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Hilcorp Energy Company

PRODUCTION ALLOCATION FORM

Status
PRELIMINARY ☒
FINAL ☐
REVISED ☒

Date: 5/7/2018

API No. 30-039-29973
DHC No. DHC 3973AZ
Lease No. NMSF080505A
FederalCommingle Type
SURFACE ☐ DOWNHOLE ☒
Type of Completion
NEW DRILL ☐ RECOMPLETION ☒ PAYADD ☐ COMMINGLE ☐Well Name
San Juan 28-6 UnitWell No.
136F

Unit Letter	Section	Township	Range	Footage	County, State
Surf - I	12	T28N	R06W	1525' FSL & 1230' FEL	Rio Arriba, New Mexico

Completion Date	Test Method
2/23/2018	HISTORICAL ☐ FIELD TEST ☐ PROJECTED ☐ OTHER ☒

JUSTIFICATION OF ALLOCATION: Hilcorp requests that production for the downhole commingle be allocated using the subtraction method. The base formation is the Dakota and the added formation to be commingled is the Mesaverde. 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: MV- 93%, DK- 7%

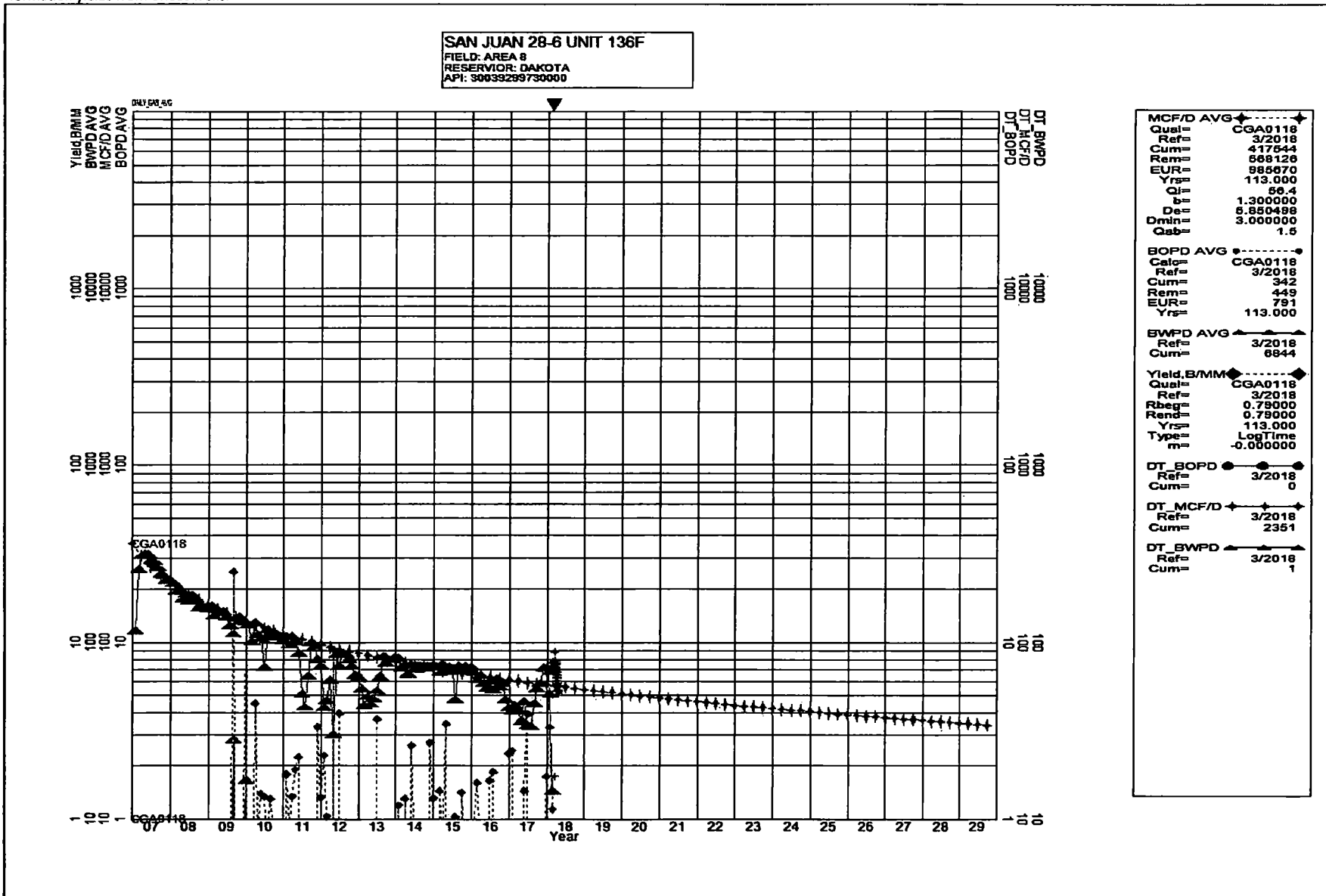
APPROVED BY	DATE	TITLE	PHONE
<i>William Tambekou</i>	5/15/2018	Petroleum Engineer	505-564-7746
X <i>[Signature]</i>		Area Operations Manager	713-209-2449
Nick Kunze			

NMOCD

San Juan 28-6 Unit 136F Subtraction Allocation

Date	Mcf/d
Mar-18	56.3
Apr-18	56.0
May-18	55.7
Jun-18	55.4
Jul-18	55.1
Aug-18	54.9
Sep-18	54.6
Oct-18	54.3
Nov-18	54.0
Dec-18	53.8
Jan-19	53.5
Feb-19	53.3
Mar-19	53.0
Apr-19	52.8
May-19	52.5
Jun-19	52.3
Jul-19	52.0
Aug-19	51.8
Sep-19	51.5
Oct-19	51.3
Nov-19	51.0
Dec-19	50.8
Jan-20	50.6
Feb-20	50.4
Mar-20	50.1
Apr-20	49.9
May-20	49.7
Jun-20	49.5
Jul-20	49.3
Aug-20	49.0
Sep-20	48.8
Oct-20	48.6
Nov-20	48.4
Dec-20	48.2
Jan-21	48.0
Feb-21	47.8
Mar-21	47.6
Apr-21	47.4
May-21	47.2
Jun-21	47.0
Jul-21	46.8
Aug-21	46.6
Sep-21	46.4
Oct-21	46.2
Nov-21	46.1
Dec-21	45.9
Jan-22	45.7
Feb-22	45.5

Base formation is the Dakota and the added formation to be commingled is the MesaVerde.
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
DK	0.79	568.126	7%
MV	3.33	1669	93%