

RECEIVED: 2/10/2019	REVIEWER: ynm	TYPE: DHC	APP NO: 244M/9032 41658
---------------------	---------------	-----------	-------------------------

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: Daum LS 3 API: 30-045-06990
Pool: Aztec Pictured Cliffs Pool Code: 71439

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

DHC - 4435

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

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.

Christine Brock

Print or Type Name

Christine Brock

Signature

2/1/19
Date

505-324-5155

Phone Number

cbrock@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

Operator Hilcorp Energy Company Address 382 ROAD 3100, Aztec NM 87410
Daum LS 3 Well No. UL L (NWSW) - Sec. 32, T28N, R09W San Juan
Lease Unit Letter-Section-Township-Range County
OGRID No. 372171 Property Code 318774 API No. 30-045-06990 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	AZTEC PICTURED CLIFFS (GAS)		BLANCO MESAVERDE (PRORATED GAS)
Pool Code	<u>71280</u>		71319
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2150' - 2206' - Estimated		4428' - 4524'
Method of Production (Flowing or Artificial Lift)	NEW ZONE		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)	597 psi		345 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	BTU 1.112		BTU 1352
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: 11/30/2018 Rates: 724 MCF - GAS 3 BBL - Oil 16 BBL - Water
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 Will be supplied upon completion		Oil Gas Will be supplied upon completion

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: _____

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 Christine Brock TITLE Operation/Regulatory Tech DATE 2/1/19

TYPE OR PRINT NAME Christine Brock TELEPHONE NO. (505) 324-5155

E-MAIL ADDRESS cbrock@hilcorp.com

NEW MEXICO
OIL AND GAS COMMISSION
REGISTRATION AND LOCATION OF OIL AND GAS WELLS

JANUARY 7, 1957

EL PASO NATURAL GAS COMPANY

DAUM

SF 078329

3

32

28 N

9 W

1750

SOUTH

990

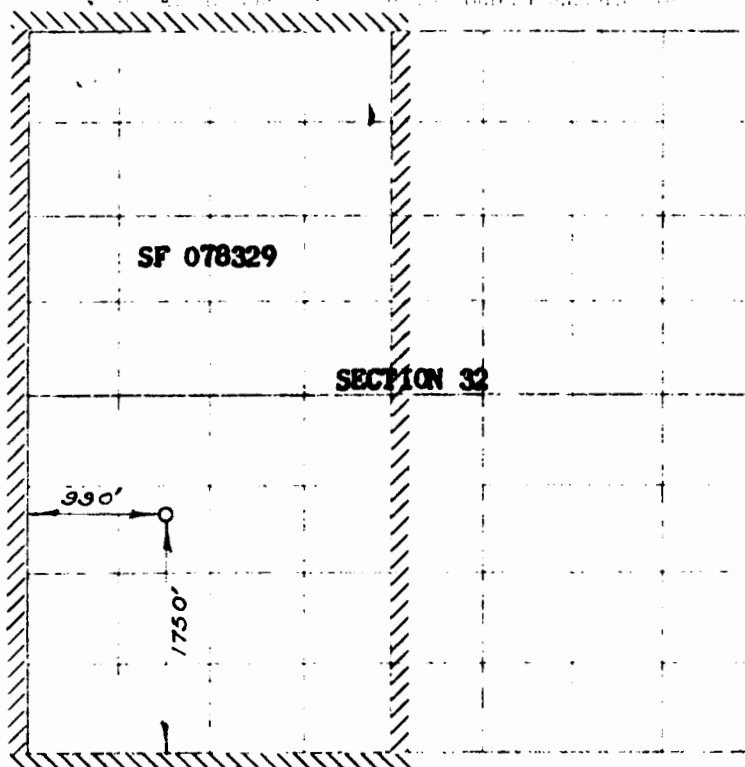
WEST

6090

MESA VERDE

BLANCO

328.37 AC.
(1916 PLAT)



Scale: 1 inch equals 1 mile

NOTE

This section of
form is to be used
for gas wells only

This is to certify that the attached map was prepared in accordance with the notes of actual survey made by me or under my supervision and that the same are true and correct to the best of my knowledge and belief.

Date Surveyed **DECEMBER 19, 1956**

E. O. Oberly
Registered Professional Engineer and/or Land Surveyor

1. To what well is this map?

Yes ☒ No ☐

2. If the Answer to Question 1

is "Yes," are there any other fully
completed wells on this land
indicated on this map?

Yes ☐ No ☐

Name **ORIGINAL SIGNED E.S. OBERLY**

Position **Petroleum Engineer**

Representing **El Paso Natural Gas Co.**

Address **Box 997, Farmington, N.M.**

District I1625 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. 91 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

Form C-102
August 1, 2011

Permit 262104

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-045-06990	2. Pool Code 71280	3. Pool Name AZTEC PICTURED CLIFFS (GAS)
4. Property Code 318774	5. Property Name DAUM LS	6. Well No. 003
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elevation 6088

10. Surface Location

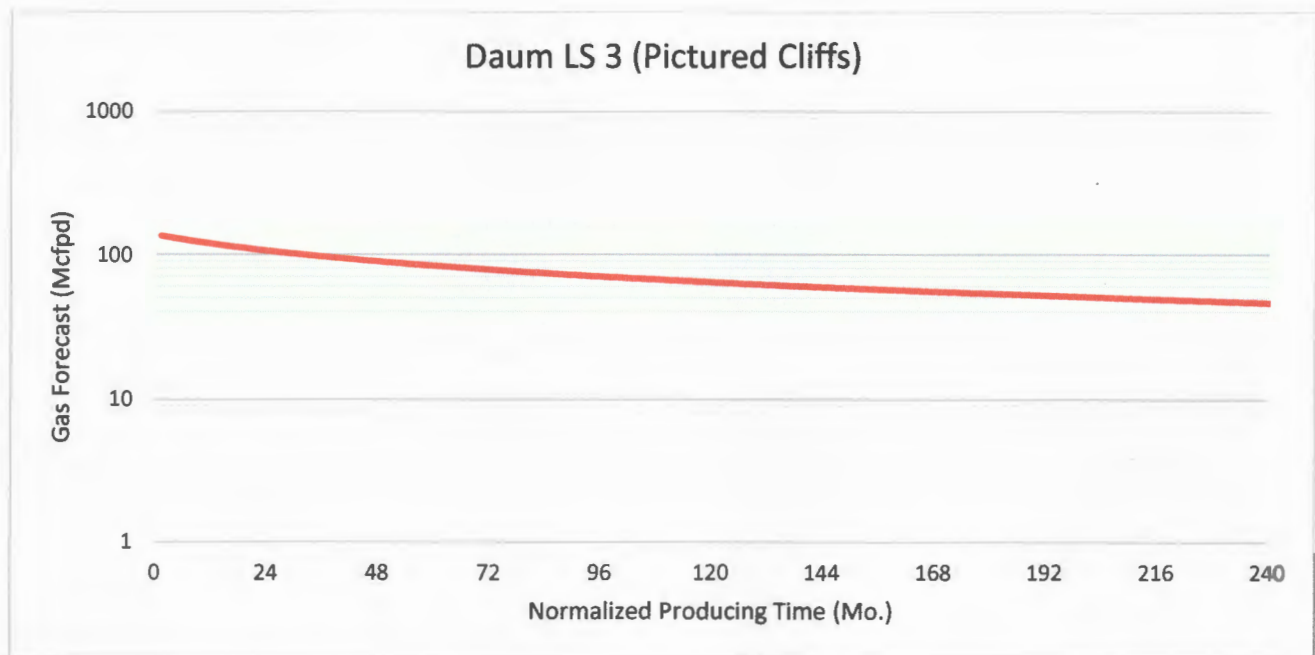
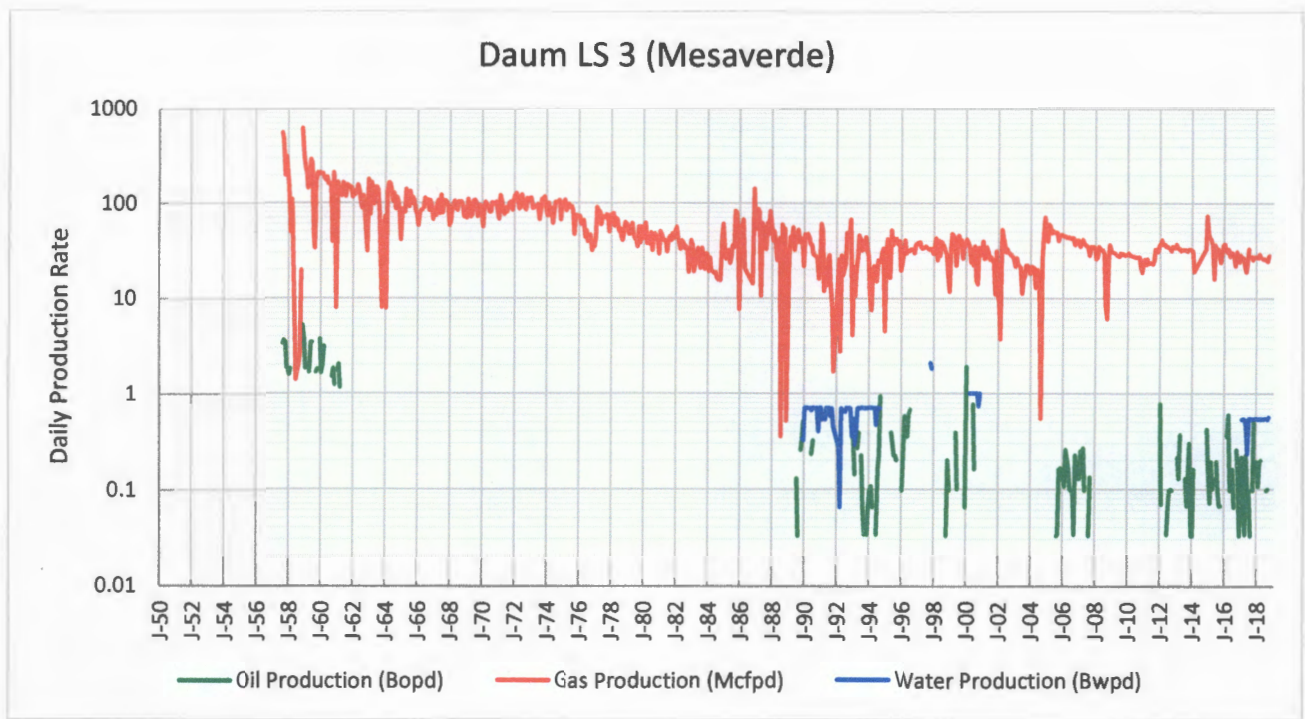
UL - Lot L	Section 32	Township 28N	Range 09W	Lot Idn	Feet From 1750	N/S Line S	Feet From 990	E/W Line W	County SAN JUAN
---------------	---------------	-----------------	--------------	---------	-------------------	---------------	------------------	---------------	--------------------

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 168.37 SW/4	13. Joint or Infill		14. Consolidation Code			15. Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION <i>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.</i> E-Signed By: <i>Christine Brock</i> Title: Operation/Regulatory Tech Sr. Date: 1/10/2019		
	SURVEYOR CERTIFICATION <i>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.</i> Surveyed By: C. O. Walker Date of Survey: 12/19/1956 Certificate Number: 1007		



The forecast for Pictured Cliffs production has been generated using a type curve of PC gas production in the surrounding production trend.

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.

To obtain the BHP of existing completions, the well was shut-in for 24 hours and a casing fluid level and casing pressure were obtained to estimate SIBHP. This pressure is not intended to represent static reservoir pressure but rather BHP observed within the stated wellbore. The low BHP of the deeper zones does not allow for any adverse effects to the shallow zones. The low inflow and artificial lift application does not represent a risk of cross-flow from the new, shallow completion to the deeper zones.

Daum LS 3 – Production Allocation Method

Production for the downhole commingle will be allocated using the subtraction method in agreement with local agencies. The base formation is the Mesaverde. The added formation to be commingled is the Pictured Cliffs. The subtraction method applies an average monthly production forecast to the base formations 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 4th year and will be utilized to create a fixed percentage based allocation. Oil production will be allocated based on average formation yields from offset wells. All documentation will be submitted to the Aztec NMOCD office.



January 31, 2019

Subject well: Daum LS 3
API # 30-045-06990
San Juan County, New Mexico

In the subject well, Hilcorp plans to downhole commingle existing pay from the Blanco Mesaverde formation with potential pay from the Aztec-Pictured Cliffs formation. As required by Subsection C of 19.15.12.11 New Mexico Administrative Code, we have enclosed a copy of the Commingling Application for your review. No action is required by you unless you object our commingling proposal.

If you do object, you will need to send notice to Hilcorp Energy Company, Attn: San Juan Basin Land Manager, 1111 Travis, Houston, TX 77002 within twenty (20) days from the date of this letter. Again, if you do not object to Hilcorp's downhole commingling plans, you ***do not need*** to sign or return any paperwork.

This letter represents a good faith effort to adhere with applicable notification requirements. However, if your ownership interest in the Subject Well has recently changed (i.e., new burdens created or you have sold or transferred your interest) please contact Hilcorp immediately to update your file.

Hilcorp appreciates this opportunity to enhance production from the Subject Well and we are thankful for your support.

Regards,

Christine Brock

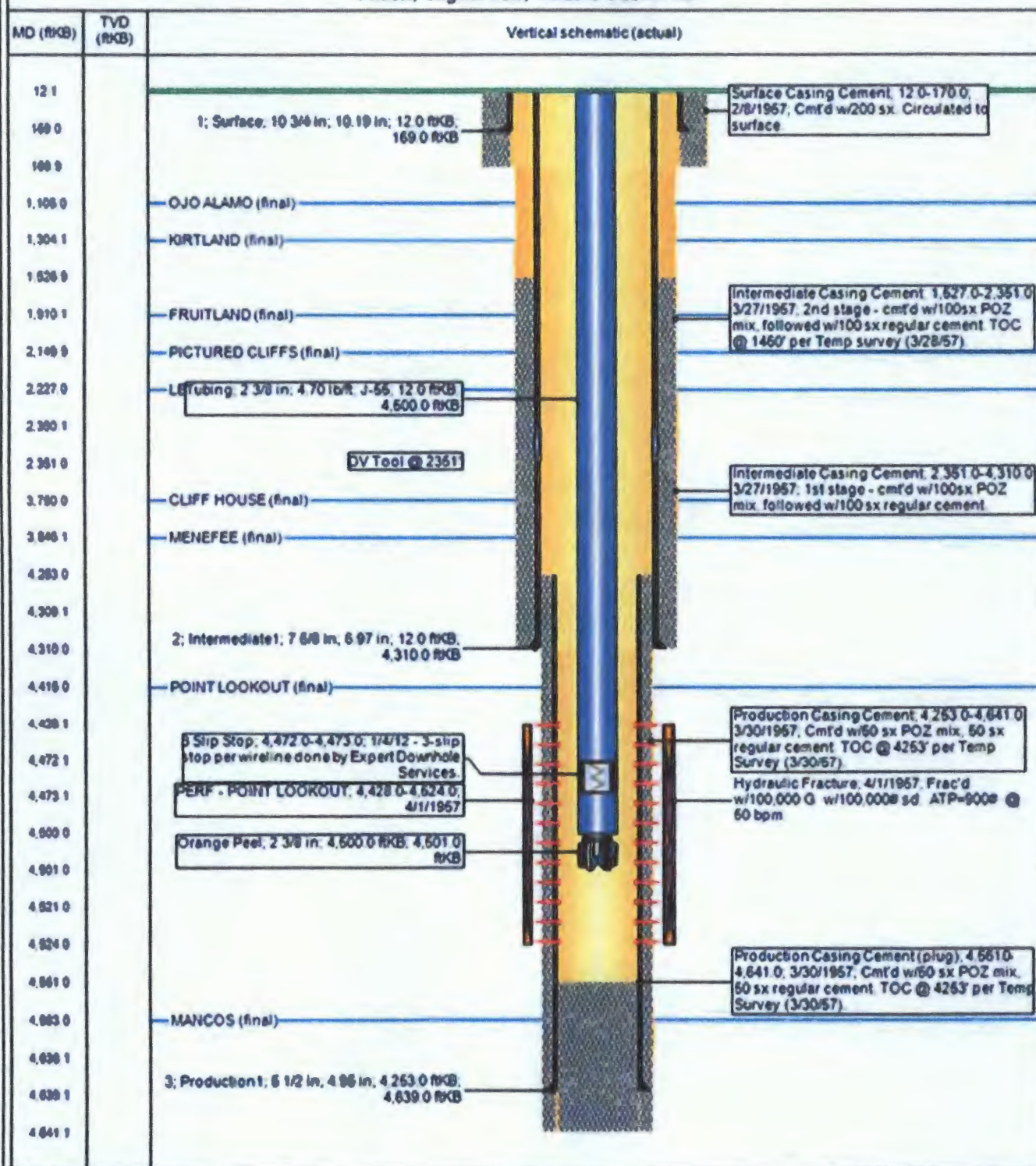
Operations/Regulatory Technician
Hilcorp Energy Company
505-324-5155
Encl.

Certified Number	Sender	Recipient	Date Mailed	Delivery Status
92148969009997901770101574	Brenda Guzman	BENJAMIN JAMES GARDNER TRUST , 11 28 2006 BENJAMIN JAMES GARDNER TRUSTEE, PO BOX 3108, LAS CRUCES, NM, 88003 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101581	Brenda Guzman	, BETSY H BRYANT, 2201 BROOKHOLLOW DR, ABILENE, TX, 79605-5507 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101598	Brenda Guzman	, CLAUDIA MARCIA LUNDELL GILMER, 723 W UNIVERSITY AVE STE 300-371, GEORGETOWN, TX, 78626 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101604	Brenda Guzman	DEAH N FOLK LIVING TRUST , 4 14 1983 KATHERINE F CADE TTEE, 8901 COMANCHE RD NE, ALBUQUERQUE, NM, 87111 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101611	Brenda Guzman	EMILY JANICE LEACH , DBA EJL OIL and GAS COMPANY LLC, PO BOX 52198, ALBUQUERQUE, NM, 87181 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101628	Brenda Guzman	TRAVIS WHITHAM, ENDURING RESOURCES IV LLC, 1050 17TH STREET SUITE 2500, DENVER, CO, 80265 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101635	Brenda Guzman	, FRANCES R CUSACK, 2900 N QUINLAN PARK RD STE 240-121, AUSTIN, TX, 78732 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101642	Brenda Guzman	JAMES T BUCHENAU LIV TR UNDER REVOC , TRUST AGMT 9 13 1994 JAMES T BUCHENAU TRUSTEE, 1509 HEIDI DR, PLANO, TX, 75025- 2810 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101659	Brenda Guzman	JEREMIAH C DUFF-LEACH , DBA JCDL OIL and GAS COMPANY LLC, PO BOX 30396, ALBUQUERQUE, NM, 87190 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101666	Brenda Guzman	, LINDA JEANNE LUNDELL LINDSEY, PO BOX 631565, NACOGDOCHES, TX, 75963 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101673	Brenda Guzman	, MITZI ANN HENDERSON EASLEY, 5206 BRANDING CHASE, AUSTIN, TX, 78727 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101680	Brenda Guzman	, NIDA RAE LARSON, 31511 165TH AVE, ELBOW LAKE, MN, 56531-9558 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101697	Brenda Guzman	, OFFICE OF NATURAL RESOURCES REVENUE, LAKEWOOD ACCTG CENT ONSHORE P O BOX 25627, DENVER, CO, 80225-0627 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101703	Brenda Guzman	, RAYMOND JOHN CUSACK JR, PO BOX 823786, DALLAS, TX, 75382 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101710	Brenda Guzman	, ROBERT BEAMON ACCOUNT, FIRST NATIONAL BANK OF PO BOX 128, BELLVILLE, TX, 77418- 0128 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101727	Brenda Guzman	, ROBERT WALTER LUNDELL, 2450 FONDREN STE 304, HOUSTON, TX, 77063-2318 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101734	Brenda Guzman	, SDH 2009 INVESTMENTS LP, 7011 DESCO DDR, DALLAS, TX, 75225 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101741	Brenda Guzman	, SUSAN H RITTER, 4700 VIA MEDIA, AUSTIN, TX, 78746 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148989009997901770101758	Brenda Guzman	, SYLVESTER FRANCIS CUSACK II, PO BOX 822984, DALLAS, TX, 75382-2984 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101765	Brenda Guzman	, TED E DUFF TRUST, TED E DUFF TRUSTEE PO BOX 398, RUIDOSO, NM, 88355-0398 Code: Daum LS 3 DHC	1/31/2019	Signature Pending
92148969009997901770101772	Brenda Guzman	VICTORIA ZIMMERMAN REV LIV TR DTD , 6 1 2011 and VICTORIA ZIMMERMAN TTEE, 1520 JABBET DR, PLANO, TX, 75025-2829 Code: Daum LS 3 DHC	1/31/2019	Signature Pending

Well Name: DAUM LS 003

API: UWI 3004508090	Surface Legal Location 032-02871-009W-L	Field Name M/V	Route 0807	State/Province NEW MEXICO	Well Configuration Type Vertical
Grains Elevation (ft) 6,091.00	Original RSTY Elevation (ft) 6,103.00				

Vertical, Original Hole, 1/8/2019 8 22 47 AM



Well Name: DAUM LS 003

API Well 300460000	Surface Leg Location 032-028N-009W-L	Field Name MV	State 0807	State/Province NEW MEXICO	Well Configuration Type Vertical
Ground Elevation (ft) 6,091.00	Original CBRT Elevation (ft) 6,103.00				

Vertical, Original Hole, 1/8/2019 8 22 47 AM

