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March 1, 2019

Bureau of Land Management
Farmington Resource Area
6251 College Blvd., Suite A
Farmington, NM 87402

Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, NM 87501-1148

Oil Conservation Division
State of New Mexico
1220 S. Saint Francis Drive
Santa Fe, NM 87505

36-039-20700

**2019 PLAN OF DEVELOPMENT
FOR THE VALENCIA CANYON UNIT
RIO ARRIBA COUNTY, NEW MEXICO**

Pursuant to Section 10 of the San Juan Valencia Canyon Unit Agreement, Hilcorp Energy Company (“Hilcorp”), as Unit Operator, hereby submits the proposed 2019 Plan of Development and Operations (“POD”).

I. PERIOD

This plan will be effective from April 1, 2019 through March 31, 2020. The 2020 Plan will be submitted on or before March 1, 2020.

II. 2018 PLAN REVIEW OF OPERATIONS

A summary of key activities undertaken after August 1, 2018 include:

A. Production History: During 2018, cumulative production from the San Juan Valencia Canyon Unit was .18 BCF gas; .87 MBO oil; and 0 MBW produced water. Refer to the attached Exhibit A for the wells in the Valencia Canyon Unit.

B. Participating Areas: The Participating Areas currently established in the Valencia Canyon Unit are as follows:

| FORMATION | EXPANSION | EFFECTIVE DATE |
|-----------|-----------|----------------|
| GALLUP | 000 | 01-JAN-86 |
| DAKOTA | 004 | 01-NOV-84 |

C. Drilling Program: The 2018 POD, as approved, provided for no drilling activity. No

additional drilling projects were undertaken by Hilcorp during the 2018 period.

- D. Workovers/Recompletion Program:** The 2018 POD, as approved, provided for no workover or recompletion activity.
- E. Facility Program:** The 2018 POD, as approved, provided for no activity.
- F. Plugging & Abandonment Program:** The 2018 POD, as approved, provided for no activity.
- G. Facility Program:** The 2018 POD, as approved, provided for no additional facilities. No additional facility projects were undertaken by Hilcorp during this period.
- H. Plugging & Abandonment Program:** The 2018 POD, as approved, provided for no planned P&A activity. No additional projects were undertaken by Hilcorp during this period.

III. 2019 PLAN OF DEVELOPMENT AND OPERATIONS

A summary of key activities planned for 2019 includes:

- A. Drilling Program:** Hilcorp does not anticipate drilling any new wells in the San Juan Unit during 2019. However, new drill opportunities will be evaluated and executed as they arise.
- B. Workovers/Recompletion Program:** Hilcorp does not anticipate recompletion projects in the Unit during 2019, summarized in the table below. Additional workovers, rate adds and optimization projects will be evaluated and executed as they arise.
- C. Facility Program:** Throughout 2019, Hilcorp will conduct routine repairs and replacement of facilities required to maintain and increase field production, including construction of additional gas lift lines and/or gas flow lines, expansion of production facilities (including electrical and piping upgrades), and construction of additional water disposal, injection or processing equipment.
- D. Plugging & Abandonment Program:** Hilcorp does not anticipate plugging/abandoning any wells in the Unit at this time. Hilcorp will evaluate and implement additional P&A projects as they arise.

In accordance to Section 10 of the Unit Agreement, please provide your approvals by executing and returning a copy of this letter to the undersigned.

Valencia Canyon Unit
2019 Plan of Development

Please contact me at (832) 839-4601 if there are any questions regarding this letter.

Sincerely,
HILCORP ENERGY COMPANY



Chuck Creekmore,
Division Landman

cc: Working Interest Owners

HILCORP SAN JUAN, LP

**VALENCIA CANYON UNIT
2019 PLAN OF DEVELOPMENT APPROVALS**

Bureau of Land Management

Date

New Mexico Oil Conservation Division

Date

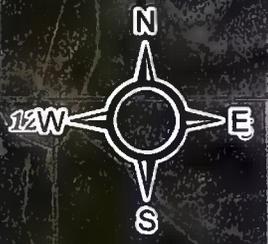
New Mexico Commissioner of Public Lands

Date



Valencia Canyon Unit Exhibit "A"

| API # | WELL NAME | POOL/FORMATION | STATUS | ST | COUNTY | SEC | TWP | RGE | QTR | OPERATOR |
|------------|---------------------------|----------------------------|---------|----|------------|-----|------|------|-------|------------------------|
| 3003920700 | Valencia Canyon Unit 001 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 23 | 028N | 004W | SW/SW | Hilcorp Energy Company |
| 3003921350 | Valencia Canyon Unit 003 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 22 | 028N | 004W | SW/NE | Hilcorp Energy Company |
| 3003921478 | Valencia Canyon Unit 007 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 36 | 028N | 004W | SW/NW | Hilcorp Energy Company |
| 3003921471 | Valencia Canyon Unit 008 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 25 | 028N | 004W | SW/NW | Hilcorp Energy Company |
| 3003921488 | Valencia Canyon Unit 009 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 15 | 028N | 004W | SE/SE | Hilcorp Energy Company |
| 3003921476 | Valencia Canyon Unit 010 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 34 | 028N | 004W | SE/NE | Hilcorp Energy Company |
| 3003921472 | Valencia Canyon Unit 011 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 26 | 028N | 004W | NW/NW | Hilcorp Energy Company |
| 3003921473 | Valencia Canyon Unit 012 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 26 | 028N | 004W | SE/NE | Hilcorp Energy Company |
| 3003921469 | Valencia Canyon Unit 013 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 22 | 028N | 004W | SW/SE | Hilcorp Energy Company |
| 3003921470 | Valencia Canyon Unit 016 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 23 | 028N | 004W | SE/SE | Hilcorp Energy Company |
| 3003921598 | Valencia Canyon Unit 017 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 26 | 028N | 004W | SE/SW | Hilcorp Energy Company |
| 3003921597 | Valencia Canyon Unit 019 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 25 | 028N | 004W | SE/SE | Hilcorp Energy Company |
| 3003921593 | Valencia Canyon Unit 025 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 15 | 028N | 004W | SE/SW | Hilcorp Energy Company |
| 3003921595 | Valencia Canyon Unit 027 | Basin Fruitland Coal | Flowing | NM | Rio Arriba | 22 | 028N | 004W | SW/SW | Hilcorp Energy Company |
| 3003921595 | Valencia Canyon Unit 027 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 22 | 028N | 004W | SW/SW | Hilcorp Energy Company |
| 3003921612 | Valencia Canyon Unit 035 | Blanco-Mesaverde | Flowing | NM | Rio Arriba | 34 | 028N | 004W | SW/SW | Hilcorp Energy Company |
| 3003921647 | Valencia Canyon Unit 037 | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 14 | 028N | 014W | SWSW | Hilcorp Energy Company |
| 3003922082 | Valencia Canyon Unit 040 | Blanco-Mesaverde | Flowing | NM | Rio Arriba | 35 | 028N | 004W | SW/SW | Hilcorp Energy Company |
| 3003929604 | Valencia Canyon Unit 040B | Blanco-Mesaverde | Flowing | NM | Rio Arriba | 35 | 028N | 004W | NE/SW | Hilcorp Energy Company |
| 3003922442 | Valencia Canyon Unit 043 | Blanco-Mesaverde | Flowing | NM | Rio Arriba | 27 | 028N | 004W | SW/SW | Hilcorp Energy Company |
| 3003926504 | Valencia Canyon Unit 043A | Blanco-Mesaverde | Flowing | NM | Rio Arriba | 27 | 028N | 004W | SE/SE | Hilcorp Energy Company |
| 3003926924 | Valencia Canyon Unit 043C | Basin Mancos | Flowing | NM | Rio Arriba | 27 | 028N | 004W | SE/NW | Hilcorp Energy Company |
| 3003923811 | Valencia Canyon Unit 045A | Blanco-Mesaverde | Flowing | NM | Rio Arriba | 34 | 028N | 004W | SW/SE | Hilcorp Energy Company |
| 3003926908 | Valencia Canyon Unit 045B | Blanco-Mesaverde | Flowing | NM | Rio Arriba | 34 | 028N | 004W | NE/SE | Hilcorp Energy Company |
| 3003929697 | Valencia Canyon Unit 045C | Chosa Mesa Pictured Cliffs | Flowing | NM | Rio Arriba | 34 | 028N | 004W | SW/SE | Hilcorp Energy Company |
| 3003929697 | Valencia Canyon Unit 045C | Basin Fruitland Coal | Flowing | NM | Rio Arriba | 34 | 028N | 004W | SW/SE | Hilcorp Energy Company |
| 3003926921 | Valencia Canyon Unit 046 | Blanco-Mesaverde | Flowing | NM | Rio Arriba | 35 | 028N | 004W | SW/NW | Hilcorp Energy Company |



Valencia Canyon Unit
Rio Arriba County, NM

 Valencia Canyon Unit

 Oil and Gas Well

