

<h1 style="margin: 0;">Hilcorp Energy Company</h1> <h2 style="margin: 0;">PRODUCTION ALLOCATION FORM</h2>					Distribution: BLM / NMOCD Original Accounting Well File Revised: September 25, 2019	
Commingle Type SURFACE <input type="checkbox"/> DOWNHOLE <input checked="" type="checkbox"/> Type of Completion NEW DRILL <input type="checkbox"/> RECOMPLETION <input checked="" type="checkbox"/> PAYADD <input type="checkbox"/> COMMINGLE <input type="checkbox"/>					Status PRELIMINARY <input checked="" type="checkbox"/> FINAL <input type="checkbox"/> REVISED <input type="checkbox"/>	
					Date: <b>10/12/22</b>  API No. <b>30-039-20106</b> DHC No. <b>DHC-5195</b> Lease No. <b>NMSF079520</b>	
Well Name <b>San Juan 28-5 Unit</b>					Well No. <b>77</b>	
Unit Letter <b>H</b>	Section <b>27</b>	Township <b>28N</b>	Range <b>5W</b>	Footage <b>1820' FNL &amp; 1070' FEL</b>	County, State <b>Rio Arriba, New Mexico</b>	
Completion Date  <b>10/6/2022</b>		Test Method  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 95%, DK 5%          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>		10/12/2022		Operations/Regulatory Tech – Sr.		713-757-5246
For Technical Questions Ray Brandhurst				Reservoir Engineer		713-757-5224

*Dean R McClure*

10/25/2022

Well Name: SAN JUAN 28-5 UNIT	Well Location: T28N / R5W / SEC 27 / SENE / 36.634399 / -107.340637	County or Parish/State: RIO ARRIBA / NM
Well Number: 77	Type of Well: CONVENTIONAL GAS WELL	Allottee or Tribe Name:
Lease Number: NMSF079520	Unit or CA Name: SAN JUAN 28-5 UNIT--DK	Unit or CA Number: NMNM78411B
US Well Number: 3003920106	Well Status: Producing Gas Well	Operator: HILCORP ENERGY COMPANY

Notice of Intent

Sundry ID: 2697752

Type of Submission: Notice of Intent

Date Sundry Submitted: 10/12/2022

Date proposed operation will begin: 10/06/2022

Type of Action: Commingling (Subsurface)

Time Sundry Submitted: 12:09

Procedure Description: Please see attached production allocation.

NOI Attachments

Procedure Description

SJ\_28\_5\_Unit\_77\_Preliminary\_Subtraction\_Allocation\_20221012120843.pdf

Well Name: SAN JUAN 28-5 UNIT	Well Location: T28N / R5W / SEC 27 / SENE / 36.634399 / -107.340637	County or Parish/State: RIO ARRIBA / NM
Well Number: 77	Type of Well: CONVENTIONAL GAS WELL	Allottee or Tribe Name:
Lease Number: NMSF079520	Unit or CA Name: SAN JUAN 28-5 UNIT--DK	Unit or CA Number: NMNM78411B
US Well Number: 3003920106	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 12, 2022 12:08 PM

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: 10/17/2022

Signature: Kenneth Rennick

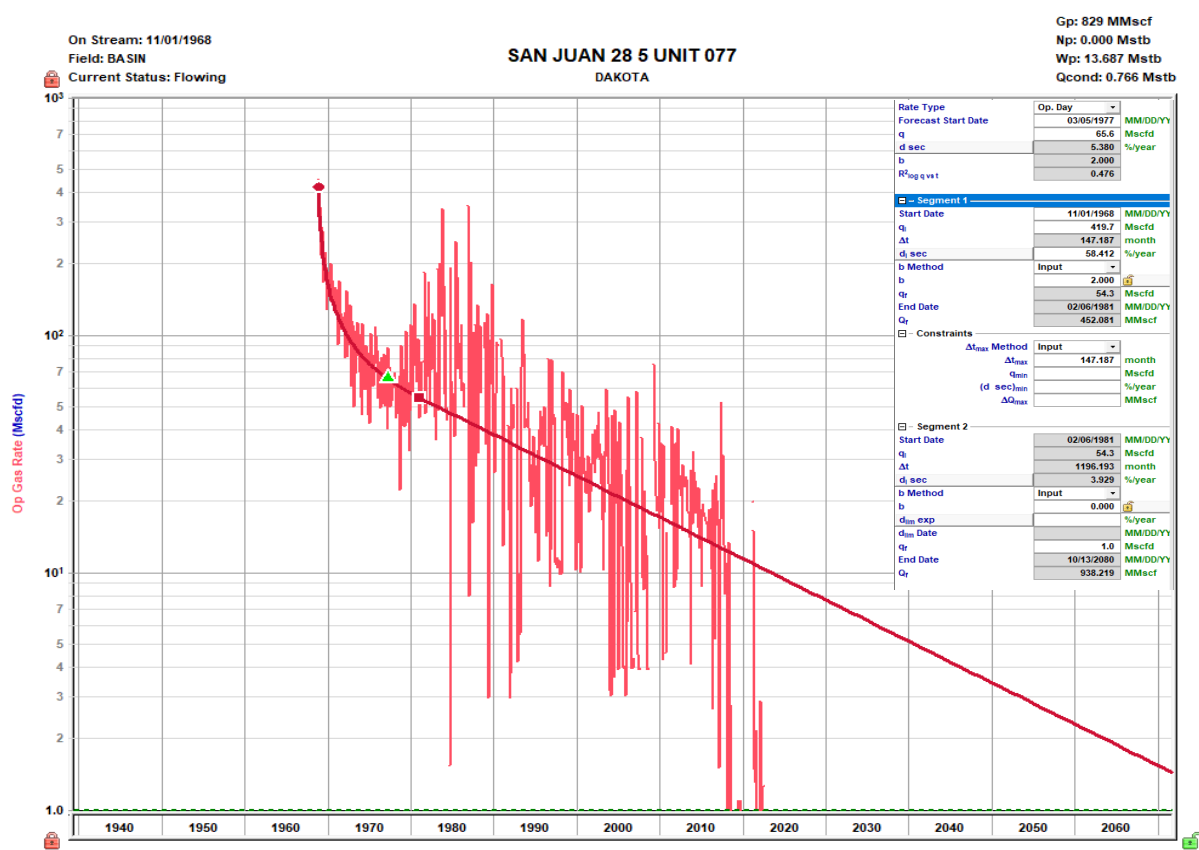
## San Juan 28-5 Unit 77 Subtraction Allocation

Date	Mcf/d
Sep-22	9.13
Oct-22	9.10
Nov-22	9.06
Dec-22	9.03
Jan-23	9.00
Feb-23	8.97
Mar-23	8.93
Apr-23	8.90
May-23	8.90
Jun-23	8.84
Jul-23	8.83
Aug-23	8.81
Sep-23	8.77
Oct-23	8.73
Nov-23	8.71
Dec-23	8.67
Jan-24	8.65
Feb-24	8.61
Mar-24	8.61
Apr-24	8.55
May-24	8.53
Jun-24	8.52
Jul-24	8.47
Aug-24	8.45
Sep-24	8.42
Oct-24	8.40
Nov-24	8.35
Dec-24	8.33
Jan-25	8.32
Feb-25	8.29
Mar-25	8.24
Apr-25	8.23
May-25	8.20
Jun-25	8.16
Jul-25	8.13
Aug-25	8.13
Sep-25	8.10
Oct-25	8.07
Nov-25	8.03
Dec-25	8.00
Jan-26	7.97
Feb-26	7.97
Mar-26	7.93
Apr-26	7.90
May-26	7.87
Jun-26	7.84
Jul-26	7.83
Aug-26	7.81

### 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.

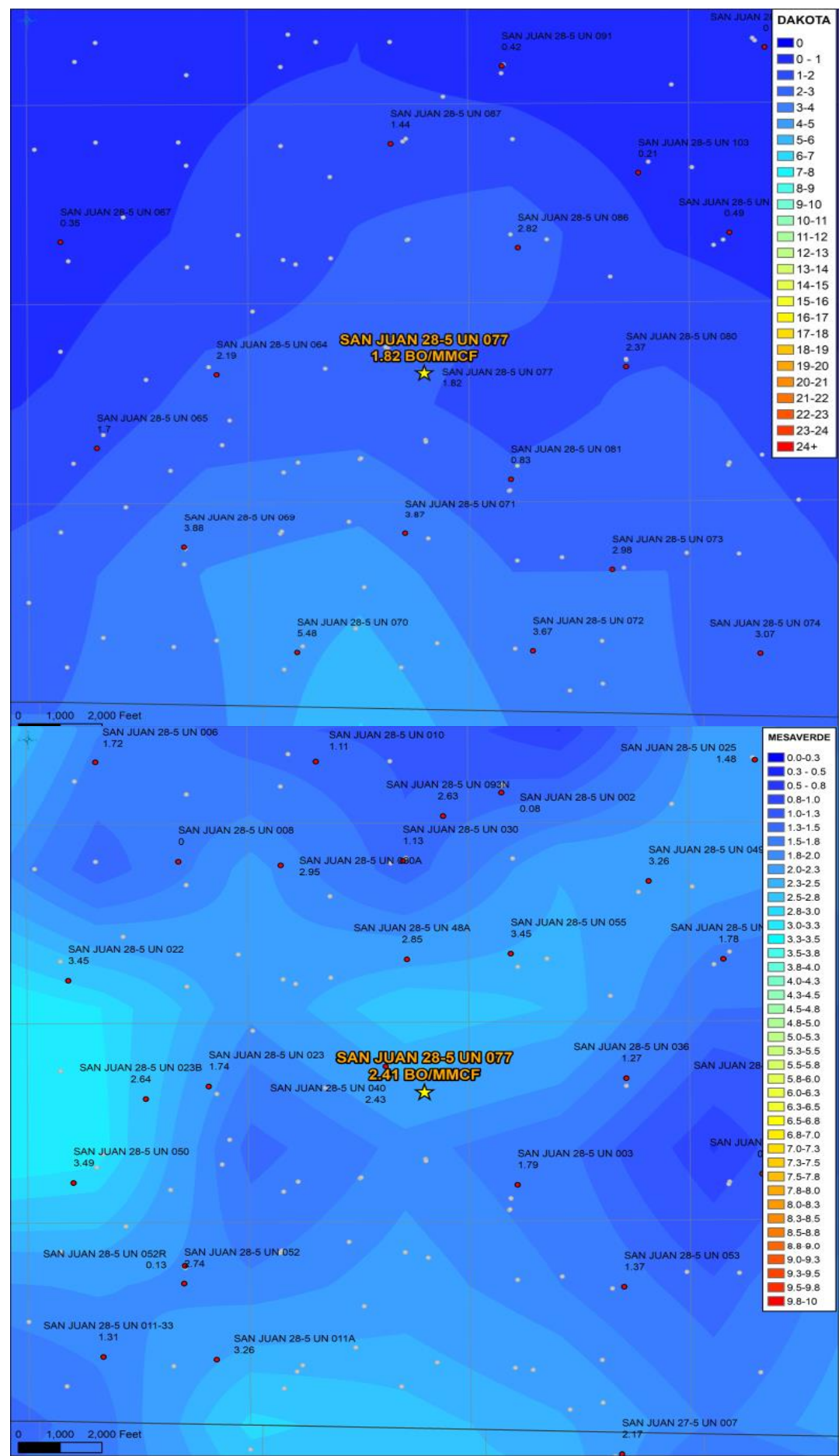


### Oil Allocation:

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	1.82	73	5%
MV	2.41	1080	95%



**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

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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

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**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

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**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

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**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

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**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 151474

CONDITIONS

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 151474
	Action Type: [C-103] NOI General Sundry (C-103X)

CONDITIONS

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