

Area: <TEAM>

<h1 style="margin: 0;">Hilcorp Energy Company</h1> <h2 style="margin: 0;">PRODUCTION ALLOCATION FORM</h2>					Distribution: BLM 4 Copies Regulatory Accounting Well File Revised: March 9, 2006																									
Commingle Type SURFACE <input type="checkbox"/> DOWNHOLE <input checked="" type="checkbox"/> Type of Completion NEW DRILL <input type="checkbox"/> RECOMPLETION <input checked="" type="checkbox"/> PAYADD <input type="checkbox"/> COMMINGLE <input type="checkbox"/>					Status PRELIMINARY <input type="checkbox"/> FINAL <input checked="" type="checkbox"/> REVISED <input checked="" type="checkbox"/>																									
					Date: 5/23/22 API No. 30-045-25464 DHC No. DHC3963AZ Lease No. NMSF080724A																									
Well Name Zachry					Well No. 38																									
Unit Letter K	Section 12	Township T028N	Range R010W	Footage 1800' FSL & 1845' FWL	County, State San Juan County, New Mexico																									
Completion Date		Test Method HISTORICAL <input checked="" type="checkbox"/> FIELD TEST <input type="checkbox"/> PROJECTED <input type="checkbox"/> OTHER <input type="checkbox"/>																												
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">FORMATION</th> <th style="width: 25%;">GAS</th> <th style="width: 25%;">PERCENT</th> <th style="width: 25%;">CONDENSATE</th> <th style="width: 25%;">PERCENT</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">GALLUP</td> <td style="text-align: center;">25 MCFD</td> <td style="text-align: center;">27%</td> <td></td> <td style="text-align: center;">21%</td> </tr> <tr> <td style="text-align: center;">MESAVERDE</td> <td style="text-align: center;">67 MCFD</td> <td style="text-align: center;">73%</td> <td></td> <td style="text-align: center;">79%</td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>						FORMATION	GAS	PERCENT	CONDENSATE	PERCENT	GALLUP	25 MCFD	27%		21%	MESAVERDE	67 MCFD	73%		79%										
FORMATION	GAS	PERCENT	CONDENSATE	PERCENT																										
GALLUP	25 MCFD	27%		21%																										
MESAVERDE	67 MCFD	73%		79%																										
JUSTIFICATION OF ALLOCATION: **REVISED Oil allocation due to miscalculation. Effective Date 2/1/2022. No change to gas allocation.** Hilcorp Energy Company requests that production for the down hole commingle to be switched to a fixed percentage based allocation. The fixed percentage based allocation is calculated from average production rates from twelve months. Oil allocated based on average formation yields in surrounding area and new fixed allocations.																														
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">APPROVED BY</th> <th style="width: 16%;">DATE</th> <th style="width: 33%;">TITLE</th> <th style="width: 18%;">PHONE</th> </tr> </thead> <tbody> <tr> <td>X Kandis Roland</td> <td style="text-align: center;">5/23/22</td> <td>Operations/Regulatory Tech</td> <td style="text-align: center;">713-757-5246</td> </tr> <tr> <td>For Technical Questions: Justin Nall</td> <td></td> <td>Reservoir Engineer – Sr.</td> <td style="text-align: center;">346-237.2231</td> </tr> </tbody> </table>						APPROVED BY	DATE	TITLE	PHONE	X Kandis Roland	5/23/22	Operations/Regulatory Tech	713-757-5246	For Technical Questions: Justin Nall		Reservoir Engineer – Sr.	346-237.2231													
APPROVED BY	DATE	TITLE	PHONE																											
X Kandis Roland	5/23/22	Operations/Regulatory Tech	713-757-5246																											
For Technical Questions: Justin Nall		Reservoir Engineer – Sr.	346-237.2231																											

Dean R McClure 06/02/2022

Well Name: ZACHRY	Well Location: T28N / R10W / SEC 12 / NESW / 36.674316 / -107.849106	County or Parish/State: SAN JUAN / NM
Well Number: 38	Type of Well: OIL WELL	Allottee or Tribe Name:
Lease Number: NMSF080724A	Unit or CA Name:	Unit or CA Number:
US Well Number: 3004525464	Well Status: Producing Oil Well	Operator: HILCORP ENERGY COMPANY

Notice of Intent

Sundry ID: 2672992

Type of Submission: Notice of Intent

Type of Action: Commingling (Subsurface)

Date Sundry Submitted: 05/23/2022

Time Sundry Submitted: 01:08

Date proposed operation will begin: 02/01/2022

Procedure Description: Please see attached revised production allocation.

NOI Attachments

Procedure Description

Zachry_38_REVISED_Preliminary_Changed_to_Fixed_Allocation_20220523130730.pdf

Well Name: ZACHRY

Well Location: T28N / R10W / SEC 12 /
NESW / 36.674316 / -107.849106

County or Parish/State: SAN
JUAN / NM

Well Number: 38

Type of Well: OIL WELL

Allottee or Tribe Name:

Lease Number: NMSF080724A

Unit or CA Name:

Unit or CA Number:

US Well Number: 3004525464

Well Status: Producing Oil Well

Operator: HILCORP ENERGY
COMPANY

Operator

I certify that the foregoing is true and correct. Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction. Electronic submission of Sundry Notices through this system satisfies regulations requiring a

Operator Electronic Signature: KANDIS ROLAND

Signed on: MAY 23, 2022 01:07 PM

Name: HILCORP ENERGY COMPANY

Title: Operation Regulatory Tech

Street Address: 382 Road 3100

City: Farmington

State: NM

Phone: (505) 599-3400

Email address: kroland@hilcorp.com

Field

Representative Name:

Street Address:

City:

State:

Zip:

Phone:

Email address:

BLM Point of Contact

BLM POC Name: KENNETH G RENNICK

BLM POC Title: Petroleum Engineer

BLM POC Phone: 5055647742

BLM POC Email Address: krennick@blm.gov

Disposition: Approved

Disposition Date: 05/25/2022

Signature: Kenneth Rennick

Zachry 38 Fixed Allocation

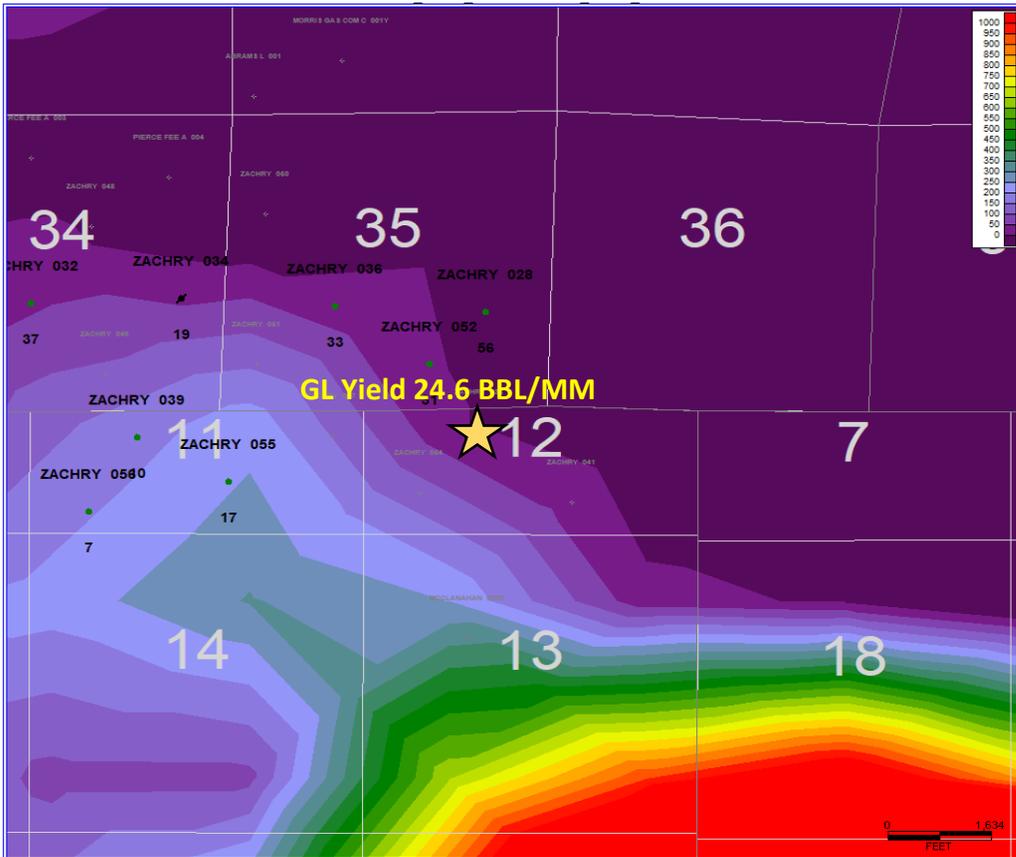
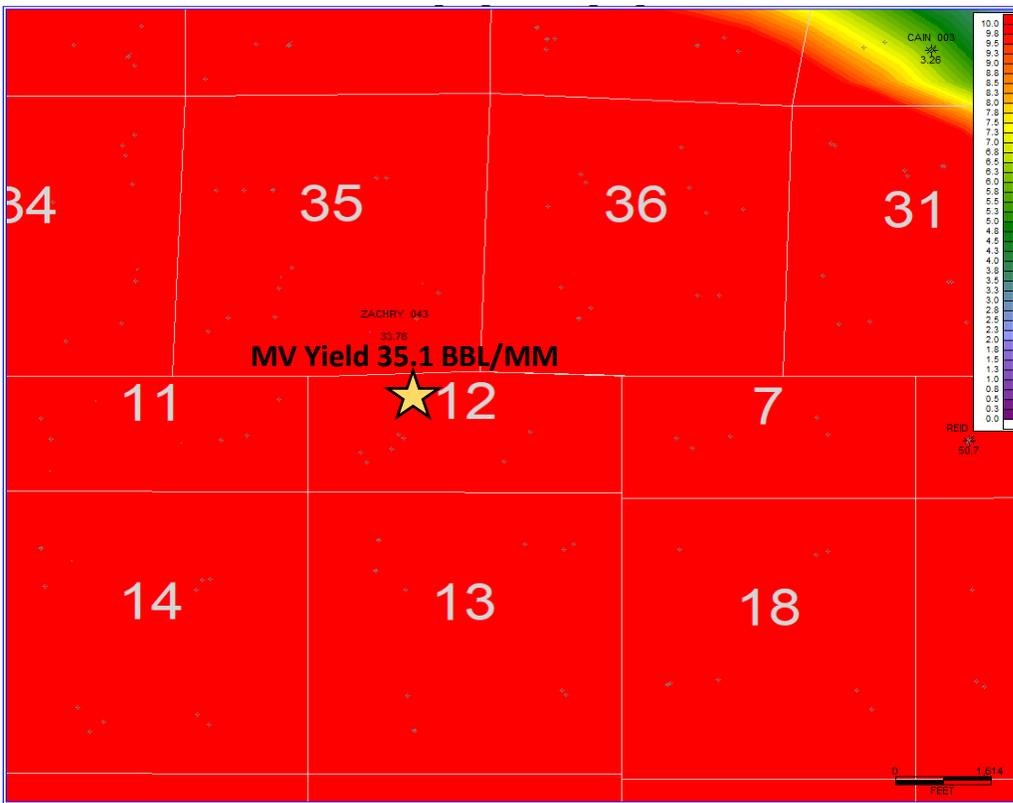
The Mesaverde and the Gallup formations have been producing as a commingled well for the past four years under a subtraction allocation method that was applied after the well was recompleted into a new zone. Hilcorp requests that production for the downhole commingled well be switched to a fixed percentage based allocation.

The new fixed percentage based allocation will be calculated from average production rates from the past twelve months.

Date	Gas Production		
	Gallup	Mesaverde	Total
Oct-20	27.5	70.5	98.0
Nov-20	27.7	71.6	99.3
Dec-20	26.8	69.6	96.4
Jan-21	27.2	70.9	98.1
Feb-21	26.6	69.6	96.2
Mar-21	23.6	62.2	85.8
Apr-21	26.4	69.9	96.3
May-21	24.8	66.1	90.9
Jun-21	24.6	65.8	90.4
Jul-21	23.4	62.9	86.3
Aug-21	23.5	63.5	87.0
Sep-21	20.8	56.2	77.0
Averages	25	67	92
% of Total	27%	73%	

Oil will be reallocated based on the average formation yields in surrounding area and new fixed allocations.

Formation	Yield	Updated Oil Allocation
Gallup	24.6 bbl/mmscf	21%
Mesaverde	35.1 bbl/mmscf	79%



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 110507

CONDITIONS

Operator: HILCORP ENERGY COMPANY 1111 Travis Street Houston, TX 77002	OGRID: 372171
	Action Number: 110507
	Action Type: [C-103] NOI General Sundry (C-103X)

CONDITIONS

Created By	Condition	Condition Date
dmcclore	None	6/2/2022