

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

<u>FOR OCD ONLY</u>	
<input type="checkbox"/>	Notice Complete
<input type="checkbox"/>	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

\_\_\_\_\_  
Date

\_\_\_\_\_  
 Signature

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
e-mail Address

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

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107A  
Revised August 1, 2011

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

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

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

District III  
1000 Rio Brazos Road, Aztec, NM 87410

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

**APPLICATION FOR DOWNHOLE COMMINGLING**

Hilcorp Energy Company 382 ROAD 3100, Aztec NM 87410  
 Operator Address  
 San Juan 29-7 Unit 38B UL J – Sec. 12, T29N, R7W Rio Arriba  
 Lease Well No. Unit Letter-Section-Township-Range County  
 OGRID No. 372171 Property Code 318713 API No. 30-039-29639 Lease Type:  Federal  State  Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	BLANCO PICTURED CLIFFS (GAS)	BLANCO MESAVERDE (PRORATED GAS)	BASIN DAKOTA (PRORATED GAS)
Pool Code	72359	72319	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3187' – 3407' - Estimated	4190'-5676'	7468' - 7628'
Method of Production (Flowing or Artificial Lift)	NEW ZONE	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)	976 psi	808 psi	1258 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	BTU 1150	BTU 1200	BTU 1000
Producing, Shut-In or New Zone	NEW ZONE	PRODUCING	PRODUCING
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: N/A Rates:	Date: 11/1/2021 Rates: 2190 MCF – GAS 2 BBL – Oil 8 BBL - Water	Date: 11/1/2021 Rates: 448 MCF – GAS 1 BBL – Oil 8 BBL - Water
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 Will be supplied upon completion	Oil Gas Will be supplied upon completion	Oil Gas Will be supplied upon completion

**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-10697

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 Kandis Roland TITLE Operation/Regulatory Tech DATE 1/27/2022  
 TYPE OR PRINT NAME Kandis Roland TELEPHONE NO. ( 713 ) 757-5246  
 E-MAIL ADDRESS kroland@hilcorp.com

DISTRICT I  
1625 N. French Dr., Hobbs, N.M. 88240

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 15, 2000

DISTRICT II  
811 South First, Artesia, N.M. 88210

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT III  
1000 Rio Brazos Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION

2040 South Pacheco  
Santa Fe, NM 87505

2005 DEC 20 PM 1 03

AMENDED REPORT

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

RECEIVED  
OTC FARMINGTON, NM

<sup>1</sup> API Number 30-039-29639	<sup>2</sup> Pool Code 72319/71599	<sup>3</sup> Pool Name Blanco Mesaverde/Basin Dakota
<sup>4</sup> Property Code 7465	<sup>5</sup> Property Name SAN JUAN 29-7 UNIT	
<sup>7</sup> OGRID No. 14538	<sup>6</sup> Operator Name BURLINGTON RESOURCES OIL AND GAS COMPANY LP	<sup>8</sup> Well Number 38B
		<sup>9</sup> Elevation 6318'

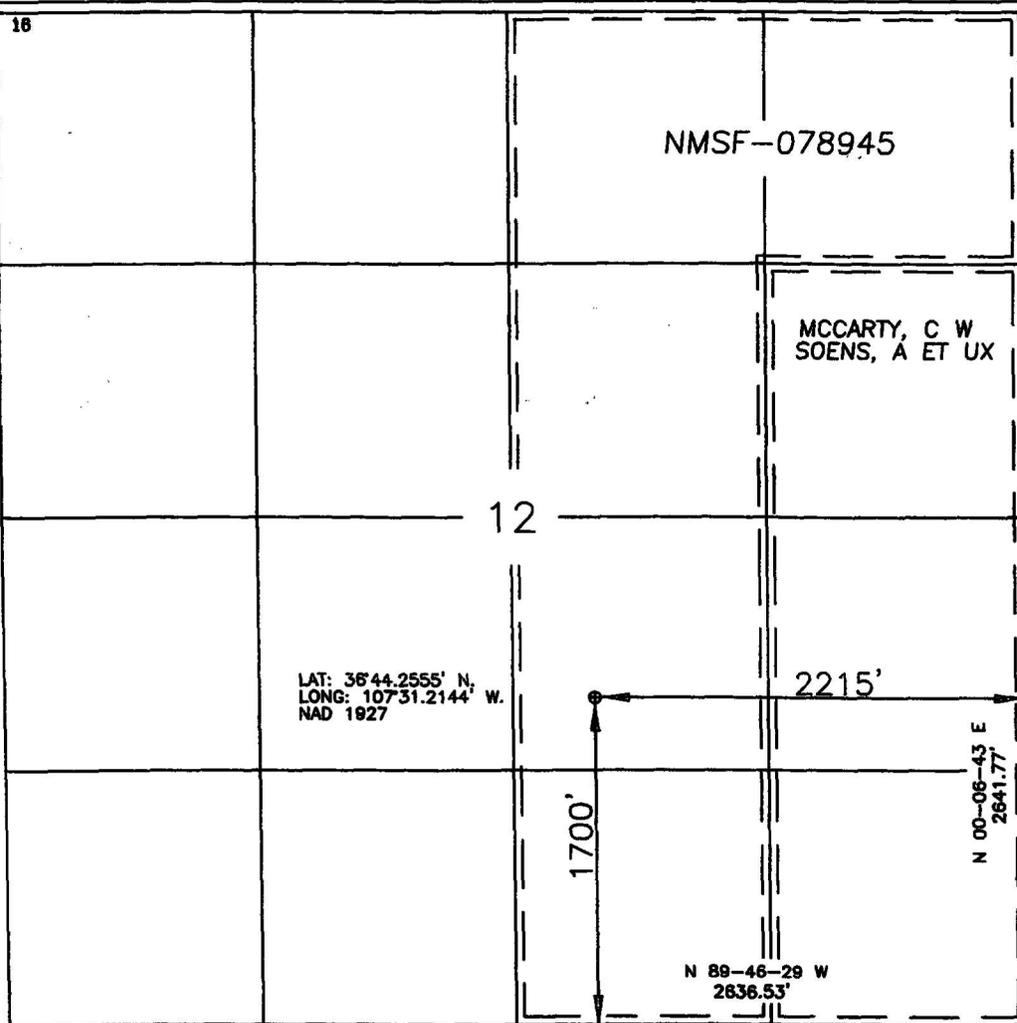
<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	12	29-N	7-W		1700'	SOUTH	2215'	EAST	RIO ARRIBA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<sup>12</sup> Dedicated Acres 320 E/2		<sup>13</sup> Joint or Infill		<sup>14</sup> Consolidation Code		<sup>15</sup> 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



<sup>17</sup> OPERATOR CERTIFICATION

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

*Joni Clark*  
 Signature  
 Joni Clark  
 Printed Name  
 Sr. Regulatory Specialist  
 Title  
 12/20/05  
 Date

<sup>18</sup> 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.

Date of Survey  
 Signature and Seal of Professional Surveyor  
  
 Certificate Number 15703

**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**

Form C-102  
 August 1, 2011  
 Permit 283659

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-039-29639	2. Pool Code 72359	3. Pool Name BLANCO PICTURED CLIFFS (GAS)
4. Property Code 318713	5. Property Name SAN JUAN 29 7 UNIT	6. Well No. 038B
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elevation 6318

**10. Surface Location**

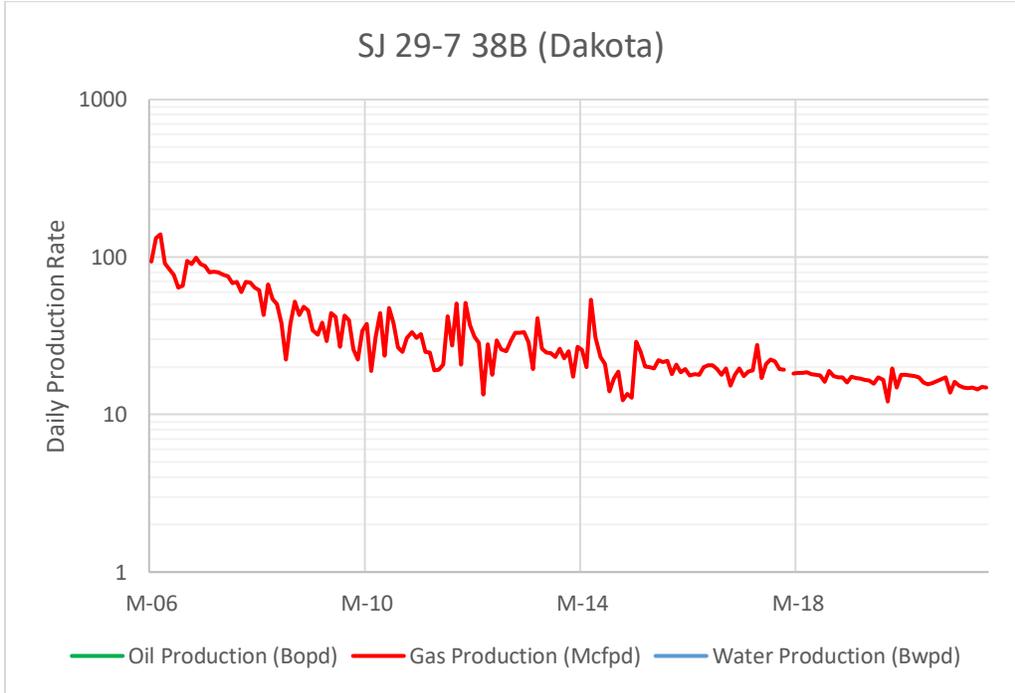
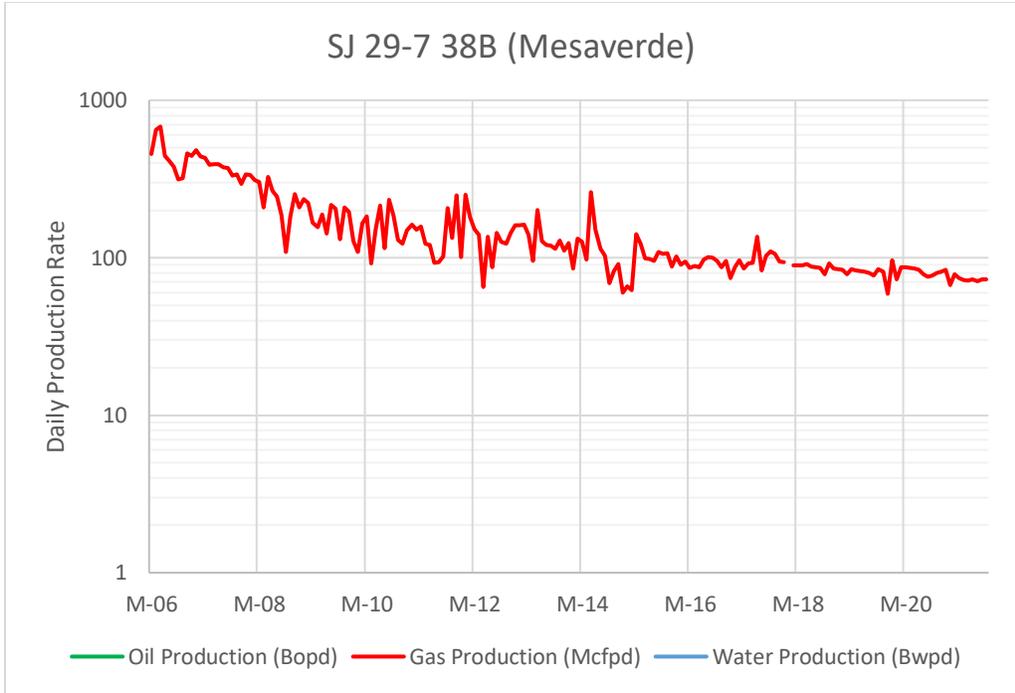
UL - Lot J	Section 12	Township 29N	Range 07W	Lot Idn	Feet From 1700	N/S Line S	Feet From 2215	E/W Line E	County RIO ARRIBA
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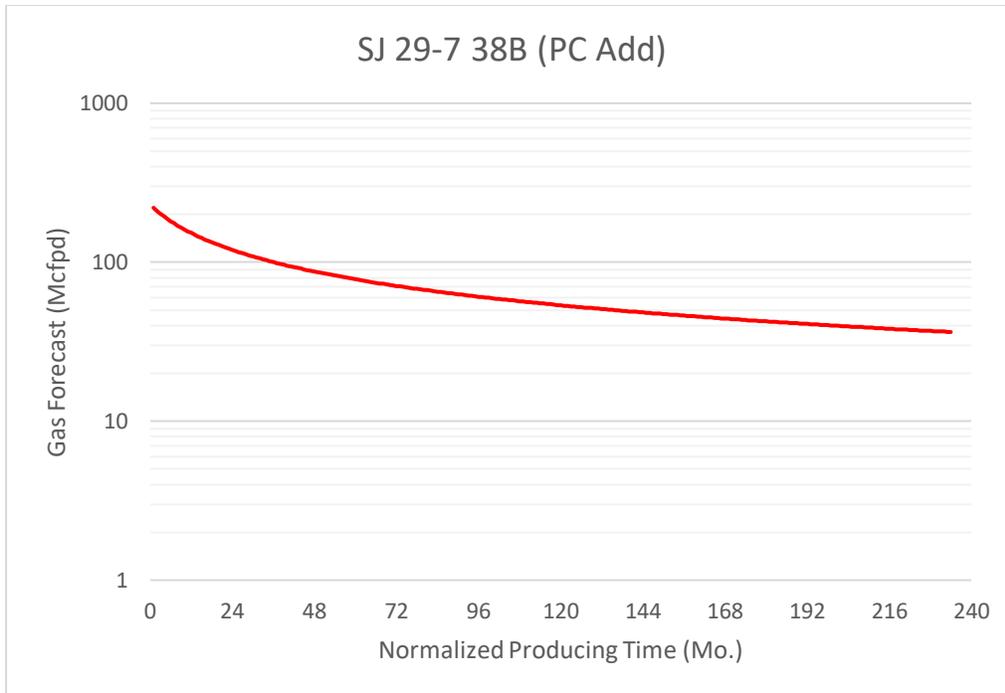
**11. Bottom Hole Location If Different From Surface**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 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**

	<b>OPERATOR CERTIFICATION</b>	
	<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>	
	E-Signed By: Kandis Roland Title: Regulatory Technician Date: 6/18/2020	
	<b>SURVEYOR CERTIFICATION</b>	
<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>		
Surveyed By: Glen Russell Date of Survey: 6/29/2005 Certificate Number: 15703		





The forecast for Pictured Cliffs production has been generated using a type curve of PC gas production in the surrounding production trend.

These zones are proposed to be commingled because the application of dual completions impedes the ability to produce the shallow zone without artificial lift and the deeper zones with reduced artificial lift efficiency. All horizons will require artificial lift due to low bottomhole pressure (BHP) and permeability.

The BHPs of all zones, producing and non-producing, were estimated based upon basinwide Moving-Domain Material Balance models that have proven to approximate the pressure in the given reservoirs well in this portion of the basin. These models were constructed incorporating reservoir dynamics and physics, historic production, and observed pressure data. Historic commingling operations have proven reservoir fluids are compatible.

### San Juan 29-7 Unit 38B – Production Allocation Method

Production for the downhole trimmingle will be allocated using the subtraction method in agreement with local agencies. The base formations are the Dakota and Mesaverde and the added formation to be trimmingled is the Pictured Cliffs. The subtraction method applies an average monthly production forecast to the base formations using historic production. All production from this well exceeding the forecast will be allocated to the new formation. After 3 years production will stabilize. A production average will be gathered during the 4<sup>th</sup> year and will be utilized to create a fixed percentage based allocation. Oil production will be allocated based on average formation yields from offset wells. All documentation will be submitted to the Aztec NMOCD office.



January 26, 2022

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

**Re: C-107-A (Downhole Commingle)  
San Juan 29-7 Unit 038B  
API No. 30-039-29639  
Section 12, T29N-R07W  
Rio Arriba County, NM**

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

Interest is not common between the formations listed below:

- *Blanco Pictured Cliffs (Pool Code: 72359)*
- *Blanco Mesaverde (Pool Code: 72319)*
- *Basin Dakota (Pool Code: 71599).*

Order No. R-10697 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, a copy of the C-107-A 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, appearing to read 'Carson Parker Rice'.

Carson Parker Rice  
Landman – San Juan Basin  
Hilcorp Energy Company  
1111 Travis Street  
Houston, Texas 77002  
713-757-7108 Direct  
Email: carice@hilcorp.com

<b>Well Name:</b> SAN JUAN 29-7 UNIT	<b>Well Location:</b> T29N / R7W / SEC 12 / NWSE / 36.737616 / -107.520898	<b>County or Parish/State:</b> RIO ARRIBA / NM
<b>Well Number:</b> 38B	<b>Type of Well:</b> CONVENTIONAL GAS WELL	<b>Allottee or Tribe Name:</b>
<b>Lease Number:</b> NMSF078945	<b>Unit or CA Name:</b> DAKOTA, SAN JUAN 29-7 UNIT--MV	<b>Unit or CA Number:</b> NMNM116307, NMNM78417A
<b>US Well Number:</b> 3003929639	<b>Well Status:</b> Producing Gas Well	<b>Operator:</b> HILCORP ENERGY COMPANY

**Notice of Intent**

**Sundry ID:** 2649251

**Type of Submission:** Notice of Intent

**Type of Action:** Recompletion

**Date Sundry Submitted:** 12/16/2021

**Time Sundry Submitted:** 01:31

**Date proposed operation will begin:** 04/01/2022

**Procedure Description:** Hilcorp Energy Company request permission to recomplate the subject well in the Pictured Cliffs formation and downhole commingle with the existing Mesaverde/Dakota formations. Please see the attached procedure, current and proposed wellbore diagram, plat and natural gas management plan. A closed loop system will be used. A pre-reclamation onsite is not required due to Fee Surface.

**Surface Disturbance**

**Is any additional surface disturbance proposed?:** No

**NOI Attachments**

**Procedure Description**

SJ\_29\_7\_38B\_RC\_NOI\_20211216133124.pdf

Well Name: SAN JUAN 29-7 UNIT

Well Location: T29N / R7W / SEC 12 / NWSE / 36.737616 / -107.520898

County or Parish/State: RIO ARRIBA / NM

Well Number: 38B

Type of Well: CONVENTIONAL GAS WELL

Allottee or Tribe Name:

Lease Number: NMSF078945

Unit or CA Name: DAKOTA, SAN JUAN 29-7 UNIT--MV

Unit or CA Number: NMNM116307, NMNM78417A

US Well Number: 3003929639

Well Status: Producing Gas Well

Operator: HILCORP ENERGY COMPANY

**Operator Certification**

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 submission of Form 3160-5 or a Sundry Notice.

Operator Electronic Signature: AMANDA WALKER

Signed on: DEC 16, 2021 01:31 PM

Name: HILCORP ENERGY COMPANY

Title: Operations/Regulatory Technician

Street Address: 1111 TRAVIS ST.

City: HOUSTON State: TX

Phone: (346) 237-2177

Email address: mwalker@hilcorp.com

**Field Representative**

Representative Name:

Street Address:

City: State: Zip:

Phone:

Email address:

**BLM Point of Contact**

BLM POC Name: KENNETH G RENNICK

BLM POC Title: Petroleum Engineer

BLM POC Phone: 5055647742

BLM POC Email Address: krennick@blm.gov

Disposition: Approved

Disposition Date: 12/17/2021

Signature: Kenneth Rennick

## San Juan 29-7 Unit #38B

012-029N-007W-J

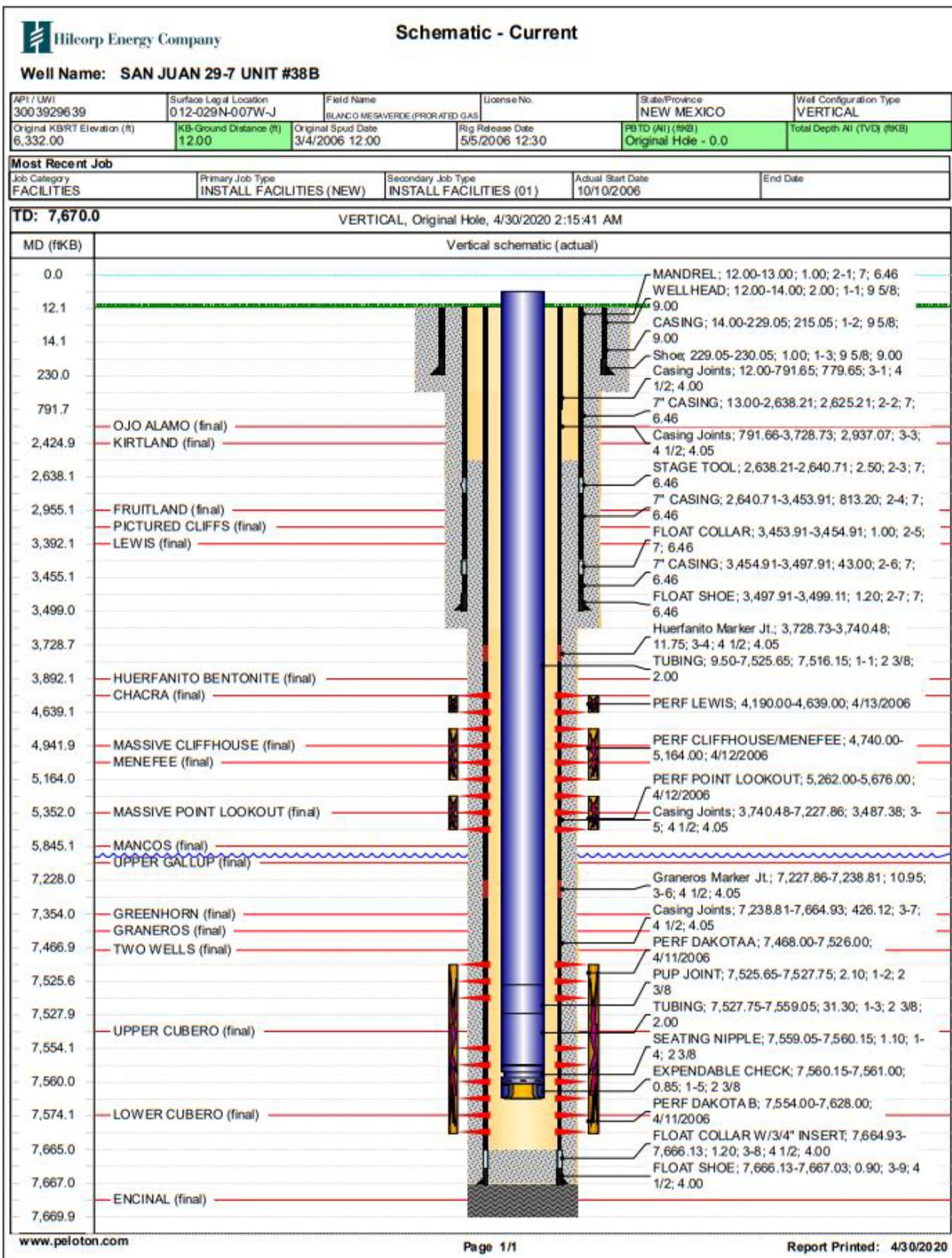
API#: 3003929639

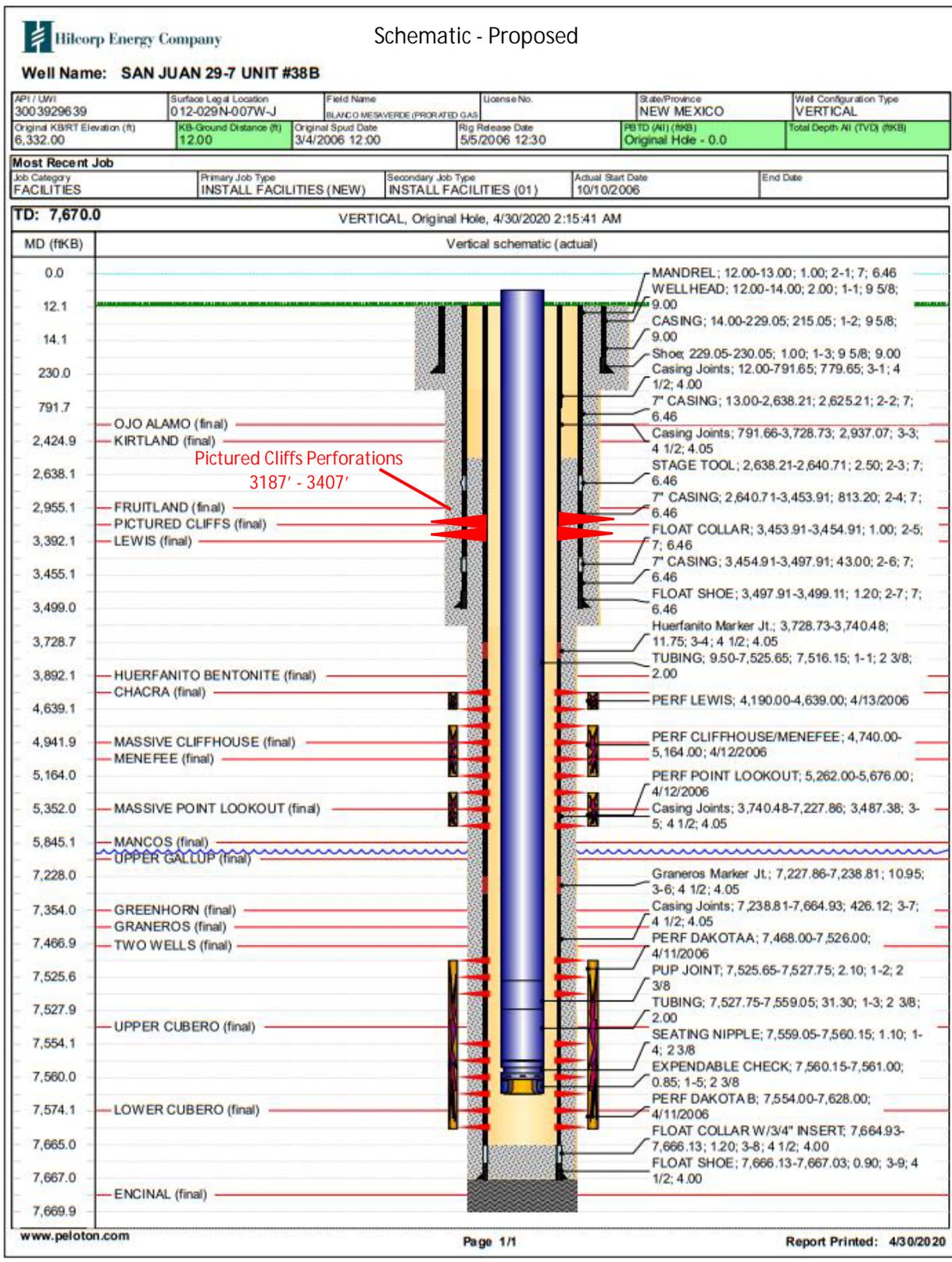
### Pictured Cliffs Recompletion Procedure

12/16/2021

#### Procedure:

1. MIRU service rig and associated equipment.
2. Test BOP's
3. TOOH w/ 2-3/8" tubing currently set with EOT at 7,561'.
4. Set a CIBP to isolate the Chacra, Mesa Verde, Dakota perforations @ +/- 4,140'.
5. Load the hole.
6. Pressure test casing to maximum fracture pressure. CBL (3/20/2006) shows TOC above proposed PC interval.
7. ND BOP's. NU frac stack and test same to maximum fracture pressure.
8. RDMO service rig.
9. MIRU frac spread.
10. Perforate and frac the Pictured Cliffs from 3,187' to 3,407'. RDMO frac spread.
11. MIRU service rig.
12. Test BOP's.
13. PU mill and RIH to clean out to Chacra/Mesa Verde/Dakota isolation plug.
14. When water and sand rates are acceptable, flow test the Pictured Cliffs.
15. Drill out Chacra/Mesa Verde/Dakota isolation plug and TOOH.
16. TIH and land production tubing. Obtain a commingled flow rate.
17. ND BOP's, NU production tree.
18. RDMO service rig & turn well over to production.





State of New Mexico  
Energy, Minerals and Natural Resources Department

Submit Electronically  
Via E-permitting

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

## NATURAL GAS MANAGEMENT PLAN

This Natural Gas Management Plan must be submitted with each Application for Permit to Drill (APD) for a new or recompleted well.

### Section 1 – Plan Description Effective May 25, 2021

**I. Operator:** Hilcorp Energy Company **OGRID:** 372171 **Date:** 12/16/2021

**II. Type:**  Original  Amendment due to  19.15.27.9.D(6)(a) NMAC  19.15.27.9.D(6)(b) NMAC  Other.

If Other, please describe: \_\_\_\_\_

**III. Well(s):** Provide the following information for each new or recompleted well or set of wells proposed to be drilled or proposed to be recompleted from a single well pad or connected to a central delivery point.

Well Name	API	ULSTR	Footages	Anticipated Oil BBL/D	Anticipated Gas MCF/D	Anticipated Produced Water BBL/D
San Juan 29-7 Unit 38B	3003929639	J, 12, 29N, 07W	1700' FSL & 2215'FEL	0	225	2

**IV. Central Delivery Point Name:** Chaco Gas Plant [See 19.15.27.9(D)(1) NMAC]

**V. Anticipated Schedule:** Provide the following information for each new or recompleted well or set of wells proposed to be drilled or proposed to be recompleted from a single well pad or connected to a central delivery point.

Well Name	API	Spud Date	TD Reached Date	Completion Commencement Date	Initial Flow Back Date	First Production Date
<u>San Juan 29-7 Unit 38B</u>	<u>3003929639</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>2022</u>	<u>2022</u>

**VI. Separation Equipment:**  Attach a complete description of how Operator will size separation equipment to optimize gas capture.

**VII. Operational Practices:**  Attach a complete description of the actions Operator will take to comply with the requirements of Subsection A through F of 19.15.27.8 NMAC.

**VIII. Best Management Practices:**  Attach a complete description of Operator's best management practices to minimize venting during active and planned maintenance.

### Section 3 - Certifications

Effective May 25, 2021

Operator certifies that, after reasonable inquiry and based on the available information at the time of submittal:

Operator will be able to connect the well(s) to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the anticipated volume of natural gas produced from the well(s) commencing on the date of first production, taking into account the current and anticipated volumes of produced natural gas from other wells connected to the pipeline gathering system; or

Operator will not be able to connect to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the anticipated volume of natural gas produced from the well(s) commencing on the date of first production, taking into account the current and anticipated volumes of produced natural gas from other wells connected to the pipeline gathering system.

**If Operator checks this box, Operator will select one of the following:**

**Well Shut-In.**  Operator will shut-in and not produce the well until it submits the certification required by Paragraph (4) of Subsection D of 19.15.27.9 NMAC; or

**Venting and Flaring Plan.**  Operator has attached a venting and flaring plan that evaluates and selects one or more of the potential alternative beneficial uses for the natural gas until a natural gas gathering system is available, including:

- (a) power generation on lease;
- (b) power generation for grid;
- (c) compression on lease;
- (d) liquids removal on lease;
- (e) reinjection for underground storage;
- (f) reinjection for temporary storage;
- (g) reinjection for enhanced oil recovery;
- (h) fuel cell production; and
- (i) other alternative beneficial uses approved by the division.

### Section 4 - Notices

1. If, at any time after Operator submits this Natural Gas Management Plan and before the well is spud:

(a) Operator becomes aware that the natural gas gathering system it planned to connect the well(s) to has become unavailable or will not have capacity to transport one hundred percent of the production from the well(s), no later than 20 days after becoming aware of such information, Operator shall submit for OCD's approval a new or revised venting and flaring plan containing the information specified in Paragraph (5) of Subsection D of 19.15.27.9 NMAC; or

(b) Operator becomes aware that it has, cumulatively for the year, become out of compliance with its baseline natural gas capture rate or natural gas capture requirement, no later than 20 days after becoming aware of such information, Operator shall submit for OCD's approval a new or revised Natural Gas Management Plan for each well it plans to spud during the next 90 days containing the information specified in Paragraph (2) of Subsection D of 19.15.27.9 NMAC, and shall file an update for each Natural Gas Management Plan until Operator is back in compliance with its baseline natural gas capture rate or natural gas capture requirement.

2. OCD may deny or conditionally approve an APD if Operator does not make a certification, fails to submit an adequate venting and flaring plan which includes alternative beneficial uses for the anticipated volume of natural gas produced, or if OCD determines that Operator will not have adequate natural gas takeaway capacity at the time a well will be spud.

I certify that, after reasonable inquiry, the statements in and attached to this Natural Gas Management Plan are true and correct to the best of my knowledge and acknowledge that a false statement may be subject to civil and criminal penalties under the Oil and Gas Act.

Signature: 
Printed Name: Amanda Walker
Title: Operations/Regulatory Tech Sr.
E-mail Address: mwalker@hilcorp.com
Date: 12/16/2021
Phone: 346-237-2177

**OIL CONSERVATION DIVISION**  
**(Only applicable when submitted as a standalone form)**

Approved By:
Title:
Approval Date:
Conditions of Approval:

## VI. Separation Equipment:

Hilcorp Energy Company (HEC or Operator) production facilities include separation equipment designed to efficiently separate gas from liquid phases to optimize gas capture based on projected and estimated volumes from the targeted pool of our recomplete project. HEC will utilize flowback separation equipment and production separation equipment designed and built to industry specifications after the recomplete to optimize gas capture and send gas to sales or flare based on analytical composition. HEC operates facilities that are typically one-well facilities. Production separation equipment is upgraded prior to well being completed, if determined to be undersized or inadequate. This equipment is already on-site and tied into our sales gas lines prior to the recomplete operations.

## VII. Operational Practices:

1. Subsection (A) Venting and Flaring of Natural Gas
  - HEC understands the requirements of NMAC 19.15.27.8 which outlines that the venting and flaring of natural gas during drilling, completion or production operations that constitutes waste as defined in 19.15.2 are prohibited.
2. Subsection (B) Venting and Flaring during drilling operations
  - This gas capture plan isn't for a well being drilled.
3. Subsection (C) Venting and flaring during completion or recompletion
  - Flowlines will be routed for flowback fluids into a completion or storage tank and if feasible under well conditions, flare rather than vent and commence operation of a separator as soon as it is technically feasible for a separator to function.
  - At any point in the well life (completion, production, inactive) an audio, visual and olfactory inspection be performed at prescribed intervals (weekly or monthly) pursuant to Subsection D of 19.15.27.8 NMAC, to confirm that all production equipment is operating properly and there are no leaks or releases.
4. Subsection (D) Venting and flaring during production operations
  - At any point in the well life (completion, production, inactive) an audio, visual and olfactory inspection be performed at prescribed intervals (weekly or monthly) pursuant to Subsection D of 19.15.27.8 NMAC, to confirm that all production equipment is operating properly and there are no leaks or releases.
  - Monitor manual liquid unloading for wells on-site or in close proximity (<30 minutes' drive time), take reasonable actions to achieve a stabilized rate and pressure at the earliest practical time, and take reasonable actions to minimize venting to the maximum extent practicable.
  - HEC will not vent or flare except during the approved activities listed in NMAC 19.15.27.8 (D) 1-4.
5. Subsection (E) Performance standards
  - All tanks and separation equipment are designed for maximum throughput and pressure to minimize waste.
  - If a flare is utilized during production operations it will have a continuous pilot and is located more than 100 feet from any known well or storage tanks.
  - At any point in the well life (completion, production, inactive) an audio, visual and olfactory inspection be performed at prescribed intervals (weekly or monthly) pursuant to Subsection D of 19.15.27.8 NMAC, to confirm that all production equipment is operating properly and there are no leaks or releases.

6. Subsection (F) Measurement or estimation of vented and flared natural gas
  - o Measurement equipment is installed to measure the volume of natural gas flared from process piping.
  - o When measurement isn't practicable, estimation of vented and flared natural gas will be completed as noted in 19.15.27.8 (F) 5-6.

VIII. Best Management Practices:

1. Operator has adequate storage and takeaway capacity for wells it chooses to recomplete as the flowlines at the sites are already in place and tied into a gathering system.
2. Operator will flare rather than vent vessel blowdown gas when technically feasible during active and/or planned maintenance to equipment on-site.
3. Operator combusts natural gas that would otherwise be vented or flared, when technically feasible.
4. Operator will shut in wells in the event of a takeaway disruption, emergency situation, or other operations where venting or flaring may occur due to equipment failures.

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

CONDITIONS

Action 70070

**CONDITIONS**

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 70070
	Action Type: [C-103] NOI Recompletion (C-103E)

**CONDITIONS**

Created By	Condition	Condition Date
kpickford	DHC required	1/6/2022
kpickford	Notify NMOCD 24 Hours Prior to beginning operations	1/6/2022

**From:** [Engineer, OCD, EMNRD](#)  
**To:** [Kandis Roland](#)  
**Cc:** [McClure, Dean, EMNRD](#); [Pickford, Katherine, EMNRD](#); [Wrinkle, Justin, EMNRD](#); [Powell, Brandon, EMNRD](#); [lisa@rwbyram.com](mailto:lisa@rwbyram.com); [Glover, James](#); [Paradis, Kyle O](#)  
**Subject:** Approved Administrative Order DHC-5176  
**Date:** Friday, April 15, 2022 11:18:14 AM  
**Attachments:** [DHC5176 Order.pdf](#)

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NMOCD has issued Administrative Order DHC-5176 which authorizes Hilcorp Energy Company (372171) to downhole commingle production within the following well:

**Well Name: San Juan 29 7 Unit #38B**

**Well API: 30-039-29639**

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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:** [Kandis Roland](#)  
**To:** [McClure, Dean, EMNRD](#)  
**Cc:** [Mandi Walker](#); [Justin Nall](#)  
**Subject:** RE: [EXTERNAL] downhole commingling application DHC-5176  
**Date:** Thursday, April 14, 2022 6:12:39 AM

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Dean,

That is correct. See link below for the approved allocation for the MV 83%, DK 17%.

[https://ocdimage.emnrd.nm.gov/Imaging/FileStore/aztec/wf/32258/3003929639\\_10\\_wf.pdf](https://ocdimage.emnrd.nm.gov/Imaging/FileStore/aztec/wf/32258/3003929639_10_wf.pdf)

Thanks,

Kandis Roland  
HILCORP ENERGY  
San Juan East/South Regulatory  
713.757.5246  
[kroland@hilcorp.com](mailto:kroland@hilcorp.com)

---

**From:** McClure, Dean, EMNRD <Dean.McClure@state.nm.us>  
**Sent:** Wednesday, April 13, 2022 5:43 PM  
**To:** Kandis Roland <kroland@hilcorp.com>  
**Subject:** [EXTERNAL] downhole commingling application DHC-5176

Ms. Roland,

I am reviewing downhole commingling application DHC-5176 which involves the commingling of 3 pools within the San Juan 29 7 Unit #38B (30-039-29639) and is operated by Hilcorp Energy Company (372171).

It appears that Hilcorp is currently allocating 83% of the production from this well to the Mesaverde and 13% to the Dakota. Is it correct that Hilcorp's intent is to continue to allocate the projected base production on these same fixed percentages to these pools while the subtraction method is being used to determine the allocation to the Pictured Cliffs?

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

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**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-5176**

**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. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that ownership in the Pools is identical as defined by 19.15.12.7(B) NMAC.
7. To the extent that ownership is diverse, Applicant identified all owners of interest in the Pools, provided evidence a copy of the Application was given to each person, and those persons either submitted a written waiver or did not file an objection to the Application.
8. 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**

9. 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.
10. 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.

11. 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.
12. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.11(A)(8) NMAC.
13. To the extent that ownership is diverse, Applicant identified all owners of interest in the Pools and provided evidence the application was given to those persons in accordance with 19.15.12.11(C)(1)(b) NMAC.
14. 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-2013.
3. Applicant shall allocate oil and gas production to the Blanco Pictured Cliffs (Gas) pool (Pool ID: 72359) equal to the total oil and gas production from the Well minus the projected oil and gas production from the Blanco-Mesaverde (Prorated Gas) pool (Pool ID: 72319) and the Basin Dakota (Prorated Gas) pool (Pool ID: 71599) until a different plan to allocate oil and gas production is approved by OCD.

Applicant shall allocate eighty-three percent (83%) of the projected oil and gas production from the Blanco-Mesaverde (Prorated Gas) pool (Pool ID: 72319) and the Basin Dakota (Prorated Gas) pool (Pool ID: 71599) to the Blanco-Mesaverde (Prorated Gas) pool (Pool ID: 72319) until a different plan to allocate oil and gas production is approved by OCD.

Applicant shall allocate seventeen percent (17%) of the projected oil and gas production from the Blanco-Mesaverde (Prorated Gas) pool (Pool ID: 72319) and the Basin Dakota (Prorated Gas) pool (Pool ID: 71599) to the Basin Dakota (Prorated Gas) pool (Pool ID: 71599) until a different plan to allocate oil and gas production is approved by OCD.

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**

  
 \_\_\_\_\_  
**ADRIENNE E. SANDOVAL**  
**DIRECTOR**

**DATE:** 4/15/2022

State of New Mexico  
Energy, Minerals and Natural Resources Department

## Exhibit A

Order: **DHC-5176**

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

Well Name: **San Juan 29 7 Unit #38B**

Well API: **30-039-29639**

Pool Name: **BLANCO PICTURED CLIFFS (GAS)**

**Upper Zone**

Pool ID: **72359**

Current:

New: **X**

Allocation: **Subtraction**

Oil:

Gas:

Interval: **Perforations**

Top: **3,187**

Bottom: **3,407**

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

**Intermediate Zone**

Pool ID: **72319**

Current: **X**

New:

Allocation: **Fixed Percent**

Oil: **83%**

Gas: **83%**

Interval: **Perforations**

Top: **4,190**

Bottom: **5,676**

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

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

**Lower Zone**

Pool ID: **71599**

Current: **X**

New:

Allocation: **Fixed Percent**

Oil: **17%**

Gas: **17%**

Interval: **Perforations**

Top: **7,468**

Bottom: **7,628**

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

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

CONDITIONS

Action 75797

**CONDITIONS**

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 75797
	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.	4/15/2022