

Office

District I – (575) 393-6161

1625 N. French Dr., Hobbs, NM 88240

District II – (575) 748-1283

811 S. First St., Artesia, NM 88210

District III – (505) 334-6178

1000 Rio Brazos Rd., Aztec, NM 87410

District IV – (505) 476-3460

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

87505

State of New Mexico  
Energy, Minerals and Natural ResourcesOIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

DHC-5403

Form C-103  
Revised July 18, 2013

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-045-38344
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator Hilcorp Energy Company		6. State Oil & Gas Lease No. E-498-14
3. Address of Operator 382 Road 3100, Aztec NM 87410		7. Lease Name or Unit Agreement Name Gonsales State Com
4. Well Location Unit Letter <u>I</u> : <u>1457</u> feet from the <u>South</u> line and <u>1086</u> feet from the <u>East</u> line Section <u>16</u> Township <u>30N</u> Range <u>11W</u> NMPM County <u>San Juan</u>		8. Well Number 1N
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5762' GR		9. OGRID Number 372171
		10. Pool name or Wildcat Blanco Mesaverde/Basin Dakota

## 12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
DOWNHOLE COMMINGLE <input checked="" type="checkbox"/>			
CLOSED-LOOP SYSTEM <input type="checkbox"/>			
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

It is intended to drill and complete the subject well in the Blanco Mesaverde (pool 72319)/Basin Dakota (pool 71599). The production will be commingled per Oil Conservation Division Order Number 11363. Commingling will not reduce the value of the production. The Bureau of Land Management has been notified in writing of this application.

**Proposed perforations are: MV - 3800' - 4850' ; DK - 6540' - 6900' These perforations are in TVD.**

Hilcorp Energy will use a spinner method using the attached procedure. We will run this procedure after initial completion, 3 months, 6 months and 12 months to ensure allocations are stabilizing. Annual spinners will be ran until allocations have stabilized, at which point a fixed allocation will be provided.

**Notification of the intent to commingle the subject well was sent to all interest owners via certified mail on 5/23/2024.**

Spud Date:

Rig Release Date:

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

SIGNATURE

TITLE Operations/Regulatory Technician Sr. DATE 7/30/2024

Type or print name Amanda Walker E-mail address: mwalker@hilcorp.com PHONE: 346-237-2177**For State Use Only**APPROVED BY: Dean R. McClure

TITLE Petroleum Engineer

DATE 08/08/2024

Conditions of Approval (if any):

### CONDITIONS OF APPROVAL

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 Permit to become inaccurate, then no later than sixty (60) days after that event, the Operator 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 Permit shall terminate on the date of such action.

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 the Operator shall submit a new downhole commingling application to OCD to amend this Permit to remove the pool that caused the decrease in value. If the Operator fails to submit a new application, this Permit shall terminate on the following day, and if OCD denies the application, this Permit shall terminate on the date of such action.

If a completed interval of the Well is altered from what is submitted within this application, then no later than sixty (60) days after the alteration, the Operator shall submit Form C-103 to the OCD Engineering Bureau detailing the alteration and completed interval.

The Operator shall utilize production logs to allocate gas production from the Well to each of the Pools. Once the gas allocation is determined, the Operator shall then consider the gas oil ratio for each pool to allocate oil production from the Well to each of the Pools. The Operator shall conduct a production log:

- a. following the initial completion;
- b. three (3) months after the initial completion;
- c. six (6) months after the initial completion;
- d. twelve (12) months after the initial completion;
- e. annually thereafter until the allocation has stabilized; and
- f. additionally, as directed by OCD.

No later than ninety (90) days after conducting each production log, the Operator shall submit a Form C-103 to the OCD Engineering Bureau that includes the results of the production log and the oil and gas allocations for each of the Pools. Upon request from OCD, the Operator shall provide documentation supporting the allocations and if OCD determines that the allocations are inaccurate, the Operator shall proceed as directed by OCD.

Once the allocations have stabilized, the Operator shall submit a Form C-103 to the OCD Engineering Bureau that includes a tabulation of the oil and gas allocation following each of the conducted production logs and a proposed fixed percentage for allocating the oil and gas production from the Well to each of the Pools. If OCD approves the proposed fixed percentage, then the Operator shall allocate accordingly. If OCD denies the proposed fixed percentage, then the Operator shall continue conducting annual production logs.

A production log shall consist of either using a turbine/spinner flowmeter to determine the stabilized flow rate from each of the Pools under normal operating conditions or by another method OCD has specifically approved.

## REVENUE ALLOCATION PROCEDURE

### DAKOTA/MESAVERDE WELLS

- 1.) Frac and flowback the Dakota formation
- 2.) Frac and flowback and clean up Mesaverde formation
- 3.) Stabilize MV flow up casing against area line pressure
- 4.) Record a MV flow rate through a choke using an orifice meter
- 5.) Drill out bridge plug over DK formation
- 6.) Cleanup DK formation
- 7.) Run Spinner production profile across Dakota formation
- 8.) Add MV flow rate from previous test to DK flow rate from spinner to get total flow
- 9.) Allocation is based upon MV or DK rates as a percentage of total flow

Once allocation is established, it will be used for the life of the well. Below is a summary of how the testing is performed.

### **Field Test (Spinner Method)**

#### ***Summary***

This example covers the procedure used to allocate production using the spinner method with field tests. This method was used by ConocoPhillips prior to the Burlington Resources acquisition and has been chosen as the preferred allocation method on all future Mesaverde/ Dakota commingled wells. The allocation is based on two separate tests. The first is a stabilized rate test on the Mesaverde up the casing-tubing annulus with line pressure simulated by a choke at the surface. The second test is performed by running a production log over the Dakota interval. The rate from each layer is used in a simple calculation to determine the contribution percentage.

#### ***Procedure***

Allocation testing is performed after the well has been completed. A composite bridge plug is normally located above the DK and a composite frac plug is sometimes located within the MV.

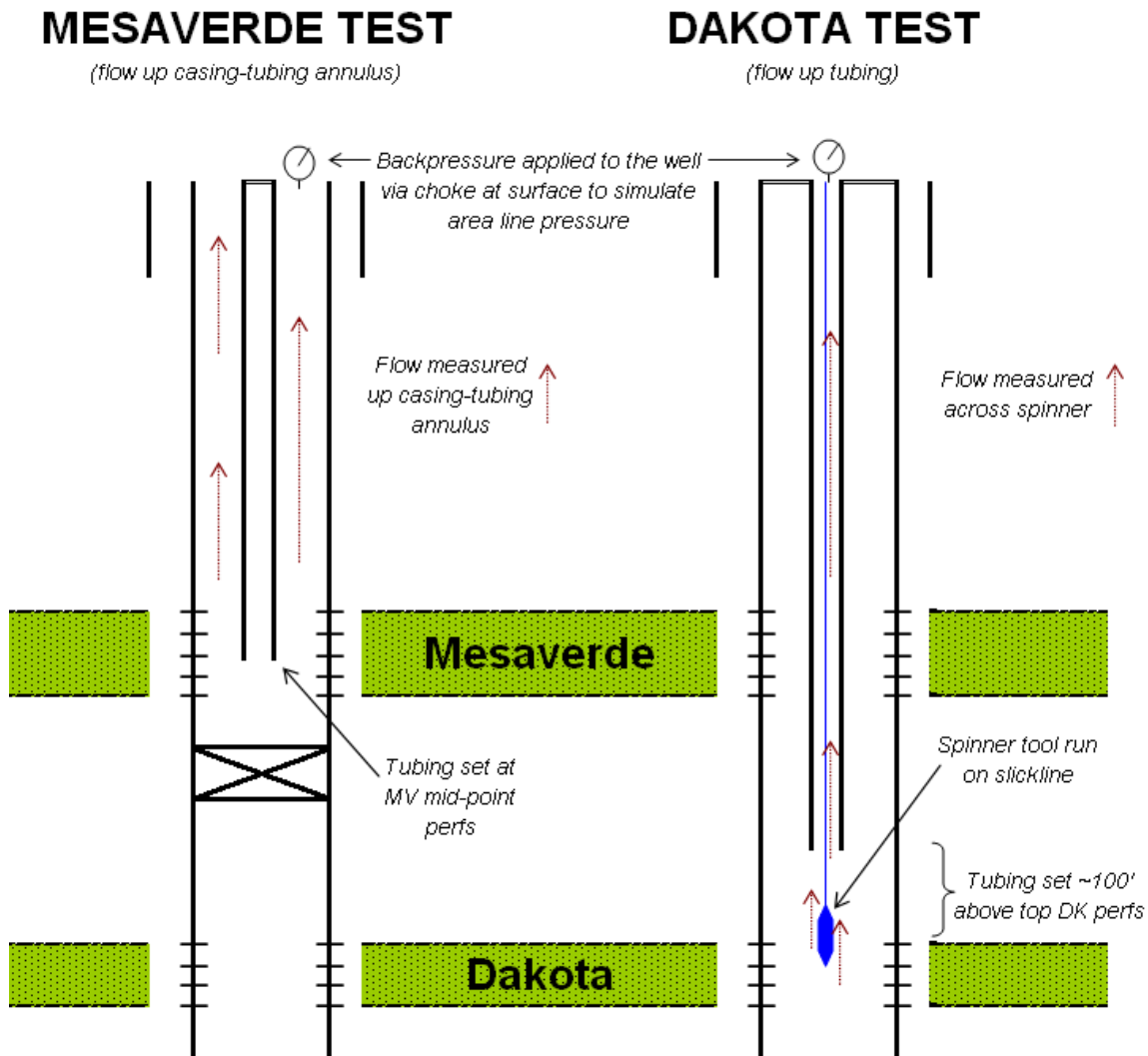
The first step in testing the MV is drilling out the plugs and cleaning out the well. Once water and sand volumes reach acceptable levels (less than 5 bph), the tubing is set at the mid-point of MV perms. The well is then opened to flow up the casing-tubing annulus with a positive choke at the surface to simulate a back-pressure on the well. The MV is tested for a minimum of 4 hours or until pressure stabilizes. Tubing and casing pressures are reported every 15 minutes and when pressure is the same three times then it is considered stabilized. Metered gas, water, and condensate rates and volumes are all documented as well as testing conditions (tubing location, choke size, pressures).

After the MV has been tested, the composite drill plug over the DK is drilled out and the well is cleaned out to PBTD. Once the water and sand volumes reach acceptable levels (less than 5

bph), the bottom-hole assembly is configured and the tubing is landed approximately 100 feet above the DK perfs. A slickline or wireline unit is used to run the production loggings tools. The logging tools are lowered to the bottom perfs and the DK interval is logged while the well is producing up the tubing against a choke. Once again, the well is tested for a minimum of 4 hours or until the pressure has stabilized. The log is run across the entire DK interval to 50 feet above the top DK perforation. The log data is interpreted by the service company and returned to the completions group within a few days.

The stabilized MV rate is combined with the stabilized DK rate to come up with a total well production rate. The ratio of the MV rate to the total rate is used as the MV allocation percentage and the same is done for the DK. An example test and corresponding calculations are included in the report.

## Diagram



### Example- San Juan 31-6 Unit 40G

After the MV has been cleaned up and the well has stabilized, the MV is tested at 1,306 Mcfd (see report below). The test was performed up the tubing-casing annulus (4.5" casing/ 2.38" tubing) with a ½" choke at surface. The stabilized flowing casing pressure was 198 psi, which is similar to line pressure in the area.

Time Log								
Start Time	End Time	Cum Dur (hrs)	Op Code	Op Sub-C	Time P.N.T	Operation		
06:00	07:00	1.00	RPCO...	SFTY	P	ROAD CREW TO LOCATION HOLD PJSM		
07:00	10:00	4.00	RPCO...	TRIP	P	POOH W/ 3 7/8" MILL TH W/ RBP SET @ 6068'		
10:00	11:00	5.00	RPCO...	FCO	P	BLOW WELL TO UNLOAD KILL FLUID		
11:00	15:00	9.00	RPCO...	PRDT	P	PERFORATIONS 5097' - 6006' 2 3/8" TBNG SET @ 5580' TEST IS TO ATMOSPHERE ON 1/2" CHOKE FCP = 198 PSI SITP = 0 PSI PRODUCTION = 1306 MCF BBL OIL/DAY = 0 BBL WATER/DAY = 0 NO SAND WITNESSED BY: JOSE FRIAS		
15:00	16:00	10.00	RPCO...	FCO	P	BLOW DOWN WELL OPEN PIPE RAMS BLOW WELL		
16:00	04:00	22.00	RPCO...	FCO	P	BLOW WELL W/ NIGHT CREW		
Well Fluids								
Fluid		Note		To (bbl)		From (bbl)	Non-renew (bbl)	Zone
Observation Cards (BST, STOP, etc)								
Company		No Rpts				Comment		
Safety Meetings / Operational Checks								
Time		Type		Description				
07:00		Pre-Job Safety Meeting		WELLSITE PJSM				

Stabilized MV  
Production Rate

Page 1/2

Report Printed: 4/11/2008

Figure 1: Pulled from WellView Initial Completion Report

The DK is then cleaned up and the logging tools are run. The reports from ProTechnics show a total rate from the DK equal to 584 Mcfd (see report below). The test was performed at a flowing tubing pressure of 125 psi with a ½" choke at surface.


 <b>Completion Profile Analysis</b>				
Results				
The following table summarizes the production from each producing interval				
GAS / WATER PRODUCTION PROFILE				
Flow Rates Reported at STP				
Zone Intervals	Q-Water	Op-Water	Percent of Total	Q-Gas
feet	BFPD	BFPD		MCFD
Surface to 7860	2 bpd		100 %	584 Mcf/d

Figure 2: Pulled from Protechnics Report, pg. 6

The allocation is calculated as follows and an allocation form is completed for the well. See Appendix for allocation form, WellView report, and ProTechnics report including production logs.

MV Rate	1306	% MV= 1306/1890=	69%
DK Rate	584	% DK= 584/1890=	31%
Total Rate	1890		

Submit one copy to  
Appropriate District OfficeOIL CONSERVATION DIVISION  
1220 South St. Francis Drive  
Santa Fe, NM 87505☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-045-38344	<sup>2</sup> Pool Code 72319	<sup>3</sup> Pool Name BLANCO MESA VERDE
<sup>4</sup> Property Code 318890	<sup>5</sup> Property Name GONSALES STATE COM	<sup>6</sup> Well Number 1N
<sup>7</sup> GRID No. 372171	<sup>8</sup> Operator Name HILCORP ENERGY COMPANY	<sup>9</sup> Elevation 5762'

<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
I	16	30N	11W		1457	SOUTH	1086	EAST	SAN JUAN

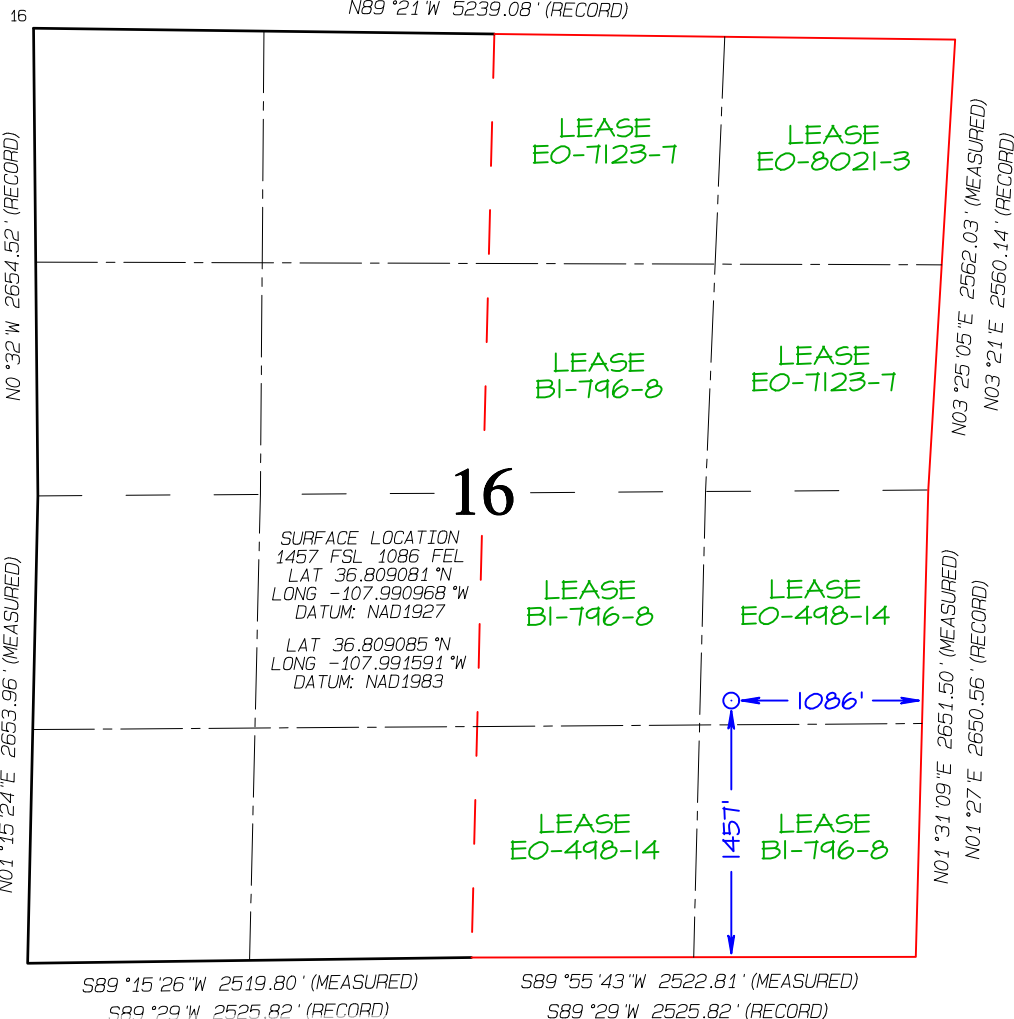
<sup>11</sup> Bottom Hole Location If Different From Surface

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 320.00	E/2 - Section 16	<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

N89°21'W 5239.08' (RECORD)

<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, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location 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.

*Amanda Walker* 4/26/2024  
Signature Date

Amanda Walker

Printed Name

mawalker@hilcorp.com

E-mail Address

<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 Revised: MARCH 27, 2024  
Date of Survey: MARCH 22 2024

Signature and Seal of Professional Surveyor



JASON C. EDWARDS

Certificate Number 15269

OIL CONSERVATION DIVISION  
1220 South St. Francis Drive  
Santa Fe, NM 87505☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-045-38344		<sup>2</sup> Pool Code 71599	<sup>3</sup> Pool Name BASIN DAKOTA
<sup>4</sup> Property Code 318890	<sup>5</sup> Property Name GONSALES STATE COM		<sup>6</sup> Well Number 1N
<sup>7</sup> GRID No. 372171	<sup>8</sup> Operator Name HILCORP ENERGY COMPANY		<sup>9</sup> Elevation 5762'

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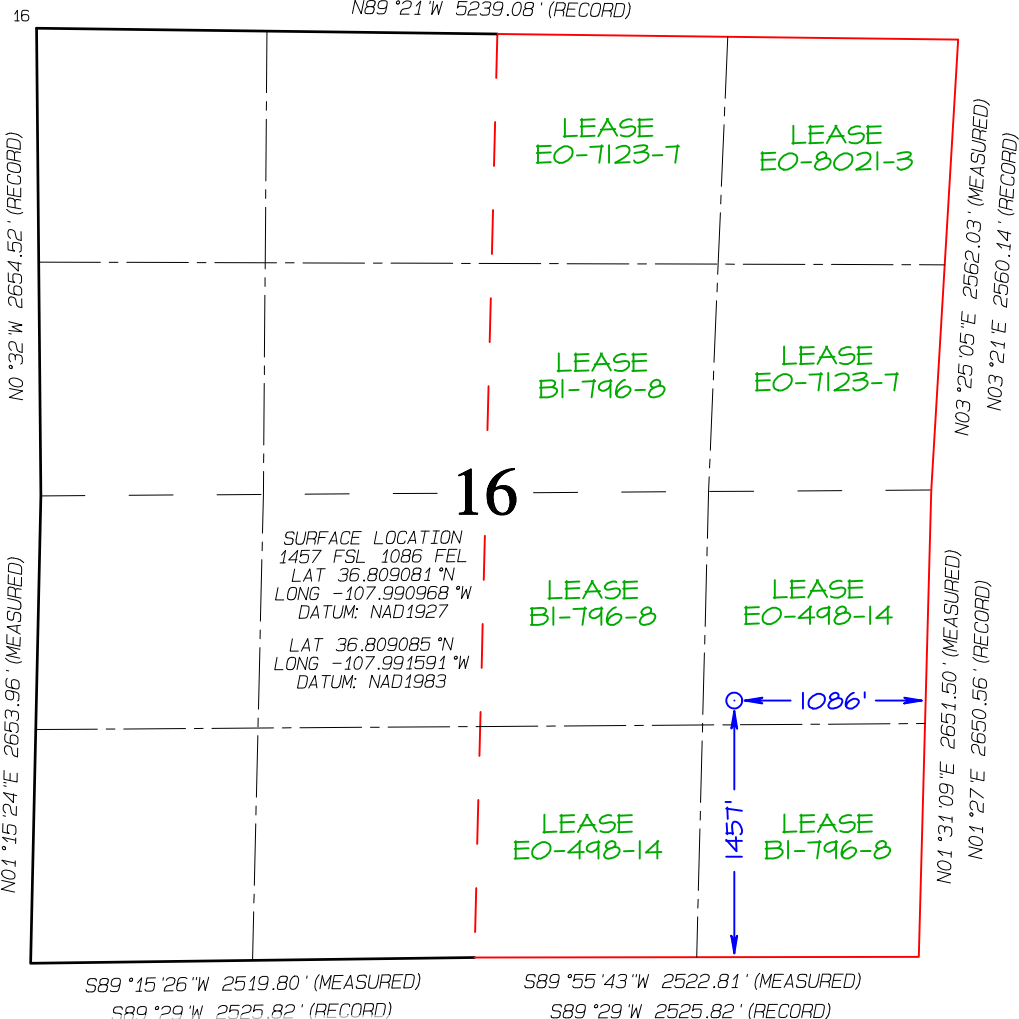
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Signature: *Amanda Walker* Date: 4/26/2024

Printed Name

mawalker@hilcorp.com

E-mail Address

<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.

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Signature and Seal of Professional Surveyor



JASON C. EDWARDS

Certificate Number 15269

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State of New Mexico  
 Energy, Minerals and Natural Resources

Form C-103  
 Revised July 18, 2013

OIL CONSERVATION DIVISION  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

WELL API NO. 30-045-38344	
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No. E-498-14	
7. Lease Name or Unit Agreement Name Gonsales State Com	
8. Well Number 1N	
9. OGRID Number 372171	
10. Pool name or Wildcat Blanco Mesaverde/Basin Dakota	
SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) 1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> 2. Name of Operator Hilcorp Energy Company 3. Address of Operator 382 Road 3100, Aztec NM 87410 4. Well Location Unit Letter <u>I</u> : <u>1457</u> feet from the <u>South</u> line and <u>1086</u> feet from the <u>East</u> line Section <u>16</u> Township <u>30N</u> Range <u>11W</u> NMPM County <u>San Juan</u> 11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5762' GR	

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PERFORM REMEDIAL WORK <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>
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PULL OR ALTER CASING <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>
DOWNHOLE COMMINGLE <input checked="" type="checkbox"/>	P AND A <input type="checkbox"/>
CLOSED-LOOP SYSTEM <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>
OTHER: <input type="checkbox"/>	OTHER: <input type="checkbox"/>

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

It is intended to drill and complete the subject well in the Blanco Mesaverde (pool 72319)/Basin Dakota (pool 71599). The production will be commingled per Oil Conservation Division Order Number 11363. Commingling will not reduce the value of the production. The Bureau of Land Management has been notified in writing of this application.

**Proposed perforations are: MV - 3800' - 4850' ; DK - 6350' - 6900' These perforations are in TVD.**

Hilcorp Energy will use either a spinner or compositional method to establish the allocation for the commingled well.

**This notice is being provided to you by certified mail as an interest owner per Order Number 11363. Please notify NMOCD within twenty (20) days if you have objections.**

Spud Date:

Rig Release Date:

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

SIGNATURE  TITLE Operations/Regulatory Technician Sr. DATE 5/22/2024

Type or print name Amanda Walker E-mail address: [mwalker@hilcorp.com](mailto:mwalker@hilcorp.com) PHONE: 346-237-2177

**For State Use Only**

APPROVED BY: \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_

Conditions of Approval (if any):

Certified Number	Sender	Recipient	Date Mailed	Delivery Status
92148969009997901836123700	Brenda Guzman	, OFFICE OF NATURAL RESOURCES REVENUE, LAKEWOOD ACCTG CENT ONSHORE, DENVER, CO, 80225-0627 Code: Gonsales State Com 1N DHC	5/23/2024	Signature Pending
92148969009997901836123717	Brenda Guzman	, SILVERADO OIL and GAS LLP, , TULSA, OK, 74152-0308 Code: Gonsales State Com 1N DHC	5/23/2024	Signature Pending
92148969009997901836123724	Brenda Guzman	, PIONEER NATURAL RES USA INC, KATHY NAVARRETE, MIDLAND, TX, 79702 Code: Gonsales State Com 1N DHC	5/23/2024	Signature Pending
92148969009997901836123731	Brenda Guzman	, CROSS TIMBERS ENERGY LLC, C/O DRILLINGINFO MAIL, FORT WORTH, TX, 76102 Code: Gonsales State Com 1N DHC	5/23/2024	Signature Pending
92148969009997901836123748	Brenda Guzman	, MESA ROYALTY TRUST, ATTN NEW MEXICO PROPERTIES, BARTLESVILLE, OK, 74004 Code: Gonsales State Com 1N DHC	5/23/2024	Signature Pending



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Signed for by: G.GARCIA

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5/24/24 8:19 AM

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SANTA FE, NM

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DELIVERED

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Shipment facts



Shipment overview



Stephanie Garcia Richard  
COMMISSIONER

*State of New Mexico*  
*Commissioner of Public Lands*

310 OLD SANTA FE TRAIL  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

www.nmstatelands.org

June 13, 2024

Hilcorp Energy Company  
ATTN: Ms. Amanda Walker  
1111 Travis St.  
Houston, TX 77002

Rec'd Land

JUL 03 2024

LBE

Re: Application for Downhole Commingling  
Wells approved for Downhole Commingling  
Gonsales State Com #001N (30-045-38344)  
POOLS: [71599] Basin Dakota (Prorated Gas)  
[72319] Blanco-Mesaverde (Prorated Gas)  
San Juan County, New Mexico

Dear Ms. Walker,

We have received your \$150 application fee and request for downhole commingling for the above-captioned well(s).

Since it appears that all the rules and regulations for the New Mexico Oil Conservation Division and the State Land Office have been complied with and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved.

Our approval

- is subject to approval from all relevant agencies,
- does not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.

If you have any questions or if we may be of further assistance, please contact Baylen Lamkin at 505.827.6628 or [blamkin@slo.state.nm.us](mailto:blamkin@slo.state.nm.us).

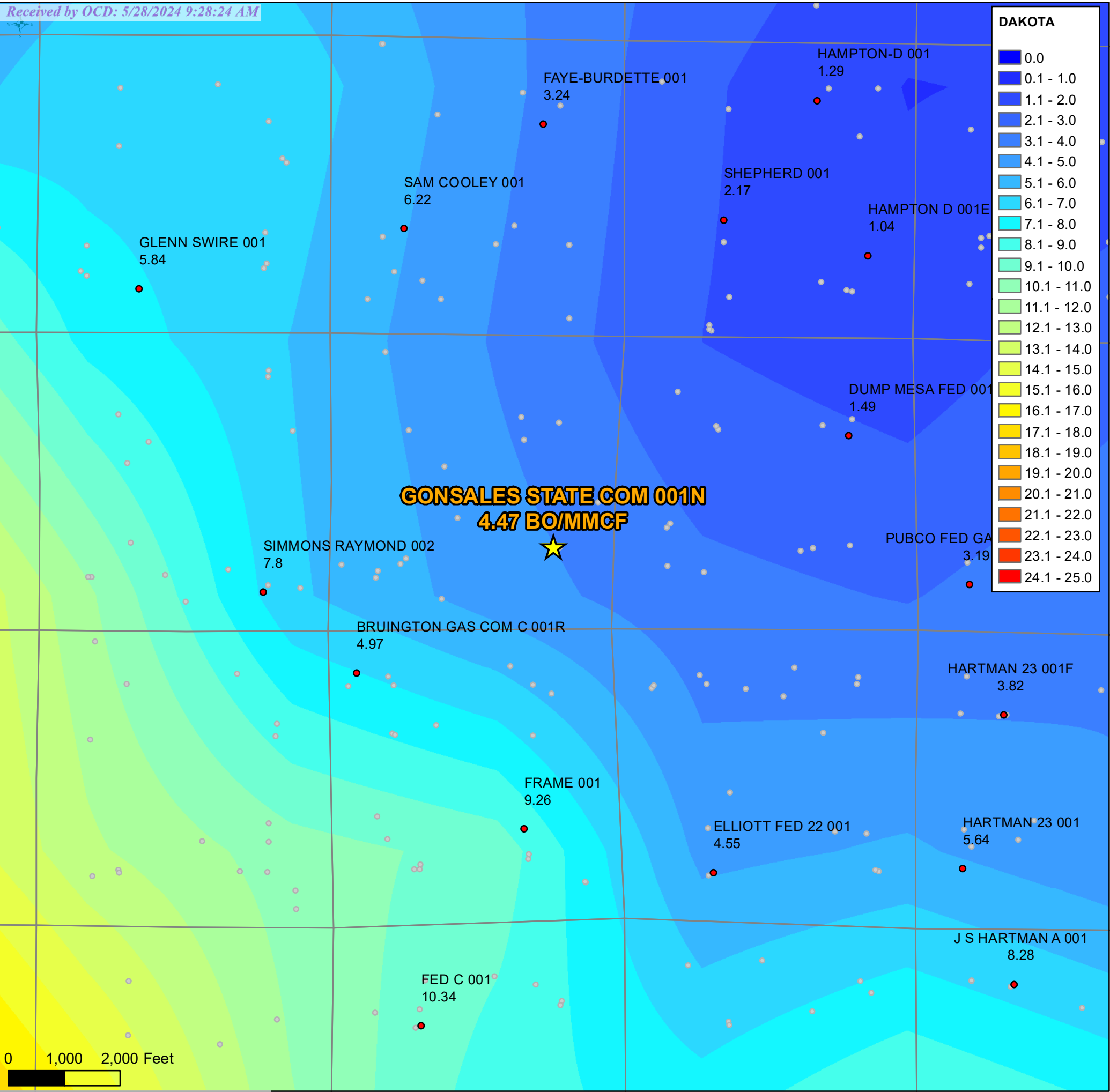
Respectfully,

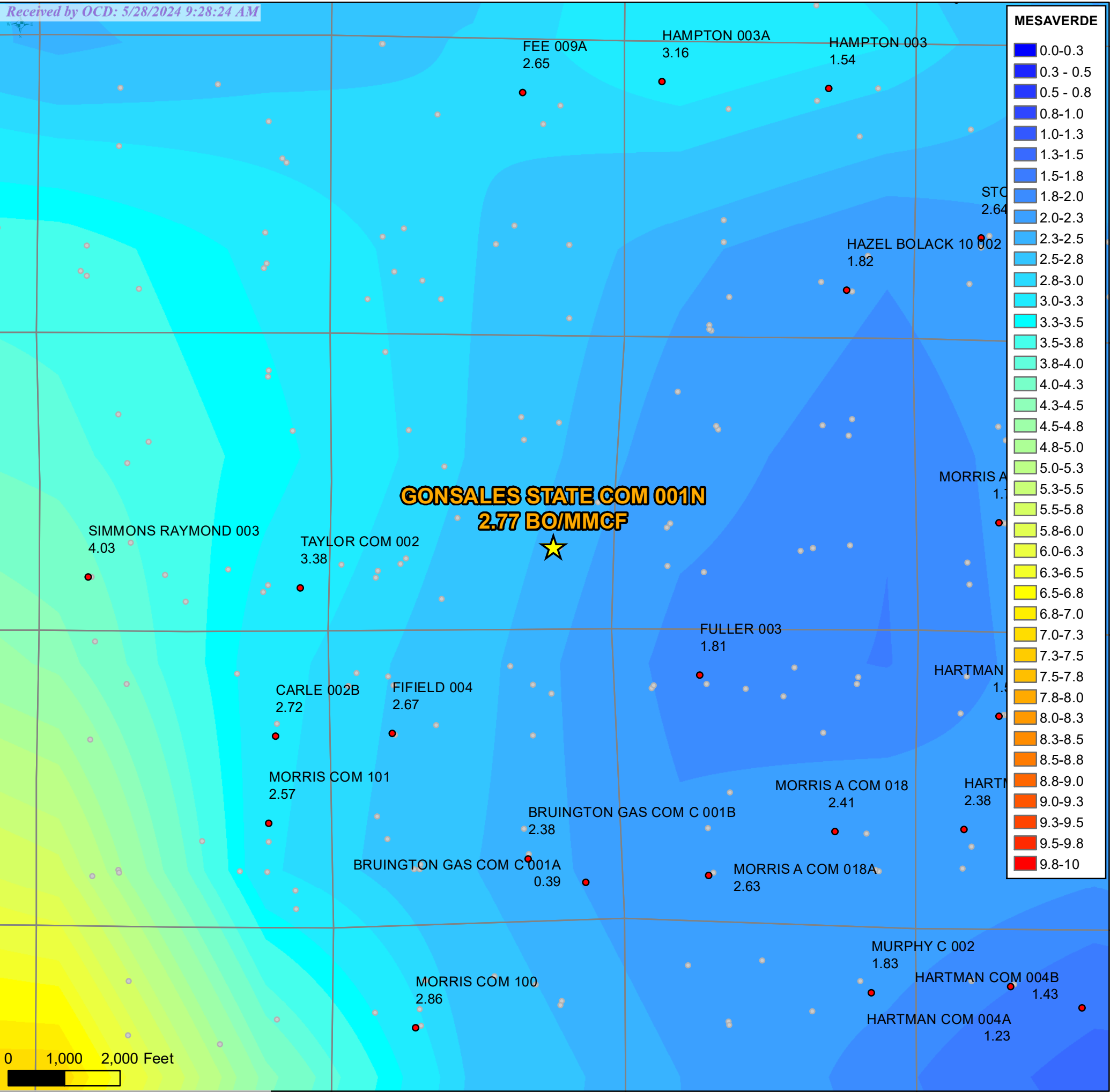
A handwritten signature in blue ink, appearing to read "S. Garcia" followed by a stylized flourish.

Stephanie Garcia Richard  
Commissioner of Public Lands

SGR/bl

cc: OCD – Mr. Dean McClure  
OGMD and Units Reader Files



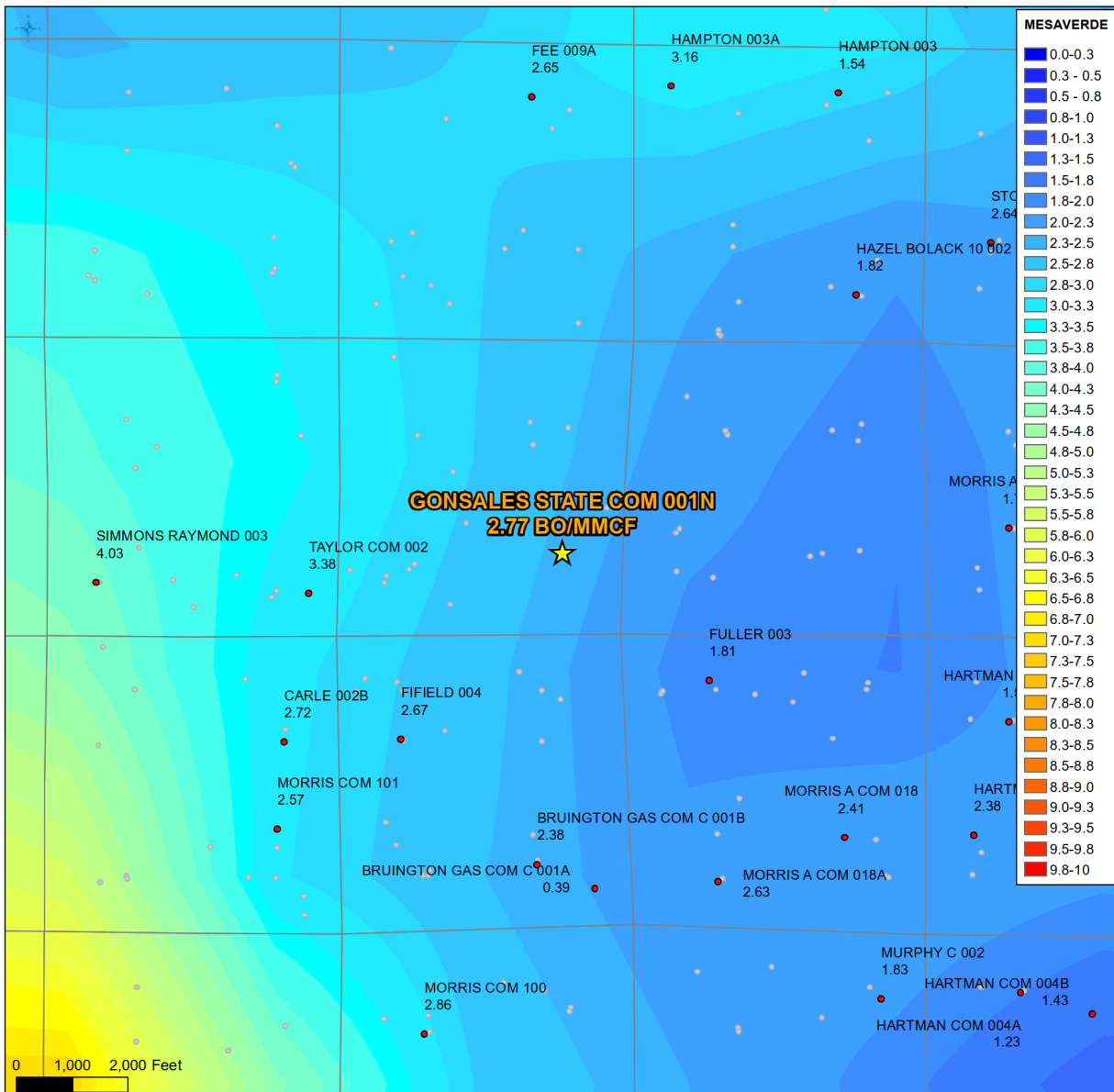


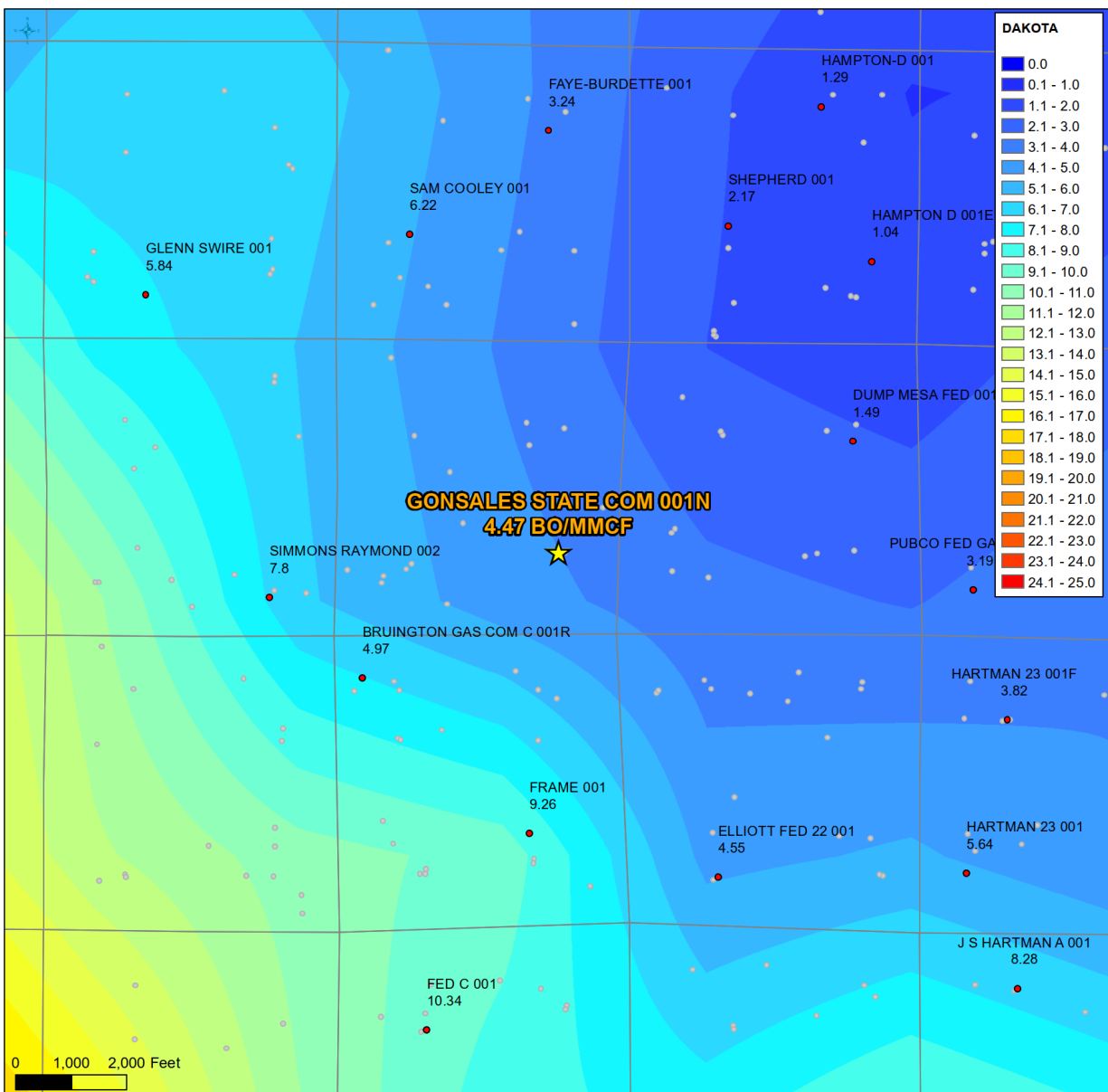
**From:** [Sikandar Khan](#)  
**To:** [McClure, Dean, EMNRD](#); [Mandi Walker](#); [Cheryl Weston](#)  
**Cc:** [Lowe, Leonard, EMNRD](#); [Trey Misuraca](#); [Hayden Moser](#); [Rikala, Ward, EMNRD](#); [Lisa Helper](#); [Austin Harrison](#); [Wrinkle, Justin, EMNRD](#); [Powell, Brandon, EMNRD](#)  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403  
**Date:** Wednesday, August 7, 2024 4:15:10 PM  
**Attachments:** [image001.png](#)  
[image002.png](#)  
[MESAVERDE OIL YIELD TEMPLATE\\_300453834500.pdf](#)  
[MESAVERDE OIL YIELD TEMPLATE\\_300453834400.pdf](#)  
[MESAVERDE OIL YIELD TEMPLATE\\_300453563000.pdf](#)  
[DAKOTA OIL YIELD TEMPLATE\\_300453834500.pdf](#)  
[DAKOTA OIL YIELD TEMPLATE\\_300453834400.pdf](#)  
[DAKOTA OIL YIELD TEMPLATE\\_300453563000.pdf](#)

Hello Dean,

Yes – we will be utilizing GOR in terms of oil yield based on actual production from offset Dakota and offset Mesaverde wells. See screenshots of yield maps below for the Gonsales. I also attached PDF's of the oil yield maps for the other locations of interest.

Once we run the spinner and get a gas allocation split, we can then apply these values to get the final oil allocation split. Let me know if you have any questions.





Thanks  
Sikandar

**From:** McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>  
**Sent:** Wednesday, August 7, 2024 10:12 AM  
**To:** Mandi Walker <mwalker@hilcorp.com>; Cheryl Weston <cweston@hilcorp.com>  
**Cc:** Lowe, Leonard, EMNRD <Leonard.Lowe@emnrd.nm.gov>; Sikandar Khan <Sikandar.Khan@hilcorp.com>; Trey Misuraca <Trey.Misuraca@hilcorp.com>; Hayden Moser <Hayden.Moser@hilcorp.com>; Rikala, Ward, EMNRD <Ward.Rikala@emnrd.nm.gov>; Lisa Helper <lhelper@hilcorp.com>; Austin Harrison <aharrison@hilcorp.com>; Wrinkle, Justin, EMNRD <Justin.Wrinkle@emnrd.nm.gov>; Powell, Brandon, EMNRD <Brandon.Powell@emnrd.nm.gov>  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

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

Hello Mandi,

How does Hilcorp intend to allocate any produced oil? My speculation is that a GOR is going to be utilized after an allocation for the gas is determined, but I am seeking confirmation of that and if so; how Hilcorp intends to determine that GOR.

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

---

**From:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Sent:** Tuesday, August 6, 2024 8:50 AM  
**To:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Trey Misuraca <[Trey.Misuraca@hilcorp.com](mailto:Trey.Misuraca@hilcorp.com)>; Hayden Moser <[Hayden.Moser@hilcorp.com](mailto:Hayden.Moser@hilcorp.com)>; Rikala, Ward, EMNRD <[Ward.Rikala@emnrd.nm.gov](mailto:Ward.Rikala@emnrd.nm.gov)>; Lisa Helper <[lhelper@hilcorp.com](mailto:lhelper@hilcorp.com)>; Austin Harrison <[aharrison@hilcorp.com](mailto:aharrison@hilcorp.com)>; Wrinkle, Justin, EMNRD <[Justin.Wrinkle@emnrd.nm.gov](mailto:Justin.Wrinkle@emnrd.nm.gov)>; Powell, Brandon, EMNRD <[Brandon.Powell@emnrd.nm.gov](mailto:Brandon.Powell@emnrd.nm.gov)>  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

Good morning Dean,

I just wanted to follow up on the email that I sent last week with the updated packet. We are wanting to frac this new well on Monday, but only if we have the DHC in place.

Please let me know if you need anything from me for your review/approval.

Thank you,

*Mandi Walker*

*SJE/SJN (1,2,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

---

**From:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Sent:** Wednesday, July 31, 2024 8:24 AM  
**To:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Trey Misuraca <[Trey.Misuraca@hilcorp.com](mailto:Trey.Misuraca@hilcorp.com)>; Hayden Moser <[Hayden.Moser@hilcorp.com](mailto:Hayden.Moser@hilcorp.com)>; Rikala, Ward, EMNRD <[Ward.Rikala@emnrd.nm.gov](mailto:Ward.Rikala@emnrd.nm.gov)>; Lisa Helper <[lhelper@hilcorp.com](mailto:lhelper@hilcorp.com)>; Austin Harrison <[aharrison@hilcorp.com](mailto:aharrison@hilcorp.com)>; Wrinkle, Justin, EMNRD <[Justin.Wrinkle@emnrd.nm.gov](mailto:Justin.Wrinkle@emnrd.nm.gov)>; Powell, Brandon, EMNRD <[Brandon.Powell@emnrd.nm.gov](mailto:Brandon.Powell@emnrd.nm.gov)>  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

Good morning Dean,

Based on the conversation you had with Austin yesterday, I have updated the language on the DHC request. Attached please find the updated packet for the Gonsales, please replace the existing packet with the attached.

Let me know if you need anything for your review.

Thank you,

*Mandi Walker*

*SJE/SJN (1,2,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

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**From:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>  
**Sent:** Monday, July 29, 2024 3:01 PM  
**To:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Trey Misuraca <[Trey.Misuraca@hilcorp.com](mailto:Trey.Misuraca@hilcorp.com)>; Hayden Moser <[Hayden.Moser@hilcorp.com](mailto:Hayden.Moser@hilcorp.com)>; Rikala, Ward, EMNRD <[Ward.Rikala@emnrd.nm.gov](mailto:Ward.Rikala@emnrd.nm.gov)>; Lisa Helper <[lhelper@hilcorp.com](mailto:lhelper@hilcorp.com)>; Austin Harrison <[aharrison@hilcorp.com](mailto:aharrison@hilcorp.com)>; Wrinkle, Justin, EMNRD <[Justin.Wrinkle@emnrd.nm.gov](mailto:Justin.Wrinkle@emnrd.nm.gov)>; Powell, Brandon, EMNRD <[Brandon.Powell@emnrd.nm.gov](mailto:Brandon.Powell@emnrd.nm.gov)>  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

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Greetings Mandi,

Thank you for the information. This was a policy decision made by a prior Director to ConocoPhillips. Because this was a policy decision and not a hearing or rulemaking, we don't have any of the prior supporting documentation or situational information. Also, in the letter Conoco was supposed to provide a final report after allocation stabilization. The final report was supposed to contain supporting documentation justifying the allocation of production between these formations. Also noted in the letter, this specific project applied to a well with the **same working and royalty interest** in both zones.

OCD doesn't have this information, and this doesn't seem to have appeared since the approval in roughly 2010. Because of this we cannot verify the accuracy of using a compositional analysis, as stated below we would recommend using a more conventional method and use the compositional analysis as a pilot project.

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

---

**From:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Sent:** Monday, July 29, 2024 1:03 PM  
**To:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Trey Misuraca <[Trey.Misuraca@hilcorp.com](mailto:Trey.Misuraca@hilcorp.com)>; Hayden Moser <[Hayden.Moser@hilcorp.com](mailto:Hayden.Moser@hilcorp.com)>; Rikala, Ward, EMNRD <[Ward.Rikala@emnrd.nm.gov](mailto:Ward.Rikala@emnrd.nm.gov)>; Lisa Helper <[lhelper@hilcorp.com](mailto:lhelper@hilcorp.com)>; Austin Harrison <[aharrison@hilcorp.com](mailto:aharrison@hilcorp.com)>; Wrinkle, Justin, EMNRD <[Justin.Wrinkle@emnrd.nm.gov](mailto:Justin.Wrinkle@emnrd.nm.gov)>  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

Dean, please see the attached approval from NMOCD to utilize the compositional method (also attached is the presentation that was used), this is the documentation that we were going off when the decision was made to use compositional in the even that sufficient gas samples could not be collected to use the "spinner method"

Please let us know if this is sufficient as it was signed by the Acting Director in 2010

*Mandi Walker*

*SJE/SJN (1,2,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

---

**From:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>  
**Sent:** Monday, July 29, 2024 1:54 PM  
**To:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Trey Misuraca <[Trey.Misuraca@hilcorp.com](mailto:Trey.Misuraca@hilcorp.com)>; Hayden Moser <[Hayden.Moser@hilcorp.com](mailto:Hayden.Moser@hilcorp.com)>; Rikala, Ward, EMNRD <[Ward.Rikala@emnrd.nm.gov](mailto:Ward.Rikala@emnrd.nm.gov)>; Lisa Helper <[lhelper@hilcorp.com](mailto:lhelper@hilcorp.com)>; Austin Harrison <[aharrison@hilcorp.com](mailto:aharrison@hilcorp.com)>; Wrinkle, Justin, EMNRD <[Justin.Wrinkle@emnrd.nm.gov](mailto:Justin.Wrinkle@emnrd.nm.gov)>  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

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Hello Mandi,

Per our conversation in this email chain starting on July 5<sup>th</sup> and explicitly stated on July 12<sup>th</sup>, the Division has concerns with Hilcorp's proposed allocation method for this application and others like it. Please see below for a list of the 3 applications that I am aware of that have a similar proposal.

Prior to an approval utilizing a solely compositional allocation method for downhole commingling, Hilcorp will need to provide the Division with data demonstrating that it may be done accurately for the individual pools and conditions encountered in the San Juan basin.

At Hilcorp's discretion, it may opt to conduct a pilot project in which it will receive downhole commingling approval for allocation via production logs and then concurrently it will obtain gas samples and confirm that the production log and compositional analysis result in the same allocation. Additionally, Hilcorp will provide the results of the samples and methodology used to conduct the compositional allocation. Provided that the Division determines the allocation method to be accurate after a sufficient pilot project duration, then Hilcorp will be allowed to utilize the method going forward with the caveat that Hilcorp demonstrate that the pool combinations that it proposes to

commingle will also result in accurate allocations. If Hilcorp would like to proceed with this proposal, then it should work with the Division to ensure that it is gathering data that will be helpful to the Division for its determination of whether the allocation method is accurate.

Diversly, Hilcorp may pick one or more downhole commingling applications for which it will come to hearing with its proposal to start with compositional allocation. At hearing, Hilcorp will be expected to provide sufficient data to demonstrate that the allocation will be accurate. The Division will then make a determination upon review of Hilcorp’s proposal and proceed accordingly.

Operator	OGRID	Action ID	Battery Name OR Well Name
Hilcorp	372171	348253	Gonsales State Com 1N
Hilcorp	372171	354039	Calloway 1M
Hilcorp	372171	355572	State Gas Com A 1M

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

**From:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Sent:** Monday, July 29, 2024 8:38 AM  
**To:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Trey Misuraca <[Trey.Misuraca@hilcorp.com](mailto:Trey.Misuraca@hilcorp.com)>; Hayden Moser <[Hayden.Moser@hilcorp.com](mailto:Hayden.Moser@hilcorp.com)>; Rikala, Ward, EMNRD <[Ward.Rikala@emnrd.nm.gov](mailto:Ward.Rikala@emnrd.nm.gov)>; Lisa Helper <[lhelper@hilcorp.com](mailto:lhelper@hilcorp.com)>; Austin Harrison <[aharrison@hilcorp.com](mailto:aharrison@hilcorp.com)>  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

Good morning Dean,

I wanted to follow up on your note from last week about any additional guidance needed for approving the New Drill DHC requests.

Thank you,

*Mandi Walker*  
SJE/SJN (1,2,7) Regulatory Technician Sr.  
Office: 346.237.2177  
[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)

**From:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>  
**Sent:** Wednesday, July 24, 2024 3:52 PM  
**To:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Trey Misuraca <[Trey.Misuraca@hilcorp.com](mailto:Trey.Misuraca@hilcorp.com)>; Hayden Moser <[Hayden.Moser@hilcorp.com](mailto:Hayden.Moser@hilcorp.com)>; Rikala, Ward, EMNRD <[Ward.Rikala@emnrd.nm.gov](mailto:Ward.Rikala@emnrd.nm.gov)>  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

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Hello Mandi,

The Division has been discussing Hilcorp’s proposal and I’ll get you and Cheryl some additional guidance regarding Hilcorp’s potential options hopefully tomorrow for this well and the others like it.

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

**From:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Sent:** Monday, July 22, 2024 9:01 AM  
**To:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>

**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Trey Misuraca <[Trey.Misuraca@hilcorp.com](mailto:Trey.Misuraca@hilcorp.com)>; Hayden Moser <[Hayden.Moser@hilcorp.com](mailto:Hayden.Moser@hilcorp.com)>

**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

Good morning Dean,

I just wanted to follow up on this DHC request. I spoke with our Engineer this morning and we are wanting to put this New Drill on the Frac schedule for July 30<sup>th</sup>. We just finished up drilling the well to TD and moved off on Friday morning last week.

Let me know if you need anything to further your review and approvals.

Thank you,

*Mandi Walker*

*SJE/SJN (1,2,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

---

**From:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>

**Sent:** Monday, July 15, 2024 10:26 AM

**To:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>

**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>

**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

Good morning Dean,

Attached please find the separated C-102' and please see the note below from our Reservoir Engineer.

*Hilcorp proposes the use of Gas Composition Analysis based allocations as an alternative method for allocating production from new commingled wells completed in the Mesaverde and Dakota pools in the San Juan Basin. This is a valid method so long as the gas composition endpoints are known and show sufficient contrast. After establishing local endpoints in pure Mesaverde and pure Dakota gas streams, the known endpoints for hydrocarbon members are then used in conjunction with results of a gas sample analysis from the combined flow stream in a new commingled well to calculate an allocation of the gas contribution from each formation. Since relative contributions from the Mesaverde and Dakota formations in a new commingled well can vary in time (especially in early life), Hilcorp will obtain an initial gas sample at the time of completion after flow back to calculate an initial formation allocation. Samples will then be subsequently taken every 3 months until the allocation appears to reach stabilization. Hilcorp will provide the New Mexico Oil Conservation Division a report after the initial completion and a final report after allocation stabilization. The final report will contain supporting documentation justifying the allocation of production between these formations and will contain each of the allocation percentages determined by Gas Composition Analysis.*

Please let me know if you need anything further for your review.

*Mandi Walker*

*SJE/SJN (1,2,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

---

**From:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>

**Sent:** Friday, July 12, 2024 9:48 AM

**To:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>

**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Carson Rice <[carice@hilcorp.com](mailto:carice@hilcorp.com)>

**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

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Hello Mandi,

Please provide a separate Form C-102 for each pool. Any approval in recent times by the Division of a Form C-102 that includes more than 1 pool was in error.

Additionally, a potential order for this commingling project will stipulate the conducting of production logs (spinner method). An additional paragraph would be included allowing for Hilcorp to propose an alternative allocation method provided that it does not deviate from the

notice provided to the interest owners. However, Hilcorp should be aware that a method solely reliant upon composition seems unlikely to be sufficient. Please feel free to submit a supplemental document with a proposed schedule for production logs which may be supplemented by composition testing to reduce the frequency of required production logs; otherwise, please note that the Division will stipulate a schedule.

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

**From:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Sent:** Friday, July 5, 2024 2:43 PM  
**To:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Carson Rice <[carice@hilcorp.com](mailto:carice@hilcorp.com)>  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

Good afternoon Dean,

I have sent your requests out to our Land/Engineering groups. But for the other items, yes, the Fedex information was for the SLO notification and DHC application. I have attached their approval to this email. I have also attached the plat that was created by the surveyor that was included in the packet filed with OCD. We only received 1 plat that includes both formations.

For the allocation method, we are unsure if we will go with the spinner method or the compositional method until we get the well drilled and see what the gas does. If we can get enough gas for the spinner method, we would ultimately like to go with that method, which would give us a fixed allocation from the start, but in the event we don't get enough, then we would change over to the compositional method and pull samples every 3 months until the well stabilizes out.

As soon as I get feedback from the other groups, I will send an additional email.

Thank you,

*Mandi Walker*  
SJE/SJN (1,2,7) Regulatory Technician Sr.  
Office: 346.237.2177  
[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)

**From:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>  
**Sent:** Friday, July 5, 2024 2:27 PM  
**To:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>  
**Subject:** [EXTERNAL] Action ID: 348253; DHC-5403

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To whom it may concern (c/o Mandi Walker for Hilcorp Energy Company),

The Division is reviewing the following application:

Action ID	348253
Admin No.	DHC-5403
Applicant	Hilcorp Energy Company (372171)
Title	Gonsales State Com #1N
Sub. Date	5/28/2024

Please provide the following additional supplemental documents:

- Please provide a Form C-102 for each of the pools

Please provide additional information regarding the following:

- Please review Hilcorp's proposed upper perforation for the Dakota pool.
- Included in the application is reference to a parcel sent via fed-ex. Was this the notice of this application provided to the SLO? If not, please provide confirmation that the SLO was notified of this application.
- Please provide either confirmation that Silverado Oil and Gas, LLP has received notice of this application or else the affidavit of publication for public notice conducted for this application.
- If Hilcorp would like to propose a specific allocation method and how it is going to be conducted, please provide a supplemental document

doing so. Otherwise, the Division will stipulate how allocation shall be determined when approval is granted.

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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While all reasonable care has been taken to avoid the transmission of viruses, it is the responsibility of the recipient to ensure that the onward transmission, opening, or use of this message and any attachments will not adversely affect its systems or data. No responsibility is accepted by the company in this regard and the recipient should carry out such virus and other checks as it considers appropriate.

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**From:** [Carson Rice](#)  
**To:** [Mandi Walker](#)  
**Cc:** [Brenda Guzman](#); [Dani Kuzma](#)  
**Subject:** Fwd: [EXTERNAL] RE: Gonsales State Com 1N - DHC Notice  
**Date:** Tuesday, July 9, 2024 10:09:18 AM  
**Attachments:** [image001.png](#)

---

Get [Outlook for iOS](#)

---

**From:** Greg Dukes <greg@silveradotulsa.com>  
**Sent:** Tuesday, July 9, 2024 11:08 AM  
**To:** Carson Rice <carice@hilcorp.com>  
**Subject:** [EXTERNAL] RE: Gonsales State Com 1N - DHC Notice

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

Carson-

Silverado Oil & Gas, LLP confirms receipt and has no objection to downhole commingle.

Greg Dukes, Partner  
Silverado Oil & Gas, LLP

---

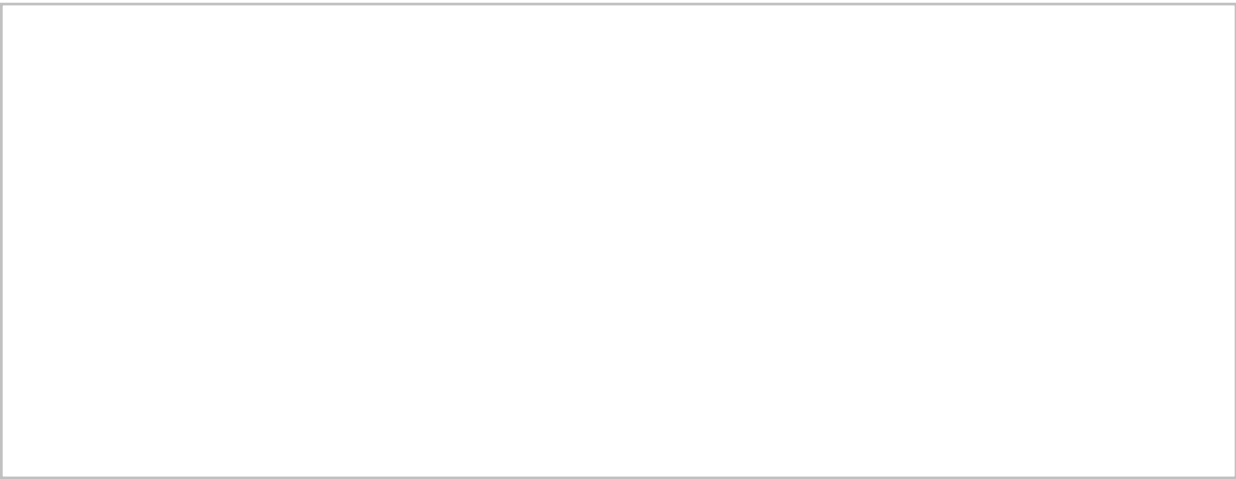
**From:** Carson Rice <carice@hilcorp.com>  
**Sent:** Tuesday, July 9, 2024 10:52 AM  
**To:** Greg Dukes <greg@silveradotulsa.com>  
**Cc:** Brenda Guzman <bguzman@hilcorp.com>; Dani Kuzma <dkuzma@hilcorp.com>; Mandi Walker <mwalker@hilcorp.com>  
**Subject:** Gonsales State Com 1N - DHC Notice

Greg,

Attached is a copy of a DHC (downhole commingle) notice to commingle new production from the Blanco Mesaverde and Basin Dakota for the Gonsales State Com 1N new drill.

This was sent to the address that we have on file for Silverado but does not seem to have been picked up yet.

At your earliest convenience, please confirm receipt and confirm that Silverado does not object to this downhole commingle.



Please give me a call if you have any questions.

Thanks,

Carson Parker Rice  
Landman – San Juan North  
Hilcorp Energy Company  
1111 Travis Street  
Houston, Texas 77002  
713-209-2400 Main  
713-757-7108 Direct

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Submit one copy to  
Appropriate District OfficeOIL CONSERVATION DIVISION  
1220 South St. Francis Drive  
Santa Fe, NM 87505☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-045-38344		<sup>2</sup> Pool Code 71599	<sup>3</sup> Pool Name BASIN DAKOTA
<sup>4</sup> Property Code 318890	<sup>5</sup> Property Name GONSALES STATE COM		<sup>6</sup> Well Number 1N
<sup>7</sup> GRID No. 372171	<sup>8</sup> Operator Name HILCORP ENERGY COMPANY		<sup>9</sup> Elevation 5762'

<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
I	16	30N	11W		1457	SOUTH	1086	EAST	SAN JUAN

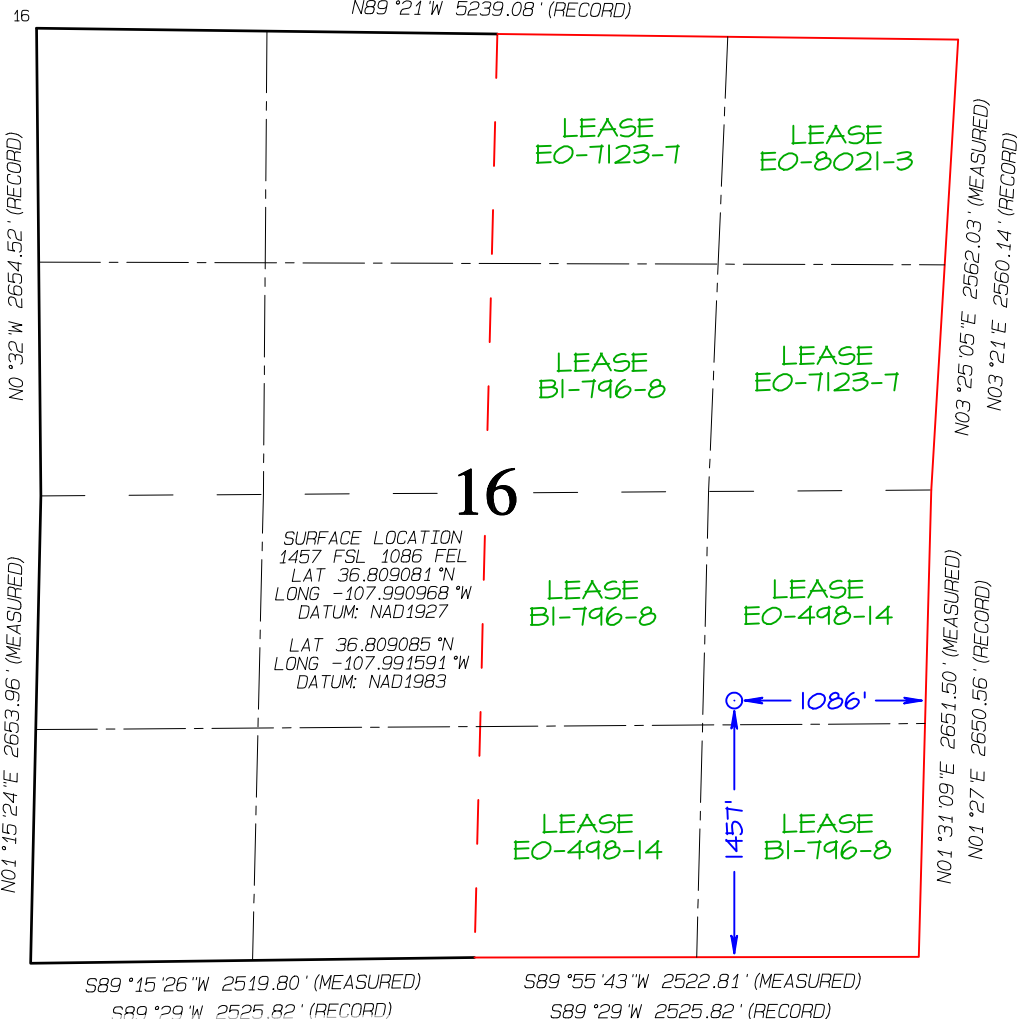
<sup>11</sup> Bottom Hole Location If Different From Surface

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 320.00	E/2 - Section 16	<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

N89°21'W 5239.08' (RECORD)

<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, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location 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.

*Amanda Walker* 4/26/2024  
Signature Date

Amanda Walker

Printed Name

mawalker@hilcorp.com

E-mail Address

<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 Revised: MARCH 27, 2024  
Date of Survey: MARCH 22 2024

Signature and Seal of Professional Surveyor

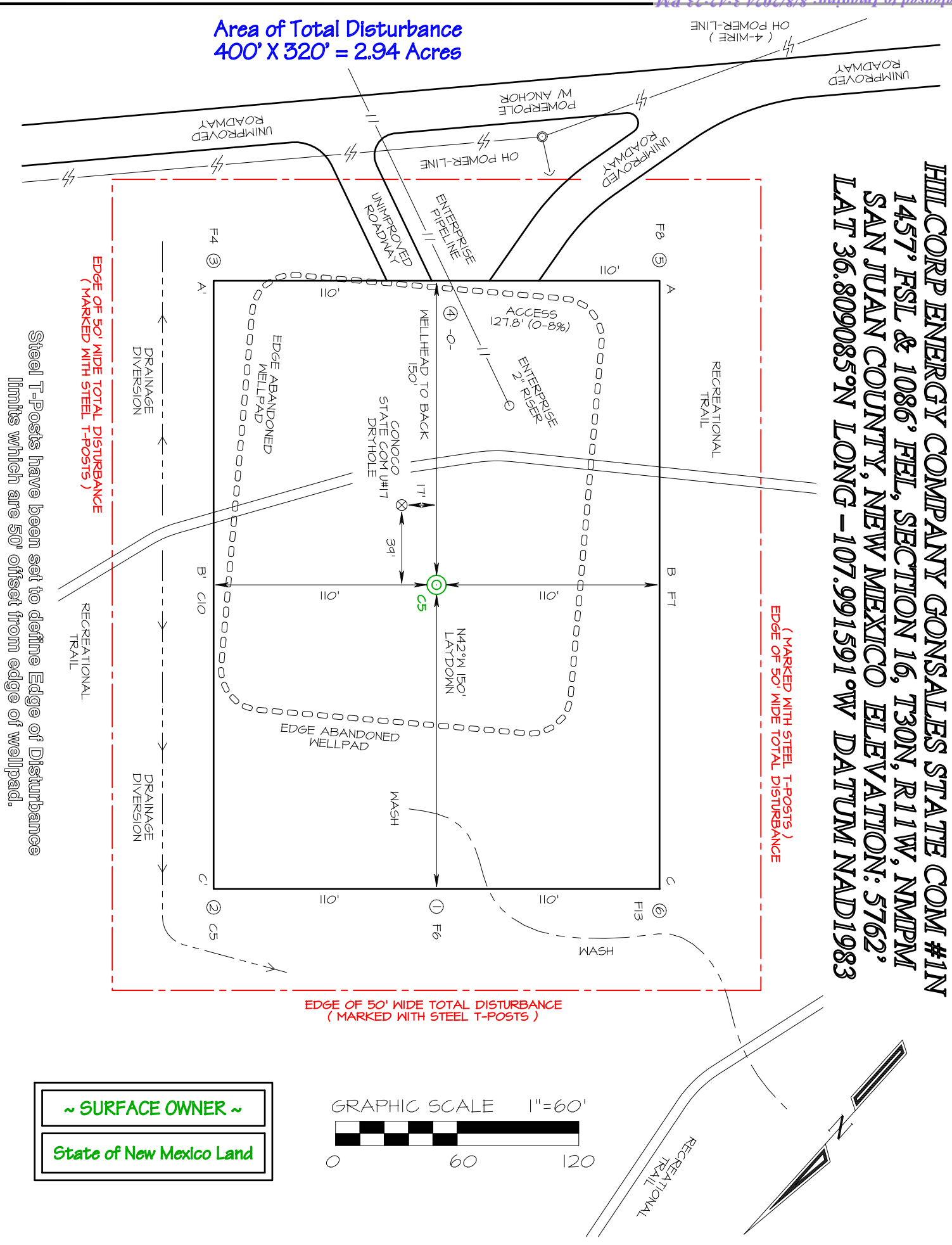


JASON C. EDWARDS

Certificate Number 15269

HILCORP ENERGY COMPANY GONSALES STATE COM #1N  
1457' FSL & 1086' FEL, SECTION 16, T30N, R11W, NMPM  
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 5762'  
LAT 36.809085°N LONG -107.991591°W DATUM NAD1983

Area of Total Disturbance  
400' X 320' = 2.94 Acres



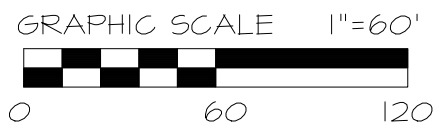
EDGE OF 50' WIDE TOTAL DISTURBANCE  
(MARKED WITH STEEL T-POSTS)

( MARKED WITH STEEL T-POSTS )  
EDGE OF 50' WIDE TOTAL DISTURBANCE

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Steel T-Posts have been set to define Edge of Disturbance  
limits which are 50' offset from edge of wellpad.

~ SURFACE OWNER ~  
State of New Mexico Land

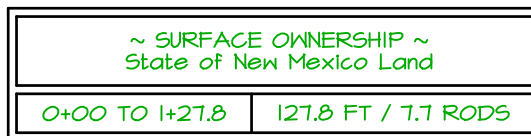





FOUND  
5/8" REBAR W/  
2" ILLEGIBLE  
ALUM CAP



BEFORE ANY CONSTRUCTION BEGINS, CONTRACTOR IS ADVISED TO CALL ONE-CALL FOR LOCATION OF ANY MARKED OR UNMARKED PIPELINES OR CABLES IN THE AREA OF THE PROJECT





**Land Surveyor:**  
Jason C. Edwards

**Mailing Address:**  
Post Office Box 6612  
Farmington, NM 87499

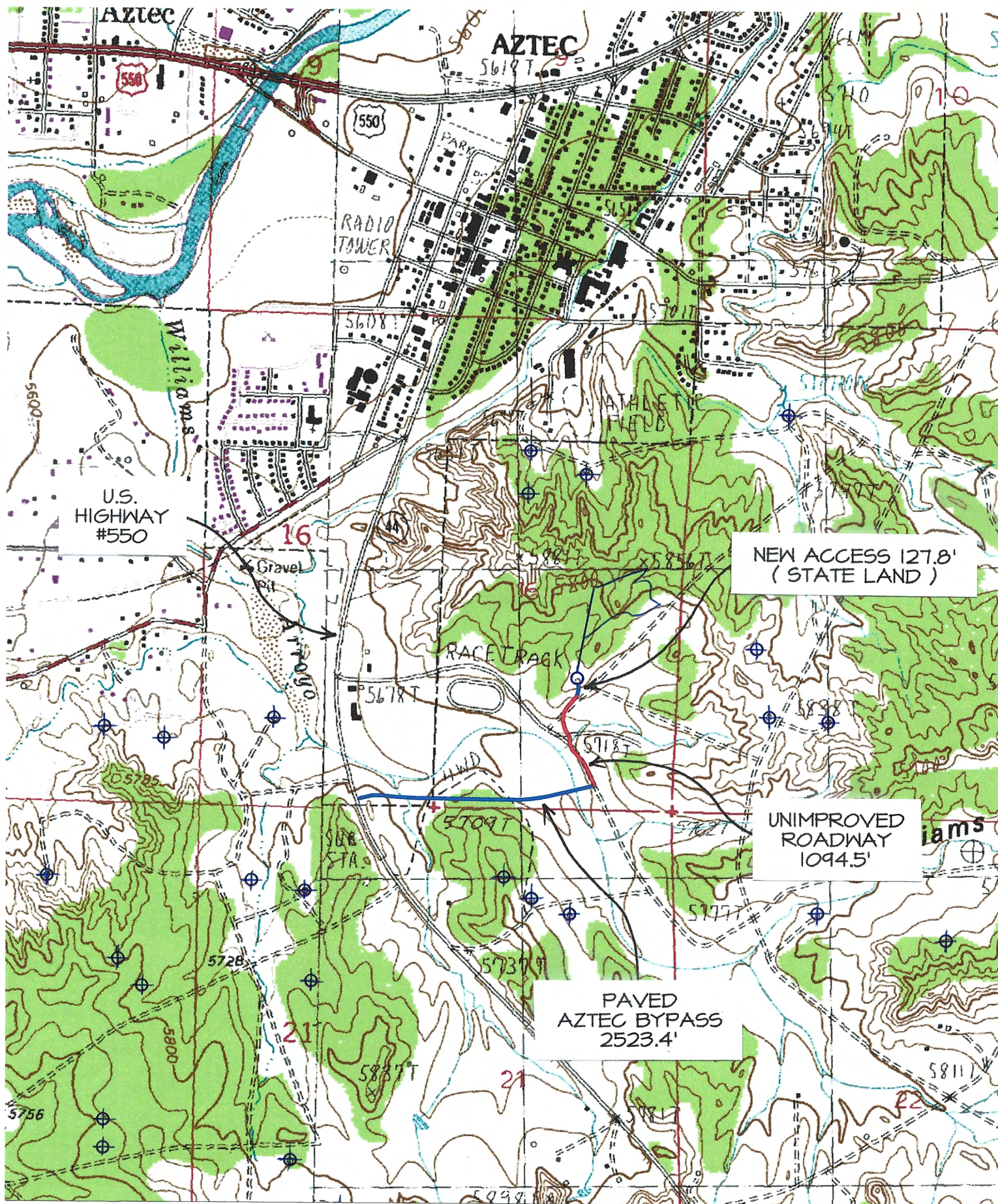
**Business Address:**  
111 East Pinon Street  
Farmington, NM 87402  
(505) 486-1695 (Office)  
ncesurveys@comcast.net

# SURVEYS, INC.

Jason C. Edwards, P.L.S.  
New Mexico L.S. #15269

# HILCORP ENERGY COMPANY GONSALES STATE COM #1N

1457' FSL & 1086' FEL, SECTION 16, T30N, R11W, N.M.P.M.  
SAN JUAN COUNTY, NEW MEXICO



TOPO NAME : AZTEC

⊕ PRODUCING WELL

⊗ PLUGGED & ABANDONED WELL

**Directions from the Intersection of State Hwy 516 & State Hwy 550**

**in Aztec, NM to Hilcorp Gonsales State Com #1N**

**1457' FSL & 1086' FEL, Section 16, T30N, R11W, N.M.P.M., San Juan County, NM**

**Latitude: 36.809085°N Longitude: -107.991591°W Datum: NAD1983**

From the intersection of State Hwy 516 & State Hwy 550 in Aztec, NM, travel Southerly on State Hwy 550 for 1.5 miles to Mile Marker 158.5 to Paved Aztec Bypass;

Go Left (Easterly) exiting State Hwy 550 onto Paved Aztec Bypass for 0.5 miles to fork in roadway;

Go Left (North-westerly) exiting Paved Aztec Bypass on an unimproved roadway for 0.4 miles to proposed access on left-hand side which continues for 127.8' to Hilcorp Gonsales State Com #1N staked location which overlaps an abandoned wellpad.

Submit one copy to  
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1220 South St. Francis Drive  
Santa Fe, NM 87505☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number 30-045-38344	<sup>2</sup> Pool Code 72319	<sup>3</sup> Pool Name BLANCO MESA VERDE
<sup>4</sup> Property Code 318890	<sup>5</sup> Property Name GONSALES STATE COM	<sup>6</sup> Well Number 1N
<sup>7</sup> GRID No. 372171	<sup>8</sup> Operator Name HILCORP ENERGY COMPANY	<sup>9</sup> Elevation 5762'

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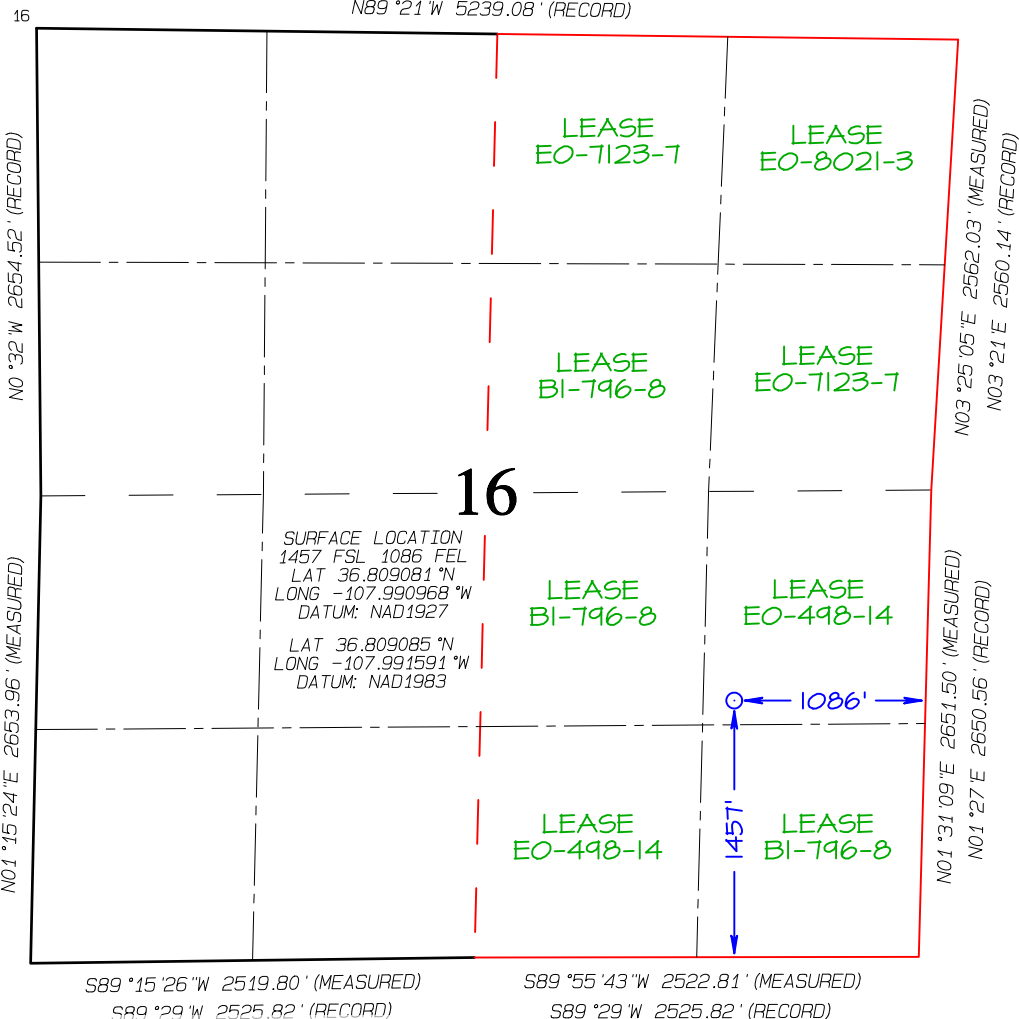
<sup>11</sup> Bottom Hole Location If Different From Surface

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 320.00	E/2 - Section 16	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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N89°21'W 5239.08' (RECORD)

<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, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location 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.

*Amanda Walker* 4/26/2024  
Signature Date

Amanda Walker

Printed Name

mawalker@hilcorp.com

E-mail Address

<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 Revised: MARCH 27, 2024  
Date of Survey: MARCH 22 2024

Signature and Seal of Professional Surveyor

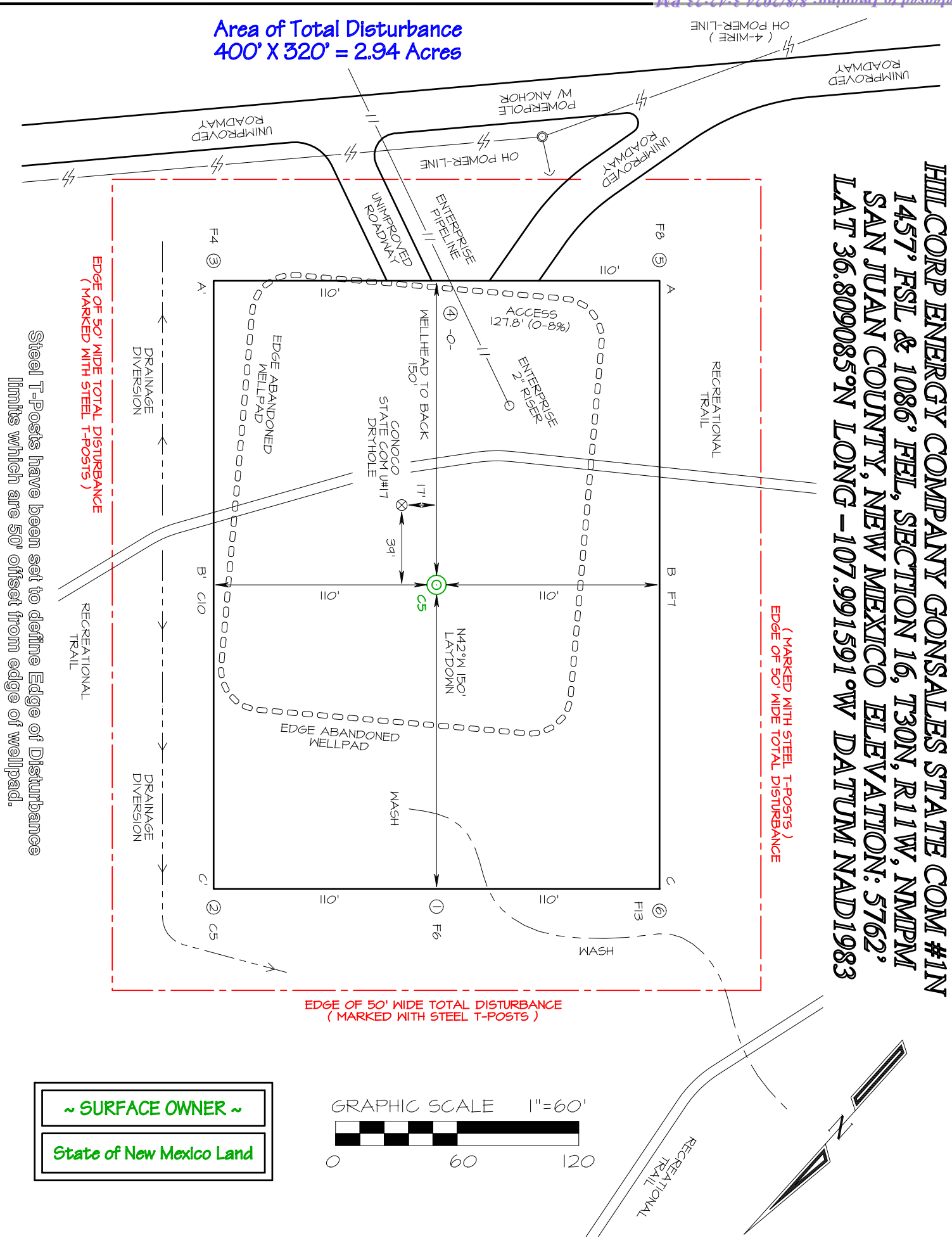


JASON C. EDWARDS

Certificate Number 15269

HILCORP ENERGY COMPANY GONSALES STATE COM #1N  
1457' FSL & 1086' FEL, SECTION 16, T30N, R11W, NMPM  
SAN JUAN COUNTY, NEW MEXICO ELEVATION: 5762'  
LAT 36.809085°N LONG -107.991591°W DATUM NAD1983

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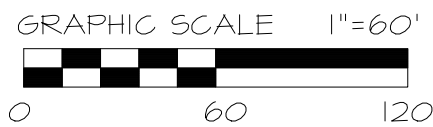
EDGE OF 50' WIDE TOTAL DISTURBANCE  
(MARKED WITH STEEL T-POSTS)

( MARKED WITH STEEL T-POSTS )  
EDGE OF 50' WIDE TOTAL DISTURBANCE

EDGE OF 50' WIDE TOTAL DISTURBANCE  
( MARKED WITH STEEL T-POSTS )

Steel T-Posts have been set to define Edge of Disturbance  
limits which are 50' offset from edge of wellpad.

~ SURFACE OWNER ~  
State of New Mexico Land

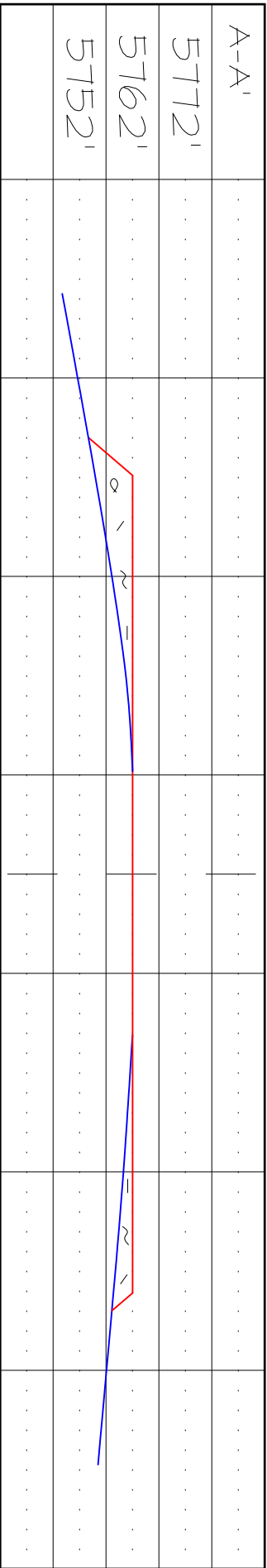


# HILL CORP ENERGY COMPANY GONSALES STATE COM #1N 1457' FSL & 1086' FEL, SECTION 16, T30N, R11W, NMPM SAN JUAN COUNTY, NEW MEXICO ELEVATION: 5762'

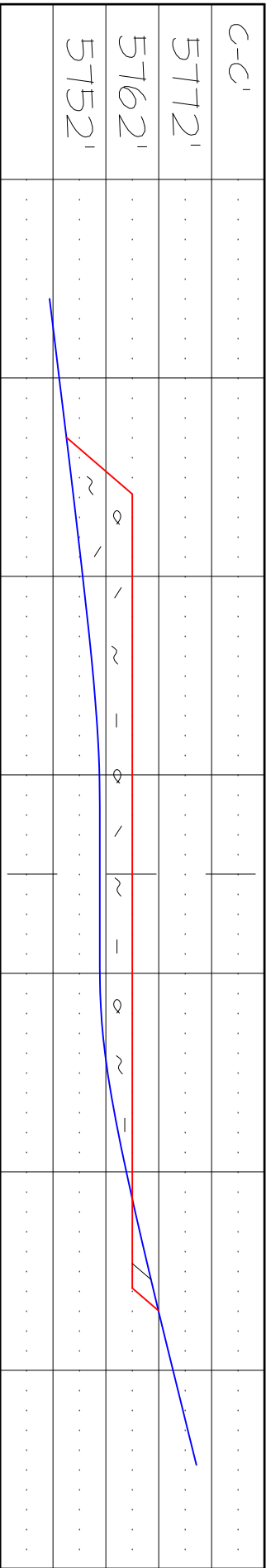
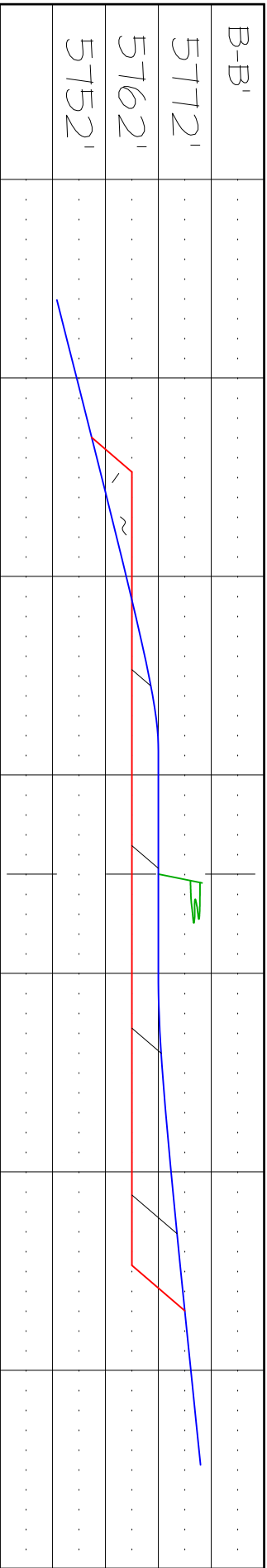
HORIZONTAL SCALE 1"=40'

C/L

VERTICAL SCALE 1"=30'



C/L



EDWARDS SURVEYING, INC. IS NOT LIABLE FOR LOCATION OF UNDERGROUND UTILITIES OR PIPELINES.  
CONTRACTOR SHOULD CONTACT ONE-CALL FOR LOCATION OF ANY MARKED OR UNMARKED UNDERGROUND  
UTILITIES OR PIPELINES ON WELLPAD AND/OR ACCESS ROAD AT LEAST TWO WORKING DAYS PRIOR TO CONSTRUCTION.

FOUND  
5/8" REBAR W/  
2" ILLEGIBLE  
ALUM CAP



BEFORE ANY CONSTRUCTION BEGINS, CONTRACTOR IS ADVISED TO CALL ONE-CALL FOR LOCATION OF ANY MARKED OR UNMARKED PIPELINES OR CABLES IN THE AREA OF THE PROJECT



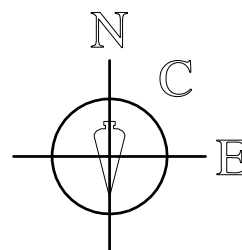
Date: March 27, 2024

Jason C. Edwards, P.L.S.  
New Mexico L.S. #15269

0+00 TO 1+27.8	127.8 FT / 7.7 RODS
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Prepared for:

HILCORP ENERGY COMPANY  
P.O. BOX #61529  
HOUSTON, TX 77208-1529



SURVEYS, INC.

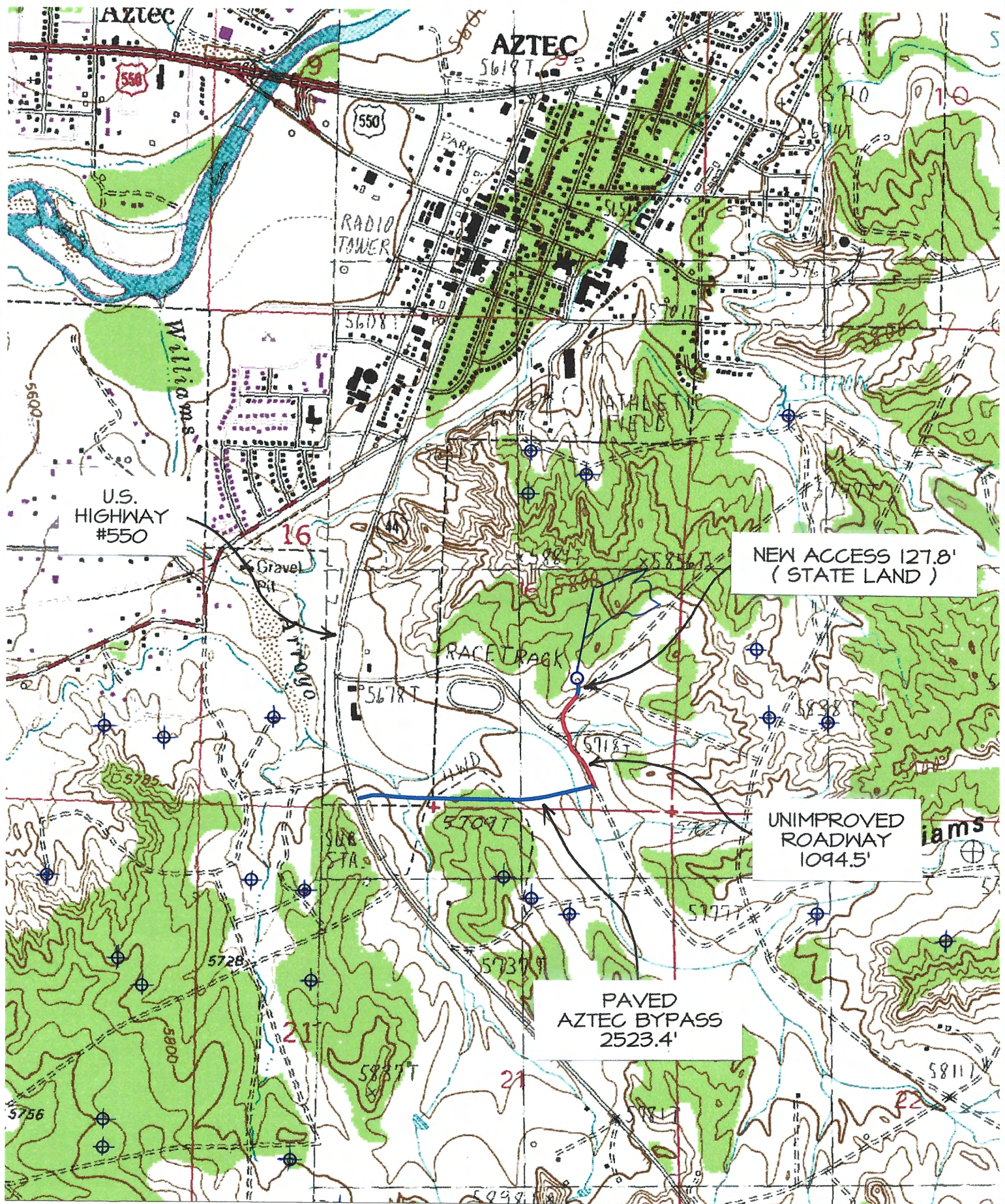
**Business Address:**  
111 East Pinon Street  
Farmington, NM 87402  
(505) 486-1695 (Office)  
ncesurveys@comcast.net

CHECKED BY: JCE
DRAWN BY: ERO

SHEET 4 OF 6

# HILCORP ENERGY COMPANY GONSALES STATE COM #1N

1457' FSL & 1086' FEL, SECTION 16, T30N, R11W, N.M.P.M.  
SAN JUAN COUNTY, NEW MEXICO



TOPO NAME : AZTEC

⊕ PRODUCING WELL

⊗ PLUGGED & ABANDONED WELL

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**in Aztec, NM to Hilcorp Gonsales State Com #1N**

**1457' FSL & 1086' FEL, Section 16, T30N, R11W, N.M.P.M., San Juan County, NM**

**Latitude: 36.809085°N Longitude: -107.991591°W Datum: NAD1983**

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Go Left (Easterly) exiting State Hwy 550 onto Paved Aztec Bypass for 0.5 miles to fork in roadway;

Go Left (North-westerly) exiting Paved Aztec Bypass on an unimproved roadway for 0.4 miles to proposed access on left-hand side which continues for 127.8' to Hilcorp Gonsales State Com #1N staked location which overlaps an abandoned wellpad.



Stephanie Garcia Richard  
COMMISSIONER

*State of New Mexico*  
*Commissioner of Public Lands*

310 OLD SANTA FE TRAIL  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760  
Fax (505) 827-5766  
www.nmstatelands.org

June 13, 2024

Hilcorp Energy Company  
ATTN: Ms. Amanda Walker  
1111 Travis St.  
Houston, TX 77002

Rec'd Land

JUL 03 2024

LBE

Re: Application for Downhole Commingling  
Wells approved for Downhole Commingling  
Gonsales State Com #001N (30-045-38344)  
POOLS: [71599] Basin Dakota (Prorated Gas)  
[72319] Blanco-Mesaverde (Prorated Gas)  
San Juan County, New Mexico

Dear Ms. Walker,

We have received your \$150 application fee and request for downhole commingling for the above-captioned well(s).

Since it appears that all the rules and regulations for the New Mexico Oil Conservation Division and the State Land Office have been complied with and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request is hereby approved.

Our approval

- is subject to approval from all relevant agencies,
- does not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.

If you have any questions or if we may be of further assistance, please contact Baylen Lamkin at 505.827.6628 or [blamkin@slo.state.nm.us](mailto:blamkin@slo.state.nm.us).

Respectfully,

A handwritten signature in blue ink, appearing to read "S. GR/GB", is written over the signature line.

Stephanie Garcia Richard  
Commissioner of Public Lands

SGR/bl

cc: OCD – Mr. Dean McClure  
OGMD and Units Reader Files

**From:** [Mandi Walker](#)  
**To:** [McClure, Dean, EMNRD](#); [Cheryl Weston](#)  
**Cc:** [Lowe, Leonard, EMNRD](#)  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403  
**Date:** Monday, July 8, 2024 6:59:50 AM  
**Attachments:** [Gonsales State Com 1N REVISED DHC Packet.pdf](#)

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Good morning Dean,

I have attached an updated copy of the DHC packet, that has the DK range updated, as well as the SLO approval letter.

I am still waiting however on communication from our Land Department on the notification portion of your request. I am unsure if they will be able to respond today since Hurricane Beryl has made landfall here in Houston. But as soon as I hear back I will send you a note.

*Mandi Walker*

*SJE/SJN (1,2,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

---

**From:** McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>  
**Sent:** Friday, July 5, 2024 2:27 PM  
**To:** Mandi Walker <mwalker@hilcorp.com>; Cheryl Weston <cweston@hilcorp.com>  
**Cc:** Lowe, Leonard, EMNRD <Leonard.Lowe@emnrd.nm.gov>  
**Subject:** [EXTERNAL] Action ID: 348253; DHC-5403

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

To whom it may concern (c/o Mandi Walker for Hilcorp Energy Company),

The Division is reviewing the following application:

<b>Action ID</b>	<b>348253</b>
<b>Admin No.</b>	DHC-5403
<b>Applicant</b>	Hilcorp Energy Company (372171)
<b>Title</b>	Gonsales State Com #1N
<b>Sub. Date</b>	5/28/2024

Please provide the following additional supplemental documents:

- Please provide a Form C-102 for each of the pools

Please provide additional information regarding the following:

- Please review Hilcorp's proposed upper perforation for the Dakota pool.

- Included in the application is reference to a parcel sent via fed-ex. Was this the notice of this application provided to the SLO? If not, please provide confirmation that the SLO was notified of this application.
- Please provide either confirmation that Silverado Oil and Gas, LLP has received notice of this application or else the affidavit of publication for public notice conducted for this application.
- If Hilcorp would like to propose a specific allocation method and how it is going to be conducted, please provide a supplemental document doing so. Otherwise, the Division will stipulate how allocation shall be determined when approval is granted.

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:** [Mandi Walker](#)  
**To:** [McClure, Dean, EMNRD](#); [Cheryl Weston](#)  
**Cc:** [Lowe, Leonard, EMNRD](#); [Sikandar Khan](#); [Carson Rice](#)  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403  
**Date:** Friday, July 5, 2024 2:43:49 PM  
**Attachments:** [Gonsales State Com 1N Comminqling Approval.pdf](#)  
[Page 3 from Gonsales State Com 1N DHC Notice to Owners.pdf](#)

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Good afternoon Dean,

I have sent your requests out to our Land/Engineering groups. But for the other items, yes, the Fedex information was for the SLO notification and DHC application. I have attached their approval to this email. I have also attached the plat that was created by the surveyor that was included in the packet filed with OCD. We only received 1 plat that includes both formations.

For the allocation method, we are unsure if we will go with the spinner method or the compositional method until we get the well drilled and see what the gas does. If we can get enough gas for the spinner method, we would ultimately like to go with that method, which would give us a fixed allocation from the start, but in the event we don't get enough, then we would change over to the compositional method and pull samples every 3 months until the well stabilizes out.

As soon as I get feedback from the other groups, I will send an additional email.

Thank you,

*Mandi Walker*

*SJE/SJN (1,2,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

---

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**To:** Mandi Walker <mwalker@hilcorp.com>; Cheryl Weston <cweston@hilcorp.com>  
**Cc:** Lowe, Leonard, EMNRD <Leonard.Lowe@emnrd.nm.gov>  
**Subject:** [EXTERNAL] Action ID: 348253; DHC-5403

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To whom it may concern (c/o Mandi Walker for Hilcorp Energy Company),

The Division is reviewing the following application:

<b>Action ID</b>	<b>348253</b>
<b>Admin No.</b>	DHC-5403
<b>Applicant</b>	Hilcorp Energy Company (372171)

<b>Title</b>	Gonsales State Com #1N
<b>Sub. Date</b>	5/28/2024

Please provide the following additional supplemental documents:

- Please provide a Form C-102 for each of the pools

Please provide additional information regarding the following:

- Please review Hilcorp's proposed upper perforation for the Dakota pool.
- Included in the application is reference to a parcel sent via fed-ex. Was this the notice of this application provided to the SLO? If not, please provide confirmation that the SLO was notified of this application.
- Please provide either confirmation that Silverado Oil and Gas, LLP has received notice of this application or else the affidavit of publication for public notice conducted for this application.
- If Hilcorp would like to propose a specific allocation method and how it is going to be conducted, please provide a supplemental document doing so. Otherwise, the Division will stipulate how allocation shall be determined when approval is granted.

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:** [Mandi Walker](#)  
**To:** [McClure, Dean, EMNRD](#); [Cheryl Weston](#)  
**Cc:** [Lowe, Leonard, EMNRD](#); [Sikandar Khan](#)  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403  
**Date:** Monday, July 15, 2024 9:28:08 AM  
**Attachments:** [GONSALES STATE COM #1N DK Plat.pdf](#)  
[GONSALES STATE COM #1N MV Plat.pdf](#)

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Good morning Dean,

Attached please find the separated C-102' and please see the note below from our Reservoir Engineer.

*Hilcorp proposes the use of Gas Composition Analysis based allocations as an alternative method for allocating production from new commingled wells completed in the Mesaverde and Dakota pools in the San Juan Basin. This is a valid method so long as the gas composition endpoints are known and show sufficient contrast. After establishing local endpoints in pure Mesaverde and pure Dakota gas streams, the known endpoints for hydrocarbon members are then used in conjunction with results of a gas sample analysis from the combined flow stream in a new commingled well to calculate an allocation of the gas contribution from each formation. Since relative contributions from the Mesaverde and Dakota formations in a new commingled well can vary in time (especially in early life), Hilcorp will obtain an initial gas sample at the time of completion after flow back to calculate an initial formation allocation. Samples will then be subsequently taken every 3 months until the allocation appears to reach stabilization. Hilcorp will provide the New Mexico Oil Conservation Division a report after the initial completion and a final report after allocation stabilization. The final report will contain supporting documentation justifying the allocation of production between these formations and will contain each of the allocation percentages determined by Gas Composition Analysis.*

Please let me know if you need anything further for your review.

*Mandi Walker*

*SJE/SJN (1,2,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

---

**From:** McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>  
**Sent:** Friday, July 12, 2024 9:48 AM  
**To:** Mandi Walker <mwalker@hilcorp.com>; Cheryl Weston <cweston@hilcorp.com>  
**Cc:** Lowe, Leonard, EMNRD <Leonard.Lowe@emnrd.nm.gov>; Sikandar Khan <Sikandar.Khan@hilcorp.com>; Carson Rice <carice@hilcorp.com>  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

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Hello Mandi,

Please provide a separate Form C-102 for each pool. Any approval in recent times by the Division of a Form C-102 that includes more than 1 pool was in error.

Additionally, a potential order for this commingling project will stipulate the conducting of production logs (spinner method). An additional paragraph would be included allowing for Hilcorp to propose an alternative allocation method provided that it does not deviate from the notice provided to the interest owners. However, Hilcorp should be aware that a method solely reliant upon composition seems unlikely to be sufficient. Please feel free to submit a supplemental document with a proposed schedule for production logs which may be supplemented by composition testing to reduce the frequency of required production logs; otherwise, please note that the Division will stipulate a schedule.

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

---

**From:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>

**Sent:** Friday, July 5, 2024 2:43 PM

**To:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>

**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>; Sikandar Khan <[Sikandar.Khan@hilcorp.com](mailto:Sikandar.Khan@hilcorp.com)>; Carson Rice <[carice@hilcorp.com](mailto:carice@hilcorp.com)>

**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403

Good afternoon Dean,

I have sent your requests out to our Land/Engineering groups. But for the other items, yes, the Fedex information was for the SLO notification and DHC application. I have attached their approval to this email. I have also attached the plat that was created by the surveyor that was included in the packet filed with OCD. We only received 1 plat that includes both formations.

For the allocation method, we are unsure if we will go with the spinner method or the compositional method until we get the well drilled and see what the gas does. If we can get enough gas for the spinner method, we would ultimately like to go with that method, which would give us a fixed allocation from the start, but in the event we don't get enough, then we would change over to the compositional method and pull samples every 3 months until the well stabilizes out.

As soon as I get feedback from the other groups, I will send an additional email.

Thank you,

*Mandi Walker*

*SJE/SJN (1,2,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

---

**From:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>

**Sent:** Friday, July 5, 2024 2:27 PM

**To:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>; Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>

**Cc:** Lowe, Leonard, EMNRD <[Leonard.Lowe@emnrd.nm.gov](mailto:Leonard.Lowe@emnrd.nm.gov)>

**Subject:** [EXTERNAL] Action ID: 348253; DHC-5403

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<b>Action ID</b>	<b>348253</b>
<b>Admin No.</b>	DHC-5403
<b>Applicant</b>	Hilcorp Energy Company (372171)
<b>Title</b>	Gonsales State Com #1N
<b>Sub. Date</b>	5/28/2024

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

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**From:** [Mandi Walker](#)  
**To:** [McClure, Dean, EMNRD](#); [Cheryl Weston](#)  
**Cc:** [Lowe, Leonard, EMNRD](#)  
**Subject:** RE: [EXTERNAL] Action ID: 348253; DHC-5403  
**Date:** Tuesday, July 9, 2024 11:33:59 AM  
**Attachments:** [Fwd EXTERNAL RE Gonsales State Com 1N - DHC Notice.msg](#)

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Good afternoon Dean, Attached is the email confirmation for the last remaining owner Silverado Oil & Gas.

Please let me know if there is anything you need for you review/approval for this project.

Thank you,

*Mandi Walker*

*SJE/SJN (1,2,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

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**Sent:** Friday, July 5, 2024 2:27 PM  
**To:** Mandi Walker <mwalker@hilcorp.com>; Cheryl Weston <cweston@hilcorp.com>  
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**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 348253

**CONDITIONS**

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 348253
	Action Type: [C-107] Down Hole Commingle (C-107A)

**CONDITIONS**

Created By	Condition	Condition Date
dmcclure	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 Permit to become inaccurate, then no later than sixty (60) days after that event, the Operator 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 Permit shall terminate on the date of such action.	8/8/2024
dmcclure	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 the Operator shall submit a new downhole commingling application to OCD to amend this Permit to remove the pool that caused the decrease in value. If the Operator fails to submit a new application, this Permit shall terminate on the following day, and if OCD denies the application, this Permit shall terminate on the date of such action.	8/8/2024
dmcclure	If a completed interval of the Well is altered from what is submitted within this application, then no later than sixty (60) days after the alteration, the Operator shall submit Form C-103 to the OCD Engineering Bureau detailing the alteration and completed interval.	8/8/2024
dmcclure	The Operator shall utilize production logs to allocate gas production from the Well to each of the Pools. Once the gas allocation is determined, the Operator shall then consider the gas oil ratio for each pool to allocate oil production from the Well to each of the Pools. The Operator shall conduct a production log: a. following the initial completion; b. three (3) months after the initial completion; c. six (6) months after the initial completion; d. twelve (12) months after the initial completion; e. annually thereafter until the allocation has stabilized; and f. additionally, as directed by OCD.	8/8/2024
dmcclure	No later than ninety (90) days after conducting each production log, the Operator shall submit a Form C-103 to the OCD Engineering Bureau that includes the results of the production log and the oil and gas allocations for each of the Pools. Upon request from OCD, the Operator shall provide documentation supporting the allocations and if OCD determines that the allocations are inaccurate, the Operator shall proceed as directed by OCD.	8/8/2024
dmcclure	Once the allocations have stabilized, the Operator shall submit a Form C-103 to the OCD Engineering Bureau that includes a tabulation of the oil and gas allocation following each of the conducted production logs and a proposed fixed percentage for allocating the oil and gas production from the Well to each of the Pools. If OCD approves the proposed fixed percentage, then the Operator shall allocate accordingly. If OCD denies the proposed fixed percentage, then the Operator shall continue conducting annual production logs.	8/8/2024
dmcclure	A production log shall consist of either using a turbine/spinner flowmeter to determine the stabilized flow rate from each of the Pools under normal operating conditions or by another method OCD has specifically approved.	8/8/2024