

Approved Administrative Order

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Secretary

Adrienne Sandoval, Director
Oil Conservation Division



Administrative Order DHC-5058

Order Date: August 30, 2019

Previously issued MC-2353 and DHC-4877

Hilcorp Energy Company
1111 Travis Street
Houston, Tx. 77002

Attention: Priscilla Shorty

Lucerne A Well No. 002A
API No. 30-045-22504
Lot 12/ Unit P, Section 9, Township 31 North, Range 10 West, NMPM,
San Juan County, New Mexico

| | | |
|--------|---------------------------------|-------------|
| Pool | BLANCO PICTURED CLIFFS (GAS) | Gas (72359) |
| Names: | WC 31N10W9; LEWIS | Gas (98326) |
| | 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. 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 to the Engineering Bureau.

As per the application, the assignment of allowable and allocation of production from the subject well for the first four years shall be based on historic production and the subtraction method. Production attributable to the WC 31N10W9; Lewis Pool shall be the remainder from total production minus the projected historical production from the Blanco Pictured Cliffs (Gas) and the Blanco-Mesaverde (Prorated Gas) Pools. 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:

| | | |
|---------------------------------|---------------|---------------|
| BLANCO PICTURED CLIFFS (GAS) | Pct. Oil: TBD | Pct. Gas: TBD |
| WC 31N10W9; LEWIS | Pct. Oil: TBD | Pct. Gas: TBD |
| BLANCO-MESAVERDE (PRORATED GAS) | Pct. Oil: TBD | Pct. Gas: TBD |

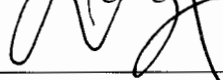
It is also understood that notice of this application, pursuant to Division Rule 19.15.4.12A.(6), is not required since the interest ownership between the zones to be commingled is common throughout.

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

This Order supersedes Division Orders MC-2353, issued on June 13, 1977, and DHC-4877, issued on November 16, 2018. This amended administrative order adds the WC 31N10W9; Lewis Pool.

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 - 30-045-22504