

☐ NSL ☐ NSP (PROJECT AREA) ☐ NSP (PRORATION UNIT) ☐ SD

B. Check one only for [I] or [II]

[I] Commingling – Storage – Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[II] Injection – Disposal – Pressure Increase – Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

2) **NOTIFICATION REQUIRED TO:** Check those which apply.

- A. ☐ Offset operators or lease holders
 B. ☐ Royalty, overriding royalty owners, revenue owners
 C. ☐ Application requires published notice
 D. ☐ Notification and/or concurrent approval by SLO
 E. ☐ Notification and/or concurrent approval by BLM
 F. ☐ Surface owner
 G. ☐ For all of the above, proof of notification or publication is attached, and/or,
 H. ☐ No notice required

FOR OCD ONLY

- ☐ Notice Complete
☐ Application
 Content
 Complete

- 3) **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

 Print or Type Name

Cherylene Weston

Signature

 Date

 Phone Number

 e-mail Address

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION FOR DOWNHOLE COMMINGLING
SUBMITTED BY HILCORP ENERGY COMPANY**

ORDER NO. DHC-5404

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having considered the application and the recommendation of the Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. Hilcorp Energy Company ("Applicant") submitted a complete application ("Application") to downhole commingle the pools described in Exhibit A ("the Pools") within the well bore of the well identified in Exhibit A ("the Well").
2. Applicant proposed a method to allocate the oil and gas production from the Well to each of the Pools that is satisfactory to the OCD and protective of correlative rights.
3. Applicant has certified that the proposed commingling of the Pools shall not result in shut-in or flowing well bore pressure in excess of the commingled pool's fracture parting pressure.
4. Applicant has certified that all produced fluids from all the Pools are compatible with each other.
5. Applicant has certified that downhole commingling the Pools will not decrease the value of the oil and gas production.
6. An exception to the notification requirements within 19.15.12.11(C)(1)(b) NMAC was granted by the Division within Order R-10476-B.
7. Applicant provided notice of the Application to the Bureau of Land Management ("BLM") or New Mexico State Land Office ("NMSLO"), as applicable.

CONCLUSIONS OF LAW

8. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-6, 70-2-11, 70-2-12, 70-2-16, 70-2-17, and 19.15.12 NMAC.
9. The downhole commingling of the Pools is common, or Applicant has provided evidence that the fluids are compatible and will not damage the Pools in accordance with 19.15.12.11(A)(1) NMAC.
10. The bottom perforation of the lower zone is within one hundred fifty percent (150%) of the depth of the top perforation in the upper zone or Applicant has provided evidence that the proposed commingling of the Pools shall not result in shut-in or flowing well bore pressure

in excess of the commingled pool's fracture parting pressure in accordance with 19.15.12.11(A)(3) NMAC.

11. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.11(A)(8) NMAC.
12. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to downhole commingle the Pools described in Exhibit A within the well bore of the well identified in Exhibit A.
2. This Order supersedes Order DHC-4349.
3. Applicant shall allocate a fixed percentage of the oil production from the Well to each of the Pools until a different plan to allocate oil production is approved by OCD. Of the oil production from the Well:
 - a. zero percent (0%) shall be allocated to the BASIN FRUITLAND COAL (GAS) pool (pool ID: 71629);
 - b. zero percent (0%) shall be allocated to the BLANCO P. C. SOUTH (PRORATED GAS) pool (pool ID: 72439);
 - c. seventy-six percent (76%) shall be allocated to the BLANCO-MESAVERDE (PRORATED GAS) pool (pool ID: 72319); and
 - d. twenty-four percent (24%) shall be allocated to the BASIN DAKOTA (PRORATED GAS) pool (pool ID: 71599).

Applicant shall allocate gas production to the new pool(s) equal to the total gas production from the Well minus the projected gas production from the current pool(s) until a different plan to allocate gas production is approved by OCD. The new pool(s) are:

- a. the BASIN DAKOTA (PRORATED GAS) pool (pool ID: 71599).

The current pool(s) are:

- a. the BASIN FRUITLAND COAL (GAS) pool (pool ID: 71629);
- b. the BLANCO P. C. SOUTH (PRORATED GAS) pool (pool ID: 72439); and
- c. the BLANCO-MESAVERDE (PRORATED GAS) pool (pool ID: 72319).

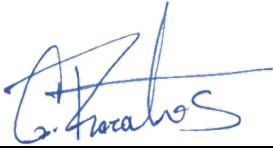
Until a different plan to allocate gas production is approved by OCD, of the projected gas production allocated to the current pools:

- a. twenty-five percent (25%) shall be allocated to the BASIN FRUITLAND COAL (GAS) pool (pool ID: 71629);
- b. twenty-two percent (22%) shall be allocated to the BLANCO P. C. SOUTH (PRORATED GAS) pool (pool ID: 72439); and
- c. fifty-three percent (53%) shall be allocated to the BLANCO-MESAVERDE (PRORATED GAS) pool (pool ID: 72319).

Applicant shall calculate the oil and gas production average during the fourth year after the commencement of commingling, which shall be used to establish a fixed percentage of the total oil and gas production that shall be allocated to each of the Pools ("fixed percentage allocation plan"). No later than ninety (90) days after the fourth year, Applicant shall submit a Form C-103 to the OCD Engineering Bureau that includes the fixed percentage allocation plan and all data used to determine it. If Applicant fails to do so, this Order shall terminate on the following day. If OCD denies the fixed percentage allocation plan, this Order shall terminate on the date of such action. If OCD approves the percentage allocation plan with or without modifications, then the approved percentage allocation plan shall be used to determine oil and gas allocation starting on the date of such action until the Well is plugged and abandoned.

4. If an alteration is made to the Well or a condition within the Well changes which may cause the allocation of production to the Pools as approved within this Order to become inaccurate, then no later than sixty (60) days after that event, Applicant shall submit Form C-103 to the OCD Engineering Bureau describing the event and include a revised allocation plan. If OCD denies the revised allocation plan, this Order shall terminate on the date of such action.
5. If any of the pools being commingled is prorated, or the Well's production has been restricted by an OCD order in any manner, the allocated production from each producing pool in the commingled well bore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to the well.
6. If the Well is deepened, then no later than forty-five (45) days after the Well is deepened, Applicant shall conduct and provide logs to OCD that are sufficient for OCD to determine which pool(s) each new completed interval of the Well will produce from.
7. If the downhole commingling of the Pools reduces the value of the oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new downhole commingling application to OCD to amend this Order to remove the pool that caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
8. If a completed interval of the Well is altered from what is submitted within the Application as identified in Exhibit A, then no later than sixty (60) days after the alteration, Applicant shall submit Form C-103 to the OCD Engineering Bureau detailing the alteration and completed interval.
9. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).
10. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

A handwritten signature in blue ink, appearing to read "G. Razatos", is written over a horizontal line.

**GERASIMOS RAZATOS
DIRECTOR (ACTING)**

DATE: 7/17/2024

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

Order: **DHC-5404**

Operator: **Hilcorp Energy Company (372171)**

Well Name: **San Juan 28 7 Unit #159M**

Well API: **30-039-25574**

Upper Zone

Pool Name: **BASIN FRUITLAND COAL (GAS)**

Pool ID: **71629**

Current: **X**

New:

Allocation:

Oil: **0.0%**

Gas: **25.0%**

Top: **3,246**

Bottom: **3,338**

Intermediate Zone

Pool Name: **BLANCO P. C. SOUTH (PRORATED GAS)**

Pool ID: **72439**

Current: **X**

New:

Allocation:

Oil: **0.0%**

Gas: **22.0%**

Top: **3,352**

Bottom: **3,388**

Bottom of Interval within 150% of Upper Zone's Top of Interval: **YES**

Intermediate Zone 2

Pool Name: **BLANCO-MESAVERDE (PRORATED GAS)**

Pool ID: **72319**

Current: **X**

New:

Allocation:

Oil: **76.0%**

Gas: **53.0%**

Top: **4,981**

Bottom: **5,676**

Bottom of Interval within 150% of Upper Zone's Top of Interval: **NO**

Lower Zone

Pool Name: **BASIN DAKOTA (PRORATED GAS)**

Pool ID: **71599**

Current:

New: **X**

Allocation:

Oil: **24.0%**

Gas: **Subt**

Top: **7,602**

Bottom: **7,817**

Bottom of Interval within 150% of Upper Zone's Top of Interval: **NO**

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720
District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

CONDITIONS

Action 344778

CONDITIONS

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 344778
	Action Type: [C-107] Down Hole Commingle (C-107A)

CONDITIONS

Created By	Condition	Condition Date
dmcclure	Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.	7/18/2024