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-5500**

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 all produced fluids from all the Pools are compatible with each other.
4. Applicant has certified that downhole commingling the Pools will not decrease the value of the oil and gas production.
5. 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.
6. 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

7. 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.
8. 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.
9. 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.

10. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.11(A)(8) NMAC.

11. 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.

12. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to downhole commingle the Pools described in Exhibit A within the well bore of the well identified in Exhibit A.

2. Applicant shall allocate a fixed percentage of the oil production from the Well to each of the Pools until a different plan to allocate oil production is approved by OCD. Of the oil production from the Well:

    a. one hundred percent (100%) shall be allocated to the Mesaverde pool (pool ID: 72319); and
    b. zero percent (0%) shall be allocated to the Fruitland Coal pool (pool ID: 71629).

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

a. the Fruitland Coal pool (pool ID: 71629).

The current pool is:

a. the Blanco Mesaverde pool (pool ID: 72319).

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

3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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).
9. 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

DATE: 6-12-2025

GERASIMOS RAZATOS
DIRECTOR (ACTING)

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

	Order:	DHC-5500				
	Operator:	Hilcorp Energy Company				
	Well Name:	State Com SRC Well No. 1A				
	Well API:	30-045-22559				
Upper Zone	Pool Name:	Fruitland Coal				
	Pool ID:	71629	Current:		New:	X
	Allocation:	Subtraction	Oil:	0.0%	Gas:	SUBT
			Top:	2,494	Bottom:	2,788
Intermediate Zone	Pool Name:					
	Pool ID:		Current:		New:	
	Allocation:		Oil:		Gas:	
			Top:		Bottom:	
Bottom of Interval within 150% of Upper Zone's Top of Interval:						
Lower Zone	Pool Name:	Blanco Mesaverde				
	Pool ID:	72319	Current:	X	New:	
	Allocation:		Oil:	100.0%	Gas:	SUBT
			Top:	4,510	Bottom:	5,232
Bottom of Interval within 150% of Upper Zone's Top of Interval:				NO		
Top of Queen Formation:						

ID NO. 442207

DHC - 5500

Revised March 23, 2017

RECEIVED: 03/13/25	REVIEWER:	TYPE:	APP NO:

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: Hilcorp Energy Company **OGRID Number:** 372171
Well Name: State Com SRC 1A **API:** 30-045-22559
Pool: Basin Fruitland Coal (Gas) / Blanco-Mesaverde (Prorated Gas) **Pool Code:** 71629, 72319

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

FOR OCD ONLY
☐ Notice Complete
☐ Application Content Complete

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

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.

Cherylene Weston
Print or Type Name

Cherylene Weston
Signature

2/26/2025
Date

713-289-2614
Phone Number

cweston@hilcorp.com
e-mail Address

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

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

District III
1000 Rio Brazos Road, Aztec, NM 87410

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-107A
Revised August 1, 2011

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

APPLICATION FOR DOWNHOLE COMMINGLING

Hilcorp Energy Company — Operator
382 Road 3100, Aztec, NM 87410 — Address

STATE COM SRC — Lease
1A — Well No.
E-2-T29N-R08W — Unit Letter-Section-Township-Range
SAN JUAN, NM — County

OGRID No. 372171 Property Code 319650 API No. 30-045-22559 Lease Type: ____Federal _X_State ____Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Fruitland Coal (Gas)		Blanco-Mesaverde (Prorated Gas)
Pool Code	71629		72319
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2494' - 2788'		4510' - 5232'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	150 psi		350 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1122 BTU		1246 BTU
Producing, Shut-In or New Zone	NEW ZONE		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: Rates:	Date: Rates:	Date: 12/1/2024 Rates: Oil -10 bbl Gas - 1,571 mcf Water - 20 bbl
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil % Gas %	Oil % Gas %	Oil % Gas %

ADDITIONAL DATA

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

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

Will commingling decrease the value of production? Yes_____ No_X_

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_X_ No_____

NMOCD Reference Case No. applicable to this well: _____

Attachments:
C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
Production curve for each zone for at least one year. (If not available, attach explanation.)
For zones with no production history, estimated production rates and supporting data.
Data to support allocation method or formula.
Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

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

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

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

SIGNATURE Cherylene Weston TITLE Operations/Regulatory Tech-Sr. DATE 2/26/2025

TYPE OR PRINT NAME Cherylene Weston TELEPHONE NO. (713) 289-2615

E-MAIL ADDRESS cweston@hilcorp.com

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
Aztec Oil & Gas Company	State Com	1A

Unit Letter	Section	Township	Range	County
E	2	29N	8W	San Juan

Actual Footage Location of Well:
1670 feet from the North line and 970 feet from the West line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
6011	Mesa Verde	Blanco	326.92 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

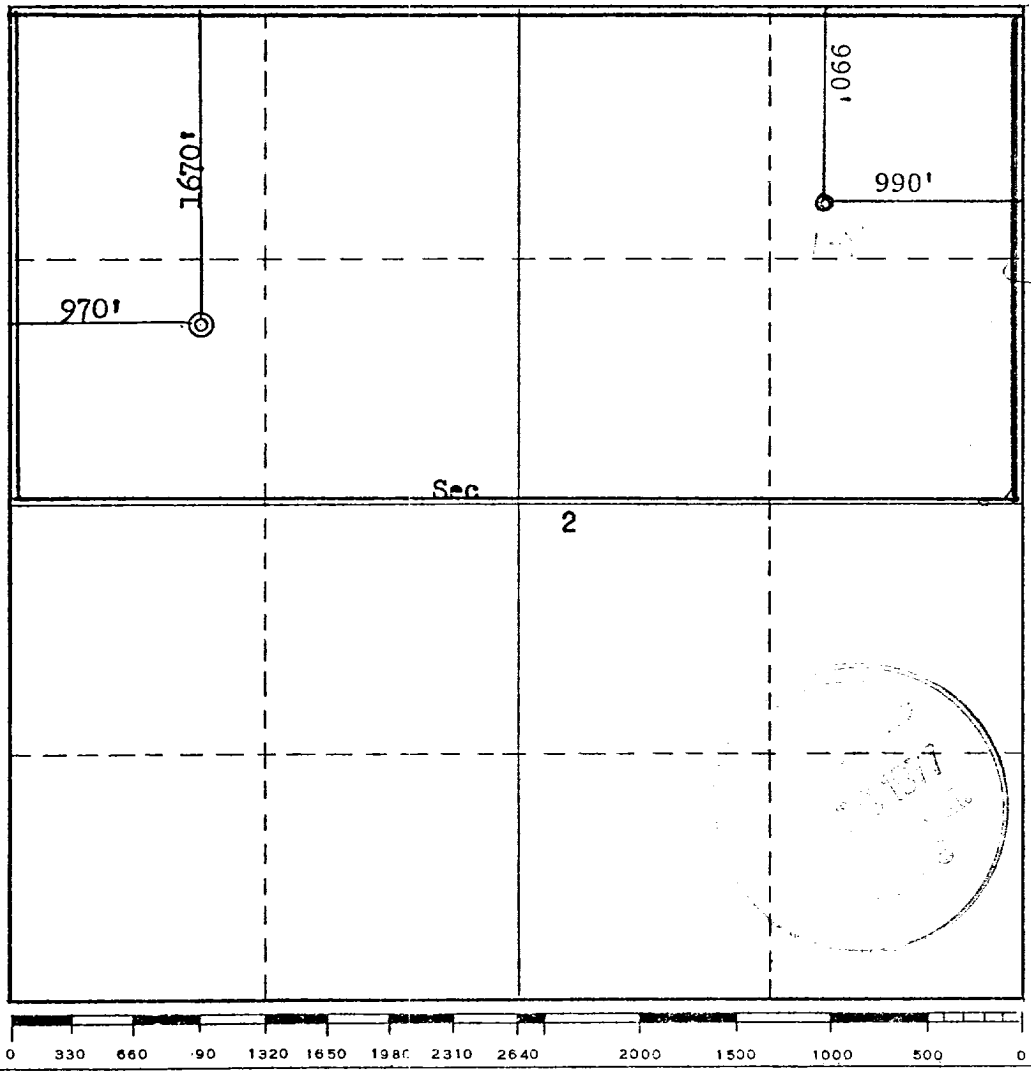
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Name: Van Kyan

Position: District Production Manager

Company: Aztec Oil & Gas Company

Date: May 13, 1977

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 knowledge and belief.

Date Surveyed: May 3, 1977

Registered Professional Engineer and/or Land Surveyor: Fred B. Kerr Jr.

Certificate No. 3950

Santa Fe Main Office
Phone: (505) 476-3441 Fax: (55) 476-3462
General Information
Phone: (505) 629-6116

Online Phone Directory Visit:
https://www.emnrd.nm.gov/ocd/contact-us/

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION

C-102
Revised July 9, 2024
Submit Electronically via OCD Permitting

Submittal Type: ☐ Initial Submittal ☐ Amended Report ☐ As Drilled

WELL LOCATION INFORMATION

API Number	Pool Code	Pool Name	
30-045-22559	71629	Basin Fruitland Coal (Gas)	
Property Code	Property Name		Well Number
319650	State Com SRC		1A
OGRID No.	Operator Name		Ground Level Elevation
372171	Hilcorp Energy Company		6011’
Surface Owner: ☒ State ☐ Fee ☐ Tribal ☐ Federal		Mineral Owner: ☒ State ☐ Fee ☐ Tribal ☐ Federal	

Surface Location

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County
E	2	029N	08W		1670 N	970 W	36.7564049	-107.6505127	San Juan

Bottom Hole Location

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County

Dedicated Acres	Infill or Defining Well	Defining Well API	Overlapping Spacing Unit (Y/N)	Consolidation Code
326.92 – N/2	Defining		N	C
Order Numbers.			Well setbacks are under Common Ownership: ☐Yes ☐☐No	

Kick Off Point (KOP)

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County

First Take Point (FTP)

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County

Last Take Point (LTP)

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County

Unitized Area or Area of Uniform Interest	Spacing Unit Type ☐ Horizontal ☐ Vertical	Ground Floor Elevation: 6011’

OPERATOR CERTIFICATIONS

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and, if the well is a vertical or directional well, 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 a working interest or unleased mineral interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

If this well is a horizontal well, I further certify that this organization has received the consent of at least one lessee or owner of a working interest or unleased mineral interest in each tract (in the target pool or formation) in which any part of the well’s completed interval will be located or obtained a compulsory pooling order from the division.

Cherylene Weston 2/18/2025
Signature Date

Cherylene Weston, Operations/Regulatory Tech-Sr.
Printed Name

cweston@hilcorp.com
Email Address

SURVEYOR CERTIFICATIONS

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.

Fred B. Kerr, Jr.
Signature and Seal of Professional Surveyor

Certificate Number 3950

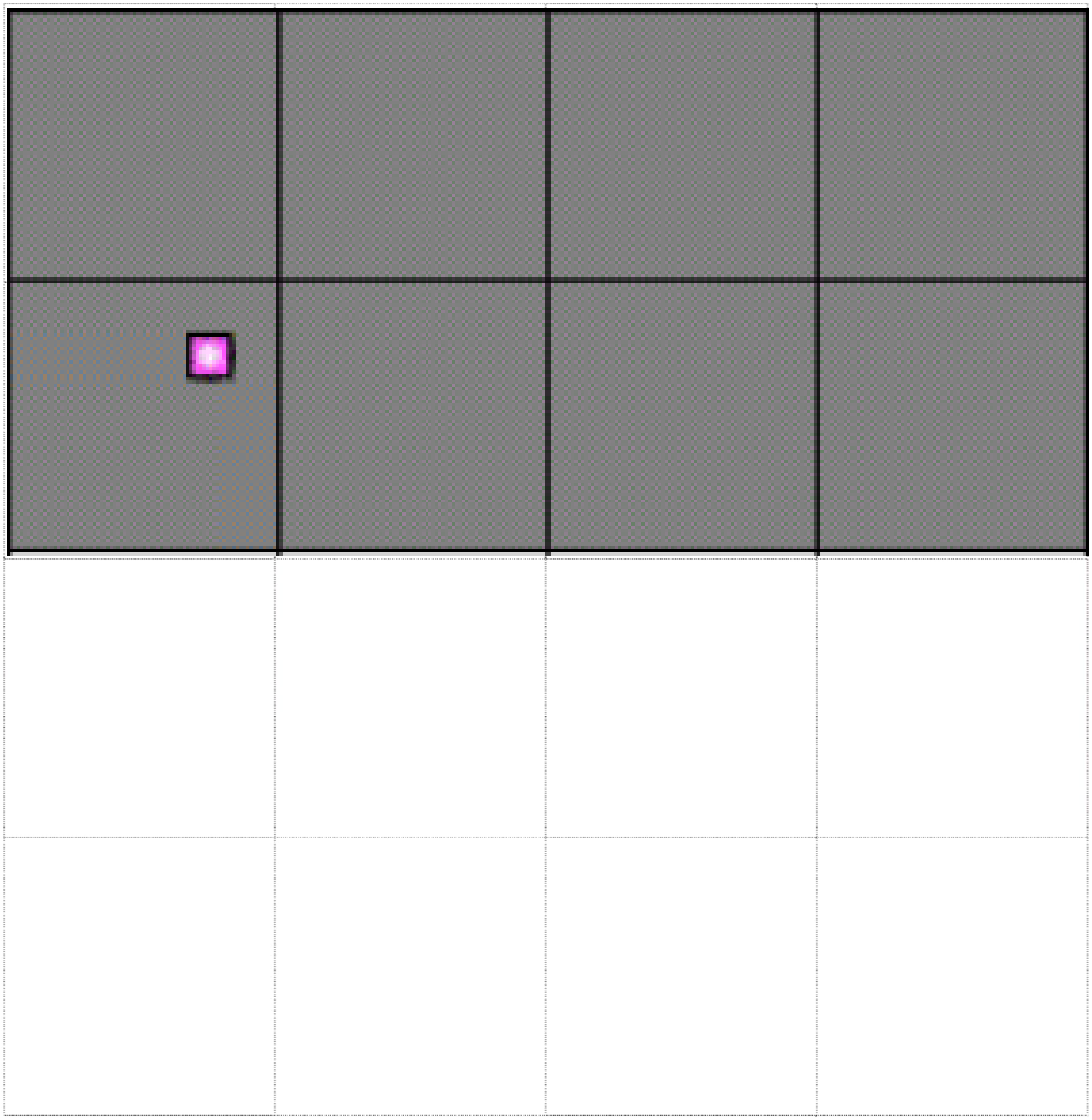
Date of Survey 5/3/1977

Note: 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.

ACREAGE DEDICATION PLATS

This grid represents a standard section. You may superimpose a non-standard section, or larger area, over this grid. Operators must outline the dedicated acreage in a red box, clearly show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. If this is a horizontal wellbore show on this plat the location of the First Take Point and Last Take Point, and the point within the Completed interval (other than the First Take Point or Last Take Point) that is closest to any outer boundary of the tract.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed, contact the OCD Engineering Bureau. Independent subdivision surveys will not be acceptable.



State Com SRC 1A Production Allocation

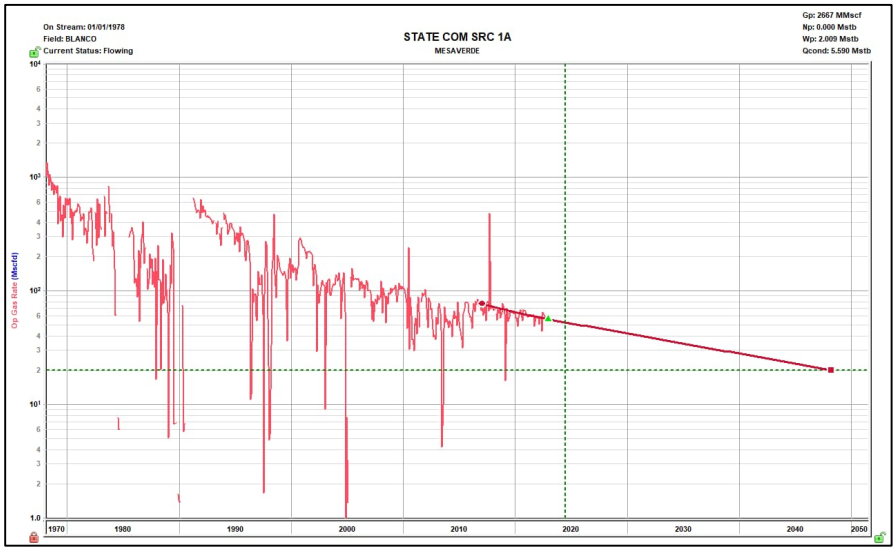
These zones are proposed to be commingled because the application of dual completions impedes the ability to produce the shallow zone without artificial lift and the deeper zones with reduced artificial lift efficiency. All horizons will require artificial lift due to low bottomhole pressure (BHP) and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

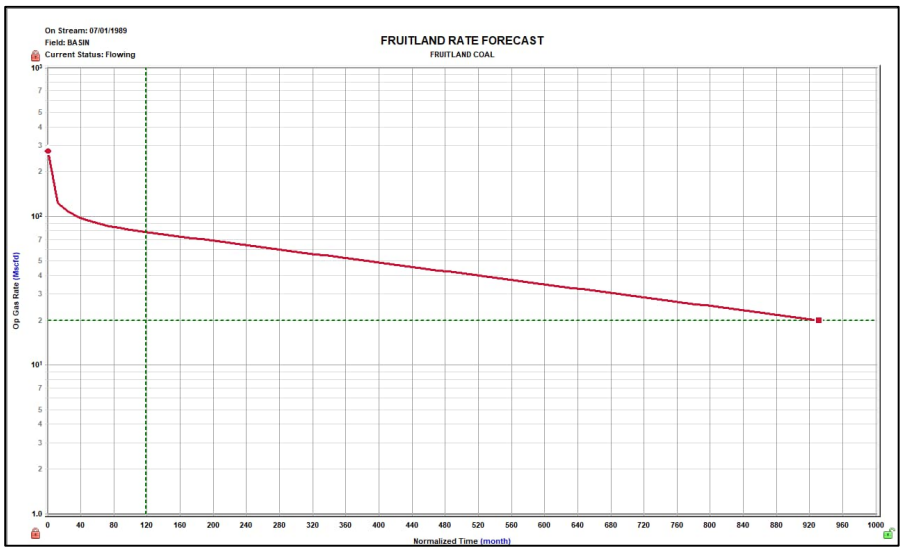
The BHPs of all zones, producing and non-producing, were estimated based upon basin wide Moving-Domain Material Balance models that have proven to approximate the pressure in the given reservoirs well in this portion of the basin, in conjunction with shut-in pressure build-ups. These models were constructed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

Production Allocation Method – Subtraction

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

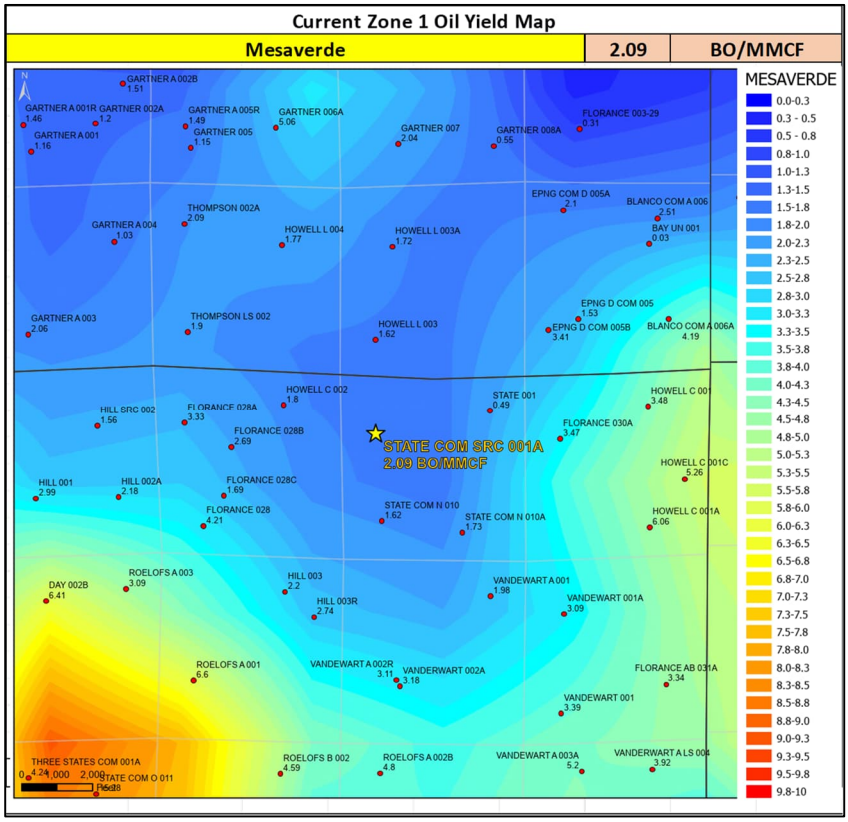
After 3 years production will stabilize. A production average will be gathered during the 4th year and will be utilized to create a fixed percentage-based allocation.

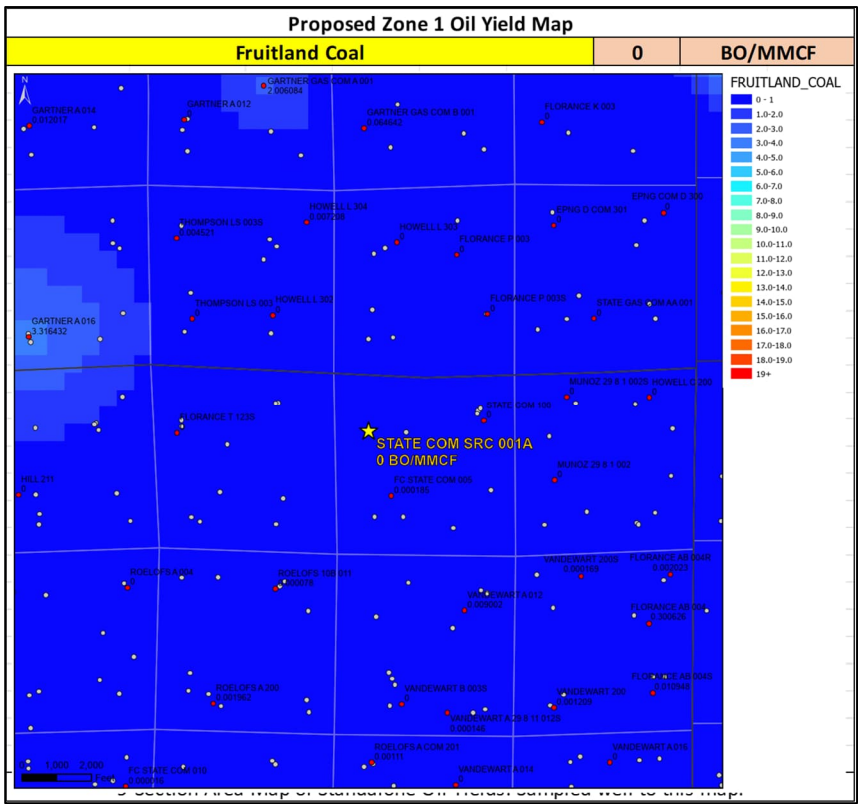




Oil Allocation:
Fruitland Coal is not expected to produce condensate therefore it will be allocated 100% to MV.

Formation	Yield (bbl/MM)	Remaining Reserves (MMcf)	% Oil Allocation
MV	2.09	324	100%
FRC	0	1400	0%





Supplemental Information:

Shut in pressures were calculated for operated offset standalone wells in each of the zones being commingled in the well in question via the following process:

1) Wells were shut in for 24 hours
2) Echometer was used to obtain a fluid level
3) Shut in BHP was calculated for the proposed commingled completion

List of wells used to calculate BHPs for the Project:

3004534024	DAY B 17	FRC
3004530034	DAY 2B	MV

I believe each of the reservoirs to be continuous and in a similar state of depletion at this well and at each of the wells from which the pressures are being derived.

The near wellbore shut-in bottom hole pressures of the above reservoirs are much lower than the calculated far-field stabilized reservoir pressured due to the low permeability of the reservoirs. Based on pressure transient analysis performed in the San Juan Basin, it would take 7-25 years for shut-in bottom hole pressures to build up to the calculated far-field reservoir pressure. Our observation is that even for areas of high static reservoir pressures, the low permeability of the reservoir rock results in rapid depletion of the near-fracture region, quickly enough that the wells are unable to produce without the aid of a plunger. Given low permeabilities and low wellbore flowing pressures in the above reservoirs, loss of reserves due to cross-flow is not an issue during producing or shut-in periods. Given low shut-in bottom hole pressures, commingling the above reservoirs in this well will not result in shut-in or flowing wellbore pressures in excess of any commingled pool's fracture parting pressure. The pressures provided in the C-107A are based on shut-in bottom hole pressures of offset standalone wells which match expected near-wellbore shut-in bottom hole pressures of this proposed commingled completion.

Note: BTU Data taken from standalone completions in the zone of interest within a 2 mile radius of the well.
A farther radius is used if there is not enough data for a proper statistical analysis.

Gas Compatibility in the San Juan Basin

- The San Juan basin has productive siliciclastic reservoirs (Pictured Cliffs, Blanco Mesaverde, Basin Dakota, etc.) and a productive coalbed methane reservoir (Basin Fruitland Coal).
- These siliciclastic and coalbed methane reservoirs are commingled extensively throughout the basin in many different combinations with no observed damage from clay swelling due to differing formation waters or gas composition.
- The samples below all show offset gas analysis varibality by formation is low.
- Data taken from standalone completions in the zone of interest within a 2 mile radius of the well. A farther radius is used if there is not enough data for a proper statistical analysis.

Well Name	API
STATE COM SRC 1A	3004522559

FRC Offset (1.5 miles)		MV Offset (2 miles)	
--	3004527047	--	3004508491
--	HOWELL C 200	--	ROELOFS A 1
N2	0.04	N2	0.24
CO2	7.41	CO2	1.36
C1	85.7	C1	72.06
C2	4.51	C2	11.92
C3	1.82	C3	7.27
IC4	0.27	IC4	1.34
NC4	0.18	NC4	2.53
IC5	0.04	IC5	0.91
NC5	0.02	NC5	0.74
C6_PLUS	0	C6_PLUS	0.02
C7	0	C7	0
C8	0	C8	0
C9	0	C9	0
C10	0	C10	0
AR	0	AR	0
CO	0	CO	0
H2	0	H2	0
O2	0	O2	0
H2O	0	H2O	0
H2S	0	H2S	0
HE	0	HE	0
C_O_S	0	C_O_S	0
CH3SH	0	CH3SH	0
C2H5SH	0	C2H5SH	0
CH2S3_2CH3S	0	CH2S3_2CH3S	0
CH2S	0	CH2S	0
C6HV	0	C6HV	0
CO2GPM	0	CO2GPM	0
N2GPM	0	N2GPM	0
C1GPM	0	C1GPM	0
C2GPM	1.21	C2GPM	3.2
C3GPM	0.5	C3GPM	2.01
ISOC4GPM	0.09	ISOC4GPM	0.44
NC4GPM	0.06	NC4GPM	0.8
ISOC5GPM	0.01	ISOC5GPM	0.33
NC5GPM	0.01	NC5GPM	0.27
C6_PLUSGPM	0.01	C6_PLUSGPM	0.73

Water Compatibility in the San Juan Basin

- The San Juan basin has productive siliciclastic reservoirs (Pictured Cliffs, Blanco Mesaverde, Basin Dakota, etc.) and a productive coalbed methane reservoir (Basin Fruitland Coal).
- These siliciclastic and coalbed methane reservoirs are commingled extensively throughout the basin in many different combinations with no observed damage from clay swelling due to differing formation waters.
- The samples below all show fresh water with low TDS.
- Data taken from standalone completions in the zone of interest within a 2 Mile radius of the well. A farther radius is used if there is not enough data for a proper statistical analysis.

Well Name	API
STATE COM SRC 1A	3004522559

FRC Offset (1.1 Miles)		MV Offset (0.5 miles)	
--	3004528780	--	3004508815
--	EPNG D COM 301	--	HOWELL 2-C
Avg(CationBarium)	224.8	Avg(CationBarium)	0.1
Avg(CationBoron)	0	Avg(CationBoron)	0
Avg(CationCalcium)	23.6	Avg(CationCalcium)	91
Avg(CationIron)	9.88	Avg(CationIron)	61
Avg(CationMagnesium)	20.5	Avg(CationMagnesium)	13
Avg(CationManganese)	0.4	Avg(CationManganese)	0.1
Avg(CationPhosphorus)	0.1	Avg(CationPhosphorus)	0
Avg(CationPotassium)	29.2	Avg(CationPotassium)	0
Avg(CationStrontium)	13.7	Avg(CationStrontium)	0.1
Avg(CationSodium)	5070	Avg(CationSodium)	30.76
Avg(CationSilica)	5.96	Avg(CationSilica)	0
Avg(CationZinc)	2	Avg(CationZinc)	0
Avg(CationAluminum)	0	Avg(CationAluminum)	0
Avg(CationCopper)	0	Avg(CationCopper)	0
Avg(CationLead)	2	Avg(CationLead)	0
Avg(CationLithium)	0	Avg(CationLithium)	0
Avg(CationNickel)	0	Avg(CationNickel)	0
Avg(CationCobalt)	0	Avg(CationCobalt)	0
Avg(CationChromium)	0	Avg(CationChromium)	0
Avg(CationSilicon)	10	Avg(CationSilicon)	0
Avg(CationMolybdenum)	0	Avg(CationMolybdenum)	0
Avg(AnionChloride)	3180	Avg(AnionChloride)	86
Avg(AnionCarbonate)	240	Avg(AnionCarbonate)	0
Avg(AnionBicarbonate)	6180	Avg(AnionBicarbonate)	139
Avg(AnionBromide)	0	Avg(AnionBromide)	0
Avg(AnionFluoride)	0	Avg(AnionFluoride)	0
Avg(AnionHydroxyl)	10	Avg(AnionHydroxyl)	0
Avg(AnionNitrate)	0	Avg(AnionNitrate)	0
Avg(AnionPhosphate)	0.29	Avg(AnionPhosphate)	0
Avg(AnionSulfate)	72.8	Avg(AnionSulfate)	108
Avg(phField)	7.5	Avg(phField)	5.07
Avg(phCalculated)	7.86	Avg(phCalculated)	0
Avg(TempField)	66.9	Avg(TempField)	69
Avg(TempLab)	0	Avg(TempLab)	0
Avg(OtherFieldAlkalinity)	3100	Avg(OtherFieldAlkalinity)	0
Avg(OtherSpecificGravity)	1.01	Avg(OtherSpecificGravity)	0
Avg(OtherTDS)	12300	Avg(OtherTDS)	529.06
Avg(OtherCaCO3)	143	Avg(OtherCaCO3)	0
Avg(OtherConductivity)	19200	Avg(OtherConductivity)	826.66
Avg(DissolvedCO2)	352	Avg(DissolvedCO2)	1500
Avg(DissolvedO2)	0	Avg(DissolvedO2)	0
Avg(DissolvedH2S)	0	Avg(DissolvedH2S)	0.4
Avg(GasPressure)	0	Avg(GasPressure)	100
Avg(GasCO2)	0	Avg(GasCO2)	0
Avg(GasCO2PP)	0	Avg(GasCO2PP)	0
Avg(GasH2S)	0	Avg(GasH2S)	0
Avg(GasH2SPP)	0	Avg(GasH2SPP)	0
Avg(PitzerCaCO3_70)	0	Avg(PitzerCaCO3_70)	-2.46
Avg(PitzerBaSO4_70)	0	Avg(PitzerBaSO4_70)	0.48
Avg(PitzerCaSO4_70)	0	Avg(PitzerCaSO4_70)	-1.42
Avg(PitzerSrSO4_70)	0	Avg(PitzerSrSO4_70)	-2.7
Avg(PitzerFeCO3_70)	0	Avg(PitzerFeCO3_70)	0
Avg(PitzerCaCO3_220)	0	Avg(PitzerCaCO3_220)	-1.64
Avg(PitzerBaSO4_220)	0	Avg(PitzerBaSO4_220)	-0.08
Avg(PitzerCaSO4_220)	0	Avg(PitzerCaSO4_220)	-1.3
Avg(PitzerSrSO4_220)	0	Avg(PitzerSrSO4_220)	-2.5
Avg(PitzerFeCO3_220)	0	Avg(PitzerFeCO3_220)	0

Submit Copy To Appropriate District 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 Resources

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

Form C-103
Revised July 18, 2013

WELL API NO. 30-045-22559

5. Indicate Type of Lease STATE ☒ FEE ☐

6. State Oil & Gas Lease No. E-3149-11

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 ☐ Gas Well ☒ Other

7. Lease Name or Unit Agreement Name: State Com SRC

8. Well Number: 1A

2. Name of Operator: Hilcorp Energy Company

9. OGRID Number: 372171

3. Address of Operator: 382 Road 3100, Aztec, NM 87410

10. Pool name or Wildcat: Blanco Mesaverde/Basin Fruitland Coal

4. Well Location
Unit Letter E 1670 feet from the North line and 970 feet from the West line
Section 2 Township 29N Range 8W NMPM San Juan County

11. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 6011' GL

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

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☐
TEMPORARILY ABANDON	☐	CHANGE PLANS	☐	COMMENCE DRILLING OPNS.	☐	P AND A	☐
PULL OR ALTER CASING	☐	MULTIPLE COMPL	☐	CASING/CEMENT JOB	☐		
DOWNHOLE COMMINGLE	☐						
CLOSED-LOOP SYSTEM	☐						
OTHER:	☒	RECOMPLETE		OTHER:	☐		

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.

Hilcorp Energy Company requests permission to recomplete the subject well in the Fruitland Coal and downhole commingle with the existing Mesaverde. Please see the attached procedure, current and proposed wellbore diagram, plat and natural gas management plan. A closed loop system will be used.

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 Kandis Roland TITLE Operations / Regulatory Technician – Sr. DATE 2/14/2023

Type or print name Kandis Roland E-mail address: kroland@hilcorp.com PHONE: 713-757-5246

For State Use Only

APPROVED BY: TITLE DATE
Conditions of Approval (if any):

State Com SRC 1A

E – 2 – 29N – 08W 1670 FNL 970 FWL

API#: 3004522559

Fruitland Coal Recompletion Procedure

01/26/2023

Procedure:

1. MIRU PU and associated equipment. Kill well and NDWH.
2. NUBOP and unseat tubing, tag for fill and scan out tubing
3. Set 4.5” CIBP at 4650’ to isolate existing MV completion
4. RU wellcheck and MIT wellbore to 500 PSI
5. Set 7” CBP at 2788’
6. Run CBL from CBP to surface.
7. PU 7” frac packer and frac string, RIH and set packer at 2490’
8. Pressure test frac string to 5000 PSI
9. MIRU frac spread.
10. Perforate and frac the Fruitland Coal from 2494’ to 2788’.
    a. Please note, error in OCD records showing Kirtland top below the top of the Fruitland
11. MI flow back and flow well to relieve pressure if needed.
12. MIRU service rig.
13. Test BOP’s.
14. POOH with frac string and packer.
15. When water and sand rates are acceptable, flow test the intervals.
16. Make up 7” mill and clean out.
17. Make up 3-7/8” mill and cleanout CIBP and to PBTD
18. TIH and land 2-3/8” production tubing.
19. ND BOP’s, NU production tree.
20. RDMO service rig & turn well over to production.

Hilcorp Energy Company

Schematic - Current

Well Name: STATE COM SRC #1A

API / UWI	Surface Legal Location	Field Name	License No.	State/Province	Well Configuration Type
3004522559	002-029N-008W-E	BLANCO MESAVERDE (PRORATED GAS		NEW MEXICO	

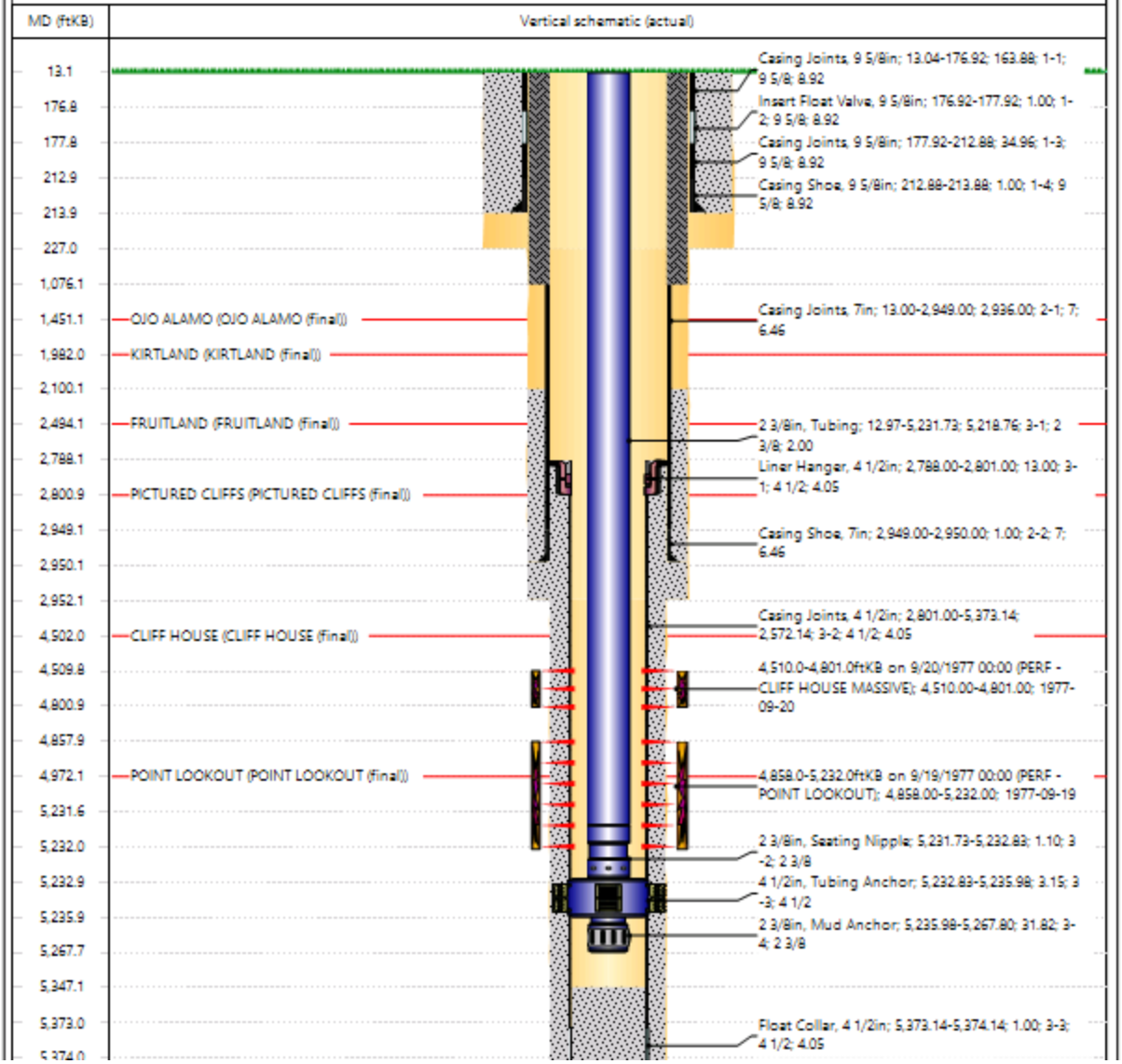
Original KB/RT Elevation (ft)	KB-Ground Distance (ft)	Original Spud Date	Rig Release Date	PBTD (All) (ftKB)	Total Depth All (TVD) (ftKB)
6,024.00	13.00	7/5/1977 00:00		Original Hole - 5,347.0	

Most Recent Job

Job Category	Primary Job Type	Secondary Job Type	Actual Start Date	End Date

TD: 5,378.0

Original Hole



Hilcorp Energy Company

Schematic - Proposed

Well Name: STATE COM SRC #1A

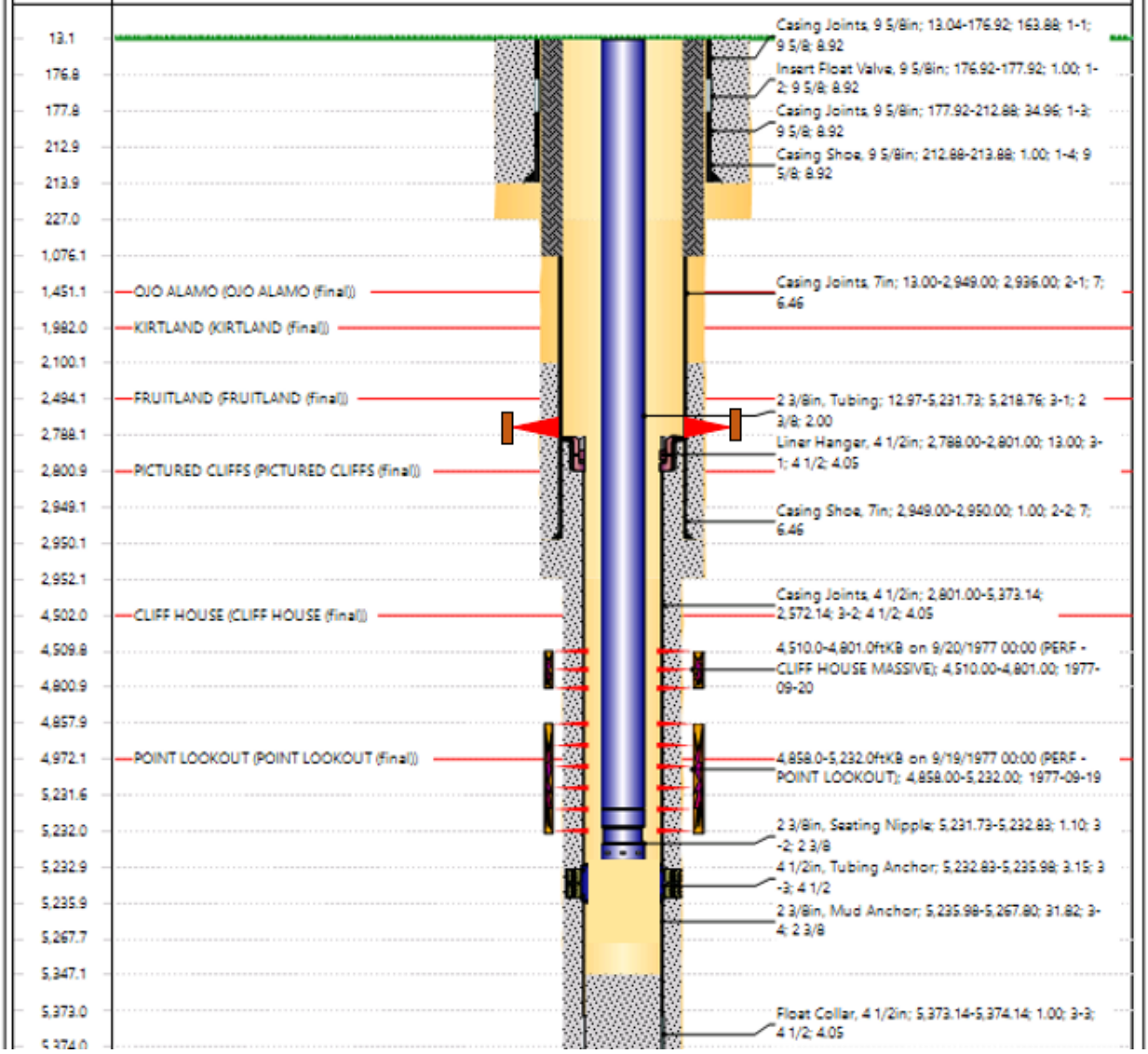
API / UWI	Surface Legal Location	Field Name	License No.	State/Province	Well Configuration Type
3004522559	002-029N-008W-E	BLANCO MESAVERDE (PRORATED GAS		NEW MEXICO	

Original KB/RT Elevation (ft)	KB-Ground Distance (ft)	Original Spud Date	Rig Release Date	PBTD (All) (ftKB)	Total Depth All (TVD) (ftKB)
5,024.00	13.00	7/5/1977 00:00		Original Hole - 5,347.0	

Most Recent Job

Job Category	Primary Job Type	Secondary Job Type	Actual Start Date	End Date

TD: 5,378.0 — Original Hole



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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 334075

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number	2. Pool Code	3. Pool Name
30-045-22559	71629	BASIN FRUITLAND COAL (GAS)
4. Property Code	**5. Property Name**	**6. Well No.**
319650	STATE COM SRC	001A
7. OGRID No.	**8. Operator Name**	**9. Elevation**
372171	HILCORP ENERGY COMPANY	6011

10. Surface Location

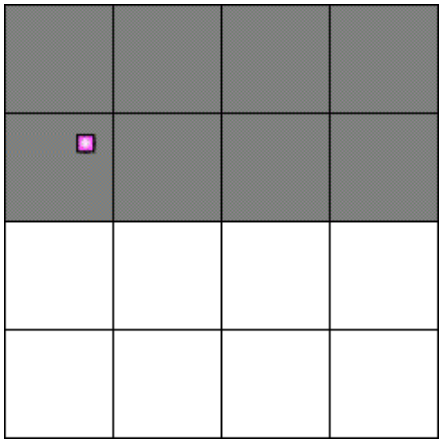
UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
E	2	29N	08W		1670	N	970	W	SAN JUAN

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	13. Joint or Infill	14. Consolidation Code	15. Order No.
326.92 N/2			

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



OPERATOR CERTIFICATION

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

E-Signed By: Kandis Roland
Title: Regulatory Tech
Date: 2/9/23

SURVEYOR CERTIFICATION

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

Surveyed By: Fred B. Kerr Jr.
Date of Survey: 5/3/1977
Certificate Number: 3950

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:** 2/9/2023

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
State Com SRC 1A	3004522559	E-2-29N-8W	1670’ FNL & 970’ FWL	0	200	4

IV. Central Delivery Point Name: Chaco-Blanco Processing 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
State Com SRC 1A	**3004522559**	**N/A**	**N/A**	**N/A**	**N/A**	**Not Yet Scheduled**

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 2 – Enhanced Plan

EFFECTIVE APRIL 1, 2022

Beginning April 1, 2022, an operator that is not in compliance with its statewide natural gas capture requirement for the applicable reporting area must complete this section.

☒ Operator certifies that it is not required to complete this section because Operator is in compliance with its statewide natural gas capture requirement for the applicable reporting area.

IX. Anticipated Natural Gas Production:

Well	API	Anticipated Average Natural Gas Rate MCF/D	Anticipated Volume of Natural Gas for the First Year MCF

X. Natural Gas Gathering System (NGGS):

Operator	System	ULSTR of Tie-in	Anticipated Gathering Start Date	Available Maximum Daily Capacity of System Segment Tie-in

XI. Map. ☐ Attach an accurate and legible map depicting the location of the well(s), the anticipated pipeline route(s) connecting the production operations to the existing or planned interconnect of the natural gas gathering system(s), and the maximum daily capacity of the segment or portion of the natural gas gathering system(s) to which the well(s) will be connected.

XII. Line Capacity. The natural gas gathering system ☐ will ☐ will not have capacity to gather 100% of the anticipated natural gas production volume from the well prior to the date of first production.

XIII. Line Pressure. Operator ☐ does ☐ does not anticipate that its existing well(s) connected to the same segment, or portion, of the natural gas gathering system(s) described above will continue to meet anticipated increases in line pressure caused by the new well(s).

☐ Attach Operator's plan to manage production in response to the increased line pressure.

XIV. Confidentiality: ☐ Operator asserts confidentiality pursuant to Section 71-2-8 NMSA 1978 for the information provided in Section 2 as provided in Paragraph (2) of Subsection D of 19.15.27.9 NMAC, and attaches a full description of the specific information for which confidentiality is asserted and the basis for such assertion.

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: Kandis Roland
Printed Name: Kandis Roland
Title: Operations/Regulatory Tech Sr.
E-mail Address: kroland@hilcorp.com
Date: 2/9/2023
Phone:713-757-5246

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
   - Measurement equipment is installed to measure the volume of natural gas flared from process piping.
   - 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.

District I
1625 N. French Dr., Hobbs, NM 88240
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District IV
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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 186084

CONDITIONS

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 186084
	Action Type: [C-103] NOI Recompletion (C-103E)

CONDITIONS

Created By	Condition	Condition Date
kpickford	DHC required	2/22/2023
kpickford	Notify NMOCD 24 Hours Prior to beginning operations	2/22/2023

Hilcorp

March 10, 2025 *Mailed Certified with Electronic Return Receipt*

To: All Interest Owners

RE: Application to Downhole Commingle Production
Well: State Com SRC 001A
API: 30-045-22559
Section 02, Township 29 North, Range 08 West
San Juan County, New Mexico

Ladies and Gentlemen:

Hilcorp Energy Company ("Hilcorp"), as Operator of the subject well, has filed application with the New Mexico Oil Conservation Division ("NMOCD") for approval to downhole commingle production from the **Basin Fruitland Coal**, a formation Hilcorp soon intends to perforate, with existing production from the **Blanco Mesaverde** formation. This letter and the application copy enclosed serve to provide you, an owner in one or more of the aforementioned formations, with written notice as prescribed by Subsection C of 19.15.12.11 New Mexico Administrative Code.

No action is required by you unless you wish to pursue a formal protest.

Any objections or requests for hearing must be submitted to the NMOCD's Santa Fe office, in writing, within twenty (20) days from the date the NMOCD receives the subject application.

Sincerely,

Carson Parker Rice
Landman
713.757.7108
carice@hilcorp.com

CPR:dpk
Enclosures

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

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

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1000 Rio Brazos Road, Aztec, NM 87410

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-107A
Revised August 1, 2011

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

APPLICATION FOR DOWNHOLE COMMINGLING

Hilcorp Energy Company — Operator
382 Road 3100, Aztec, NM 87410 — Address

STATE COM SRC — Lease
1A — Well No.
E-2-T29N-R08W — Unit Letter-Section-Township-Range
SAN JUAN, NM — County

OGRID No. 372171 Property Code 319650 API No. 30-045-22559 Lease Type: ____Federal _X_State ____Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Fruitland Coal (Gas)		Blanco-Mesaverde (Prorated Gas)
Pool Code	71629		72319
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2494' - 2788'		4510' - 5232'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	150 psi		350 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1122 BTU		1246 BTU
Producing, Shut-In or New Zone	NEW ZONE		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: Rates:	Date: Rates:	Date: 12/1/2024 Rates: Oil -10 bbl Gas - 1,571 mcf Water - 20 bbl
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil % Gas %	Oil % Gas %	Oil % Gas %

ADDITIONAL DATA

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

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

Will commingling decrease the value of production? Yes_____ No_X_

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_X_ No_____

NMOCD Reference Case No. applicable to this well: _____

Attachments:
C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
Production curve for each zone for at least one year. (If not available, attach explanation.)
For zones with no production history, estimated production rates and supporting data.
Data to support allocation method or formula.
Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

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

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

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

SIGNATURE Cherylene Weston TITLE Operations/Regulatory Tech-Sr. DATE 2/26/2025

TYPE OR PRINT NAME Cherylene Weston TELEPHONE NO. (713) 289-2615

E-MAIL ADDRESS cweston@hilcorp.com

NEW MEXICO OIL CONSERVATION COMMISSION

WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
Aztec Oil & Gas Company	State Com	1A

Unit Letter	Section	Township	Range	County
E	2	29N	8W	San Juan

Actual Footage Location of Well:
1670 feet from the North line and 970 feet from the West line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
6011	Mesa Verde	Blanco	326.92 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

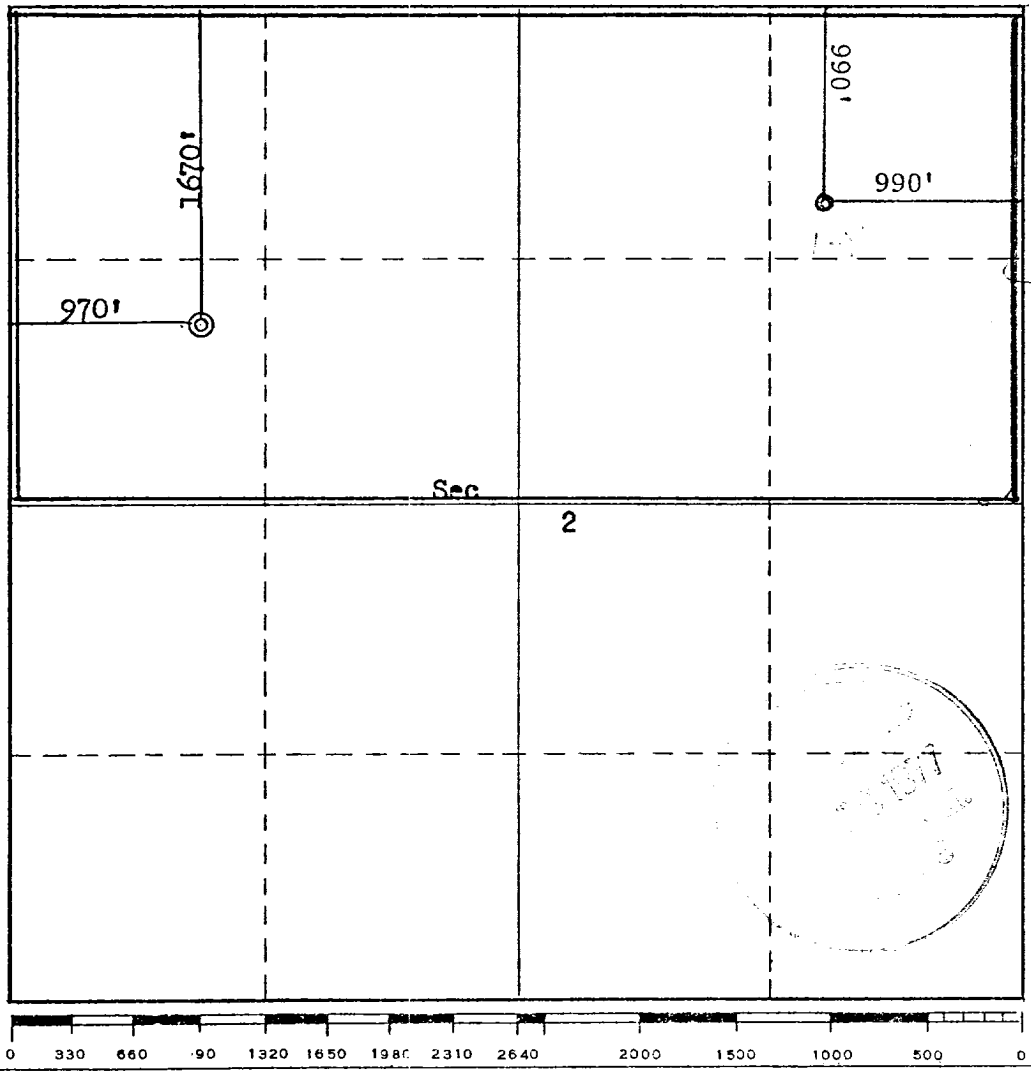
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Name: Van Ryan

Position: District Production Manager

Company: Aztec Oil & Gas Company

Date: May 13, 1977

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 knowledge and belief.

Date Surveyed: May 3, 1977

Registered Professional Engineer and/or Land Surveyor: Fred B. Kerr Jr.

Certificate No. 3950

Santa Fe Main Office
Phone: (505) 476-3441 Fax: (55) 476-3462
General Information
Phone: (505) 629-6116

Online Phone Directory Visit:
https://www.emnrd.nm.gov/ocd/contact-us/

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION

C-102
Revised July 9, 2024
Submit Electronically via OCD Permitting

Submittal Type: ☐ Initial Submittal ☐ Amended Report ☐ As Drilled

WELL LOCATION INFORMATION

API Number 30-045-22559	Pool Code 71629	Pool Name Basin Fruitland Coal (Gas)	
Property Code 319650	Property Name State Com SRC		Well Number 1A
OGRID No. 372171	Operator Name Hilcorp Energy Company		Ground Level Elevation 6011’
Surface Owner: ☒ State ☐ Fee ☐ Tribal ☐ Federal		Mineral Owner: ☒ State ☐ Fee ☐ Tribal ☐ Federal	

Surface Location

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County
E	2	029N	08W		1670 N	970 W	36.7564049	-107.6505127	San Juan

Bottom Hole Location

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County

Dedicated Acres	Infill or Defining Well	Defining Well API	Overlapping Spacing Unit (Y/N)	Consolidation Code
326.92 – N/2	Defining		N	C
Order Numbers.			Well setbacks are under Common Ownership: ☐Yes ☐☐No	

Kick Off Point (KOP)

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County

First Take Point (FTP)

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County

Last Take Point (LTP)

UL	Section	Township	Range	Lot	Ft. from N/S	Ft. from E/W	Latitude	Longitude	County

Unitized Area or Area of Uniform Interest	Spacing Unit Type ☐ Horizontal ☐ Vertical	Ground Floor Elevation: 6011’

OPERATOR CERTIFICATIONS

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and, if the well is a vertical or directional well, 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 a working interest or unleased mineral interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

If this well is a horizontal well, I further certify that this organization has received the consent of at least one lessee or owner of a working interest or unleased mineral interest in each tract (in the target pool or formation) in which any part of the well’s completed interval will be located or obtained a compulsory pooling order from the division.

Cherylene Weston 2/18/2025
Signature Date

Cherylene Weston, Operations/Regulatory Tech-Sr.
Printed Name

cweston@hilcorp.com
Email Address

SURVEYOR CERTIFICATIONS

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.

Fred B. Kerr, Jr.
Signature and Seal of Professional Surveyor

Certificate Number
3950

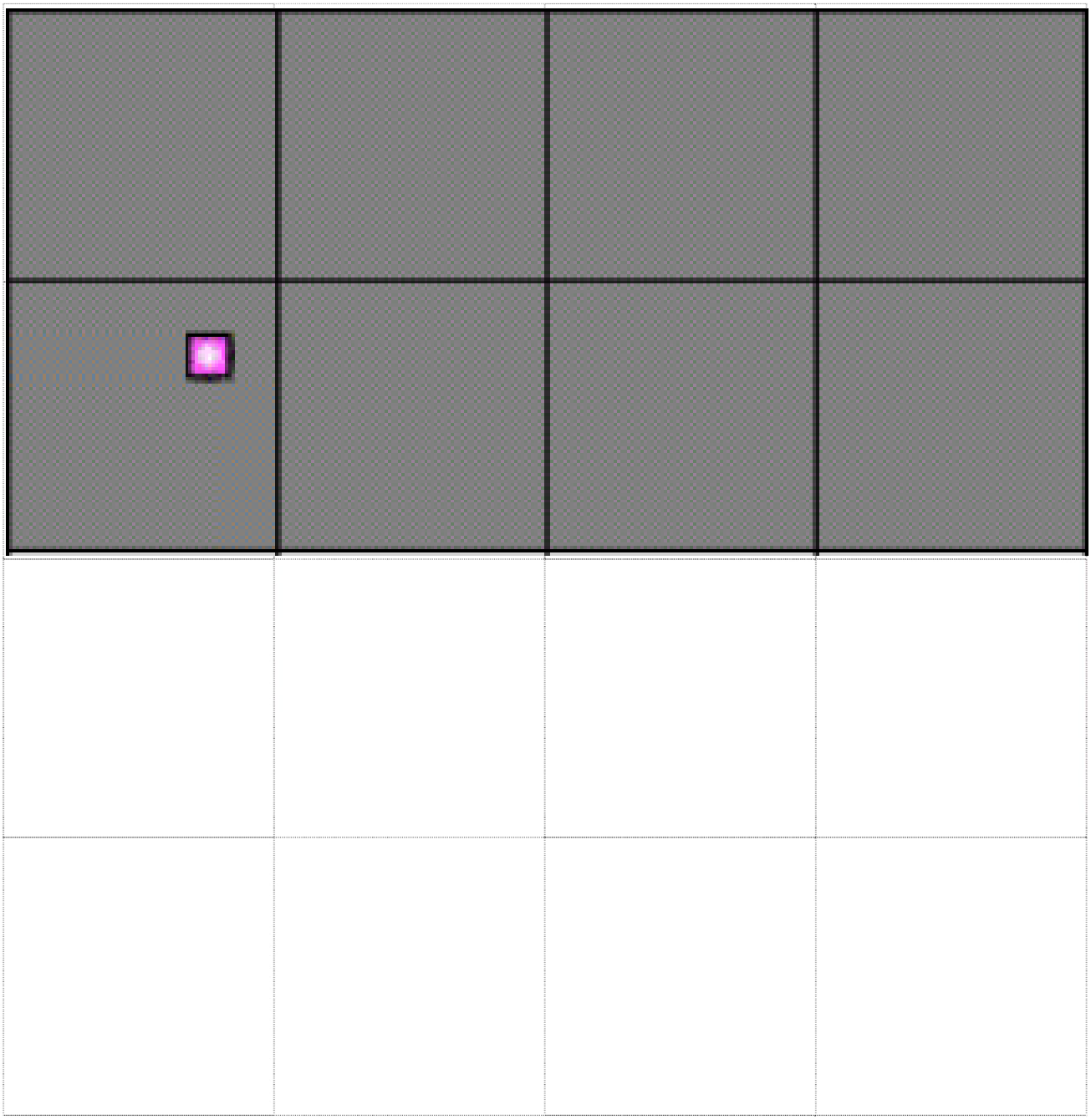
Date of Survey
5/3/1977

Note: 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.

ACREAGE DEDICATION PLATS

This grid represents a standard section. You may superimpose a non-standard section, or larger area, over this grid. Operators must outline the dedicated acreage in a red box, clearly show the well surface location and bottom hole location, if it is directionally drilled, with the dimensions from the section lines in the cardinal directions. If this is a horizontal wellbore show on this plat the location of the First Take Point and Last Take Point, and the point within the Completed interval (other than the First Take Point or Last Take Point) that is closest to any outer boundary of the tract.

Surveyors shall use the latest United States government survey or dependent resurvey. Well locations will be in reference to the New Mexico Principal Meridian. If the land is not surveyed, contact the OCD Engineering Bureau. Independent subdivision surveys will not be acceptable.



State Com SRC 1A Production Allocation

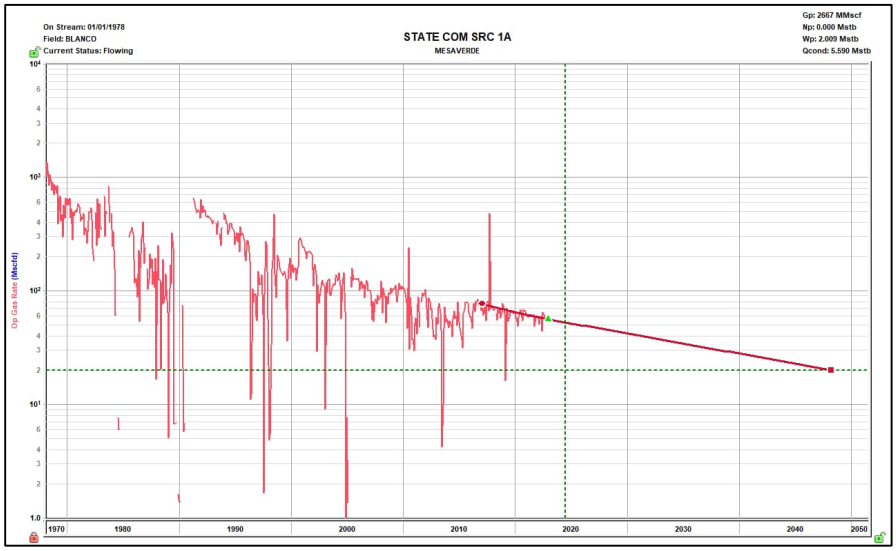
These zones are proposed to be commingled because the application of dual completions impedes the ability to produce the shallow zone without artificial lift and the deeper zones with reduced artificial lift efficiency. All horizons will require artificial lift due to low bottomhole pressure (BHP) and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

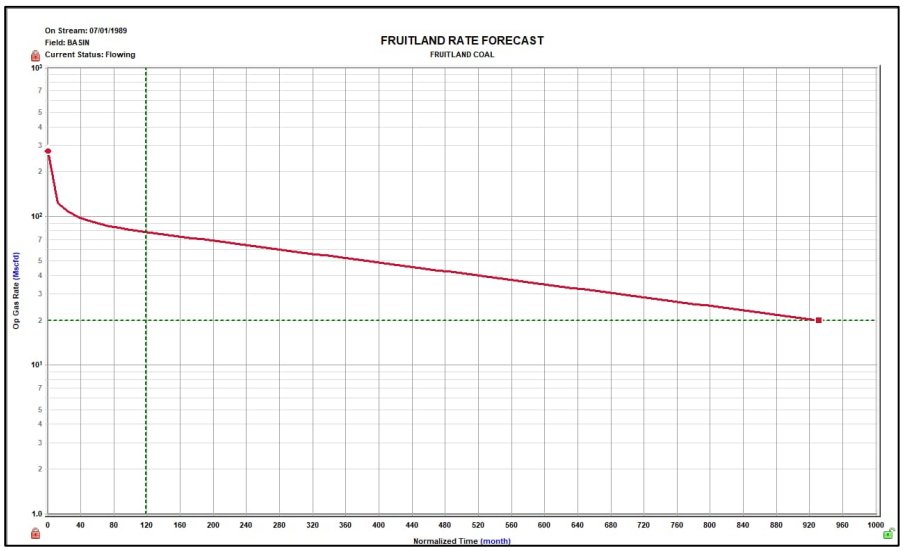
The BHPs of all zones, producing and non-producing, were estimated based upon basin wide Moving-Domain Material Balance models that have proven to approximate the pressure in the given reservoirs well in this portion of the basin, in conjunction with shut-in pressure build-ups. These models were constructed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

Production Allocation Method – Subtraction

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

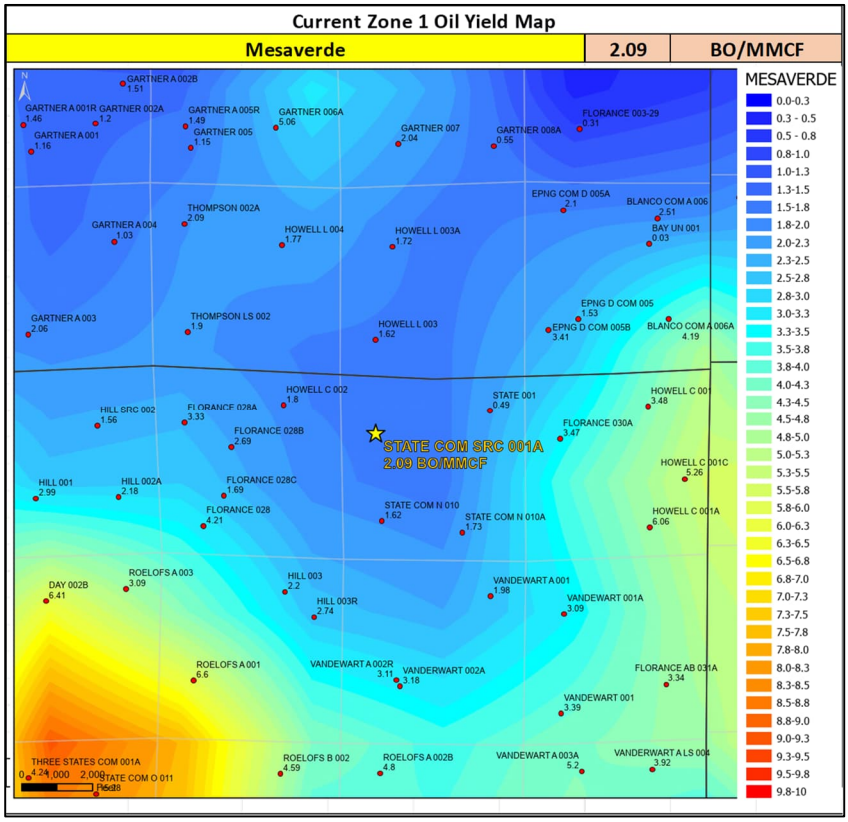
After 3 years production will stabilize. A production average will be gathered during the 4th year and will be utilized to create a fixed percentage-based allocation.

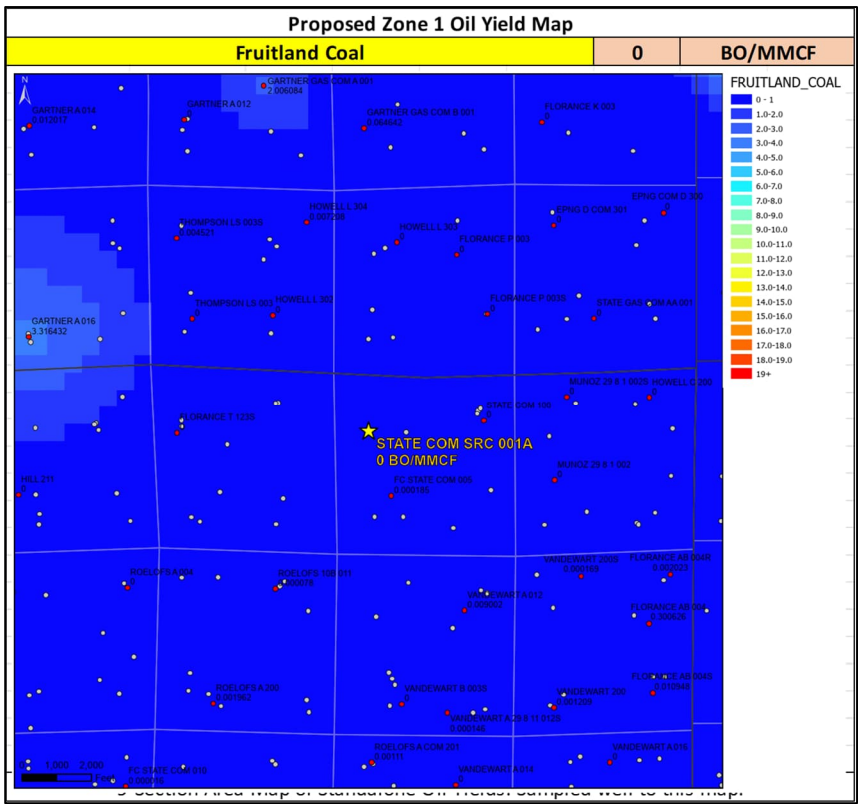




Oil Allocation:
Fruitland Coal is not expected to produce condensate therefore it will be allocated 100% to MV.

Formation	Yield (bbl/MM)	Remaining Reserves (MMcf)	% Oil Allocation
MV	2.09	324	100%
FRC	0	1400	0%





Certified Number	Sender	Recipient	Date Mailed	Delivery Status
9214896900999790184408036 1	Dani Kuzma	, GREG and NANCY VANCE FAMILY LTD, PTNRSHP PRODUCTION GATH CO, DALLAS, TX, 75206 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408037 8	Dani Kuzma	, CYRENE INMAN, BANK OF AMERICA NA, DALLAS, TX, 75284-0738 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408038 5	Dani Kuzma	, STATE OF NEW MEXICO, BATAAN MEMORIAL BUILDING, SANTA FE, NM, 87501 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408039 2	Dani Kuzma	, PENNIES FROM HEAVEN LLC, BANK OF AMERICA AGENT, DALLAS, TX, 75284-0738 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408040 8	Dani Kuzma	, DONALD H BROWN, DBA BROWN ENERGY, WICHITA FALLS, TX, 76307 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408041 5	Dani Kuzma	, BRADY H BROWN, , AMARILLO, TX, 79102 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408042 2	Dani Kuzma	, SHANNON BROWN, DBA BROWN ENERGY, WICHITA FALLS, TX, 76307 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408043 9	Dani Kuzma	, BERT H BROWN, D/B/A BROWN ENERGY, WICHITA FALLS, TX, 76307 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408044 6	Dani Kuzma	, MARCIA L BERGER EDUCATIONAL FNDN, C/O EYM and ASSOCIATES LLC, HOBBS, NM, 88241 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408045 3	Dani Kuzma	, ROBERT UMBACH CANCER FOUNDATION, MARTINDALE CONSULTANTS INC AGENT, OKLAHOMA CITY, OK, 73112-2311 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408046 0	Dani Kuzma	, JOANN BRIGGS, DBA JRB INVESTMENTS LLC, ALBUQUERQUE, NM, 87109 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408047 7	Dani Kuzma	, WILLIAM BRIGGS, DBA WCB INVESTMENTS LLC, ALBUQUERQUE, NM, 87109 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408048 4	Dani Kuzma	, GEORGE W UMBACH, , MANCHESTER, TN, 37349 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408049 1	Dani Kuzma	, R B NIELSEN TRUST SEPT 8 2010, KARIN DALE NIELSEN TRUSTEE, MANSFIELD, TX, 76063	3/10/2025	**Signature Pending**

		Code: STATE COM SRC 1A_STATE COM 1Y DHC		
9214896900999790184408050 7	Dani Kuzma	, WWR ENTERPRISES INC, C/O EYM and ASSOCIATES LLC, HOBBS, NM, 88241 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408051 4	Dani Kuzma	, SYLVIA RAE ROLLINS, , KING GEORGE, VA, 22485 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408052 1	Dani Kuzma	, CEEFAM LLC, C/O LITTLE OIL and GAS INC., FARMINGTON, NM, 87499 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408053 8	Dani Kuzma	, RADO ROYALTIES LLC, , ENGLEWOOD, CO, 80112 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408054 5	Dani Kuzma	, SAN JUAN BASIN TRUST, , BARTLESVILLE, OK, 74006-7500 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408055 2	Dani Kuzma	, C and R PROPERTIES, , ROSWELL, NM, 88202 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408056 9	Dani Kuzma	, CAROLYN SEDBERRY TRUST, JOHN B SEDBERRY TRUSTEE, FARMINGTON, NM, 87499 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408057 6	Dani Kuzma	, MORNINGSTAR OPERATING LLC, , DALLAS, TX, 75266-9173 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408058 3	Dani Kuzma	, SIMCOE, LLC, ATTN MICHELLE BLANKENSHIP, DURANGO, CO, 81301 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408059 0	Dani Kuzma	, BLACKBIRD ROYALTIES LLC, , ROSWELL, NM, 88201 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408060 6	Dani Kuzma	, ESV ENTERPRISES LLC, , ROSWELL, NM, 88202-1952 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408061 3	Dani Kuzma	, FUEGO SAGRADO LLC, , ROSWELL, NM, 88202-0135 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408062 0	Dani Kuzma	, SOUTHWEST PETROLEUM LAND SERVICES L, , ROSWELL, NM, 88201 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408063 7	Dani Kuzma	, DEREK WILLIAM BRIGGS, , WOODBURY, MN, 55125 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**
9214896900999790184408064 4	Dani Kuzma	, ROYCE RANDOLPH BRIGGS, , LOUDON, NH, 03307 Code: STATE COM SRC 1A_STATE COM 1Y DHC	3/10/2025	**Signature Pending**

NEW MEXICO STATE LAND OFFICE

APPLICATION FOR

COMMINGLING AND OFF-LEASE STORAGE

ON STATE TRUST LANDS

This application form is required for all commingling applications requiring approval by the Commissioner of Public Lands.

Applicant: Hilcorp Energy Company **OGRID #:** 372171

Well Name: State Com SRC 1A **API #:** 30-045-22559

Pool: Basin Fruitland Coal / Blanco Mesaverde

OPERATOR NAME: Hilcorp Energy Company Attn: Cheryl Weston, Rm. 12.201

OPERATOR ADDRESS: 1111 Travis Street, Houston, TX 77002

APPLICATION REQUIREMENTS – SUBMIT:

1. New Mexico Oil Conservation Division (NMOCD) application packet (or equivalent information if no application is required by NMOCD),
2. Commingling application fee of $150.

CERTIFICATION: To the best of my knowledge,

- All business leases and rights-of-way necessary for conducting the proposed operation on State Trust lands have been applied for or obtained,
- The information submitted with this application is **accurate** and **complete**, and
- No loss will accrue to the state of New Mexico as a result of the proposed operation.

I also understand that **no action** will be taken on this application until the required information and fee are submitted to the State Land Office.

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

Cherylene Weston
Print or Type Name

Cherylene Weston
Signature

713-289-2615
Phone Number

2/18/2025
Date

cweston@hilcorp.com
e-mail Address

Submit application to:
Commissioner of Public Lands
Attn: Commingling Manager
PO Box 1148
Santa Fe, NM 87504-1148

Questions?
Contact the Commingling Manager:
505.827.6628

Upon approval, the requesting organization will receive an acknowledgment letter from the Commissioner of Public Lands.

Rev. 2017_10_25

Proof of Delivery

Dear Customer,

This notice serves as proof of delivery for the shipment listed below.

Tracking Number

1Z373R920192652275

Weight

1.00 LBS

Service

UPS Next Day Air®

Shipped / Billed On

03/12/2025

Delivered On

03/13/2025 10:22 A.M.

Delivered To

SANTA FE, NM, US

Received By

ARMIJO

Please print for your records as photo and details are only available for a limited time.

Sincerely,

UPS

Tracking results provided by UPS: 03/13/2025 12:38 P.M. EST

Sante Fe Main Office
Phone: (505) 476-3441

General Information
Phone: (505) 629-6116

Online Phone Directory
https://www.emnrd.nm.gov/ocd/contact-us

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

CONDITIONS

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 442207
	Action Type: [C-107] Down Hole Commingle (C-107A)

CONDITIONS

Created By	Condition	Condition Date
llowe	None	5/21/2025