

RECEIVED: 7/10 3/2018	REVIEWER: VAM	TYPE: DHL	APP NO: PMAM1818450951
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ABOVE THIS TABLE FOR OCD DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Geological & Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Applicant: Hilcorp Energy CompanyOGRID Number: 372171Well Name: San Juan 32-7 Unit 46API: 3004525393Pool: Los Pinos PCPool Code: 80690

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☐ PPR2) **NOTIFICATION REQUIRED TO:** Check those which apply.A. ☐ Offset operators or lease holdersB. ☐ Royalty, overriding royalty owners, revenue ownersC. ☐ Application requires published noticeD. ☐ Notification and/or concurrent approval by SLOE. ☐ Notification and/or concurrent approval by BLMF. ☐ Surface ownerG. ☐ For all of the above, proof of notification or publication is attached, and/or,H. ☒ No notice required**FOR OCD ONLY**☐

Notice Complete

☐Application
Content
Complete

3) **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

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

Freddy Proctor
 Print or Type Name

Freddy Proctor
 Signature

7/3/2018
 Date

505.599.3426
 Phone Number

fproctor@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
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Hilcorp Energy Company 382 Road 3100, Aztec, NM 87410
Operator Address
SAN JUAN 32-7 46 32N - 7W - 34 - B SAN JUAN
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 372171 Property Code 318434 API No. 3004525393 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	LOS PINOS; FRUITLAND SAND PICTURED CLIFFS		BLANCO MESA VERDE
Pool Code	80690		72319
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3558' - 3760'		5742' - 6104'
Method of Production (Flowing or Artificial Lift)	FLOWING		FLOWING
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)	500 PSIA (Est)		1400 PSIA (Est)
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1190 BTU		1194 BTU
Producing, Shut-In or New Zone	PRODUCING		PRODUCING
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 05/29/2018 Rates: 0 bbl / 98 mcf / 0 bbl	Date: Rates:	Date: 11/30/2017 (Last good production data) Rates: 0 bbl / 37 mcf / 0 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 100 % 74 %	Oil Gas % %	Oil Gas 0 % 26 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☐ No ☒
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☒
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐
Will commingling decrease the value of production? Yes ☐ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands
or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐
NMOCD Reference Case No. applicable to this well: R-11210

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.

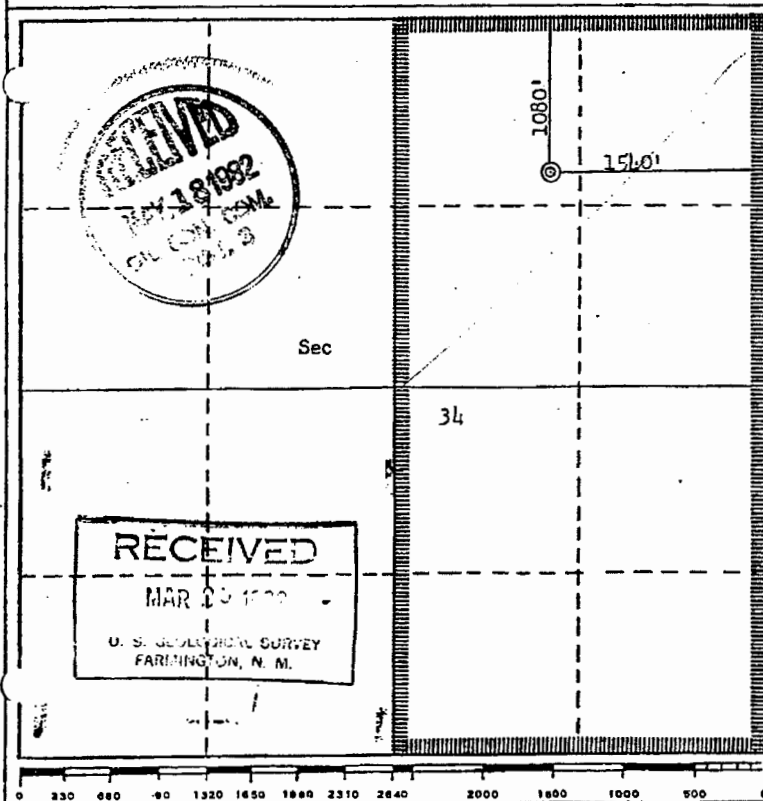
SIGNATURE Shonda Walker for TITLE Operations Engineer DATE 06/29/2018

TYPE OR PRINT NAME JOSEPH R COLLEY TELEPHONE NO. (505) 215-8167

E-MAIL ADDRESS JColley@hilcorp.com

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

Operator Northwest Pipeline Corporation		Lease San Juan 32-7 Unit		Well No. 46
I Letter B	Section 34	Township 32N	Range 7W	County San Juan
Actual Footage Location of Well: 1080 feet from the North line and 1540 feet from the East line				
Ground Level Elev. 6750	Producing Formation Pictured Cliffs/Mesa Verde	Pool South Los Pictured Cliffs/ Blanco Mesa Verde	Dedicated Acreage: PC 328 MV 320 acres	
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>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).</p> <p>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?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes," type of consolidation <u>no-unitization pooling</u></p> <p>If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)</p> <p>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.</p>				



CERTIFICATION

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

Paul C. Thompson

Name
Paul C. Thompson

Position
Drilling Engineer

Company
Northwest Pipeline Corp

Date
February 3, 1982

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

January

Registered Professional
and/or Licensed Surveyor

Fred B. Kern Jr.
Fred B. Kern Jr.

Certificate No.

3950



Ben Mitchell
Landman- San Juan North
505-324-5179 Direct
505-599-3400 Main Office
bemitchell@hilcorp.com

Hilcorp Energy Company
GP of Hilcorp San Juan, L.P.
382 Road 3100
Aztec, NM 87410

RE: San Juan 32-7 #46
API# 30-045-25393
Downhole Commingle

To whom it may concern,

Be it known that Hilcorp Energy Company is applying for downhole commingle of the above referenced well via Form C-107A. This proposed action is contemplated within order R-11210.

I call your attention to Order R-11210 which gives relief from the obligation or the operator to notice to owners should ownership not be common between proposed commingled zones. In addition, Order R-11210 provides that no justification is required for utilizing a particular production allocation method.

Should you have questions or concerns please contact me at the above number.

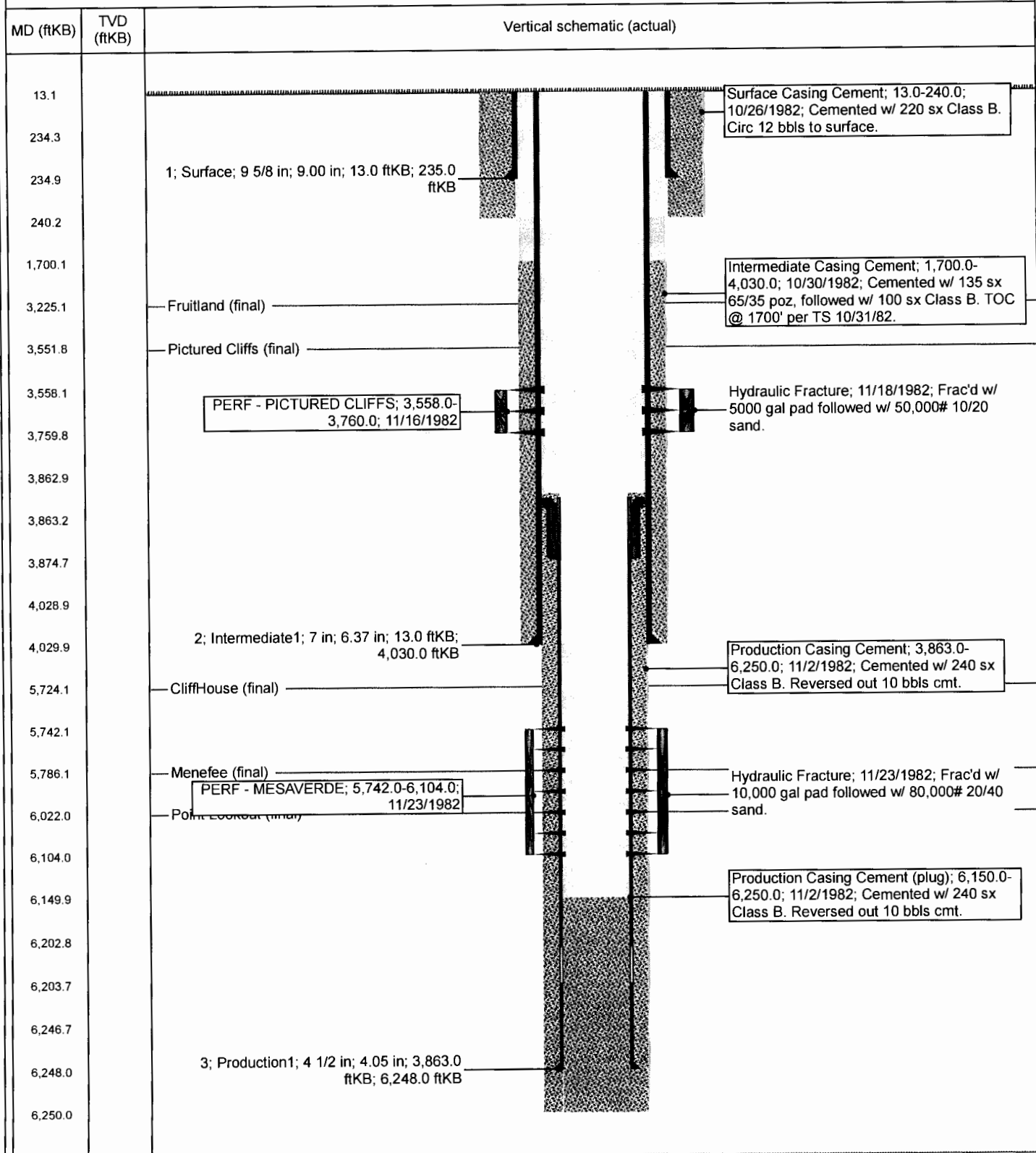
Sincerely,
Hilcorp San Juan, L.P.
By: Hilcorp Energy Company
Its General Partner

Ben Mitchell
Landman

Well Name: SAN JUAN 32-7 UNIT #46

API / UWI 3004525393	Surface Legal Location 034-032N-007W-B	Field Name PC/MV DUAL	License No.	State/Province NEW MEXICO	Well Configuration Type Vertical
Ground Elevation (ft) 6,750.00	Original KB/RT Elevation (ft) 6,763.00	KB-Ground Distance (ft) 13.00	KB-Casing Flange Distance (ft)	KB-Tubing Hanger Distance (ft)	

Vertical, Original Hole, 7/3/2018 2:19:19 PM





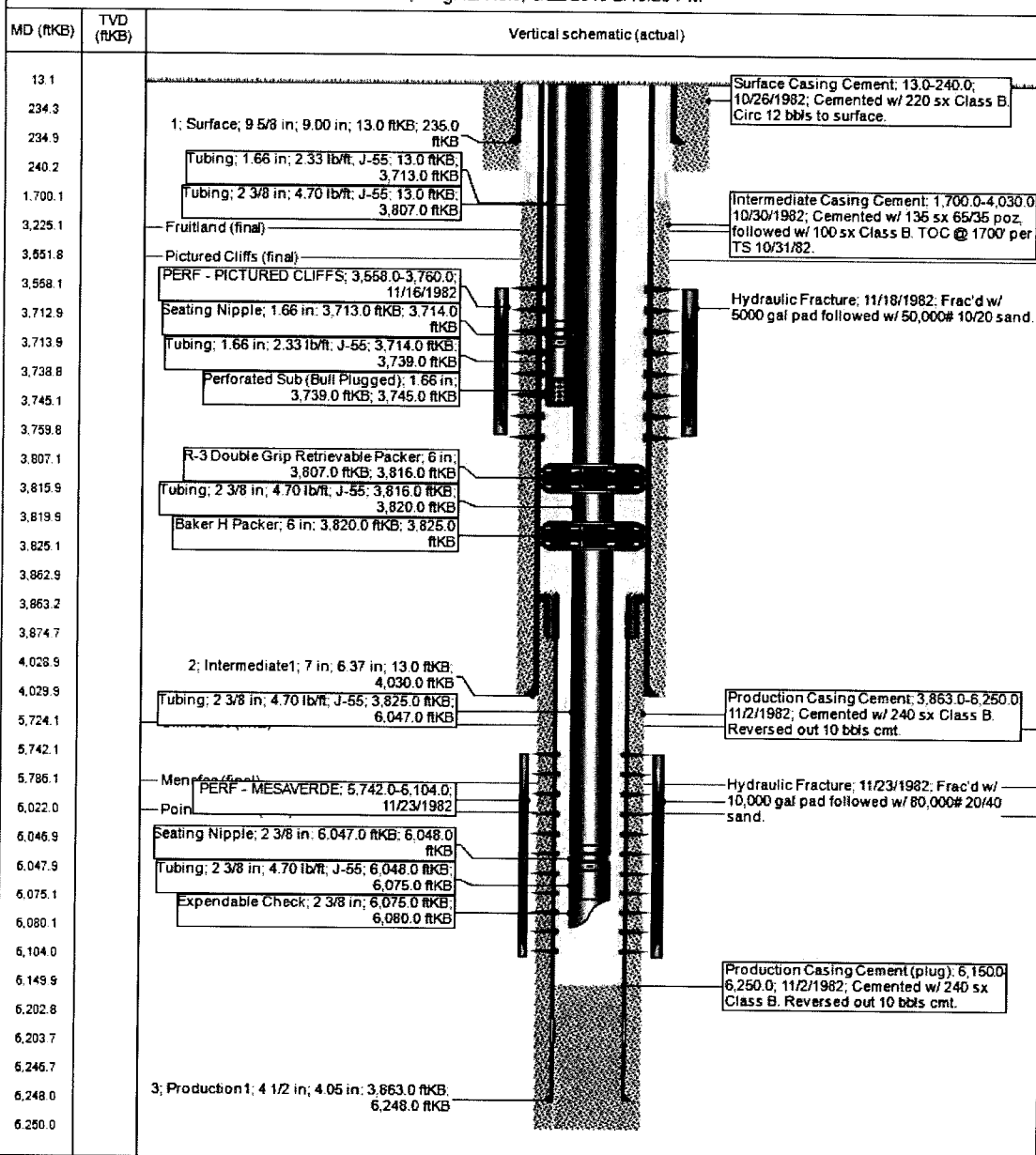
Hilcorp Energy Company

Current Schematic

Well Name: SAN JUAN 32-7 UNIT #46

API / UWI 3004525393	Surface Legal Location 034-032N-007W-B	Field Name PC/MV DUAL	License No.	State/Province NEW MEXICO	Well Configuration Type Vertical
Ground Elevation (ft) 6,750.00	Original KBRT Elevation (ft) 6,763.00	KB-Ground Distance (ft) 13.00	KB-Casing Flange Distance (ft)	KB-Tubing Hanger Distance (ft)	

Vertical, Original Hole, 6/22/2018 2:40:25 PM



Hilcorp Energy Company - San Juan 32-7 Unit 46 - Commingle Allocation Proposal

Expected current gas production rate by completion (see attached history graphs):

- Fruitland - PC = 98 mcf/day
- Mesa Verde = 34 mcf/day

Total commingled gas production forecast = 132 mcf/day

Gas allocation by production:

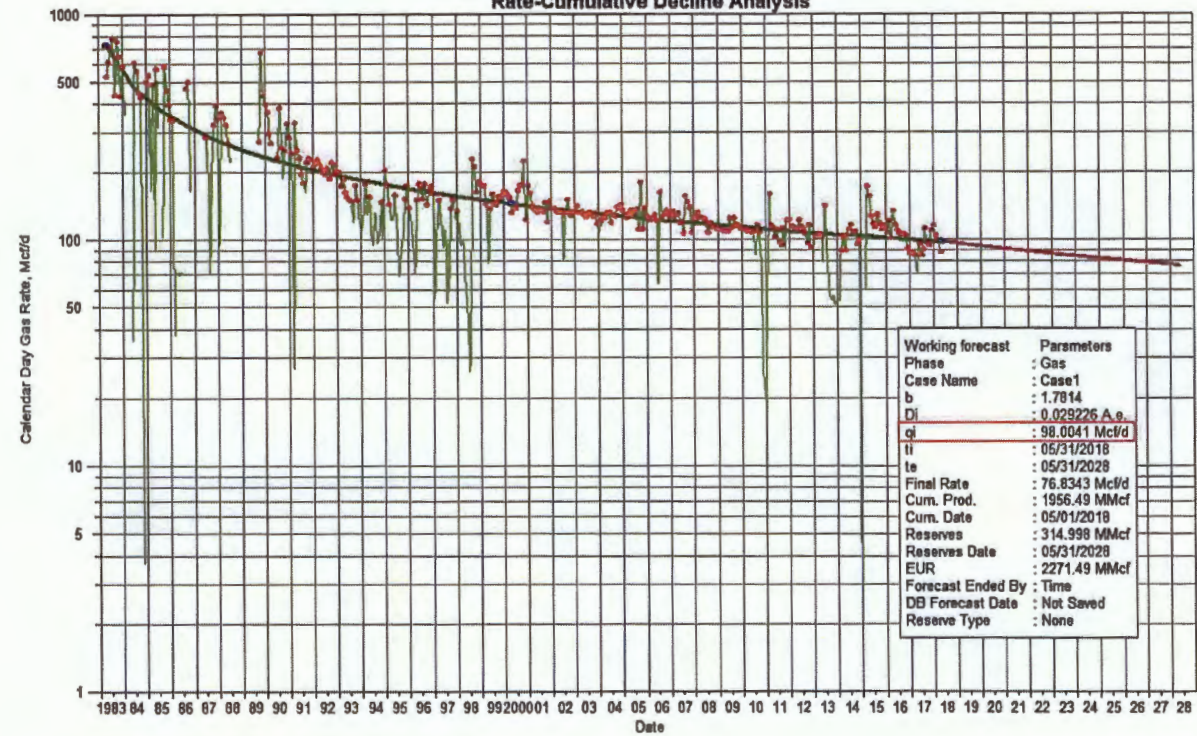
- Fruitland - PC @ $98 / 132 = 0.74 = \underline{74\%}$
- Mesa Verde @ $34 / 132 = \underline{26\%}$

Oil allocation by production:

- Fruitland - PC = 100%
- Mesa Verde = 0% (No history of oil production)

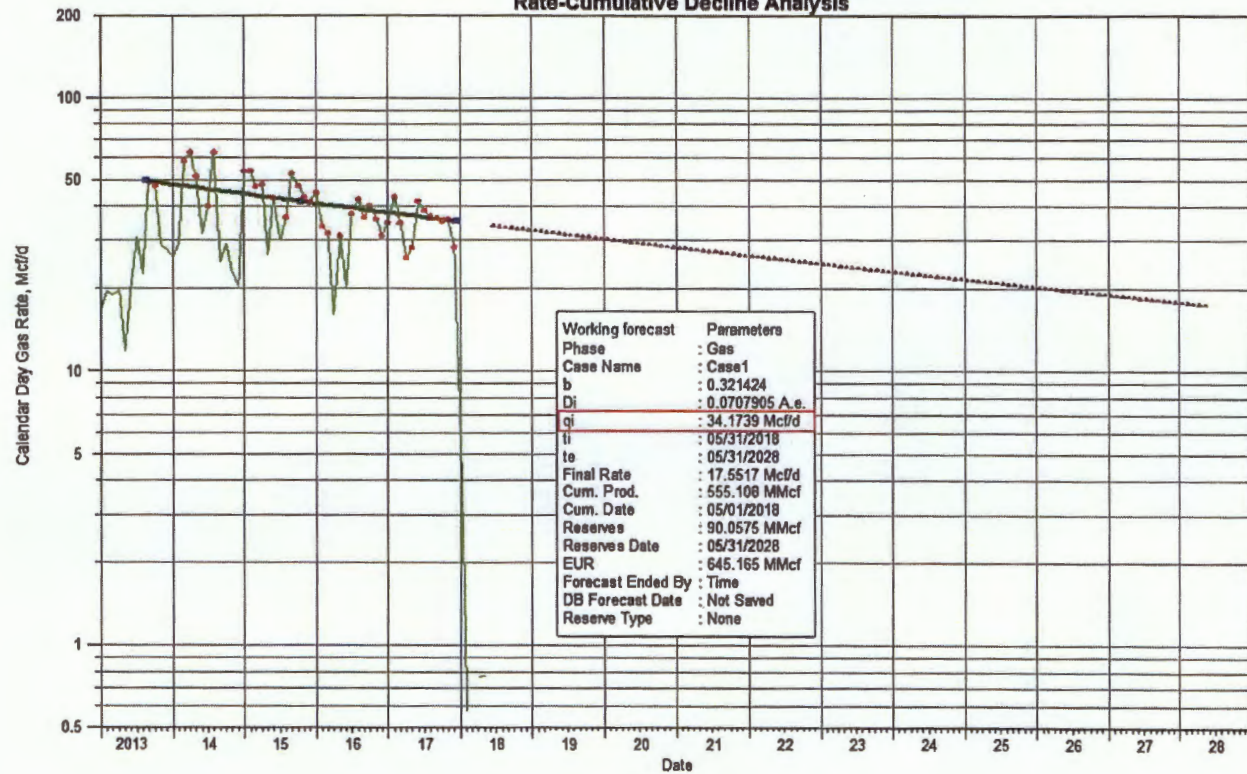
San Juan 32-7 Un 046 (FRUITLAND - PICTURED) - 30.1040.0279.00

Rate-Cumulative Decline Analysis

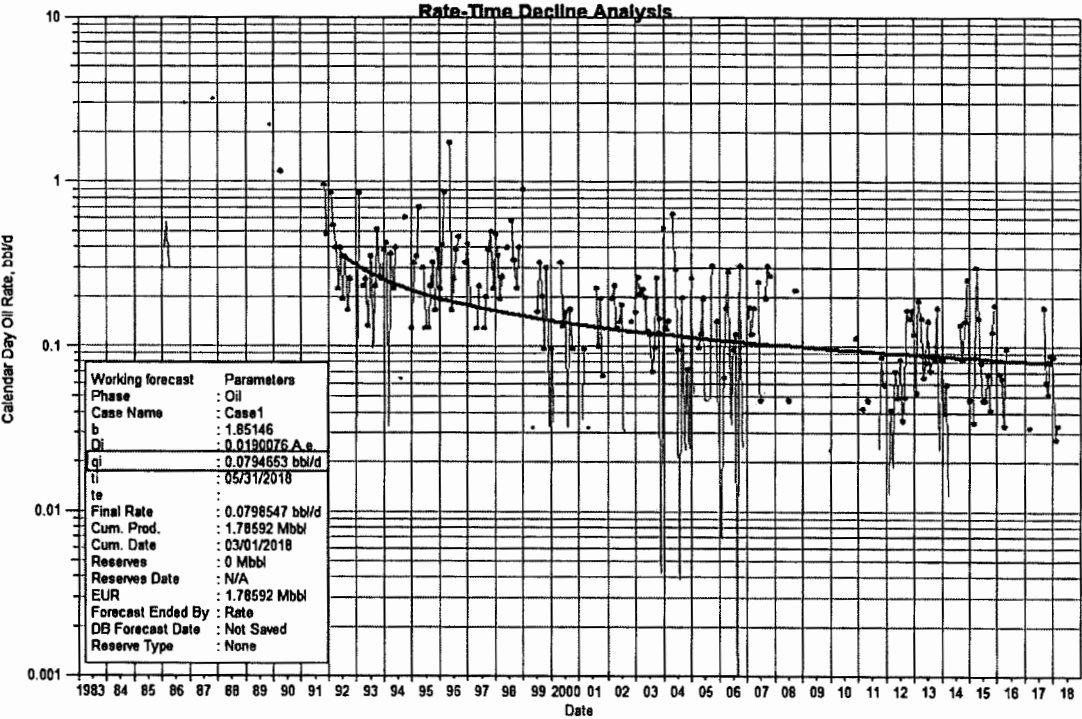


San Juan 32-7 Un 046 (MESAVERDE) - 30.1040.0279.01

Rate-Cumulative Decline Analysis



San Juan 32-7 Un 046 (FRUITLAND - PICTURED) - 30.1040.0279.00



McMillan, Michael, EMNRD

From: Mandi Walker <mwalker@hilcorp.com>
Sent: Tuesday, July 3, 2018 2:17 PM
To: McMillan, Michael, EMNRD
Subject: RE: [EXTERNAL] RE: SJ 32-7 Unit 46 - DHC Application

Yes, in the 4th year we will do a fixed allocation. The well has been producing as a Los pinos PC and MV since it was drilled in 1982. We are going to remove the packer and commingle the well.

From: McMillan, Michael, EMNRD [<mailto:Michael.McMillan@state.nm.us>]
Sent: Tuesday, July 3, 2018 2:14 PM
To: Mandi Walker <mwalker@hilcorp.com>
Cc: Joe Colley <jcolley@hilcorp.com>; Rob Carlson <rcarlson@hilcorp.com>; Ben Mitchell <bemitchell@hilcorp.com>
Subject: RE: [EXTERNAL] RE: SJ 32-7 Unit 46 - DHC Application

Are you using subtraction for the first 3 years, then submit a revised allocation method in the fourth year?
Mike

From: Mandi Walker <mwalker@hilcorp.com>
Sent: Tuesday, July 3, 2018 2:09 PM
To: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>
Cc: Joe Colley <jcolley@hilcorp.com>; Rob Carlson <rcarlson@hilcorp.com>; Ben Mitchell <bemitchell@hilcorp.com>
Subject: RE: [EXTERNAL] RE: SJ 32-7 Unit 46 - DHC Application

We will be doing a subtraction method.

From: McMillan, Michael, EMNRD [<mailto:Michael.McMillan@state.nm.us>]
Sent: Tuesday, July 3, 2018 2:04 PM
To: Mandi Walker <mwalker@hilcorp.com>
Cc: Joe Colley <jcolley@hilcorp.com>; Rob Carlson <rcarlson@hilcorp.com>; Ben Mitchell <bemitchell@hilcorp.com>
Subject: [EXTERNAL] RE: SJ 32-7 Unit 46 - DHC Application

I am not clear on allocation method.
Are you using a fixed percentage?
Are you using subtraction method, similar to the other DHC applications?

From: Mandi Walker <mwalker@hilcorp.com>
Sent: Tuesday, July 3, 2018 1:54 PM
To: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>
Cc: Joe Colley <jcolley@hilcorp.com>; Rob Carlson <rcarlson@hilcorp.com>; Ben Mitchell <bemitchell@hilcorp.com>
Subject: SJ 32-7 Unit 46 - DHC Application

Good afternoon Michael,

Attached please find the C107A Application for the SJ 32-7 Unit 46. I am putting the hard copies in the mail to you today.

Please let me know if you have any questions.

Production Summary Report**API: 30-045-25393****SAN JUAN 32 7 UNIT #046**

Year	LOS PINOS;FRT SND PC,SOUTH (G)	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/I
10/1/2017		0	2921	3	31
11/1/2017		2	1952	3	30
12/1/2017		3	3322	3	31
1/1/2018		3	3534	3	31
2/1/2018		0	2886	3	28
3/1/2018		1	3065	3	31
4/1/2018		0	2886	0	30
Year	BLANCO-MESAVERDE (PRORATED GAS)	Oil(BBLS)	Gas(MCF)	Water(BBLS)	Days P/I
10/1/2017		0	1075	3	31
11/1/2017		1	804	3	30
12/1/2017		3	865	3	31
1/1/2018		2	150	3	31
2/1/2018		1	16	3	28
3/1/2018		1	15	3	31
4/1/2018		0	22	0	30
Total Cum		2761	2425737		

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

*CASE NO. 12137
Order No. R-11210*

**APPLICATION OF PHILLIPS PETROLEUM COMPANY FOR THE
ESTABLISHMENT OF A DOWNHOLE COMMINGLING REFERENCE CASE
FOR ITS SAN JUAN 32-7 UNIT PURSUANT TO DIVISION RULE 303.E. AND
THE ADOPTION OF SPECIAL ADMINISTRATIVE RULES THEREFOR,
SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 18, 1999, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 21st day of June, 1999, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) Cases No. 12136, 12137, 12138 and 12139 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Phillips Petroleum Company (Phillips), pursuant to the provisions of Division Rule 303.E., seeks to establish a downhole commingling "reference case" to provide exceptions for (a) marginal economic criteria, (b) pressure criteria, (c) allocation formulas, and (d) notice rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future wells within the San Juan 32-7 Unit located in Townships 31 and 32 North, Range 7 West, NMPM, San Juan County, New Mexico.

(4) Division Rule 303.E. currently states:

"If sufficient data exists on a lease, pool, formation, geographic area, etc., so as to render it unnecessary to repeatedly provide such data on Form C-107-A, an operator may except any of the various criteria required under Paragraph 303.D. of this rule by establishing a "reference case". The Division, upon its own motion or by application from an operator, may establish "reference cases" either administratively or by hearing. Upon Division approval of such "reference cases"

for specific criteria, subsequent applications to downhole commingle (Form C-107-A) will be required only to cite the Division order number which established such exceptions and shall not be required to submit data for those criteria."

(5) The applicant is the current operator of the San Juan 32-7 Unit, which encompasses some 17,829 acres, more or less, in Townships 31 and 32 North, Range 7 West, NMPM, San Juan County, New Mexico.

(6) Within the San Juan 32-7 Unit, the applicant currently operates eighteen (18) Basin-Dakota Gas Pool wells, forty-seven (47) Blanco-Mesaverde Gas Pool wells, twenty-nine (29) Basin-Fruitland Coal Gas Pool wells, and nineteen (19) South Los Pinos Fruitland Sand-Pictured Cliffs Gas Pool wells.

(7) According to its evidence and testimony, Phillips seeks to:

- a) establish a "reference case" for marginal economic criteria in the Basin-Dakota and Blanco-Mesaverde Gas Pools whereby these pools may be identified as "marginal" on Forms C-107-A subsequently filed for wells within the San Juan 32-7 Unit. The applicant further proposes that the data provided in the immediate case serve as supplemental data or confirmation that these pools should be classified as "marginal";
- b) establish a "reference case" for pressure criteria in the Basin-Dakota and Blanco-Mesaverde Gas Pools whereby the Division may utilize the data provided in the immediate case to verify the pressure data provided on Forms C-107-A subsequently filed for wells within the San Juan 32-7 Unit;
- c) establish a "reference case" whereby the Division utilizes the data presented in the immediate case to endorse or approve certain methods of allocating production whereby the applicant need not submit additional data or justification when proposing a certain method of allocating production on Forms C-107-A subsequently filed for wells within the San Juan 32-7 Unit; and
- d) establish a "reference case" or an administrative procedure for authorizing the downhole commingling of existing or future wells within the San Juan 32-7 Unit without additional notice to each affected interest owner as required by Rule No. 303.D.

(8) In support of its request to except marginal economic criteria, the applicant presented engineering evidence and testimony indicating that within the San Juan 32-7 Unit:

- a) the average estimated Mesaverde and Dakota ultimate recoverable gas reserves within the San Juan 32-7 Unit on a per well basis are approximately .61 BCFG and .83 BCFG, respectively;
- b) the average initial producing rate for a Mesaverde and Dakota gas well (either newly drilled or recompleted) is approximately 204 MCFGD and 243 MCFGD, respectively; and
- c) the estimated ultimate gas recoveries and initial producing rates from the Mesaverde and Dakota formations within the San Juan 32-7 Unit are insufficient to justify drilling stand-alone wells and/or dually completed wells to recover such gas reserves.

(9) The evidence and testimony presented by the applicant indicates that the Blanco-Mesaverde and Basin-Dakota Gas Pools within the San Juan 32-7 Unit should be properly classified as "marginal."

(10) In support of its request to except pressure criteria within the Mesaverde and Dakota formations within the San Juan 32-7 Unit, the applicant presented engineering evidence and testimony indicating that:

- a) the average shut-in bottomhole pressure within the Mesaverde and Dakota formations at the time of initial development was approximately 1,360 psi and 3,190 psi, respectively; and
- b) the average current shut-in bottomhole pressure within the Mesaverde and Dakota formations is approximately 578 psi and 906 psi, respectively.

(11) Testimony by the applicant indicates that the pressure data described above was obtained from three (3) Mesaverde and two (2) Dakota wells within the San Juan 32-7 Unit.

(12) The applicant presented insufficient pressure data within the San Juan 32-7 Unit area to except pressure criteria.

(13) The applicant testified that various allocation methods would be utilized for downhole commingled wells within the San Juan 32-7 Unit depending on the circumstances. Some of the methods and circumstances are described as follows:

- a) in those instances where a newly completed zone is commingled with an existing producing interval with an established decline, the subtraction method will be utilized for a period of +/- 12 months. Subsequent to that time, and assuming that the production rate has stabilized, a fixed allocation will be determined and utilized; and,

- b) in those instances where a well is newly drilled, the lower zone will be production tested for a period of several weeks to several months, whatever time period is necessary to establish a stabilized production rate. A production forecast will then be obtained from the lower zone based upon the stabilized production rate. The upper zone will be completed and the subtraction method will be utilized for a period of +/- 12 months. Once the production rate has stabilized, a fixed allocation will be determined and utilized.

(14) The allocation methods proposed by the applicant are routinely utilized by industry and approved by the Division and therefore the proposal to except allocation methods should be approved.

(15) In support of its request to establish a "reference case" or administrative procedure whereby additional notice of Form C-107-A within the San Juan 32-7 Unit need not be given to interest owners, the applicant presented evidence and testimony indicating that:

- a) the interest ownership between zones within a given wellbore in the San Juan 32-7 Unit is generally not common;
- b) pursuant to Rule No. 303.D., it is currently required to notify all interest owners within the San Juan 32-7 Unit every time a Form C-107-A is submitted to the Division. There are a considerable number of such interest owners within the unit;
- c) the downhole commingling of wells within the San Juan 32-7 Unit will benefit working, royalty, and overriding royalty interest owners. In addition, the downhole commingling of wells within the San Juan 32-7 Unit should not violate the correlative rights of any interest owner;
- d) Mr. Larry Simmons, an interest owner within the San Juan 32-7 Unit, appeared at the hearing through legal counsel and cross-examined Phillip's witnesses. Mr. Simmons did not state an objection to the application at the hearing; and
- e) no other interest owner appeared at the hearing in opposition to the establishment of a "reference case" or administrative procedure for notice.

(16) Mr. Larry Simmons requested that Phillips be required to furnish him notice of all downhole commingling applications filed within the San Juan 32-7 Unit.

(17) Mr. Simmons' request is reasonable and should be granted.

(18) Subsequent to the establishment of a fixed allocation of production for each downhole commingled well within the San Juan 32-7 Unit pursuant to the procedures proposed in Finding (13) above, Phillips should be further required to furnish Mr. Larry Simmons notice of such production allocation.

(19) An administrative procedure should be established within the San Juan 32-7 Unit for obtaining approval for subsequently downhole commingled wells without notice to unit interest owners (with the exception of Mr. Larry Simmons), provided however that the applicant shall comply with all other provisions contained within Division Rule 303.C.

(20) Approval of the proposed "reference case" for marginal economic criteria, allocation formulas and notice will lessen the burden on the applicant insofar as providing the data required pursuant to Division Rule 303.D. and Form C-107-A, will provide the applicant a streamlined method for obtaining downhole commingling approval within the San Juan 32-7 Unit, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Phillips Petroleum Company to establish a "reference case" for a) marginal economic criteria within the Blanco-Mesaverde and Basin-Dakota Gas Pools, b) allocation formulas, and c) notice rules on a unit-wide basis for downhole commingling of Dakota, Mesaverde, Fruitland Coal and Pictured Cliffs gas production within existing or future wells within the San Juan 32-7 Unit, San Juan County, New Mexico, is hereby approved.

(2) The application of Phillips Petroleum Company to establish a "reference case" for pressure criteria on a unit-wide basis for downhole commingling of Blanco-Mesaverde and Basin-Dakota Gas Pools within the San Juan 32-7 Unit is hereby denied.

(3) Upon filing of Forms C-107-A for wells subsequently downhole commingled within the San Juan 32-7 Unit, the applicant shall not be required to submit supporting data to justify the classification of the Blanco-Mesaverde and Basin-Dakota Gas Pools as "marginal" and support or justification for utilizing a given method or formula for allocation of production, provided however, in the event any of the data described above appearing on Form C-107-A appears to be beyond the data range provided in this case, the Division may require the submittal of additional supporting data.

(4) In order to obtain Division authorization to downhole commingle wells within the San Juan 32-7 Unit, the applicant shall file Form C-107-A with the Santa Fe and Aztec Offices of the Division. Such application shall contain all the information required under Division Rule 303.C., provided however that the applicant shall not be required to provide notice to all interest owners within the San Juan 32-7 Unit of such proposed commingling. The applicant shall, however, provide Mr. Larry Simmons the following described information:

- a) notice of all downhole commingling applications filed within the San Juan 32-7 Unit ; and
- b) notice of fixed production allocations for each well downhole commingled within the San Juan 32-7 Unit subsequent to the establishment of such allocation formulas.

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

McMillan, Michael, EMNRD

From: Mandi Walker <mwalker@hilcorp.com>
Sent: Thursday, July 5, 2018 1:08 PM
To: McMillan, Michael, EMNRD
Subject: San Juan 32-7 Unit 46

Good afternoon Michael,

For the well mentioned above, we plan to pull the existing packers from the wellbore and commingle the MV and Los Pinos zones so that they will be producing up one tubing, rather than two.

Thanks,

Mandi Walker

SJ North Operations/Regulatory Technician

Hilcorp Energy Company

505.324.5122

mwalker@hilcorp.com