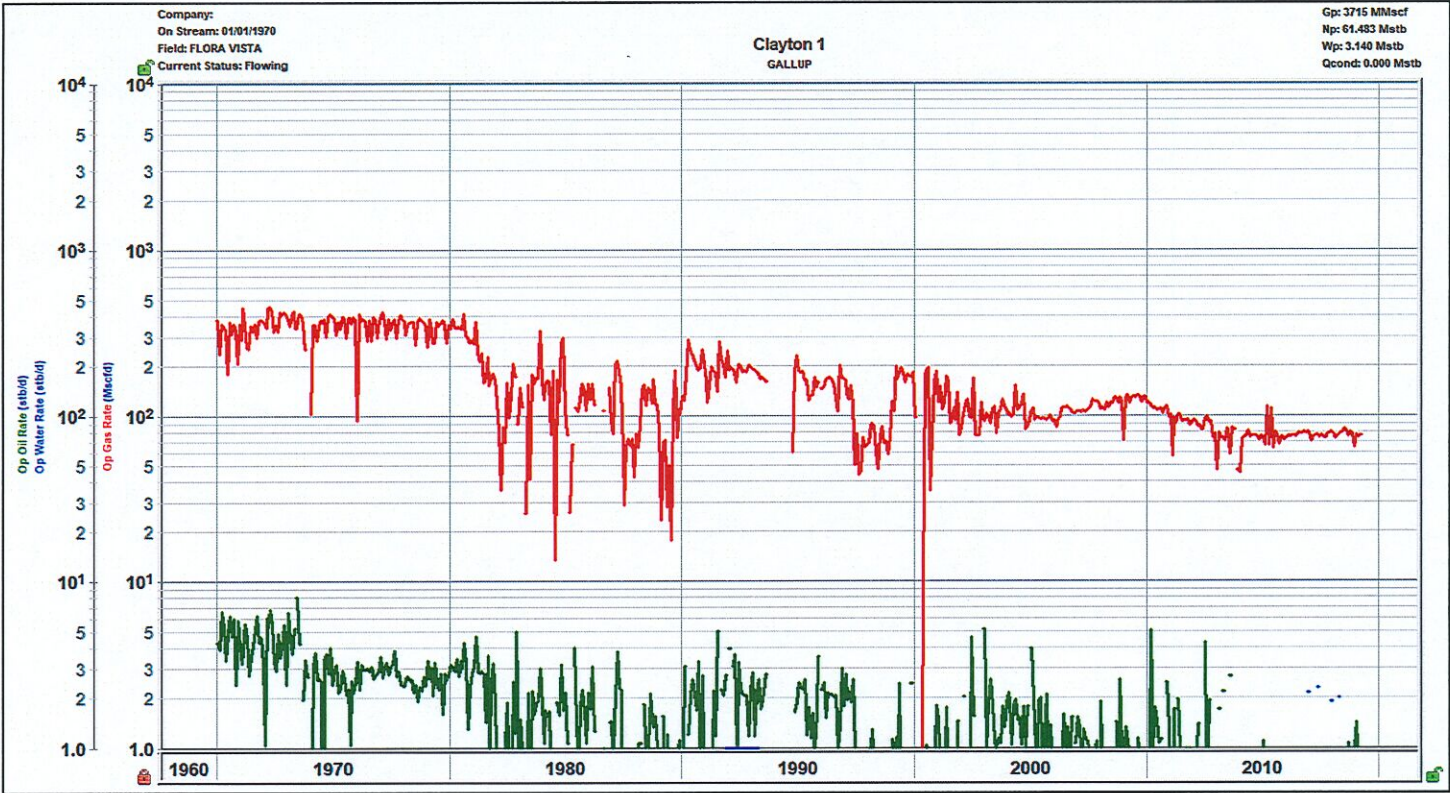


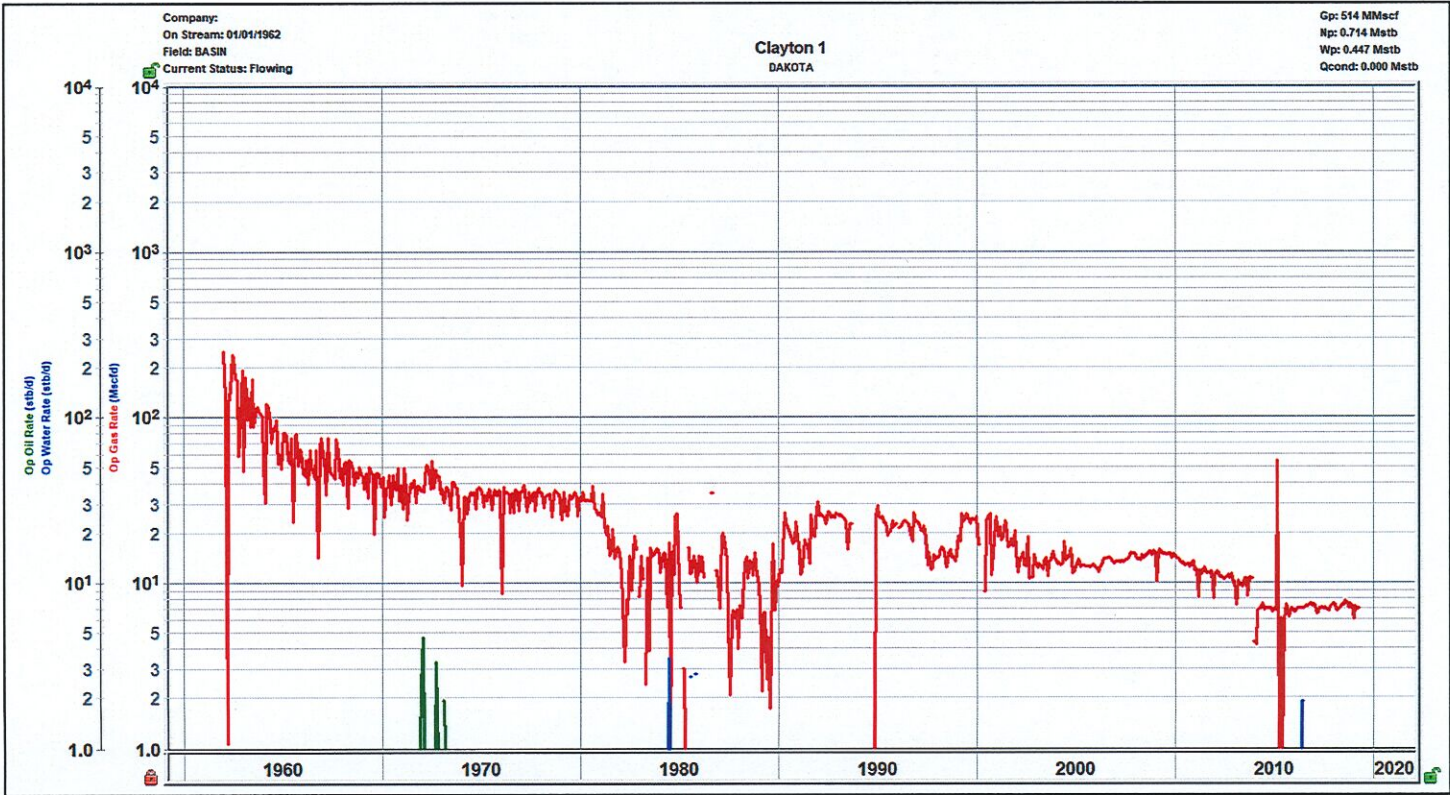
Application

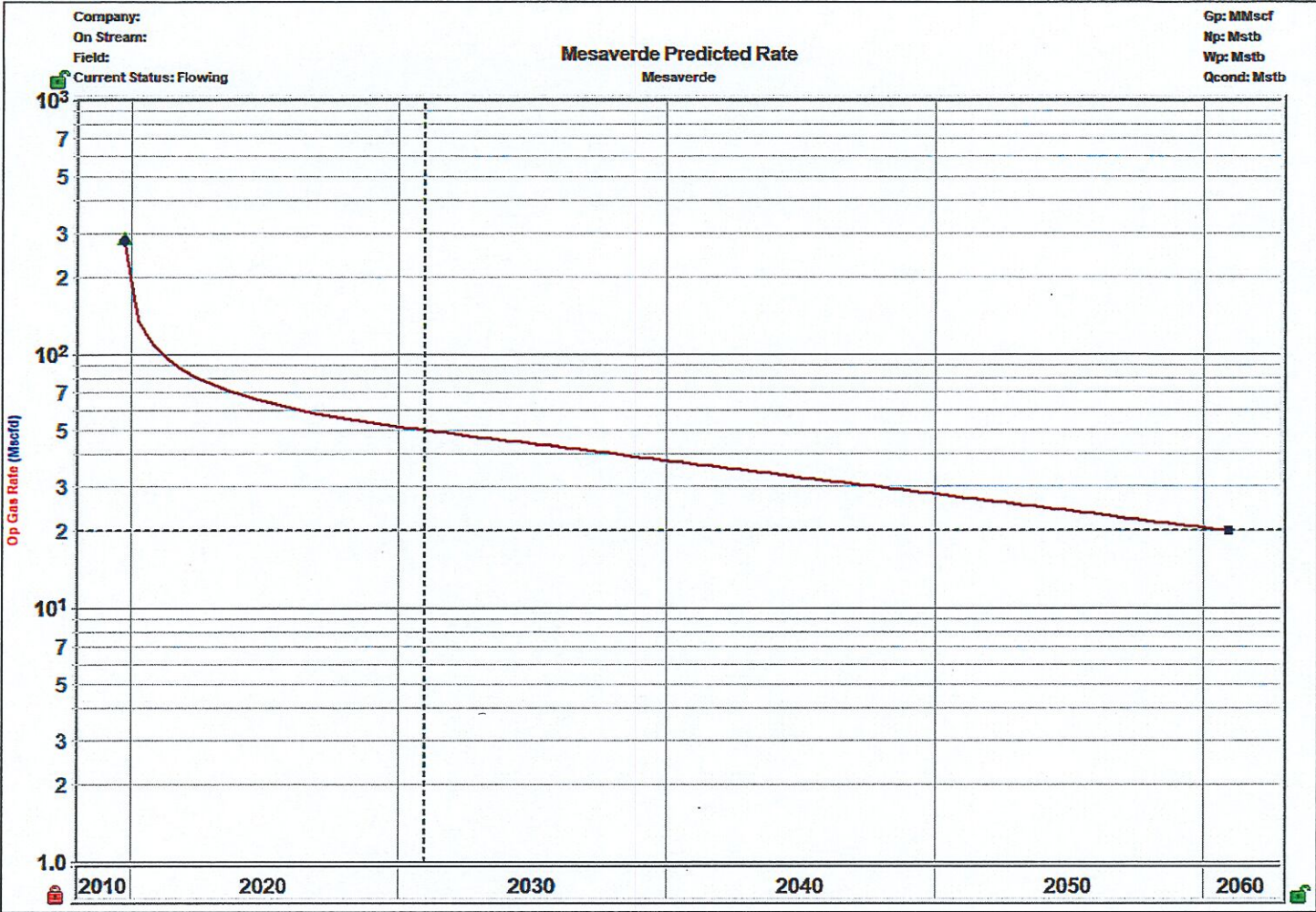
Part *II*

Gallup Production



Dakota Production





The forecast for Mesaverde production has been generated using a type curve of MV gas production in the surrounding production trend.

The BHPs of all zones, producing and non-producing, were estimated based upon basin-wide Moving-Domain Material Balance models that have proven to approximate the pressure in the given reservoirs well in this portion of the basin. These models were constructed incorporating reservoir dynamics and physics, historic production, and observed pressure data. Historic commingling operations have proven reservoir fluids are compatible and the higher MV reservoir pressure declines very quickly given that tight gas nature of the horizon.

Clayton 1 – Production Allocation Method

Hilcorp requests that production for the downhole commingle be allocated using the subtraction method. The base formations are the Dakota and Gallup, 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). A fixed percentage based allocation will be submitted after the fourth year of production. See attached documents for production forecast. Oil production will be allocated based on average formation yields from offset wells.



June 10, 2019

To: ALL INTEREST OWNERS

RE: Notice to Recomplete & Downhole Commingle
Clayton 1 (Flora Vista Gallup/Blanco Mesaverde/Basin Dakota)
Section 2, Township 30 North – Range 12 West NMPM
API: 30-045-09822
San Juan County, New Mexico

Ladies and Gentlemen:

Hilcorp San Juan, L.P., a subsidiary of Hilcorp Energy Company (“Hilcorp”) and Operator of the referenced well, recently acquired the assets of Enervest Operating L.L.C. throughout the San Juan Basin, including leases, wells and other facilities. As successor operator, we are actively evaluating various development strategies to extend the productive life of the basin. Our initial efforts are focused on returning existing wells to production and adding additional gas pay through downhole commingling.

In the subject well, Hilcorp plans to downhole commingle existing pay from the Flora Vista Gallup and Basin Dakota formation with potential pay from the Blanco Mesaverde formation. As a good faith effort to adhere to the notification requirements outlined in Subsection C of 19.15.12.11 New Mexico Administrative Code, this letter serves as notification of Hilcorp’s intent to downhole commingle and includes a copy of the C-107-A for your reference.

No action is required by you nor must you sign/return any paperwork unless you object to this notification.

Should you have an objection, you are required to send notice within twenty (20) days from the date of this letter. Your objection should reference the well details provided above. Please mail your objection to the following address: Hilcorp Energy Company, Attn: Rob Carlson, 1111 Travis, Houston, TX 77002. Separately, please email me a copy of your objection letter to ensure receipt and call me to discuss any particular concerns you have using the contact information below. Should we be unable to overcome your concerns, the matter will be set for hearing with the New Mexico Oil & Conservation Division in Santa Fe, NM.

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.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R Carlson', is written over a horizontal line.

Robert Carlson
Landman
(832) 839-4596
rcarlson@hilcorp.com

RTC:dkp
Enclosures

Order Confirmation

<u>Ad Order Number</u>	<u>Customer</u>	<u>Payor Customer</u>
0001289905	HILCORP ENERGY	HILCORP ENERGY
<u>Sales Rep.</u>	<u>Customer Account</u>	<u>Payor Account</u>
dlindberg	175291	175291
<u>PO Number</u>	<u>Customer Address</u>	<u>Payor Address</u>
	382 RD 3100	382 RD 3100
	AZTEC NM 87410 USA	AZTEC NM 87410 USA
<u>Orered By</u>	<u>Customer Phone</u>	<u>Payor Phone</u>
Ben Mitchell	505-324-5179	505-324-5179

<u>Net Amount</u>	<u>Tax Amount</u>	<u>Total Amount</u>	<u>Payment Method</u>	<u>Payment Amount</u>	<u>Amount Due</u>
\$67.00	\$5.53	\$72.53		\$0.00	\$72.53

<u>Ad Type</u>	<u>Ad Size</u>	<u>Color</u>
CLS Legal liner	: 2.0 X 51 Li	<NONE>

WYSIWYG Content

Notice by Hilcorp Energy Company for Downhole Commingling, San Juan County, New Mexico. Pursuant to Paragraph (2) of Subsection C of 19.15.12.11 NMAC, Hilcorp Energy Company, as Operator, has filed form C-107A with the New Mexico Energy, Minerals and Natural Resources Department - Oil Conservation Division (NMOCD) seeking approval to downhole commingle existing pay from the Basin-Dakota Gas Pool (71599) and Flora Vista Gallup (76640) with potential pay from the Blanco-Mesaverde Gas Pool (72319) in the Clayton #1 well (API No. 30-045-09822) situated in Unit N, Section 2, Township 30 North, Range 12 West, NMPM, San Juan County, New Mexico. Top and bottom of pay sections are: 3715'-4793' (Mesaverde); 5954'-5961' (Gallup); 6580'-6680' (Dakota). Commingling will not reduce the value of the production. Allocation method to be determined upon completion of this project. This notice is intended for certain unlocatable royalty interest owners in the aforementioned well for which certified mail delivery is not possible. Should you (the interest owner for which this notice is intended) have an objection, you are required to respond within twenty (20) days from the date of this publication. Please mail your objection letter, referencing the well details above, to the following address: Hilcorp Energy Company, Attn: San Juan Land, 1111 Travis Street, Houston, TX 77002

Legal No. 1289905 published in The Daily Times on June 28, 2019.

Run Dates 6/28/2019

FM Daily-Times::	Legal -	01 03	1
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Run Dates 6/28/2019

FM Online::	Legal -	01 03	1
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Certified Number	Sender	Recipient	Date Mailed	Delivery Status
92148969009997901776499415	Dani Papetti	, ADRIENNE SUE CHAPMAN, 2975 BOOK CLIFF AVE, GRAND JUNCTION, CO, 81504 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499422	Dani Papetti	, BARBARA A JONES, 5537 ALDAMA RD, LAS VEGAS, NV, 89122-3382 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499439	Dani Papetti	, BARBARA KAY KULLAS, ROXBOROUGH PARK 6506 WARRIORS RUN, LITTLETON, CO, 80125-9060 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499446	Dani Papetti	, BEEBE INC, A COLORADO CORPORATION 2219 DIXON AVE, GRAND JUNCTION, CO, 81507 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499453	Dani Papetti	, BETSY GROAT, 2974D W LONG ST #D, LITTLETON, CO, 80120 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499460	Dani Papetti	, BP AMERICA PRODUCTION COMPANY, ATTN: CRAIG FERGUSON 737 N. ELDRIDGE PARKWAY, HOUSTON, TX, 77079 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499477	Dani Papetti	, CANDACE L COX, PO BOX 309, CONCORD, MA, 01742 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499484	Dani Papetti	, CATHERINE ORTEL SEVERSON, 7744 E KNOTS PASS, PRESCOTT VALLEY, AZ, 86314 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499491	Dani Papetti	, CONSTANCE M AITES, 247 LAKESHORE LN, BLOOMINGDALE, IL, 60108 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499507	Dani Papetti	, DARREL BROWN, PO BOX 1281, ARTESIA, NM, 88211 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499514	Dani Papetti	, DENNIS F SMITH, 242 E CHELSEA CIRCLE, NEWTOWN SQUARE, PA, 19073-2105 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499521	Dani Papetti	, DIANA MESSINA, 38 CAMBRIDGE WAY, PRINCETON JUNCTION, NJ, 08550 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499538	Dani Papetti	, DIANNA KROKER, 106 TAYLOR DR, FALLSINGTON, PA, 19054 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499545	Dani Papetti	, DONNA KUTSMEDA, 941 WEBER DR, YARDLEY, PA, 19067-4632 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499552	Dani Papetti	, ELIZABETH ORTEL DIAMOND, 1001 BRIDGEWAY 303, SAUSALITO, CA, 94965 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499569	Dani Papetti	, ESTELLA M BISHOP, 289 ROSEWOOD CT, LEHIGH ACRES, FL, 33936 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499576	Dani Papetti	, FARMER FAMILY LLC, 8430 NE 17TH ST, BELLEVUE, WA, 98004 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499583	Dani Papetti	, FARMER MINERAL RIGHTS LLLP, 1325 PATCH CT, MARINA, CA, 93933 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499590	Dani Papetti	, FARMER OIL AND GAS PROPERTIES LLC, 17235 N 75TH AVE STE C160, GLENDALE, AZ, 85308 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499606	Dani Papetti	, FLOYD W HURT JR, 1213 WHITE HALL RD, KESWICK, VA, 22947 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499613	Dani Papetti	, GEORGIA LEE KELTON, 5500 OLD CLARKSVILLE RD., PARIS, TX, 75462-7800 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499620	Dani Papetti	, GERARD J FARMER, 10186 W EL CORTEZ PL, PEORIA, AZ, 85383 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499637	Dani Papetti	, GLEN ORTEL, 9176 N PLACITA SAN ISIDRO, TUCSON, AZ, 85742 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499644	Dani Papetti	, HALLYE D JORDAN, 3209 OVERCUP OAK DRIVE, AUSTIN, TX, 78704 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499651	Dani Papetti	, JAMES S AITES, 905 SW 16TH ST, LOVELAND, CO, 80537 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499668	Dani Papetti	, JEAN BROWN LIVING TRUST, JEAN BROWN TRUSTEE PO BOX 738, IGNACIO, CO, 81137 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499675	Dani Papetti	, JEAN J BLEAKLEY TRUST MARCH 17 1989, JEAN J BLEAKLEY TRUSTEE 8523 THACKERY ST APT 9316, DALLAS, TX, 75225 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499682	Dani Papetti	, JOHN P FARMER, 530 CR 513, PITTSTOWN, NJ, 08867 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
		, JUDITH C LILLY, 2022 ARMSTRONG AVE,		

92148969009997901776499699	Dani Papetti	COLORADO SPRINGS, CO, 80904 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499705	Dani Papetti	, KATHARINE A SHOEMAKER ESTATE, LEE E CULVERWELL EXEC 10823 320TH AVE, CARNATION, WA, 98014 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499712	Dani Papetti	, KEITH PERRY JORDAN, PO BOX 1256, DRIPPING SPRINGS, TX, 78620-1256 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499729	Dani Papetti	, KIM SMITH, PO BOX 627, CANYON CITY, OR, 97820 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499736	Dani Papetti	, LANCE LYSTER, 1291 SHERMAN ST, FALLON, NV, 89406 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499743	Dani Papetti	, LAURIE HURT JOHNSTON, 209 ALTONDALE AVE, CHARLOTTE, NC, 28207 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499750	Dani Papetti	, LAWREN LYDIAN HALL, 4701 CADUCEUS PL, GALVESTON, TX, 77551-5657 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499767	Dani Papetti	, M DOUGLAS TODD TRUST DTD 11 26 2003, M DOUGLAS TODD TRUSTEE 3950 27TH RD, ARLINGTON, VA, 22207-5242 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499774	Dani Papetti	, M JUNE BIXLER, PATRICIA S SIMECKA POA 19 RICE MILL RD, OKATIE, SC, 29909 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499781	Dani Papetti	, MARY BROWN, PO BOX 21, WHITEFACE, TX, 79379 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499798	Dani Papetti	, MICHAEL MCWILLIAMS, 7300 FEATHER RIVER DR, BAKERSFIELD, CA, 93308-6450 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499804	Dani Papetti	, NOBLE ENERGY INC, PO BOX 910083, DALLAS, TX, 75391-0083 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499811	Dani Papetti	, PAUL J FARMER, 364 NOD HILL RD, WILTON, CT, 06897-1503 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499828	Dani Papetti	, PERRY BAKER HALL, 6310 ROYAL CRST DR, DALLAS, TX, 75230-3441 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499835	Dani Papetti	, RUTH MARIE CRAIN DECD, 1016 NAKOMIS NE 16, ALBUQUERQUE, NM, 87112 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499842	Dani Papetti	, SOUTHLAND ROYALTY COMPANY LLC, ATTN: RACHEL CLUISS 400 WEST 7TH STREET, FORT WORTH, TX, 76102 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499859	Dani Papetti	, TERRY BOOKY, 2457 COUNTY ROAD 1199, BLANCHARD, OK, 73010 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending
92148969009997901776499866	Dani Papetti	, VIVIAN SWANN, 203 WHITE RD, CASTLE ROCK, WA, 98611 Code: CLAYTON 1 DHC	6/28/2019	Signature Pending

Submit 1 Copy To Appropriate District
Office
District I - (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II - (575) 748-1283
811 S. First St., Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV - (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised July 18, 2013

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-045-09822
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No. FEE
7. Lease Name or Unit Agreement Name CLAYTON
8. Well Number 1
9. OGRID Number 372171
10. Pool name or Wildcat Blanco Mesaverde/Flora Vista Gallup/ Basin Dakota

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	
2. Name of Operator HILCORP ENERGY COMPANY	
3. Address of Operator 382 Road 3100, Aztec, NM 87410	
4. Well Location Unit Letter <u>N</u> <u>990</u> feet from the <u>South</u> line and <u>1850</u> feet from the <u>West</u> line Section <u>02</u> Township <u>30N</u> Range <u>12W</u> NMPM San Juan County	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 5769'	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
DOWNHOLE COMMINGLE <input checked="" type="checkbox"/>			
CLOSED-LOOP SYSTEM <input type="checkbox"/>			
OTHER: <input checked="" type="checkbox"/> RECOMPLETION		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Hilcorp Energy Company requests permission to recomplete the subject well in the Mesaverde and downhole trimingle with the existing Gallup and Dakota formations. Attached is the procedure, wellbore diagram and plat. A DHC application will be filed and approved prior to trimingling. A closed loop system will be used.

Density Exception Order Approval R-20508

Spud Date:

Rig Release Date:

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

SIGNATURE Priscilla Shorty TITLE Operations Regulatory Technician Sr. DATE 5/28/2019

Type or print name Priscilla Shorty E-mail address: pshorty@hilcorp.com PHONE: 505-324-5188

For State Use Only

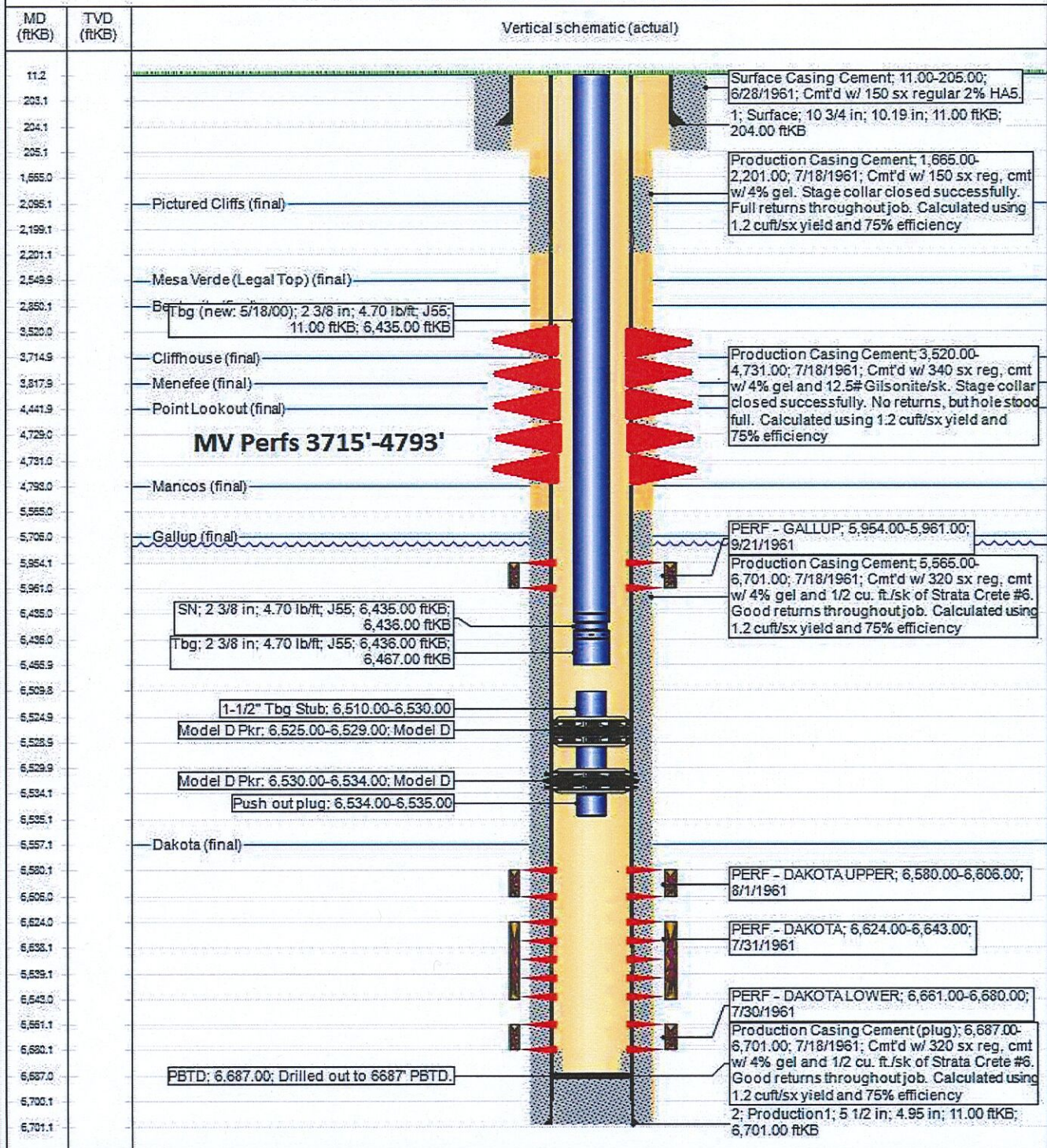
APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

Well Name: (PRE-IMPORT) CLAYTON #1

API / UWI 3004509622	Surface Legal Location N-2-30N-12W	Field Name	Route 0208	State/Province NEW MEXICO	Well Configuration Type Vertical
Ground Elevation (ft) 5,770.00	Original KBRT Elevation (ft) 5,781.00	KB-Ground Distance (ft) 11.00	KB-Casing Flange Distance (ft)	KB-Tubing Hanger Distance (ft)	

Vertical, Original Hole, 6/18/2019 10:36:43 AM



Well Name: (PRE-IMPORT) CLAYTON #1

API / UWI 3004509822	Surface Legal Location N-2-30N-12W	Field Name	Route 0208	State/Province NEW MEXICO	Well Configuration Type Vertical
Ground Elevation (ft) 5,770.00	Original KB/RT Elevation (ft) 5,781.00	KB-Ground Distance (ft) 11.00	KB-Casing Flange Distance (ft)	KB-Tubing Hanger Distance (ft)	

Vertical, Original Hole, 6/18/2019 10:36:43 AM

