

State of New Mexico
Energy, Minerals and Natural Resources Department

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Deputy Secretary

Adrienne Sandoval, Director
Oil Conservation Division



Administrative Order DHC-4984
Order Date: May 13, 2019

Hilcorp Energy Company
1111 Travis Street
Houston, Tx. 77002

Attention: Ms. Mandi Walker

Mitchell Well No. 1E
API No. 30-045-23645
Unit F, Section 5, Township 31 North, Range 12 West NMPM
San Juan County, New Mexico

Pool	BASIN FRUITLAND COAL (GAS)	Gas (71629)
Names:	BLANCO-MESAVERDE (PRORATED GAS)	Gas (72319)

Reference is made to your recent application for an exception to Division Rule 19.15.12.9A. NMAC of the Division Rules and Regulations to permit the above-described well to commingle production from the subject pools in the wellbore.

It appears that the subject well qualifies for approval for such exception pursuant to the provisions of Division Rule 19.15.12.11A. NMAC, and since reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion or otherwise required separation of the zones is hereby placed in abeyance.

In accordance with Division Rule 19.15.12.11A.(6) NMAC, the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

Applicant shall meet the Aztec District Office prior to commencing commingling operations to discuss any required changes in the wellbore design. Applicant shall provide an updated wellbore diagram that shows the required changes as required by the Aztec District Office, along with the cement tops. After the well has been completed in the new pool, the Applicant shall provide a net pressure plot (or equivalent) of the fracture treatment to the Aztec District Office and Engineering Bureau.

Further, the Applicant shall load hole with fluid and run a CBL on the 4-1/2" casing. Verify cement bond within the Mesa Verde and confirm TOC. Review CBL results with BLM and NMOCD and perform cement remediation, as required. Exceptions shall be granted only after consultation with the Aztec District Office.

As per the application, the assignment of allowable and allocation of oil and gas production from the subject well for the first four years shall be based on historic production and the subtraction method. Production attributable to the Blanco-Mesaverde (Prorated Gas) Pool shall be the remainder from total production minus the projected historical production from the Fruitland Coal (Gas) Pool. A production average will be gathered during the 4th year and will be utilized to create a fixed percentage allocation.

This allocation method agrees with the Bureau of Land Management practices.

Assignment of allowable and allocation of production from the well after the fourth year shall be as follows:

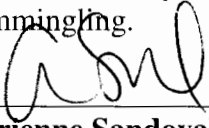
BASIN FRUITLAND COAL (GAS)	Pct. Oil: TBD	Pct. Gas: TBD
BLANCO-MESAVERDE (PRORATED GAS)	Pct. Oil: TBD	Pct. Gas: TBD

It is also understood that notice of this application, pursuant to Division Rule 19.15.4.12A.(6), is not required since the interest ownership between the zones to be commingled is common throughout.

REMARKS: The operator shall notify the Division's District office upon implementation of commingling operations.

This Order is subject to like approval from the Bureau of Land Management.

Pursuant to Division Rule 19.15.12.11B. NMAC, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.



Adrienne Sandoval
Director

AS/mam

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management – Farmington
Well File - 30-045-23645