

RECEIVED: 10/11/19	REVIEWER:	TYPE: DHC	APP NO: pDM1933631241
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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: Hilcorp Energy Company **OGRID Number:** 372171
Well Name: Jicarilla B 1B **API:** 30-039-27780
Pool: Blanco Mesaverde/Basin Dakota/Basin Mancos **Pool Code:** 72319/71599/97232

**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.

Nick Kunze

Print or Type Name

Date

10/11/2019(713) 209-2449

Phone Number

nkunze@hilcorp.com

e-mail Address

Signature

District I
1625 N. French Drive, Hobbs, NM 88240

District II
811 S. First St., Artesia, NM 88210

District III
1000 Rio Pecos 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

382 Road 3100, Aztec, NM 87410

Operator

Address

Jicarilla B

1B

UL H - Sec. 26, T26N, R04W

Rio Arriba

Lease

Well No.

Unit Letter -Section-Township-Range

County

OGRID No. 372171

Property Code 319688

API No. 30-039-27780

Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Mancos	Blanco Mesaverde	Basin Dakota
Pool Code	97232	72319	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	7655' - 7665'	5690' - 5896'	7754' - 7930'
Method of Production (Flowing or Artificial Lift)	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)	3200 psi	1495 psi	2300 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1290	1230	1295
Producing, Shut-In or New Zone	New Zone	Producing	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: N/A Rates: N/A	Date: Nov 2018 Rates: 51 MCFD, 0.27 BOPD, 0.16 BWPD	Date: Nov 2018 Rates: 63 MCFD, 1.03 BOPD, 0.2 BWPD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil 0% Gas 0%	Oil 21% Gas 45%	Oil 79% Gas 55%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?

Yes ☐ No ☒

If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

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

Reservoir Engineer

DATE 10/11/2019

TYPE OR PRINT NAME

Braden Riley

TELEPHONE NO. (281) 224-9985

E-MAIL ADDRESS

briley@hilcorp.com

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

Form C-102
August 1, 2011

Permit 268530

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-039-27780	2. Pool Code 97232	3. Pool Name BASIN MANCOS
4. Property Code 319688	5. Property Name JICARILLA B	6. Well No. 001B
7. OGRID No. 372171	8. Operator Name HILCORP ENERGY COMPANY	9. Elevation 6920

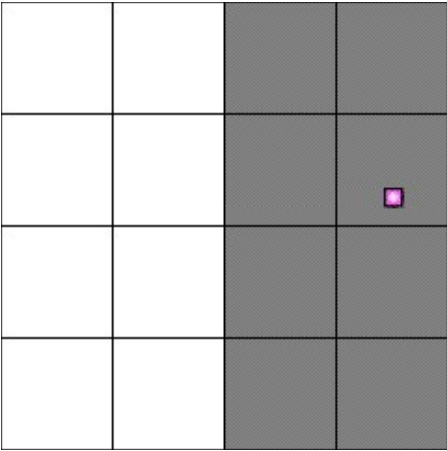
10. Surface Location

UL - Lot H	Section 26	Township 26N	Range 04W	Lot Idn	Feet From 2280	N/S Line N	Feet From 660	E/W Line E	County RIO ARriba
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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 E/2				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;">OPERATOR CERTIFICATION</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: Etta Trujillo Title: Operations/Regulatory Tech Sr Date: 09/11/2019</p> <hr/> <p style="text-align: center;">SURVEYOR CERTIFICATION</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: Jason C. Edwards Date of Survey: 5/24/2002 Certificate Number: 15269</p>
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District I
PO Box 1980, Hobbs, NM 88241-1980

District II
PO Drawer DD, Artesia, NM 88211-0719

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*APT Number 30039-27780		*Pool Code 72319 \ 71599	*Pool Name BLANCO MESAVERDE \ BASIN DAKOTA
*Property Code 24043	*Property Name JICARILLA B		*Well Number 1B
*OGRID No. 173252	*Operator Name CORDILLERA ENERGY, INC.		*Elevation 6920'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	26	26N	4W		2280	NORTH	660	EAST	RIO ARriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 320.0 Acres - (E/2)	¹³ Joint or Infill Y	¹⁴ Consolidation Code	¹⁵ Order No.
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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

<div><p>¹⁶</p><p>5295.18'</p><p>2280'</p><p>660'</p><p>5280.00'</p><p>26</p><p>JICARILLA CONTRACT #106</p><p>5291.88'</p></div>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p><i>Paul C. Thompson</i> Signature</p> <p>PAUL C. THOMPSON Printed Name</p> <p>AGENT Title</p> <p>4/8/03 Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date of Survey: MAY 24, 2002</p> <p>Signature and Seal of Professional Surveyor</p> <div><p>JASON C. EDWARDS NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR 15269</p></div> <p><i>JASON C. EDWARDS</i> Certificate Number 15269</p>

JICARILLA B 1B

30-039-27780

<u>MESAVERDE</u>					
Year	Month	Monthly Oil Production	Monthly Gas Production	Monthly Water Production	Days On
2017	NOV	7	1626	0	30
2017	DEC	9	1692	18	31
2018	JAN	9	1640	28	31
2018	FEB	12	1553	20	28
2018	MAR	10	1639	0	31
2018	APR	8	1554	22	30
2018	MAY	10	1717	21	31
2018	JUN	6	1474	15	30
2018	JUL	8	1579	22	31
2018	AUG	9	1612	0	31

<u>DAKOTA</u>					
Year	Month	Monthly Oil Production	Monthly Gas Production	Monthly Water Production	Days On
2017	NOV	30	1988	0	30
2017	DEC	32	2069	22	31
2018	JAN	33	2004	34	31
2018	FEB	47	1899	24	28
2018	MAR	38	2003	0	31
2018	APR	32	1900	27	30
2018	MAY	35	2098	26	31
2018	JUN	26	1802	18	30
2018	JUL	28	1930	27	31
2018	AUG	34	1970	0	31

Gas	Zone	Average MCFD	Percentage of total flow
	MV	53	45%
	DK	65	55%
	Total	118	100%

Oil	Zone	Average BOPD	Percentage of total flow
	MV	0.29	21%
	DK	1.1	79%
	Total	1.39	100%

Zone	Gas	Oil
MV	45%	21%
DK	55%	79%
Total	100%	100%

JUSTIFICATION OF ALLOCATION: Hilcorp requests that the production for the downhole commingle remain the same for the Mesaverde and Dakota, and that 0 production should be allocated to the Mancos (Greenhorn). The Greenhorn is a calcareous, deep water, shale deposit with microdarcy permeability and no sand quality. In the 9 section area around the Jicarilla B 1B, there has only been one well completed in the Greenhorn, the Jicarilla F 1. The Greenhorn was perforated, fractured, and further acidize, before being squeezed off with cement due to the lack of productivity. The Greenhorn interval never produced. The Greenhorn has proven to be non-productive in this area after stimulation, and the Jicarilla B 1B is currently open to a non-stimulated Greenhorn. Based on this information, Hilcorp wishes to trimingle the Mesa Verde, Mancos, and Dakota formations and allocate 0 production to the Greenhorn (Mancos) due to the lack of productivity of the Greenhorn in the area.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018**SUNDRY NOTICES AND REPORTS ON WELLS**
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.**SUBMIT IN TRIPLICATE - Other instructions on page 2**

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. JIC106
2. Name of Operator HILCORP ENERGY COMPANY		6. If Indian, Allottee or Tribe Name JICARILLA APACHE
Contact: ETTA TRUJILLO E-Mail: ettrujillo@hilcorp.com		7. If Unit or CA/Agreement, Name and/or No.
3a. Address 382 ROAD 3100 AZTEC, NM 87410	3b. Phone No. (include area code) Ph: 505-324-5161	8. Well Name and No. JICARILLA B 1B
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 26 T26N R4W SENE 2280FNL 660FEL 36.458539 N Lat, 107.214765 W Lon		9. API Well No. 30-039-27780-00-C1
		10. Field and Pool or Exploratory Area BASIN DAKOTA BLANCO MESAVERDE
		11. County or Parish, State RIO ARriba COUNTY, NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Hydraulic Fracturing	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Workover Operations
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

Hilcorp Energy requests permission to tri-mingle the subject well according to the attached summary, current and proposed wellbore schematic. The DHC (C-107A) will be submitted prior to any work being performed.

14. I hereby certify that the foregoing is true and correct. Electronic Submission #487494 verified by the BLM Well Information System For HILCORP ENERGY COMPANY, sent to the Rio Puerco Committed to AFMSS for processing by JOHN HOFFMAN on 10/11/2019 (20JH0004SE)	
Name (Printed/Typed) ETTA TRUJILLO	Title OPERATIONS REGULATORY TECH SR
Signature (Electronic Submission)	Date 10/10/2019

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By JOHN HOFFMAN	Title PETROLUUM ENGINEER	Date 10/11/2019
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.		Office Rio Puerco

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.

(Instructions on page 2)

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****



HILCORP ENERGY COMPANY
JICARILLA B 1B
Trimingle Wellbore SUNDRY

1. Hilcorp Energy Company executed a routine tubing repair starting on 6/6/2019. Hilcorp MIRU and tripped out of the hole while scanning the tubing for integrity while tripping out. Hilcorp replaced 9 joints of tubing due to pitting. The next day Hilcorp tripped in the hole with a 3-7/8" bit, tagged fill @ 7,972, and cleaned out fill to 7,985' (PBTD). Hilcorp then picked up the tubing to 7,930' and spotted 250 gallons of acid across the DK perfs. Hilcorp picked up to 5,896' and spotted an additional 250 gallons of acid across the MV perfs. Hilcorp shut down for the day to let the acid breakdown the scale across the perfs. The next day Hilcorp tripped in the hole to 7,897' to unload the spent acid. Hilcorp tripped in the hole while unloading acid to 7,909', and began pressuring up on the air package. Hilcorp began tripping out of the hole and the tubing got stuck. At this point, it was unclear where the tubing was stuck, and the bottom of the string (bit) was at 7,896'. Hilcorp RIH with a free point tool, and the free point tool would not go past 7,653'. Hilcorp chemical cut the tubing at 7,645'. The next day Hilcorp tripped out of the hole with 7,645' of the fish and tripped back in the hole with 3-3/4" wash pipe and tagged the top of fish at 7,645'. Hilcorp washed over the fish to 7,665' and began torquing up and getting metal shavings in the returns which indicated we were milling on casing. Hilcorp continued to attempt to wash over and did not make an inch in 3 hours and shut down for the day. The next day, Hilcorp tripped out of the hole with the 3-3/4" wash pipe, and tripped in the hole with a 3-3/4" overshot, 2-3/8" grapple, bumper sub and hydraulic jars. Hilcorp engaged the top of fish at 7,645' with the overshot/grapple assembly and jarred on the fish. Hilcorp tripped out of the hole and recovered a 10' piece of fish. The bottom of the fish was crimped (indicating collapsed casing). At this point, Hilcorp had attempted to fish the tubing with washpipe and an overshot assembly with very little success. Hilcorp believes there is no viable option to fish the remaining fish out of the hole based on the condition of the casing. Hilcorp has verified collapsed casing from 7,655'-7,665', which is in the Greenhorn (a sub member of the Mancos). Hilcorp was granted approval to land the end of tubing at 7,629' (26' above the top of fish) and shut in the well to wait for DHC approval. The Greenhorn is a calcareous, deep water, shale deposit with extremely low permeability and no sand quality. In the 9 section area around the Jicarilla B 1B, there has only been one well completed in the Greenhorn, the Jicarilla F 1. The Greenhorn was perforated, fractured, and further acidize, before being squeezed off with cement due to the lack of productivity. The Greenhorn interval never produced. Based on this information, Hilcorp wishes to trimingle the Mesaverde, Mancos, and Dakota formations and allocate 0 production to the Greenhorn (Mancos) due to the lack of productivity of the Greenhorn in the area. Hilcorp has gotten approval from both BLM and Jicarilla to proceed to submit the DHC with 0 production allocated to the Mancos. Hilcorp has notified interest owners in the Mesaverde, Mancos, and Dakota formations with the proposition to trimingle the formations and allocate 0 production to the Mancos, and is currently waiting for partner approval.



HILCORP ENERGY COMPANY
JICARILLA B 1B
Trimingle Wellbore SUNDRY

JICARILLA B 1B - WELLBORE SCHEMATIC BEFORE WORKOVER OPERATIONS

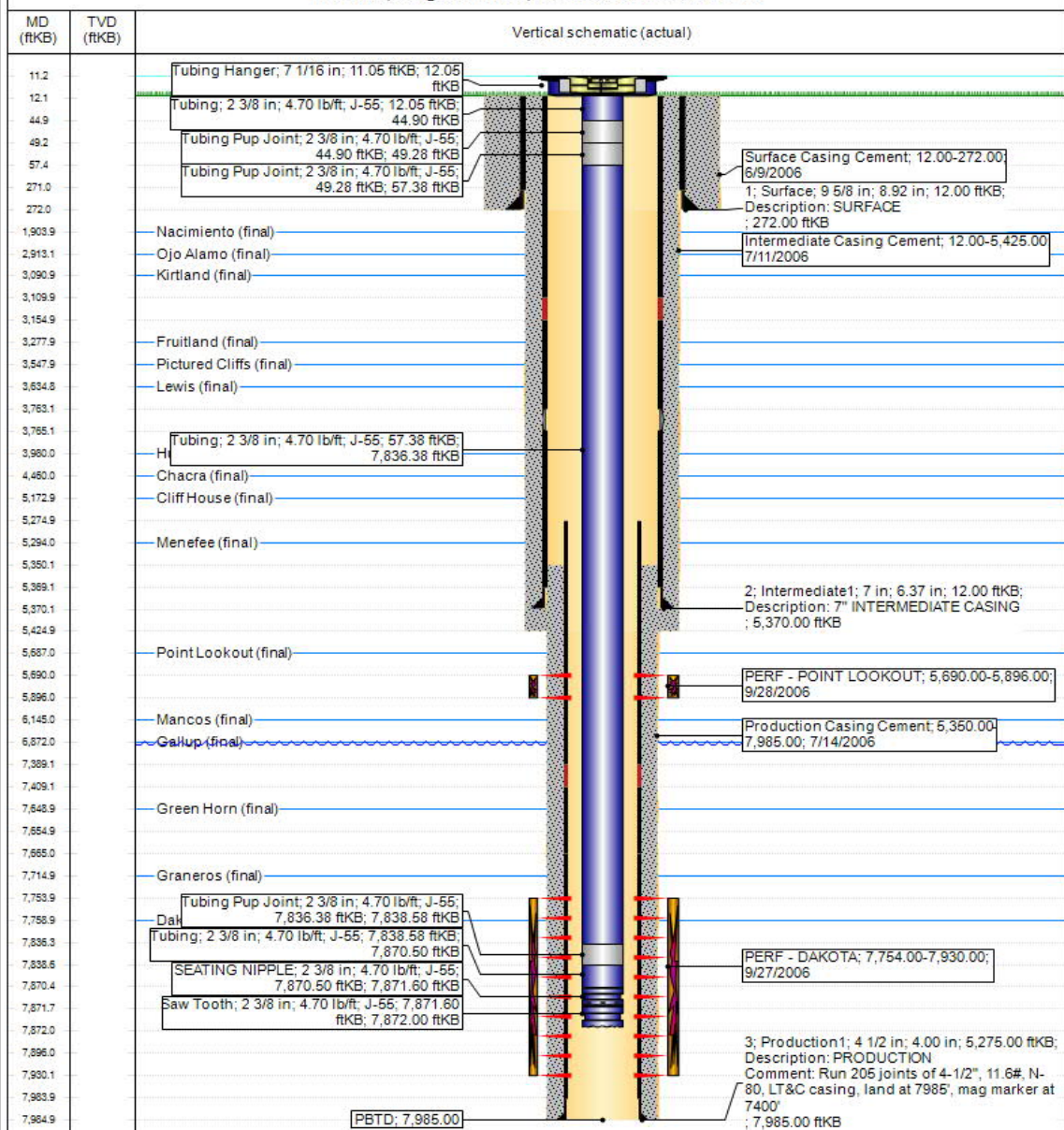


Current Schematic - Version 3

Well Name: JICARILLA B #1B

API / UWI 3003927780	Surface Legal Location H-26-26N-4W	Field Name BASIN	Route 1411	State/Province NEW MEXICO	Well Configuration Type Vertical
Ground Elevation (ft) 6,920.00	Original KB/RT Elevation (ft) 6,932.00	KB-Ground Distance (ft) 12.00	KB-Casing Flange Distance (ft)	KB-Tubing Hanger Distance (ft)	

Vertical, Original Hole, 10/9/2019 12:06:03 PM





HILCORP ENERGY COMPANY
JICARILLA B 1B
Trimingle Wellbore SUNDRY

JICARILLA B 1B - CURRENT & PROPOSED WELLBORE SCHEMATIC

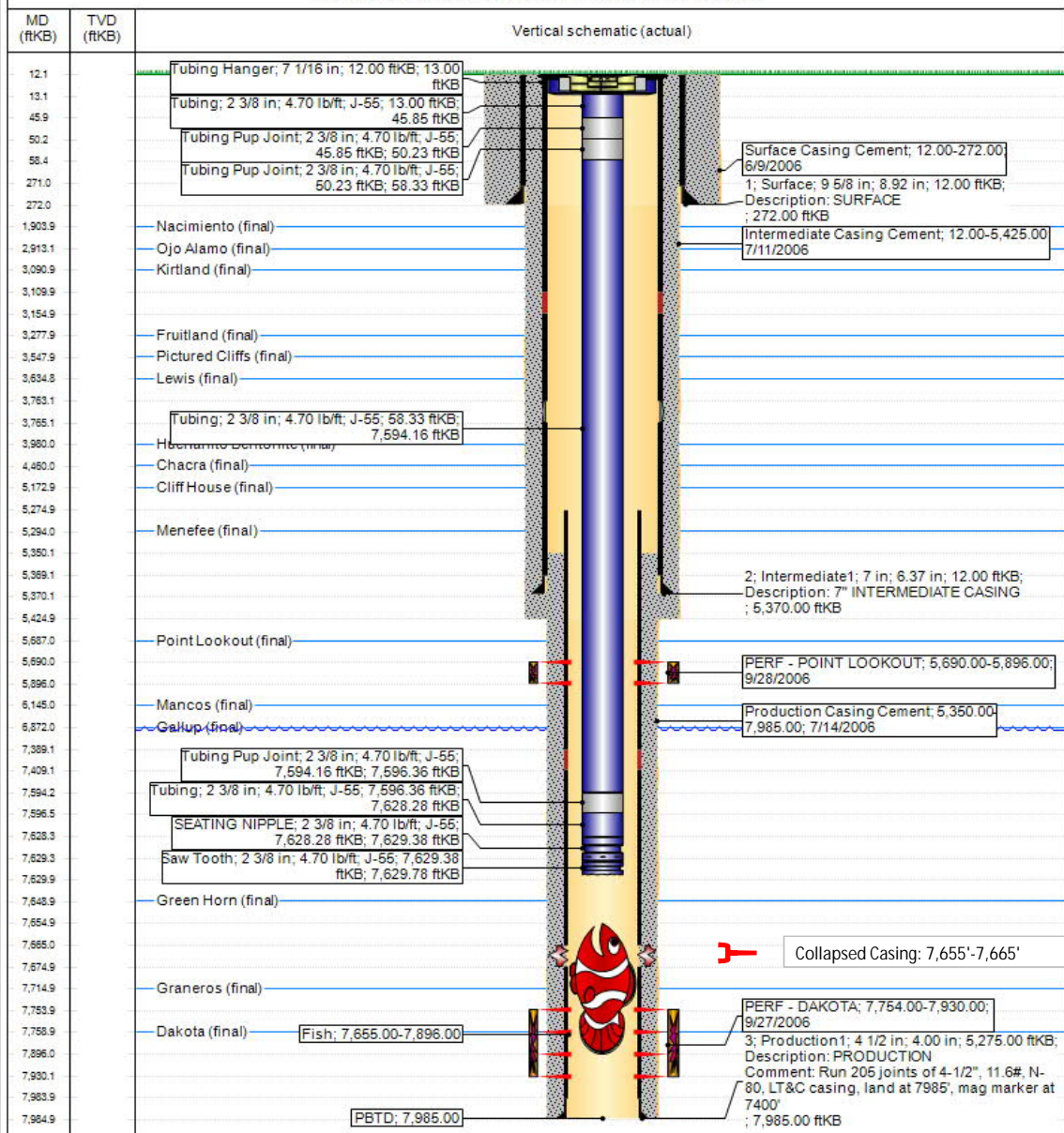


Current Schematic - Version 3

Well Name: JICARILLA B #1B

API / UWI 3003927780	Surface Legal Location H-26-26N-4W	Field Name BASIN	Route 1411	State/Province NEW MEXICO	Well Configuration Type Vertical
Ground Elevation (ft) 6,920.00	Original KBRT Elevation (ft) 6,932.00	KB-Ground Distance (ft) 12.00	KB-Casing Flange Distance (ft)	KB-Tubing Hanger Distance (ft)	

Vertical, Original Hole, 10/9/2019 11:31:49 AM





October 10, 2019

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

Transmitted Via
Certified Mail - Return Receipt Requested

Mr. McMillan:

RE: C-107-A (Downhole Commingle)
Jicarilla B 001B
API# 30-039-27780
Sec. 26-T26N-R4W
Rio Arriba County, New Mexico

Concerning Hilcorp Energy Company's C-107-A application to downhole commingle production in the subject well, this letter serves to confirm the following:

- All working, royalty and overriding royalty interests differ between the Basin Dakota, Blanco Mesaverde, and Basin Mancos formations. Therefore, notice has been sent to the respective parties as of the date of this letter.
- The spacing unit is comprised of a fee (Jicarilla Apache Tribe) lease. Therefore, pursuant to Subsection C. (1) of 19.15.12.11 NMAC, a copy of the C-107-A has been sent to the Jicarilla Apache Tribe as well as the Bureau of Land Management (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.

Sincerely,

Hilcorp San Juan, L.P.

By: Hilcorp Energy Company
Its General Partner

A handwritten signature in blue ink that reads 'Chuck Creekmore'.

Chuck Creekmore
Division Landman
Phone: 832.839.4601
Fax: 832.839.2420
ccreekmore@hilcorp.com

CEC:cpr
Enclosures



October 7, 2019

Jicarilla B 001B
Basin Dakota & Blanco Mesaverde
Transmitted Via
Certified Mail - Return Receipt Requested

TO: ALL INTEREST OWNERS

RE: Jicarilla B 001B
(Basin DK & Blanco MV)
API# 30-039-27780
Sec. 26-T26N-R4W
Rio Arriba County, New Mexico

HSJ Contract dated 10/01/1990
AFE Reference No. 1951603
WC 30.1045.1229.02 (Basin DK)
WC: 30.1045.1229.03 (Blanco MV)

During the process of working the subject well over, the casing parted and collapsed. Prior to the workover operations, the subject well was a Dakota & Mesaverde completion. As a result, the well is now open to the Greenhorn (a member of the Mancos Formation). The well has been shut in since July 31, 2019 as a result of the mechanical issues.

Based on our Senior Geologist's (Thirty-Six (36) Years' Experience) analysis, the part of the well that is open to the Greenhorn (Mancos) is a very calcareous shale and the depositional environment does not fit with the presence of a sand. This is a very deep water deposit which has led to the presence of super fine particles (i.e. mud which has become shale) along with former sea life (i.e. the calcareous part). This depositional environment has led our Geologist to conclude that sand is not present in this Greenhorn (Mancos) interval. We also looked at wells within a mile radius that might be producing from the Greenhorn (Mancos) interval and this interval was never found to be productive.

Hilcorp Energy Company, as Operator of the above referenced well is hereby providing formal notice of the plan to commingle the current Dakota & Mesaverde Formations with the portion of the Greenhorn (Mancos) that was opened by the mechanical failures.

However, based on the analysis above, Hilcorp does not believe that the Greenhorn will add any production to this well and wishes to allocate no production to the Greenhorn (Mancos) after commingling this well. We received verbal approval from both the BLM and the Jicarilla Tribe to proceed with this decision.

If you have any technical questions or comments, please contact Nick Kunze (713) 209-2449. Please contact the undersigned should you have any other questions.

Sincerely,

Hilcorp San Juan, L.P.
By: Hilcorp Energy Company
Its General Partner

A handwritten signature in blue ink that reads 'Chuck Creekmore'.

Chuck Creekmore
Division Landman
Phone: 832.839.4601
Fax: 832.839.2420
ccreekmore@hilcorp.com

CEC:cpr
Enclosures

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Form No. CEL-43R rev 05/15
U.S. Patent No.'s 6,905,747
And Other Patents Pending

Batch #: 024,131
Article #: 92148969009997901780065514
Date/Time: 10/7/2019 10:28:27 AM

Internal File #:
Internal Code:

Form No. CEL-43R rev 05/15
U.S. Patent No.'s 6,905,747
And Other Patents Pending

Batch #: 024,131
Article #: 92148969009997901780065521
Date/Time: 10/7/2019 10:28:27 AM

Internal File #:
Internal Code:

Form No. CEL-43R rev 05/15
U.S. Patent No.'s 6,905,747
And Other Patents Pending

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OF THE RETURN ADDRESS. FOLD AT DOTTED LINE

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Timothy
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October 7, 2019

Jicarilla B 001B
Basin Dakota & Blanco Mesaverde
Working Interest Owners

Transmitted Via
Certified Mail - Return Receipt Requested

TO: ALL WORKING INTEREST OWNERS

RE: Jicarilla B 001B
(Basin DK & Blanco Mv)
API# 30-039-27780
Sec. 26-T26N-R4W
Rio Arriba County, New Mexico

HSJ Contract dated 10/01/1990
AFE Reference: 1951603
WC 30.1045.1229.02 (Basin DK)
WC: 30.1045.1229.03 (Blanco MV)

Reference is made to that certain Workover AFE No. 1951603 which was sent to your offices via Certified Mail April 03, 2019. Prior to the workover operations, the subject well was a Dakota & Mesaverde completion. During the process of working the well over, the casing parted and collapsed. As a result, the well is now open to the Greenhorn (a member of the Mancos Formation). The well has been shut in since July 31, 2019 as a result of the mechanical issues.

Based on our Senior Geologist's (Thirty-Six (36) Years' Experience) analysis, the part of the well that is open to the Greenhorn (Mancos) is a very calcareous shale and the depositional environment does not fit with the presence of a sand. This is a very deep water deposit which has led to the presence of super fine particles (i.e. mud which has become shale) along with former sea life (i.e. the calcareous part). This depositional environment has led our Geologist to conclude that sand is not present in this Greenhorn (Mancos) interval. We also looked at wells within a mile radius that might be producing from the Greenhorn (Mancos) interval and this interval was never found to be productive.

Hilcorp Energy Company, as Operator of the above referenced well is hereby requesting approval to commingle the current Dakota & Mesaverde Formations with the portion of the Greenhorn (Mancos) that was opened by the mechanical failures.

However, based on the analysis above, Hilcorp does not believe that the Greenhorn will add any production to this well and wishes to allocate no production to the Greenhorn (Mancos) after commingling this well. We received verbal approval from both the BLM and the Jicarilla Tribe to proceed with this decision.

Pursuant to the Operating Agreement dated October 1st, 1990, your election is due within 30 days from receipt of this proposal; however, an earlier election would be appreciated. In accordance with the agreement, please indicate your election on the AFE and email (carice@hilcorp.com) your response to the undersigned within 30 days of receipt of this letter. Please note that if we do not receive your response within thirty (30) days, your non-response shall be deemed as approval of this operation.



Well Name/Dedication	Formation	Owners/GWI	
Jicarilla B 001B (Basin Dakota)	Basin Dakota	VIERSEN OIL & GAS CO	0.16267660
		JOHN H THOMPSON JR	0.00666490
		Hilcorp San Juan, LP	0.83065850
		TOTAL: 1.00000000	

DAKOTA AREA OWNERS: Please indicate your approval of this proposal by signing and returning one (1) executed copy of this letter to Hilcorp San Juan, L.P., Attn: Carson Parker Rice, P.O. Box 61229, Houston, Texas 77208, or by email to carice@hilcorp.com within 30 days of receipt of this letter. A copy of this letter is included for your convenience. The estimated cost is \$0.

Well Name/Dedication	Formation	Owners/GWI	
Jicarilla B 001B (Blanco Mesaverde)	Blanco Mesaverde	VIERSEN OIL & GAS CO	0.16267660
		JOHN H THOMPSON JR	0.00666490
		Hilcorp San Juan, LP	0.83065850
		TOTAL: 1.00000000	

MESAVERDE AREA OWNERS: Please indicate your approval of this proposal by signing and returning one (1) executed copy of this letter to Hilcorp San Juan, L.P., Attn: Carson Parker Rice, P.O. Box 61229, Houston, Texas 77208, or by email to carice@hilcorp.com within 30 days of receipt of this letter. A copy of this letter is included for your convenience. The estimated cost is \$0.



Well Name/Dedication	Formation	Owners/GWI	
Jicarilla B 001B (Basin Mancos)	Basin Mancos	VIERSEN OIL & GAS CO	0.37500000
		CHATEAU ENERGY INC	0.37500000
		Hilcorp San Juan, LP	0.25000000
		TOTAL: 1.00000000	

GREENHORN/MANCOS AREA OWNERS: Please indicate your approval of this proposal by signing and returning one (1) executed copy of this letter to Hilcorp San Juan, L.P., Attn: Carson Parker Rice, P.O. Box 61229, Houston, Texas 77208, or by email to carice@hilcorp.com within 30 days of receipt of this letter. A copy of this letter is included for your convenience. The estimated cost is \$0.

We would appreciate your expeditious handling of this proposal. If you have any technical questions or comments, please contact Nick Kunze (713) 209-2449. Please contact the undersigned should you have any other questions.

Sincerely,

Hilcorp San Juan, L.P.

By: Hilcorp Energy Company
Its General Partner

Chuck Creekmore
Division Landman
Phone: 832.839.4601
Fax: 832.839.2420
ccreekmore@hilcorp.com

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Form No. CEL-43R rev 05/15
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Form No. CEL-43R rev 05/15
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JOHN H THOMPSON JR
ATTN PAYOUT DEPT
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