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Revised: March 9, 2018

# Hilcorp Energy Company

## PRODUCTION ALLOCATION FORM

Status  
PRELIMINARY   
FINAL   
REVISED

Date: 5/7/2018

API No. 30-039-29218  
DHC No. DHC 3983AZ  
Lease No. NMSF078343  
Federal

Commingle Type  
SURFACE  DOWNHOLE   
Type of Completion  
NEW DRILL  RECOMPLETION  PAYADD  COMMINGLE

Well Name  
**San Juan 29-5 Unit**

Well No.  
**#18C**

|                         |                     |                         |                      |   |  |
|-------------------------|---------------------|-------------------------|----------------------|---|--|
| Unit Letter<br><b>D</b> | Section<br><b>5</b> | Township<br><b>T29N</b> | Range<br><b>R05W</b> | Footage<br><b>885' FNL &amp; 835' FWL</b> | County, State<br><b>Rio Arriba,<br/>New Mexico</b> |
|-------------------------|---------------------|-------------------------|----------------------|---|--|

|                                     |   |
|-------------------------------------|---|
| Completion Date<br><b>4/27/2018</b> | Test Method<br>HISTORICAL <input type="checkbox"/> FIELD TEST <input type="checkbox"/> PROJECTED <input type="checkbox"/> OTHER <input checked="" type="checkbox"/> |
|-------------------------------------|---|

JUSTIFICATION OF ALLOCATION: Hilcorp requests that production for the downhole commingle be allocated using the subtraction method. The base formation is the Mesaverde and the added formation to be commingled is the Pictured Cliffs. The subtraction method applies an average monthly production forecast to the base formation(s) using historic production. All production from this well exceeding the forecast will be allocated to the new formation(s). A fixed percentage based allocation will be submitted after the fourth year of production. See attached documents for production forecast.

Oil production will be allocated based on average formation yields from offset wells: PC- 41%, MV- 59%

| APPROVED BY             | DATE             | TITLE                     | PHONE               |
|-------------------------|------------------|---------------------------|---------------------|
| <i>William Tambekou</i> | <i>5/15/2018</i> | <i>Petroleum Engineer</i> | <i>505-564-7746</i> |
| X <i>[Signature]</i>    |                  | Area Operations Manager   | 713-209-2449        |
| Nick Kunze              |                  |                           |                     |
|                         |                  |                           |                     |
|                         |                  |                           |                     |

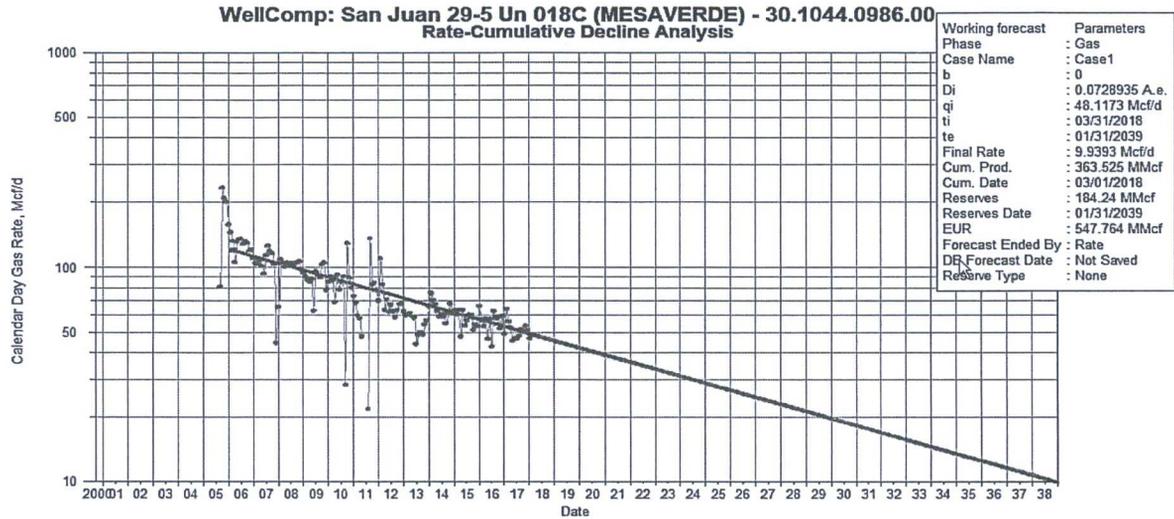
NMOCD

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## San Juan 29-5 Unit 18C Subtraction Allocation

| Date   | Mcfd  |
|--------|-------|
| Apr-18 | 47.97 |
| May-18 | 47.67 |
| Jun-18 | 47.37 |
| Jul-18 | 47.07 |
| Aug-18 | 46.77 |
| Sep-18 | 46.47 |
| Oct-18 | 46.18 |
| Nov-18 | 45.89 |
| Dec-18 | 45.6  |
| Jan-19 | 45.31 |
| Feb-19 | 45.03 |
| Mar-19 | 44.76 |
| Apr-19 | 44.47 |
| May-19 | 44.19 |
| Jun-19 | 43.92 |
| Jul-19 | 43.64 |
| Aug-19 | 43.36 |
| Sep-19 | 43.09 |
| Oct-19 | 42.81 |
| Nov-19 | 42.54 |
| Dec-19 | 42.28 |
| Jan-20 | 42.01 |
| Feb-20 | 41.75 |
| Mar-20 | 41.49 |
| Apr-20 | 41.23 |
| May-20 | 40.97 |
| Jun-20 | 40.71 |
| Jul-20 | 40.45 |
| Aug-20 | 40.19 |
| Sep-20 | 39.94 |
| Oct-20 | 39.69 |
| Nov-20 | 39.44 |
| Dec-20 | 39.19 |
| Jan-21 | 38.94 |
| Feb-21 | 38.7  |
| Mar-21 | 38.46 |
| Apr-21 | 38.22 |
| May-21 | 37.98 |
| Jun-21 | 37.74 |
| Jul-21 | 37.5  |
| Aug-21 | 37.26 |
| Sep-21 | 37.03 |
| Oct-21 | 36.8  |
| Nov-21 | 36.56 |
| Dec-21 | 36.33 |
| Jan-22 | 36.1  |
| Feb-22 | 35.88 |
| Mar-22 | 35.66 |

Base formation is the Mesaverde and the added formation to be commingled is the Pictured Cliffs. The subtraction method applies an average monthly production forecast to the base formation using historic production. All production from this well exceeding the forecast will be allocated to the new formation. Oil production will be allocated based on average formation yields from offset wells.



| Formation | Yield (bbl/MM) | Remaining Reserves (MMcf) | % Oil Allocation |
|-----------|----------------|---------------------------|------------------|
| MV        | 0.307          | 184.2                     | 59%              |
| PC        | 0.05           | 802                       | 41%              |