

|   |                      |   |                    |   |   |              |
|---|----------------------|---|--------------------|---|---|--------------|
| <h1 style="text-align: center;">Hilcorp Energy Company</h1> <h2 style="text-align: center;">PRODUCTION ALLOCATION FORM</h2>   |                      |   |                    |   | Distribution:<br>BLM / NMOCD Original<br>Accounting<br>Well File<br>Revised: September 25, 2019                                 |              |
|   |                      |   |                    |   | Status<br>PRELIMINARY <input checked="" type="checkbox"/><br>FINAL <input type="checkbox"/><br>REVISED <input type="checkbox"/> |              |
| Commingle Type<br>SURFACE <input type="checkbox"/> DOWNHOLE <input checked="" type="checkbox"/><br>Type of Completion<br>NEW DRILL <input type="checkbox"/> RECOMPLETION <input checked="" type="checkbox"/> PAYADD <input type="checkbox"/> COMMINGLE <input type="checkbox"/>   |                      |   |                    |   | Date: <b>10/5/22</b><br>API No. <b>30-039-08141</b><br>DHC No. <b>DHC-5219</b><br>Lease No. <b>NMNM013656</b>                   |              |
| Well Name<br><b>San Juan 28-6 Unit</b>  |                      |   |                    |   | Well No.<br><b>99</b>   |              |
| Unit Letter<br><b>H</b>   | Section<br><b>24</b> | Township<br><b>28N</b>  | Range<br><b>6W</b> | Footage<br><b>1650' FNL &amp; 1090' FEL</b> | County, State<br><b>Rio Arriba,<br/>New Mexico</b>  |              |
| Completion Date<br><b>9/26/22</b>   |                      | Test Method<br>HISTORICAL <input type="checkbox"/> FIELD TEST <input type="checkbox"/> PROJECTED <input type="checkbox"/> OTHER <input checked="" type="checkbox"/> |                    |   |   |              |
|   |                      |   |                    |   |   |              |
| <p>JUSTIFICATION OF ALLOCATION: Hilcorp requests that production for the downhole commingle be allocated using the subtraction method in agreement with local agencies. The base formation is the Dakota and the added formation to be commingled is the Mesaverde. The subtraction method applies an average monthly production forecast to the base formation(s) using historic production. All production from this well exceeding the forecast will be allocated to the new formation(s). After 3 years production will stabilize. A production average will be gathered during the 4<sup>th</sup> year and will be utilized to create a fixed percentage based allocation.</p> <p>Oil production will be allocated based on average formation yields from offset wells and will be a fixed rate for 4 years. MV 98%, DK 2%<br/>         After 4 years oil will be reevaluated and adjust as needed based on average formation yields and new fixed gas allocation.</p> |                      |   |                    |   |   |              |
|   |                      |   |                    |   |   |              |
| NAME  |                      | DATE  |                    | TITLE                                       |   | PHONE        |
| X <i>Kandis Roland</i>  |                      | 10/5/2022   |                    | Operations/Regulatory Tech – Sr.            |   | 713-757-5246 |
|   |                      |   |                    |   |   |              |
| For Technical Questions Ray Brandhurst  |                      |   |                    | Reservoir Engineer                          |   | 713-757-5224 |
|   |                      |   |                    |   |   |              |

*Dean R. McClure*      10/25/2022

|                                      |  |  |
|--------------------------------------|--|--|
| <b>Well Name:</b> SAN JUAN 28-6 UNIT | <b>Well Location:</b> T28N / R6W / SEC 24 / SENE / 36.649429 / -107.412567 | <b>County or Parish/State:</b> RIO ARRIBA / NM |
| <b>Well Number:</b> 99               | <b>Type of Well:</b> CONVENTIONAL GAS WELL                                 | <b>Allottee or Tribe Name:</b>                 |
| <b>Lease Number:</b> NMNM013656      | <b>Unit or CA Name:</b> SAN JUAN 28-6 UNIT--DK                             | <b>Unit or CA Number:</b> NMNM78412C           |
| <b>US Well Number:</b> 3003908141    | <b>Well Status:</b> Producing Gas Well                                     | <b>Operator:</b> HILCORP ENERGY COMPANY        |

Notice of Intent

**Sundry ID:** 2696604

**Type of Submission:** Notice of Intent

**Date Sundry Submitted:** 10/05/2022

**Date proposed operation will begin:** 09/26/2022

**Type of Action:** Commingling (Subsurface)

**Time Sundry Submitted:** 11:47

**Procedure Description:** Please see attached production allocation.

NOI Attachments

**Procedure Description**

SJ\_28\_6\_Unit\_99\_Preliminary\_Subtraction\_Allocation\_20221005114715.pdf

|                               |   |   |
|-------------------------------|---|---|
| Well Name: SAN JUAN 28-6 UNIT | Well Location: T28N / R6W / SEC 24 / SENE / 36.649429 / -107.412567 | County or Parish/State: RIO ARRIBA / NM |
| Well Number: 99               | Type of Well: CONVENTIONAL GAS WELL                                 | Allottee or Tribe Name:                 |
| Lease Number: NMNM013656      | Unit or CA Name: SAN JUAN 28-6 UNIT--DK                             | Unit or CA Number: NMNM78412C           |
| US Well Number: 3003908141    | Well Status: Producing Gas Well                                     | Operator: HILCORP ENERGY COMPANY        |

Operator

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

|  |                                  |
|--|----------------------------------|
| Operator Electronic Signature: KANDIS ROLAND | Signed on: OCT 05, 2022 11:47 AM |
| Name: HILCORP ENERGY COMPANY                 |                                  |
| Title: Operation Regulatory Tech             |                                  |
| Street Address: 382 Road 3100                |                                  |
| City: Farmington                             | State: NM                        |
| Phone: (505) 599-3400                        |                                  |
| Email address: kroland@hilcorp.com           |                                  |

Field

|                      |        |      |
|----------------------|--------|------|
| Representative Name: |        |      |
| Street Address:      |        |      |
| City:                | State: | Zip: |
| Phone:               |        |      |
| Email address:       |        |      |

BLM Point of Contact

|                                 |   |
|---------------------------------|---|
| BLM POC Name: KENNETH G RENNICK | BLM POC Title: Petroleum Engineer       |
| BLM POC Phone: 5055647742       | BLM POC Email Address: krennick@blm.gov |
| Disposition: Approved           | Disposition Date: 10/05/2022            |
| Signature: Kenneth Rennick      |   |

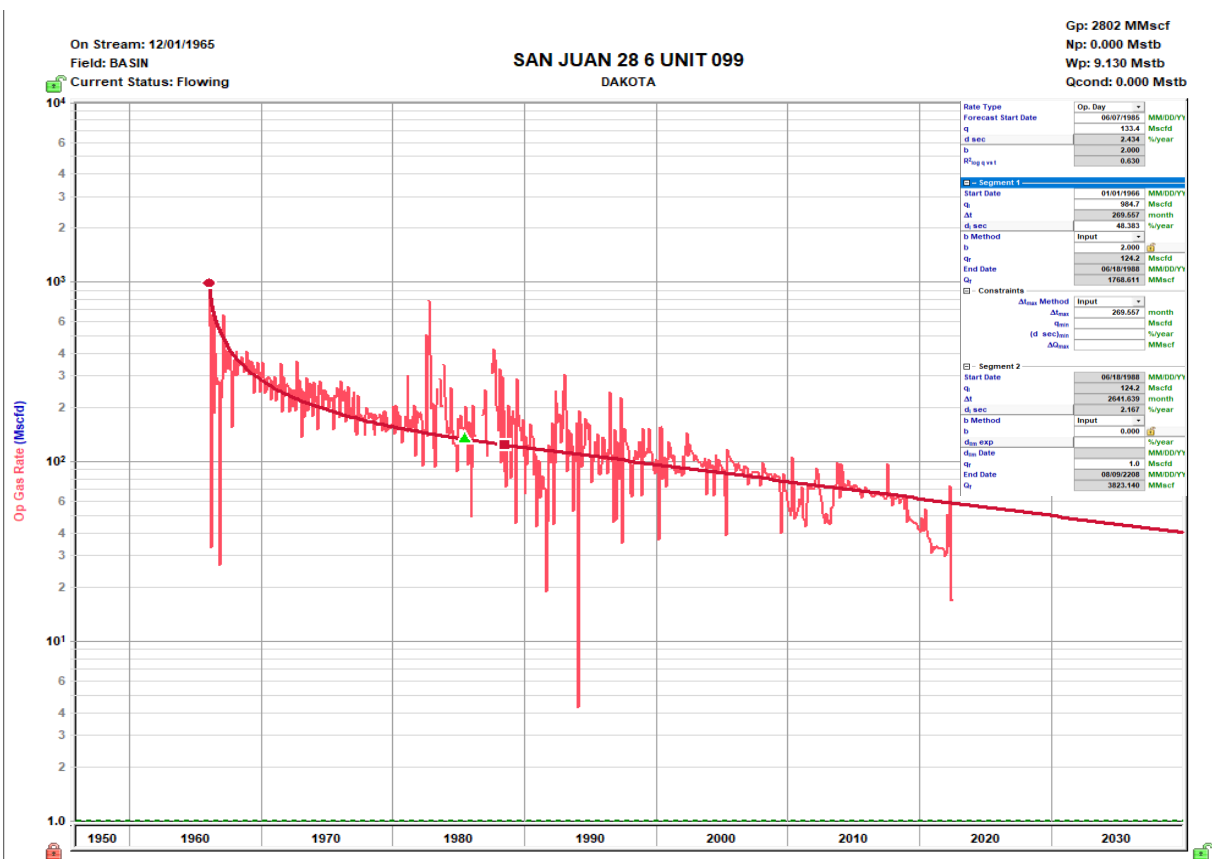
## San Juan 28-6 Unit 99 Subtraction Allocation

| Date   | Mcf/d |
|--------|-------|
| Sep-22 | 58.67 |
| Oct-22 | 58.55 |
| Nov-22 | 58.47 |
| Dec-22 | 58.35 |
| Jan-23 | 58.23 |
| Feb-23 | 58.14 |
| Mar-23 | 58.03 |
| Apr-23 | 57.93 |
| May-23 | 57.81 |
| Jun-23 | 57.70 |
| Jul-23 | 57.61 |
| Aug-23 | 57.52 |
| Sep-23 | 57.40 |
| Oct-23 | 57.29 |
| Nov-23 | 57.20 |
| Dec-23 | 57.10 |
| Jan-24 | 56.97 |
| Feb-24 | 56.86 |
| Mar-24 | 56.77 |
| Apr-24 | 56.67 |
| May-24 | 56.58 |
| Jun-24 | 56.47 |
| Jul-24 | 56.35 |
| Aug-24 | 56.26 |
| Sep-24 | 56.17 |
| Oct-24 | 56.06 |
| Nov-24 | 55.93 |
| Dec-24 | 55.84 |
| Jan-25 | 55.74 |
| Feb-25 | 55.64 |
| Mar-25 | 55.55 |
| Apr-25 | 55.43 |
| May-25 | 55.35 |
| Jun-25 | 55.23 |
| Jul-25 | 55.13 |
| Aug-25 | 55.03 |
| Sep-25 | 54.93 |
| Oct-25 | 54.84 |
| Nov-25 | 54.73 |
| Dec-25 | 54.65 |
| Jan-26 | 54.55 |
| Feb-26 | 54.43 |
| Mar-26 | 54.35 |
| Apr-26 | 54.23 |
| May-26 | 54.13 |
| Jun-26 | 54.03 |
| Jul-26 | 53.94 |
| Aug-26 | 53.84 |

### Gas Allocation:

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

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

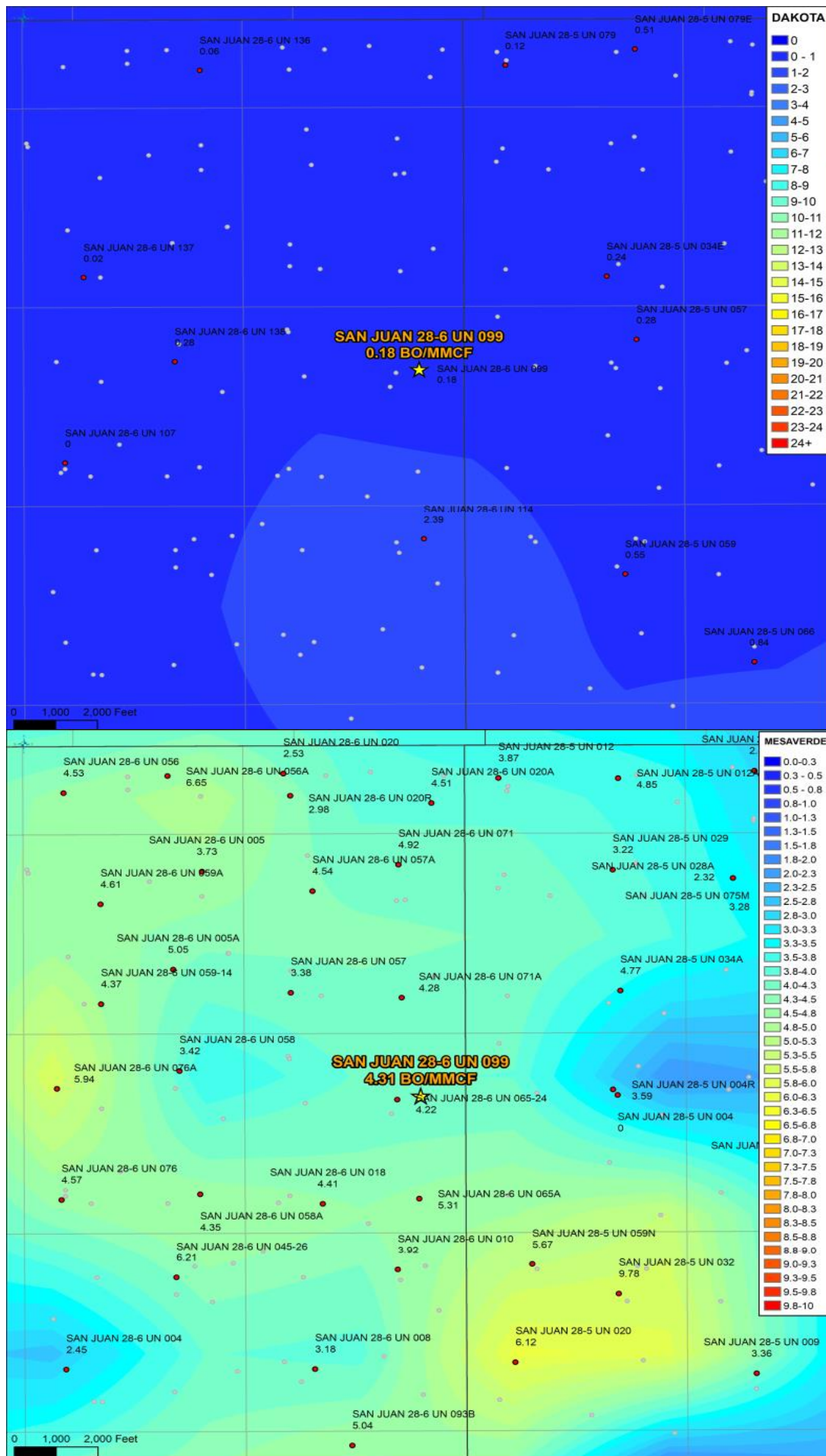


### Oil Allocation:

Oil production will be allocated based on average formation yields from offset wells and will be a fixed rate for 4 years.

After 4 years oil will be reevaluated and adjusted as needed based on average formation yields and new fixed gas allocation.

| Formation | Yield (bbl/MM) | Remaining Reserves (MMcf) | % Oil Allocation |
|-----------|----------------|---------------------------|------------------|
| DK        | 0.18           | 954                       | 2%               |
| MV        | 4.31           | 1602                      | 98%              |



**From:** [Ray Brandhurst](#)  
**To:** [McClure, Dean, EMNRD](#); [Kandis Roland](#)  
**Cc:** [Mandi Walker](#)  
**Subject:** RE: [EXTERNAL] Filed Production Allocations  
**Date:** Monday, October 24, 2022 10:48:19 AM

---

Hey Dean, that is correct!

Thanks,

Ray Brandhurst, P.E.  
San Juan East Reservoir Engineer  
Hilcorp Energy Company  
713-757-5224 office  
713-476-2843 cell

---

**From:** McClure, Dean, EMNRD <Dean.McClure@emnrd.nm.gov>  
**Sent:** Monday, October 24, 2022 11:41 AM  
**To:** Ray Brandhurst <rbrandhurst@hilcorp.com>; Kandis Roland <kroland@hilcorp.com>  
**Cc:** Mandi Walker <mwalker@hilcorp.com>  
**Subject:** RE: [EXTERNAL] Filed Production Allocations

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Is this the case for each of the following 3 proposed modified allocations?

|            |                         |    |        |
|------------|-------------------------|----|--------|
| 3003908141 | San Juan 28-6 unit 99N  | RC | 149277 |
| 3003930048 | San Juan 28-6 Unit 211F | RC | 151538 |
| 3003920106 | San Juan 28-5 Unit 77   | RC | 151474 |

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

---

**From:** Ray Brandhurst <[rbrandhurst@hilcorp.com](mailto:rbrandhurst@hilcorp.com)>  
**Sent:** Monday, October 24, 2022 10:04 AM  
**To:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>; Kandis Roland <[kroland@hilcorp.com](mailto:kroland@hilcorp.com)>  
**Cc:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Subject:** RE: [EXTERNAL] Filed Production Allocations

Good morning Dean,

That is exactly right, we adjusted the forecasts to better honor the rates we observed post-job.

Thanks,

Ray Brandhurst, P.E.  
San Juan East Reservoir Engineer  
Hilcorp Energy Company  
713-757-5224 office  
713-476-2843 cell

---

**From:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>  
**Sent:** Monday, October 24, 2022 9:46 AM  
**To:** Kandis Roland <[kroland@hilcorp.com](mailto:kroland@hilcorp.com)>; Ray Brandhurst <[rbrandhurst@hilcorp.com](mailto:rbrandhurst@hilcorp.com)>  
**Cc:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Subject:** RE: [EXTERNAL] Filed Production Allocations

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Ray,

It appears that the estimated reserves have changed on the last 3 of the 4 wells listed below. I'm presuming that perhaps once the well was bought into production, its behavior deviated from projections and led to the recalculation that resulted in this new proposed allocation, but am looking to have that confirmed. I only need a high level statement regarding the reason for the allocation change rather than anything in depth.

Please reference each of the wells below for which the statement you provide is for.

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

---

**From:** Kandis Roland <[kroland@hilcorp.com](mailto:kroland@hilcorp.com)>  
**Sent:** Monday, October 24, 2022 8:39 AM  
**To:** Ray Brandhurst <[rbrandhurst@hilcorp.com](mailto:rbrandhurst@hilcorp.com)>; McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>  
**Cc:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>; Kandis Roland <[kroland@hilcorp.com](mailto:kroland@hilcorp.com)>



**Subject:** FW: [EXTERNAL] Filed Production Allocations

Ray,

Please see Dean's email below. Please send him the requested information.

Thanks,

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

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**From:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>  
**Sent:** Monday, October 24, 2022 8:58 AM  
**To:** Kandis Roland <[kroland@hilcorp.com](mailto:kroland@hilcorp.com)>  
**Cc:** [kandisrae@msn.com](mailto:kandisrae@msn.com); Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Subject:** RE: [EXTERNAL] Filed Production Allocations

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Kandis,

Reviewing the proposed amended allocation for the San Juan 28-6 Unit #99N (30-039-08141) submitted under Action ID: 149277; it looks like the new fixed percentage for oil is due to a drastic change in estimated remaining reserves for the Dakota formation from what was submitted in the original application. Please provide a very brief description for this change. An example being that perhaps new data has been gathered and the calculated reserves was adjusted accordingly or perhaps a typo was made in the original application.

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

---

**From:** Kandis Roland <[kroland@hilcorp.com](mailto:kroland@hilcorp.com)>  
**Sent:** Tuesday, October 18, 2022 8:25 AM  
**To:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>  
**Cc:** [kandisrae@msn.com](mailto:kandisrae@msn.com); Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Subject:** [EXTERNAL] Filed Production Allocations

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links or opening attachments.

Dean,

The following recomplete production allocations has been submitted to NMOCD. Please see action ID numbers below.

| API        | Well Name               | Type | Action ID |
|------------|-------------------------|------|-----------|
| 3003930043 | San Juan 28-6 Unit 168E | RC   | 149255    |
| 3003908141 | San Juan 28-6 unit 99N  | RC   | 149277    |
| 3003930048 | San Juan 28-6 Unit 211F | RC   | 151538    |
| 3003920106 | San Juan 28-5 Unit 77   | RC   | 151474    |

Thanks,

Kandis Roland  
HILCORP ENERGY  
San Juan East/South Regulatory  
713.757.5246  
[kroland@hilcorp.com](mailto:kroland@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 149277

CONDITIONS

|  |   |
|--|---|
| Operator:<br>HILCORP ENERGY COMPANY<br>1111 Travis Street<br>Houston, TX 77002 | OGRID:<br>372171                                    |
|  | Action Number:<br>149277                            |
|  | Action Type:<br>[C-103] NOI General Sundry (C-103X) |

CONDITIONS

| Created By | Condition | Condition Date |
|------------|-----------|----------------|
| dmcclure   | None      | 10/25/2022     |