

Revised March 23, 2017

RECEIVED:	REVIEWER:	TYPE:	APP NO:
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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: \_\_\_\_\_ OGRID Number: \_\_\_\_\_  
 Well Name: \_\_\_\_\_ API: \_\_\_\_\_  
 Pool: \_\_\_\_\_ Pool Code: \_\_\_\_\_

**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

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.**

\_\_\_\_\_  
 Print or Type Name

\_\_\_\_\_  
 Signature

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Phone Number

\_\_\_\_\_  
 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  
Operator

382 Road 3100, Aztec, NM 87410  
Address

State Com K  
Lease

7A  
Well No.

P-32-31N-08W  
Unit Letter-Section-Township-Range

San Juan  
County

OGRID No. 372171 Property Code 319093 API No. 30-045-21702 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Fruitland Coal		Blanco Mesaverde
Pool Code	71629		72319
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2746' – 3160'		3968' – 5500'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		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)	105 psi		238 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	815 BTU		1085 BTU
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:  Rates:	Date: 12/1/2022  Rates: Oil: 0 bbls Gas: 1331 mcf Water: 0 bbls
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  % %	Oil  Gas  % %	Oil  Gas  % %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?  
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☒ No ☐  
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 

TITLE Operations/Regulatory Technician Sr. DATE 2/16/2023

TYPE OR PRINT NAME Amanda Walker

TELEPHONE NO. 346-237-2177

E-MAIL ADDRESS [mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)

**NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102  
Supersedes C-128  
Effective 1-1-65

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

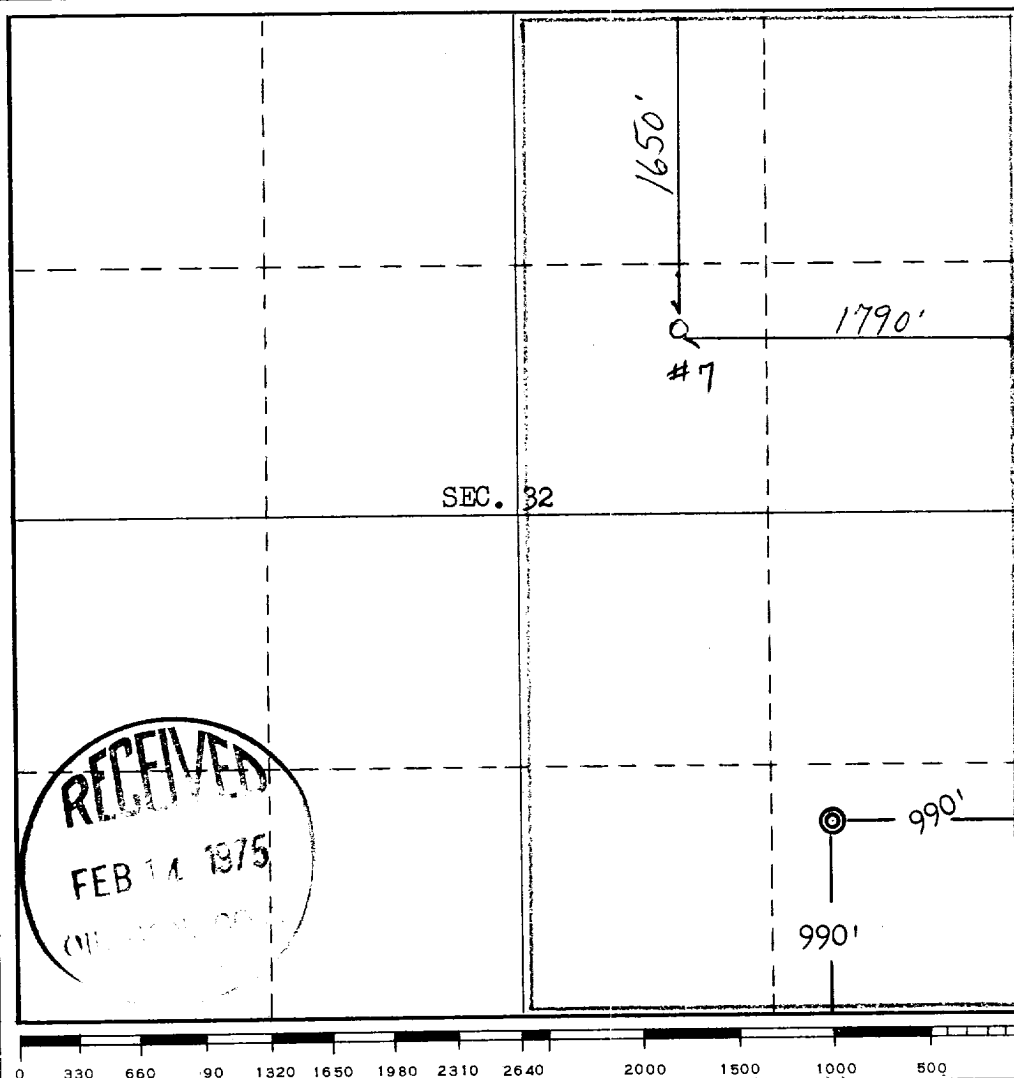
Operator <b>Mesa Petroleum Company</b>			Lease <b>State Com K</b>		Well No. <b>7A</b>
Unit Letter <b>P</b>	Section <b>32</b>	Township <b>31 North</b>	Range <b>8 West</b>	County <b>San Juan</b>	
Actual Footage Location of Well: <b>990</b> feet from the <b>South</b> line and <b>990</b> feet from the <b>East</b> line					
Ground Level Elev. <b>6315</b>	Producing Formation <b>Mesaverde</b>		Pool <b>Blanco</b>	Dedicated Acreage: <b>320</b> Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
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).
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?

☐ Yes ☐ No If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

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.



**CERTIFICATION**

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

*R. J. Flaker*

Name  
**R. J. Flaker**

Position  
**Production Engr.**

Company  
**Mesa Petroleum Co.**

Date  
**2/12/75**

Date Surveyed  
**January 29, 1975**

Registered Professional Engineer and/or Land Surveyor  
*E. V. Echohawk*

Certificate No. **3602**  
**E. V. Echohawk LS**

**State of New Mexico**  
**Energy, Minerals and Natural**  
**Resources**  
**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-045-21702	2. Pool Code 71629	3. Pool Name BASIN FRUITLAND COAL (GAS)
4. Property Code 319093	5. Property Name STATE COM K	6. Well No. 007A
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elevation 6315

**10. Surface Location**

UL - Lot P	Section 32	Township 31N	Range 08W	Lot Idn	Feet From 990	N/S Line S	Feet From 990	E/W Line E	County SAN JUAN
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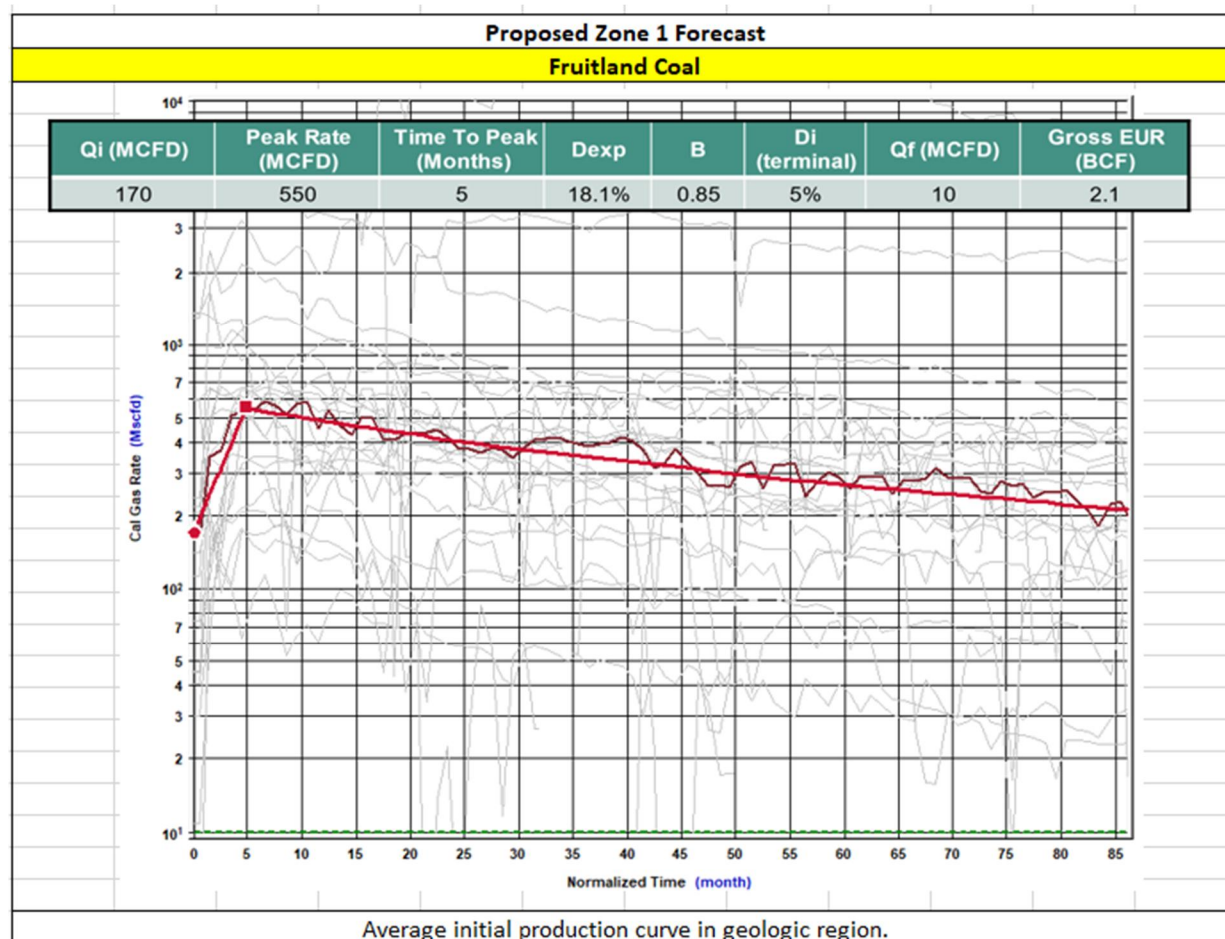
**11. Bottom Hole Location If Different From Surface**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.00	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**

	<b>OPERATOR CERTIFICATION</b>	
	<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: Title: Operations Regulatory Tech Sr. Date: 1/17/2023	
	<b>SURVEYOR CERTIFICATION</b>	
<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: Ernest Echohawk Date of Survey: 1/29/1975 Certificate Number: 3602		

The near wellbore shut-in bottom hole pressures of the above reservoirs are much lower than the calculated far-field stabilized reservoir pressured due to the low permeability of the reservoirs. Based on pressure transient analysis performed in the San Juan Basin, it would take 7-25 years for shut-in bottom hole pressures to build up to the calculated far-field reservoir pressure. Our observation is that even for areas of high static reservoir pressures, the low permeability of the reservoir rock results in rapid depletion of the near-fracture region, quickly enough that the wells are unable to produce without the aid of a plunger. Given low permeabilities and low wellbore flowing pressures in the above reservoirs, loss of reserves due to cross-flow is not an issue during producing or shut-in periods. Given low shut-in bottom hole pressures, commingling the above reservoirs in this well will not result in shut-in or flowing wellbore pressures in excess of any commingled pool's fracture parting pressure. The pressures provided in the C-107A are based on shut-in bottom hole pressures of offset standalone wells which match expected near-wellbore shut-in bottom hole pressures of this proposed commingled completion.



#### HEC Comments

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.

The BHPs of all zones, producing and non-producing, were estimated based upon basinwide 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.





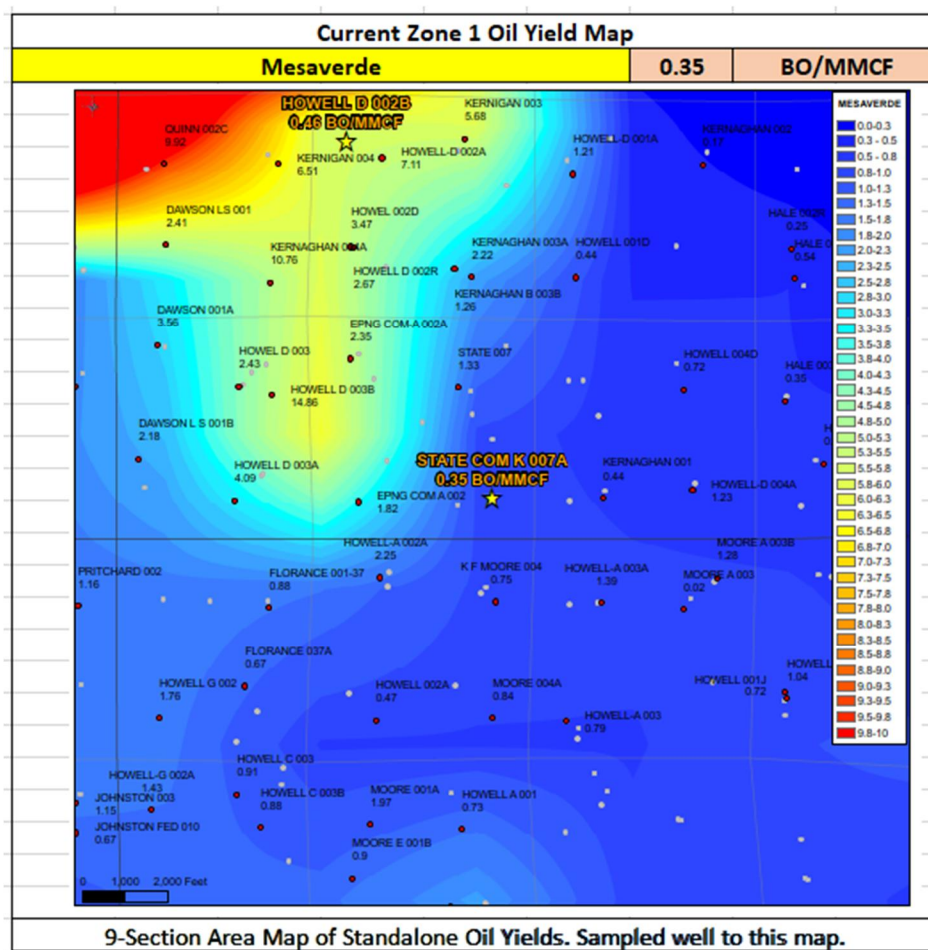
**Oil Allocation:**

Oil production will be allocated based on average formation yields from offset wells and will be a fixed rate for 4 years.

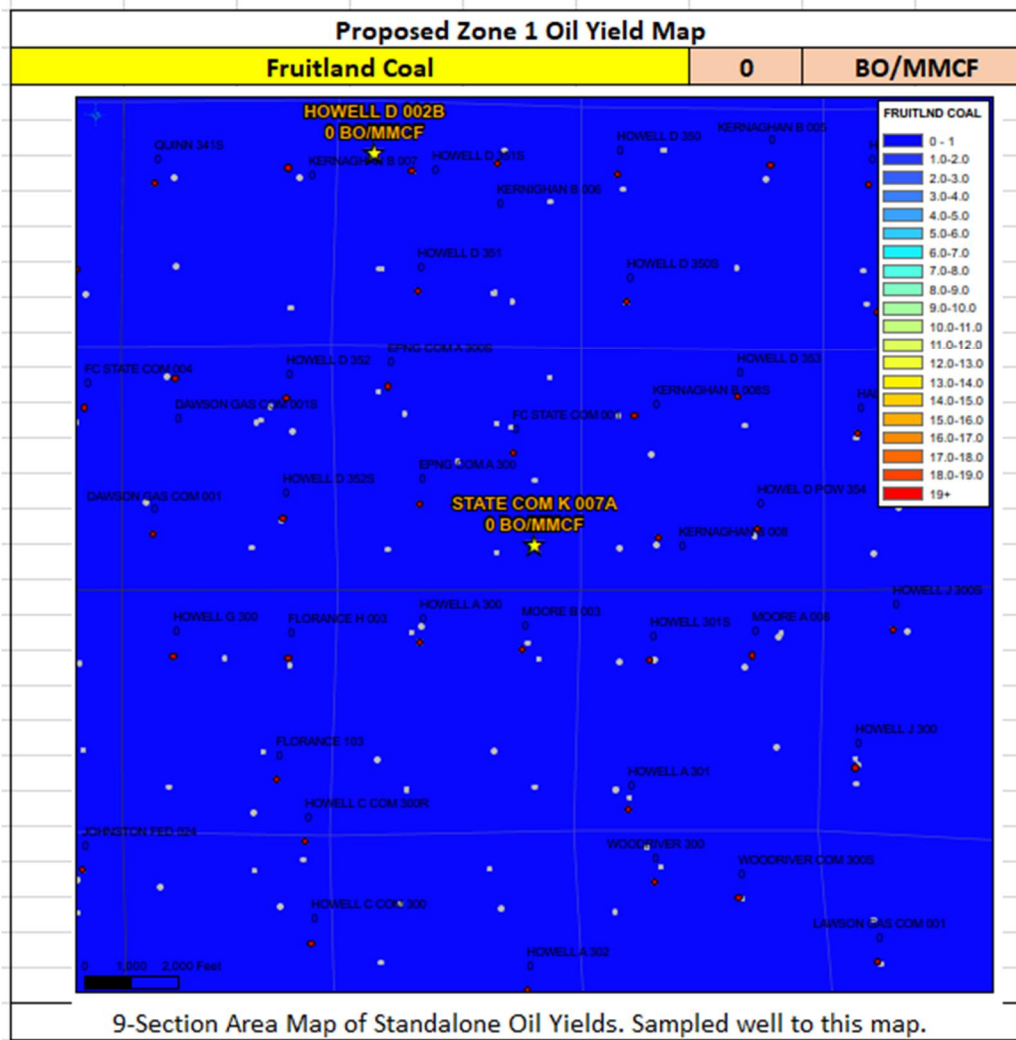
After 4 years oil will be reevaluated and adjust as needed based on average formation yields and new fixed gas allocation.

Formation	Yield (bbl/MM)	Remaining Reserves (MMcf)	% Oil Allocation
MV	0.35	199	100%
FRC	0	2100	0%
			100%

All documentation will be submitted to NMOCD.







Water Compatibility in the San Juan Basin

- The San Juan basin has productive siliciclastic reservoirs (Pictured Cliffs, Blanco Mesaverde, Basin Dakota, etc.) and a productive coalbed methane reservoir (Basin Fruitland Coal).
- These siliciclastic and coalbed methane reservoirs are commingled extensively throughout the basin in many different combinations with no observed damage from clay swelling due to differing formation waters.
- The samples below all show fresh water with low TDS.

Well Name	API
STATE COM K 7A	3004521702

FRC Offset		MV Offset	
API	3004528324	API	3004510069
Property	SAN JUAN 32-8 UNIT 234	Property	HALE 3
CationBarium	3.98	CationBarium	0.05
CationBoron		CationBoron	
CationCalcium	17.1	CationCalcium	1.28
CationIron	96.5	CationIron	58.87
CationMagnesium	4.41	CationMagnesium	0.55
CationManganese	1.03	CationManganese	1.09
CationPhosphorus	11.7	CationPhosphorus	
CationPotassium	360	CationPotassium	
CationStrontium	2.91	CationStrontium	10.8
CationSodium	446	CationSodium	539.65
CationSilica	21.6	CationSilica	
CationZinc	0.5	CationZinc	
CationAluminum		CationAluminum	
CationCopper		CationCopper	
CationLead	1	CationLead	
CationLithium		CationLithium	
CationNickel		CationNickel	
CationCobalt		CationCobalt	
CationChromium		CationChromium	
CationSilicon	10.1	CationSilicon	
CationMolybdenum		CationMolybdenum	
AnionChloride	490	AnionChloride	301
AnionCarbonate	10	AnionCarbonate	0
AnionBicarbonate	920	AnionBicarbonate	439.2
AnionBromide		AnionBromide	
AnionFluoride		AnionFluoride	
AnionHydroxyl	10	AnionHydroxyl	0
AnionNitrate		AnionNitrate	
AnionPhosphate	36	AnionPhosphate	
AnionSulfate	2.77	AnionSulfate	391
phField	6.47	phField	7
phCalculated	6.74	phCalculated	
TempField	82.4	TempField	53
TempLab		TempLab	
OtherFieldAlkalinity	1280	OtherFieldAlkalinity	
OtherSpecificGravity	1	OtherSpecificGravity	1
OtherTDS	1790	OtherTDS	1743.48
OtherCaCO3	60.9	OtherCaCO3	
OtherConductivity	3090	OtherConductivity	2724.19
DissolvedCO2	464	DissolvedCO2	60
DissolvedO2		DissolvedO2	
DissolvedH2S		DissolvedH2S	0.85
GasPressure		GasPressure	86
GasCO2		GasCO2	0
GasCO2PP		GasCO2PP	0
GasH2S		GasH2S	0
GasH2SPP		GasH2SPP	0
PitzerCaCO3_70		PitzerCaCO3_70	-2.08
PitzerBaSO4_70		PitzerBaSO4_70	0.55
PitzerCaSO4_70		PitzerCaSO4_70	-2.88
PitzerSrSO4_70		PitzerSrSO4_70	-0.29
PitzerFeCO3_70		PitzerFeCO3_70	1.34
PitzerCaCO3_220		PitzerCaCO3_220	-0.86
PitzerBaSO4_220		PitzerBaSO4_220	-0.1
PitzerCaSO4_220		PitzerCaSO4_220	-2.66
PitzerSrSO4_220		PitzerSrSO4_220	0.1
PitzerFeCO3_220		PitzerFeCO3_220	2.87

Gas Compatibility in the San Juan Basin

- The San Juan basin has productive siliciclastic reservoirs (Pictured Cliffs, Blanco Mesaverde, Basin Dakota, etc.) and a productive coalbed methane reservoir (Basin Fruitland Coal).
- These siliciclastic and coalbed methane reservoirs are commingled extensively throughout the basin in many different combinations with no observed damage from clay swelling due to differing formation waters or gas composition.
- The samples below all show offset gas analysis variability by formation is low.

Well Name	API
STATE COM K 7A	3004521702

FRC Offset		MV Offset	
AssetCode	3004532128	AssetCode	3004521730
AssetName	HOWELL A 301S	AssetName	HOWELL A 3A
CO2	0.06	CO2	0.03
N2	0	N2	0
C1	0.84	C1	0.86
C2	0.06	C2	0.07
C3	0.03	C3	0.02
ISOC4	0	ISOC4	0
NC4	0	NC4	0.01
ISOC5	0	ISOC5	0
NC5	0	NC5	0
NEOC5		NEOC5	
C6		C6	
C6_PLUS	0	C6_PLUS	0
C7		C7	
C8		C8	
C9		C9	
C10		C10	
AR		AR	
CO		CO	
H2		H2	
O2		O2	
H2O		H2O	
H2S	0	H2S	0
HE		HE	
C_O_S		C_O_S	
CH3SH		CH3SH	
C2H5SH		C2H5SH	
CH2S3_2CH3S		CH2S3_2CH3S	
CH2S		CH2S	
C6HV		C6HV	
CO2GPM	0	CO2GPM	0
N2GPM	0	N2GPM	0
C1GPM	0	C1GPM	0
C2GPM	1.61	C2GPM	1.83
C3GPM	0.89	C3GPM	0.67
ISOC4GPM	0.13	ISOC4GPM	0.11
NC4GPM	0.1	NC4GPM	0.19
ISOC5GPM	0.02	ISOC5GPM	0.07
NC5GPM	0.01	NC5GPM	0.06
C6_PLUSGPM	0.01	C6_PLUSGPM	0.19



January 18, 2023

New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Re: Application for Downhole Commingling  
Well: State Com K 007A  
API: 3004521702  
T31N - R08W - Section 32, Unit Letter: P  
San Juan County, NM

Ladies and Gentlemen:

Concerning Hilcorp Energy Company's application to downhole commingle production in the subject well, this letter serves to confirm the following:

- All working, royalty and overriding royalty interests are identical between the **Blanco Mesaverde (72319)** and **Basin Fruitland Coal (71629)** as such relates to the prescribed spacing unit(s) being the **E/320**.

Pursuant to Subsection C.(1)(c) of 19.15.12.11, if the spacing unit(s) contains state, federal or tribal lands, Hilcorp will have provided notice via mail or sundry to the State Land Office and/or BLM as of the date of this letter.

If you have any questions or concerns regarding this matter, please do not hesitate to contact me at the email or number provided below.

Regards,

Hilcorp Energy Company

A handwritten signature in blue ink, appearing to read 'R. Carlson'.

Robert T. Carlson  
Sr. Landman  
(832) 839-4596  
[rcarlson@hilcorp.com](mailto:rcarlson@hilcorp.com)

1111 Travis Street Houston, TX 77002  
Phone: (713) 209-2400 Fax: (713) 209-2420

**NEW MEXICO  
STATE  
LAND OFFICE**

**APPLICATION FOR  
COMMINGLING AND OFF-LEASE STORAGE  
ON STATE TRUST LANDS**



This application form is required for all commingling applications requiring approval by the Commissioner of Public Lands.

**Applicant:** Hilcorp Energy Company  
**Well Name:** State Com K 7A  
**Pool:** Basin Fruitland Coal

**OGRID #:** 372171  
**API #:** 30-045-21702

**OPERATOR NAME:** Hilcorp Energy Company

**OPERATOR ADDRESS:** Attn: Mandi Walker #12.215  
1111 Travis St.  
Houston TX 77002

**APPLICATION REQUIREMENTS – SUBMIT:**

1. New Mexico Oil Conservation Division (NMOCD) application packet (or equivalent information if no application is required by NMOCD),
2. Commingling application fee of \$150.

**CERTIFICATION:** To the best of my knowledge,

- All business leases and rights-of-way necessary for conducting the proposed operation on State Trust lands have been applied for or obtained,
- The information submitted with this application is **accurate** and **complete**, and
- No loss will accrue to the state of New Mexico as a result of the proposed operation.

I also understand that **no action** will be taken on this application until the required information and fee are submitted to the State Land Office.

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

Amanda Walker

Print or Type Name

*A Walker*

Signature

346.237.2177

Phone Number

2/16/2023

mwalker@hilcorp.com

Date

e-mail Address

**Submit application to:**  
 Commissioner of Public Lands  
 Attn: Commingling Manager  
 PO Box 1148  
 Santa Fe, NM 87504-1148

Questions?  
 Contact the Commingling Manager:  
 505.827.5791

Upon approval, the requesting organization will receive an acknowledgment letter from the Commissioner of Public Lands.

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

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.)		WELL API NO. 30-045-21702
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator HILCORP ENERGY COMPANY		6. State Oil & Gas Lease No. E-5384
3. Address of Operator 382 Road 3100, Aztec, NM 87410		7. Lease Name or Unit Agreement Name State Com K
4. Well Location Unit Letter <u>P</u> <u>990</u> feet from the <u>South</u> line and <u>990</u> feet from the <u>East</u> line Section <u>32</u> Township <u>31N</u> Range <u>8W</u> NMPM San Juan County		8. Well Number 7A
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6315'		9. OGRID Number 372171
		10. Pool name or Wildcat Basin Fruitland Coal

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐  
 TEMPORARILY ABANDON ☐ CHANGE PLANS ☐  
 PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐  
 DOWNHOLE COMMINGLE ☐  
 CLOSED-LOOP SYSTEM ☐  
 OTHER: ☒ RECOMPLETE

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐  
 COMMENCE DRILLING OPNS. ☐ P AND A ☐  
 CASING/CEMENT JOB ☐  
 OTHER: ☐

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 Basin Fruitland Coal and downhole commingle with the existing Blanco Mesaverde. Please see the attached procedure, current and proposed wellbore diagram, plat and natural gas management plan. A closed loop system will be used.

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  TITLE Operations / Regulatory Technician Sr. DATE 1/20/2023

Type or print name Amanda Walker E-mail address: mwalker@hilcorp.com PHONE: 346-237-2177

**For State Use Only**

APPROVED BY:  TITLE Petroleum Specialist DATE 1/24/2023

Conditions of Approval (if any):





**HILCORP ENERGY COMPANY**  
**State Com K 7A**  
**FRUITLAND COAL RECOMPLETION SUNDRY**

<b>Prepared by:</b>	Scott Anderson
<b>Preparation Date:</b>	January 18, 2023

WELL INFORMATION			
<b>Well Name:</b>	State Com K 7A	<b>State:</b>	NM
<b>API #:</b>	3004521702	<b>County:</b>	SAN JUAN
<b>Area:</b>	4	<b>Location:</b>	990' FSL & 990' FEL - Unit P - Section 32 - T 031N - R 008W
<b>Route:</b>	0407	<b>Latitude:</b>	36.850051 N
<b>Spud Date:</b>	6/15/1975	<b>Longitude:</b>	-107.6922 W

PROJECT DESCRIPTION
Isolate the Mesaverde, perforate and stimulate the OPE Fruitland Coal in 1-2 stages via frac string. Commingle the Fruitland Coal production with the existing Mesa Verde production. Strip facilities if necessary; repair production eqmt as needed

CONTACTS			
Title	Name	Office Phone #	Cell Phone #
Engineer	Scott Anderson		248-761-3965
Area Foreman	Colter Faverino		326-9758
Lead	Ramon Florez		486-9680
Artificial Lift Tech	Chris Huff		599-3479
Operator	Michael Archuleta		716-0118



**HILCORP ENERGY COMPANY**  
**State Com K 7A**  
**FRUITLAND COAL RECOMPLETION SUNDRY**

**JOB PROCEDURES**

- |   |              |   |
|---|--------------|---|
| <input checked="" type="checkbox"/><br><input type="checkbox"/> | NMOCD<br>BLM | <b>Contact OCD 24 hrs prior to MIRU. Record and document all casing pressures <u>daily</u>, including BH, IC (if present) and PC. Comply with all NMOCD, BLM, and HEC safety and environmental regulations.</b> |
|---|--------------|---|
1. MIRU service rig and associated equipment; NU and test BOP per HEC, State, and Federal guidelines.
  2. TOOH with 2-3/8" tubing
  3. PU a **4-1/2"** cast iron bridge plug and RIH with work string; set CIBP at +/- **3,918'** to isolate the Mesa Verde formation.
  4. Load wellbore with fluid. RU wireline and **run a CBL from the CIBP at 3,918' to surface**
  5. RU pressure test truck. Perform a Mechanical Integrity Test on wellbore. Chart record the MIT test (Notify NMOCD +24hr before actual test).
  6. If necessary, PU and RIH with a Base of frac plug inside the 4-1/2" liner and set at +/- **100' below the bottom proposed perf**
  7. RU E-line crew. Perforate the Fruitland Coal. (**Top perforation @ 2,746', Bottom perforation @ 3,160'**).  
 NOTE: perforation interval subject to change based on the results of the CBL run above
  8. RIH with 2-7/8" or larger frac string and packer, land packer **~50' above the top perf.**
  9. N/D BOP, N/U 10K frac stack and test frac stack to frac pressure. PT frac string to 8000-9000 psi, PT backside to 1500 psi
  10. RU stimulation crew. Frac the **Fruitland Coal** in one or two stages.
  11. **Flowback well thru flowback separator and sand trap until pressures diminish.**
  12. MIRU service rig. Nipple down frac stack, nipple up BOP and test.
  13. POOH w/ frac string and packer.
  14. Drill out the Base of frac plug and Mesaverde isolation plug. Clean out to PBTD at **5,645'**
  15. TIH and land 2-3/8" production tubing. Get a commingled **Fruitland Coal / Mesa Verde** flow rate.



**HILCORP ENERGY COMPANY**  
State Com K 7A  
**FRUITLAND COAL RECOMPLETION SUNDRY**

**State Com K 7A - CURRENT WELLBORE SCHEMATIC**

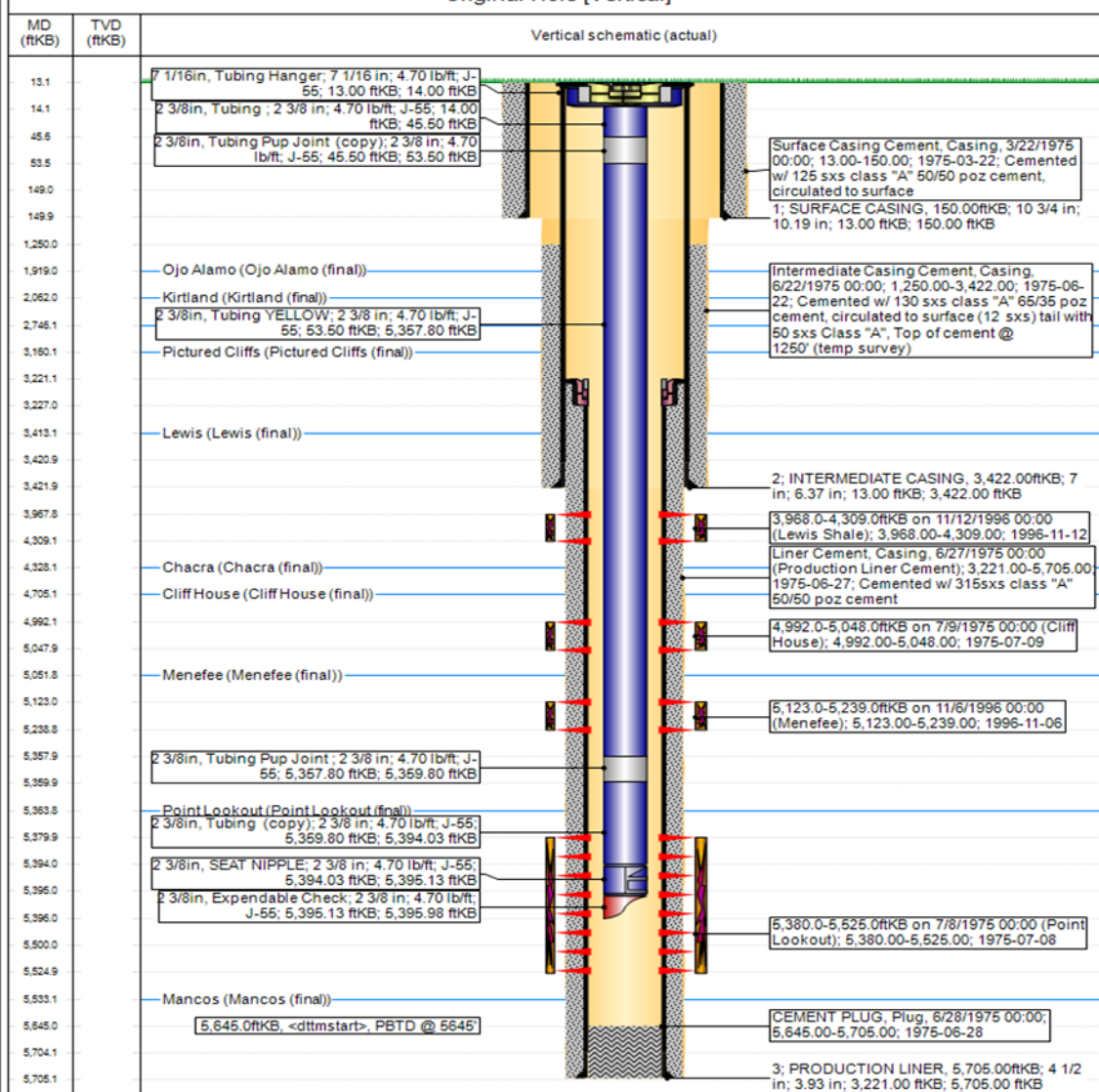


**Current Schematic - Version 3**

**Well Name: STATE COM K #7A**

API / UWI 3004521702	Surface Legal Location 032-031N-008W-P	Field Name MV	Route 0407	State/Province NEW MEXICO	Well Configuration Type Vertical
Ground Elevation (ft) 6,315.00	Original KBRT Elevation (ft) 6,328.00	KB-Ground Distance (ft) 13.00	KB-Casing Flange Distance (ft)	KB-Tubing Hanger Distance (ft)	

**Original Hole [Vertical]**



www.peloton.com

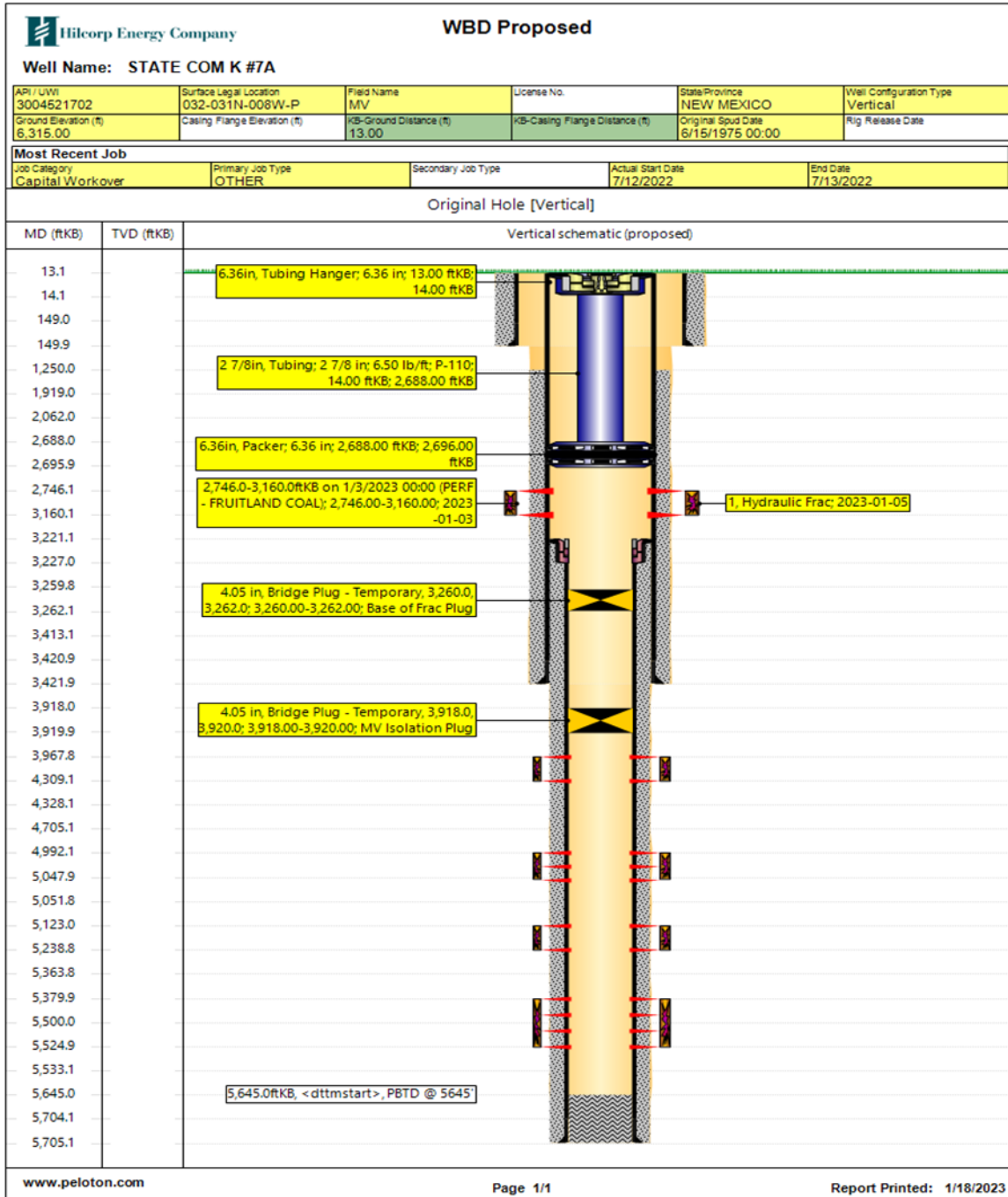
Page 1/1

Report Printed: 1/18/2023



**HILCORP ENERGY COMPANY**  
**State Com K 7A**  
**FRUITLAND COAL RECOMPLETION SUNDRY**

**State Com K 7A - PROPOSED WELLBORE SCHEMATIC (PRIOR TO DRILLOUT/COMMINGLING)**



August 1, 2011

Permit 332823

**State of New Mexico**  
**Energy, Minerals and Natural**  
**Resources**  
**Oil Conservation Division**  
**1220 S. St Francis Dr.**  
**Santa Fe, NM 87505**

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

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-045-21702	2. Pool Code 71629	3. Pool Name BASIN FRUITLAND COAL (GAS)
4. Property Code 319093	5. Property Name STATE COM K	6. Well No. 007A
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elevation 6315

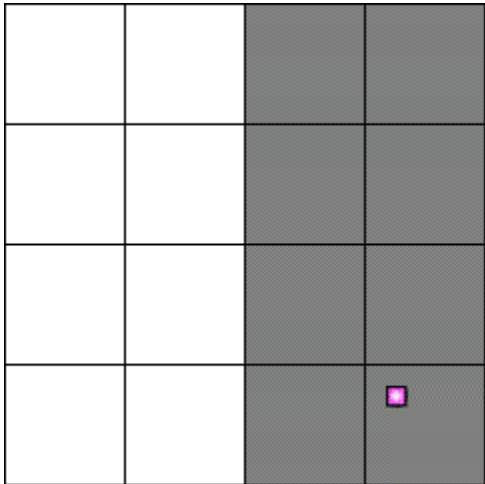

**10. Surface Location**

UL - Lot P	Section 32	Township 31N	Range 08W	Lot Idn	Feet From 990	N/S Line S	Feet From 990	E/W Line E	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 320.00	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**

	<p style="text-align: center;"><b>OPERATOR CERTIFICATION</b></p> <p><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></p> <p>E-Signed By:         Title: Operations Regulatory Tech Sr.        Date: 1/17/2023</p> <hr/> <p style="text-align: center;"><b>SURVEYOR CERTIFICATION</b></p> <p><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></p> <p>Surveyed By: Ernest Echohawk        Date of Survey: 1/29/1975        Certificate Number: 3602</p>
---	---

State of New Mexico  
Energy, Minerals and Natural Resources Department

Submit Electronically  
Via E-permitting

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

## NATURAL GAS MANAGEMENT PLAN

This Natural Gas Management Plan must be submitted with each Application for Permit to Drill (APD) for a new or recompleted well.

### Section 1 – Plan Description Effective May 25, 2021

**I. Operator:** Hilcorp Energy Company **OGRID:** 372171 **Date:** 1/20/2023

**II. Type:** ☒ Original ☐ Amendment due to ☐ 19.15.27.9.D(6)(a) NMAC ☐ 19.15.27.9.D(6)(b) NMAC ☐ Other.

If Other, please describe: \_\_\_\_\_

**III. Well(s):** Provide the following information for each new or recompleted well or set of wells proposed to be drilled or proposed to be recompleted from a single well pad or connected to a central delivery point.

Well Name	API	ULSTR	Footages	Anticipated Oil BBL/D	Anticipated Gas MCF/D	Anticipated Produced Water BBL/D
State Com K 7A	30-045-21702	P-32-31N-08W	990 FSL 990 FEL	0	500	1

**IV. Central Delivery Point Name:** Chaco Gas Plant [See 19.15.27.9(D)(1) NMAC]

**V. Anticipated Schedule:** Provide the following information for each new or recompleted well or set of wells proposed to be drilled or proposed to be recompleted from a single well pad or connected to a central delivery point.

Well Name	API	Spud Date	TD Reached Date	Completion Commencement Date	Initial Flow Back Date	First Production Date
<u>State Com K 7A</u>	<u>30-045-21702</u>					<u>2023</u>

**VI. Separation Equipment:** ☐ Attach a complete description of how Operator will size separation equipment to optimize gas capture.

**VII. Operational Practices:** ☐ Attach a complete description of the actions Operator will take to comply with the requirements of Subsection A through F of 19.15.27.8 NMAC.

**VIII. Best Management Practices:** ☐ Attach a complete description of Operator's best management practices to minimize venting during active and planned maintenance.



**Section 2 – Enhanced Plan****EFFECTIVE APRIL 1, 2022**

Beginning April 1, 2022, an operator that is not in compliance with its statewide natural gas capture requirement for the applicable reporting area must complete this section.

☒ Operator certifies that it is not required to complete this section because Operator is in compliance with its statewide natural gas capture requirement for the applicable reporting area.

**IX. Anticipated Natural Gas Production:**

Well	API	Anticipated Average Natural Gas Rate MCF/D	Anticipated Volume of Natural Gas for the First Year MCF

**X. Natural Gas Gathering System (NGGS):**

Operator	System	ULSTR of Tie-in	Anticipated Gathering Start Date	Available Maximum Daily Capacity of System Segment Tie-in

**XI. Map.** ☐ Attach an accurate and legible map depicting the location of the well(s), the anticipated pipeline route(s) connecting the production operations to the existing or planned interconnect of the natural gas gathering system(s), and the maximum daily capacity of the segment or portion of the natural gas gathering system(s) to which the well(s) will be connected.

**XII. Line Capacity.** The natural gas gathering system ☐ will ☐ will not have capacity to gather 100% of the anticipated natural gas production volume from the well prior to the date of first production.

**XIII. Line Pressure.** Operator ☐ does ☐ does not anticipate that its existing well(s) connected to the same segment, or portion, of the natural gas gathering system(s) described above will continue to meet anticipated increases in line pressure caused by the new well(s).

☐ Attach Operator's plan to manage production in response to the increased line pressure.

**XIV. Confidentiality:** ☐ Operator asserts confidentiality pursuant to Section 71-2-8 NMSA 1978 for the information provided in Section 2 as provided in Paragraph (2) of Subsection D of 19.15.27.9 NMAC, and attaches a full description of the specific information for which confidentiality is asserted and the basis for such assertion.

### **Section 3 - Certifications**

**Effective May 25, 2021**

Operator certifies that, after reasonable inquiry and based on the available information at the time of submittal:

☒ Operator will be able to connect the well(s) to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the anticipated volume of natural gas produced from the well(s) commencing on the date of first production, taking into account the current and anticipated volumes of produced natural gas from other wells connected to the pipeline gathering system; or

☐ Operator will not be able to connect to a natural gas gathering system in the general area with sufficient capacity to transport one hundred percent of the anticipated volume of natural gas produced from the well(s) commencing on the date of first production, taking into account the current and anticipated volumes of produced natural gas from other wells connected to the pipeline gathering system.

***If Operator checks this box, Operator will select one of the following:***

**Well Shut-In.** ☐ Operator will shut-in and not produce the well until it submits the certification required by Paragraph (4) of Subsection D of 19.15.27.9 NMAC; or

**Venting and Flaring Plan.** ☐ Operator has attached a venting and flaring plan that evaluates and selects one or more of the potential alternative beneficial uses for the natural gas until a natural gas gathering system is available, including:

- (a) power generation on lease;
- (b) power generation for grid;
- (c) compression on lease;
- (d) liquids removal on lease;
- (e) reinjection for underground storage;
- (f) reinjection for temporary storage;
- (g) reinjection for enhanced oil recovery;
- (h) fuel cell production; and
- (i) other alternative beneficial uses approved by the division.

### **Section 4 - Notices**

1. If, at any time after Operator submits this Natural Gas Management Plan and before the well is spud:

(a) Operator becomes aware that the natural gas gathering system it planned to connect the well(s) to has become unavailable or will not have capacity to transport one hundred percent of the production from the well(s), no later than 20 days after becoming aware of such information, Operator shall submit for OCD's approval a new or revised venting and flaring plan containing the information specified in Paragraph (5) of Subsection D of 19.15.27.9 NMAC; or

(b) Operator becomes aware that it has, cumulatively for the year, become out of compliance with its baseline natural gas capture rate or natural gas capture requirement, no later than 20 days after becoming aware of such information, Operator shall submit for OCD's approval a new or revised Natural Gas Management Plan for each well it plans to spud during the next 90 days containing the information specified in Paragraph (2) of Subsection D of 19.15.27.9 NMAC, and shall file an update for each Natural Gas Management Plan until Operator is back in compliance with its baseline natural gas capture rate or natural gas capture requirement.

2. OCD may deny or conditionally approve an APD if Operator does not make a certification, fails to submit an adequate venting and flaring plan which includes alternative beneficial uses for the anticipated volume of natural gas produced, or if OCD determines that Operator will not have adequate natural gas takeaway capacity at the time a well will be spud.

I certify that, after reasonable inquiry, the statements in and attached to this Natural Gas Management Plan are true and correct to the best of my knowledge and acknowledge that a false statement may be subject to civil and criminal penalties under the Oil and Gas Act.

Signature: 
Printed Name: Amanda Walker
Title: Operations Regulatory Tech Sr.
E-mail Address: <a href="mailto:mwalker@hilcorp.com">mwalker@hilcorp.com</a>
Date: 1/20/2023
Phone: 346-237-2177
<b>OIL CONSERVATION DIVISION</b> <b>(Only applicable when submitted as a standalone form)</b>
Approved By:
Title:
Approval Date:
Conditions of Approval:

## VI. Separation Equipment:

Hilcorp Energy Company (HEC or Operator) production facilities include separation equipment designed to efficiently separate gas from liquid phases to optimize gas capture based on projected and estimated volumes from the targeted pool of our recompleting project. HEC will utilize flowback separation equipment and production separation equipment designed and built to industry specifications after the recompleting to optimize gas capture and send gas to sales or flare based on analytical composition. HEC operates facilities that are typically one-well facilities. Production separation equipment is upgraded prior to well being completed, if determined to be undersized or inadequate. This equipment is already on-site and tied into our sales gas lines prior to the recompleting operations.

## VII. Operational Practices:

1. Subsection (A) Venting and Flaring of Natural Gas
  - HEC understands the requirements of NMAC 19.15.27.8 which outlines that the venting and flaring of natural gas during drilling, completion or production operations that constitutes waste as defined in 19.15.2 are prohibited.
2. Subsection (B) Venting and Flaring during drilling operations
  - This gas capture plan isn't for a well being drilled.
3. Subsection (C) Venting and flaring during completion or recompleting
  - Flowlines will be routed for flowback fluids into a completion or storage tank and if feasible under well conditions, flare rather than vent and commence operation of a separator as soon as it is technically feasible for a separator to function.
  - At any point in the well life (completion, production, inactive) an audio, visual and olfactory inspection be performed at prescribed intervals (weekly or monthly) pursuant to Subsection D of 19.15.27.8 NMAC, to confirm that all production equipment is operating properly and there are no leaks or releases.
4. Subsection (D) Venting and flaring during production operations
  - At any point in the well life (completion, production, inactive) an audio, visual and olfactory inspection be performed at prescribed intervals (weekly or monthly) pursuant to Subsection D of 19.15.27.8 NMAC, to confirm that all production equipment is operating properly and there are no leaks or releases.
  - Monitor manual liquid unloading for wells on-site or in close proximity (<30 minutes' drive time), take reasonable actions to achieve a stabilized rate and pressure at the earliest practical time, and take reasonable actions to minimize venting to the maximum extent practicable.
  - HEC will not vent or flare except during the approved activities listed in NMAC 19.15.27.8 (D) 1-4.
5. Subsection (E) Performance standards
  - All tanks and separation equipment are designed for maximum throughput and pressure to minimize waste.
  - If a flare is utilized during production operations it will have a continuous pilot and is located more than 100 feet from any known well or storage tanks.
  - At any point in the well life (completion, production, inactive) an audio, visual and olfactory inspection be performed at prescribed intervals (weekly or monthly) pursuant to Subsection D of 19.15.27.8 NMAC, to confirm that all production equipment is operating properly and there are no leaks or releases.

6. Subsection (F) Measurement or estimation of vented and flared natural gas
  - o Measurement equipment is installed to measure the volume of natural gas flared from process piping.
  - o When measurement isn't practicable, estimation of vented and flared natural gas will be completed as noted in 19.15.27.8 (F) 5-6.

VIII. Best Management Practices:

1. Operator has adequate storage and takeaway capacity for wells it chooses to recomplete as the flowlines at the sites are already in place and tied into a gathering system.
2. Operator will flare rather than vent vessel blowdown gas when technically feasible during active and/or planned maintenance to equipment on-site.
3. Operator combusts natural gas that would otherwise be vented or flared, when technically feasible.
4. Operator will shut in wells in the event of a takeaway disruption, emergency situation, or other operations where venting or flaring may occur due to equipment failures.

**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 178011

CONDITIONS

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 178011
	Action Type: [C-103] NOI Recompletion (C-103E)

CONDITIONS

Created By	Condition	Condition Date
kpickford	DHC required	1/24/2023
kpickford	Notify NMOCD 24 Hours Prior to beginning operations	1/24/2023



**From:** [McClure, Dean, EMNRD](#) on behalf of [Engineer, OCD, EMNRD](#)  
**To:** [Mandi Walker](#); [Cheryl Weston](#); [Laura Bohorquez](#)  
**Cc:** [McClure, Dean, EMNRD](#); [Rikala, Ward, EMNRD](#); [Wrinkle, Justin, EMNRD](#); [Powell, Brandon, EMNRD](#); [Lamkin, Baylen L.](#); [Dawson, Scott](#)  
**Subject:** Approved Administrative Order DHC-5313  
**Date:** Sunday, August 13, 2023 1:54:17 PM  
**Attachments:** [DHC5313 Order.pdf](#)

---

NMOCD has issued Administrative Order DHC-5313 which authorizes Hilcorp Energy Company (372171) to downhole commingle production within the following well:

**Well Name:** [State Com K #7A](#)

**Well API:** [30-045-21702](#)

---

The administrative order is attached to this email and can also be found online at OCD Imaging.

Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.

Dean McClure  
Petroleum Engineer, Oil Conservation Division  
New Mexico Energy, Minerals and Natural Resources Department  
(505) 469-8211

**From:** [Mandi Walker](#)  
**To:** [McClure, Dean, EMNRD](#)  
**Cc:** [Cheryl Weston](#)  
**Subject:** FW: [EXTERNAL] Action ID: 187272; DHC-5313  
**Date:** Thursday, August 10, 2023 7:05:54 AM

---

Dean,

Please see the response from Lea below.

Thank you,

*Mandi Walker*

*SJN/SJS (6,7) Regulatory Technician Sr.*

*Office: 346.237.2177*

*[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)*

---

**From:** Lea Peters <lpeters@hilcorp.com>  
**Sent:** Thursday, August 10, 2023 8:03 AM  
**To:** Mandi Walker <mwalker@hilcorp.com>  
**Cc:** Cheryl Weston <cweston@hilcorp.com>  
**Subject:** RE: [EXTERNAL] Action ID: 187272; DHC-5313

Dean,

Shut in pressures were calculated for operated offset standalone wells in each of the zones being commingled in the well in question via the following process:

1. Wells were shut in for 24 hours
2. Echometer was used to obtain a fluid level
3. Shut in BHP was calculated for the proposed commingled completion

**List of wells used to calculate BHPs for the Project:**

3004532153	FC State Com 20A	FRC
3004529944	Quinn 1C	MV

I believe each of the reservoirs to be continuous and in a similar state of depletion at this well and at each of the wells from which the pressures are being derived.

**Lea Peters** | Reservoir Engineer, SJN | Hilcorp Energy  
O: 346-237-2071 | [lpeters@hilcorp.com](mailto:lpeters@hilcorp.com)  
1111 Travis St. | Houston, TX | 77002

---

**From:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>

**Sent:** Wednesday, August 9, 2023 1:57 PM  
**To:** Lea Peters <[lpeters@hilcorp.com](mailto:lpeters@hilcorp.com)>  
**Cc:** Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Subject:** Fwd: [EXTERNAL] Action ID: 187272; DHC-5313

Lea, can you provide the information that Dean is needing for the BHP?

Thanks!  
Mandi

Get [Outlook for iOS](#)

---

**From:** McClure, Dean, EMNRD <[Dean.McClure@emnrd.nm.gov](mailto:Dean.McClure@emnrd.nm.gov)>  
**Sent:** Wednesday, August 9, 2023 4:55 PM  
**To:** Mandi Walker <[mwalker@hilcorp.com](mailto:mwalker@hilcorp.com)>  
**Cc:** Cheryl Weston <[cweston@hilcorp.com](mailto:cweston@hilcorp.com)>  
**Subject:** [EXTERNAL] Action ID: 187272; DHC-5313

**CAUTION:** External sender. DO NOT open links or attachments from UNKNOWN senders.

To whom it may concern (c/o Amanda Walker for Hilcorp Energy Company),

The Division is reviewing the following application:

<b>Action ID</b>	187272
<b>Admin No.</b>	DHC-5313
<b>Applicant</b>	Hilcorp Energy Company (372171)
<b>Title</b>	State Com K #7A
<b>Sub. Date</b>	2/16/2023

Please provide the following additional supplemental documents:

- 

Please provide additional information regarding the following:

- Please provide additional information regarding from where the BHPs are derived.

Additional notes:

- 

All additional supplemental documents and information may be provided via email and should be done by replying to this email. The produced email chain will be uploaded to the file for this application.

Please note that failure to take steps to address each of the requests made in this email within 10 business days of receipt of this email may result in the Division rejecting the application requiring the submittal of a new application by the applicant once it is prepared to address each of the topics

raised.

Dean McClure  
Petroleum Engineer, Oil Conservation Division  
New Mexico Energy, Minerals and Natural Resources Department  
(505) 469-8211

---

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

**APPLICATION FOR DOWNHOLE COMMINGLING  
SUBMITTED BY HILCORP ENERGY COMPANY**

**ORDER NO. DHC-5313**

**ORDER**

The Director of the New Mexico Oil Conservation Division ("OCD"), having considered the application and the recommendation of the Engineering Bureau, issues the following Order.

**FINDINGS OF FACT**

1. Hilcorp Energy Company ("Applicant") submitted a complete application ("Application") to downhole commingle the pools described in Exhibit A ("the Pools") within the well bore of the well identified in Exhibit A ("the Well").
2. Applicant proposed a method to allocate the oil and gas production from the Well to each of the Pools that is satisfactory to the OCD and protective of correlative rights.
3. Applicant has certified that the proposed commingling of the Pools shall not result in shut-in or flowing well bore pressure in excess of the commingled pool's fracture parting pressure.
4. Applicant has certified that all produced fluids from all the Pools are compatible with each other.
5. Applicant has certified that downhole commingling the Pools will not decrease the value of the oil and gas production.
6. To the extent that ownership is identical, Applicant submitted a certification by a licensed attorney or qualified petroleum landman that ownership in the Pools is identical as defined by 19.15.12.7(B) NMAC.
7. Applicant provided notice of the Application to the Bureau of Land Management ("BLM") or New Mexico State Land Office ("NMSLO"), as applicable.

**CONCLUSIONS OF LAW**

8. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-6, 70-2-11, 70-2-12, 70-2-16, 70-2-17, and 19.15.12 NMAC.
9. The downhole commingling of the Pools is common, or Applicant has provided evidence that the fluids are compatible and will not damage the Pools in accordance with 19.15.12.11(A)(1) NMAC.
10. The bottom perforation of the lower zone is within one hundred fifty percent (150%) of the depth of the top perforation in the upper zone or Applicant has provided evidence that the proposed commingling of the Pools shall not result in shut-in or flowing well bore pressure

in excess of the commingled pool's fracture parting pressure in accordance with 19.15.12.11(A)(3) NMAC.

11. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.11(A)(8) NMAC.
12. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

### **ORDER**

1. Applicant is authorized to downhole commingle the Pools described in Exhibit A within the well bore of the well identified in Exhibit A.
2. This Order supersedes Order DHC-3412.
3. Applicant shall allocate a fixed percentage of the oil production from the Well to each of the Pools until a different plan to allocate oil production is approved by OCD. Of the oil production from the Well:
  - a. zero percent (0%) shall be allocated to the BASIN FRUITLAND COAL (GAS) pool (pool ID: 71629); and
  - b. one hundred percent (100%) shall be allocated to the BLANCO-MESAVERDE (PRORATED GAS) pool (pool ID: 72319).

Applicant shall allocate gas production to the new pool(s) equal to the total gas production from the Well minus the projected gas production from the current pool(s) until a different plan to allocate gas production is approved by OCD. The new pool(s) are:

- a. the BASIN FRUITLAND COAL (GAS) pool (pool ID: 71629).

The current pool(s) are:

- a. the BLANCO-MESAVERDE (PRORATED GAS) pool (pool ID: 72319).

Applicant shall calculate the oil and gas production average during the fourth year after the commencement of commingling, which shall be used to establish a fixed percentage of the total oil and gas production that shall be allocated to each of the Pools ("fixed percentage allocation plan"). No later than ninety (90) days after the fourth year, Applicant shall submit a Form C-103 to the OCD Engineering Bureau that includes the fixed percentage allocation plan and all data used to determine it. If Applicant fails to do so, this Order shall terminate on the following day. If OCD denies the fixed percentage allocation plan, this Order shall terminate on the date of such action. If OCD approves the percentage allocation plan with or without modifications, then the approved percentage allocation plan shall be used to determine oil and gas allocation starting on the date of such action until the Well is plugged and abandoned.

4. If an alteration is made to the Well or a condition within the Well changes which may cause the allocation of production to the Pools as approved within this Order to become inaccurate, then no later than sixty (60) days after that event, Applicant shall submit Form C-103 to the



OCD Engineering Bureau describing the event and include a revised allocation plan. If OCD denies the revised allocation plan, this Order shall terminate on the date of such action.

5. If any of the pools being commingled is prorated, or the Well's production has been restricted by an OCD order in any manner, the allocated production from each producing pool in the commingled well bore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to the well.
6. If the Well is deepened, then no later than forty-five (45) days after the Well is deepened, Applicant shall conduct and provide logs to OCD that are sufficient for OCD to determine which pool(s) each new completed interval of the Well will produce from.
7. If the downhole commingling of the Pools reduces the value of the oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new downhole commingling application to OCD to amend this Order to remove the pool that caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.
8. If a completed interval of the Well is altered from what is submitted within the Application as identified in Exhibit A, then no later than sixty (60) days after the alteration, Applicant shall submit Form C-103 to the OCD Engineering Bureau detailing the alteration and completed interval.
9. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).
10. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**

  
\_\_\_\_\_  
**DYLAN M. FUGE**  
**DIRECTOR**

**DATE:** 8/13/2023

State of New Mexico  
Energy, Minerals and Natural Resources Department

## Exhibit A

Order: **DHC-5313**

Operator: **Hilcorp Energy Company (372171)**

Well Name: **State Com K #7A**

Well API: **30-045-21702**

<b>Upper Zone</b>	Pool Name: <b>BASIN FRUITLAND COAL (GAS)</b>		
	Pool ID: <b>71629</b>	Current:	New: <b>X</b>
	Allocation:	Oil: <b>0%</b>	Gas:
	Interval: <b>Perforations</b>	Top: <b>2,746</b>	Bottom: <b>3,160</b>
<b>Intermediate Zone</b>	Pool Name:		
	Pool ID:	Current:	New:
	Allocation:	Oil:	Gas:
	Interval:	Top:	Bottom:
Bottom of Interval within 150% of Upper Zone's Top of Interval:			
<b>Lower Zone</b>	Pool Name: <b>BLANCO-MESAVERDE (PRORATED GAS)</b>		
	Pool ID: <b>72319</b>	Current: <b>X</b>	New:
	Allocation:	Oil: <b>100%</b>	Gas:
	Interval: <b>Perforations</b>	Top: <b>3,968</b>	Bottom: <b>5,500</b>
Bottom of Interval within 150% of Upper Zone's Top of Interval: <b>NO</b>			

**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 187272

CONDITIONS

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 187272
	Action Type: [C-107] Down Hole Commingle (C-107A)

CONDITIONS

Created By	Condition	Condition Date
dmcclure	Please review the content of the order to ensure you are familiar with the authorities granted and any conditions of approval. If you have any questions regarding this matter, please contact me.	8/13/2023