STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION FOR DOWNHOLE COMMINGLING
SUBMITTED BY HILCORP ENERGY COMPANY **ORDER NO. DHC-5189**

ORDER

The Director of the New Mexico Oil Conservation Division ("OCD"), having considered the application and the recommendation of the Engineering Bureau, issues the following Order.

FINDINGS OF FACT

1. Hilcorp Energy Company ("Applicant") submitted a complete application ("Application") to downhole commingle the pools described in Exhibit A ("the Pools") within the well bore of the well identified in Exhibit A ("the Well").
2. Applicant proposed a method to allocate the oil and gas production from the Well to each of the Pools that is satisfactory to the OCD and protective of correlative rights.
3. Applicant has certified that the proposed commingling of the Pools shall not result in shut-in or flowing well bore pressure in excess of the commingled pool's fracture parting pressure.
4. Applicant has certified that all produced fluids from all the Pools are compatible with each other.
5. Applicant has certified that downhole commingling the Pools will not decrease the value of the oil and gas production.
6. An exception to the notification requirements within 19.15.12.11(C)(1)(b) NMAC was granted by the Division within Order R-10476-B.
7. Applicant provided notice of the Application to the Bureau of Land Management ("BLM") or New Mexico State Land Office ("NMSLO"), as applicable.

CONCLUSIONS OF LAW

8. OCD has jurisdiction to issue this Order pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-6, 70-2-11, 70-2-12, 70-2-16, 70-2-17, and 19.15.12 NMAC.
9. The downhole commingling of the Pools is common, or Applicant has provided evidence that the fluids are compatible and will not damage the Pools in accordance with 19.15.12.11(A)(1) NMAC.
10. The bottom perforation of the lower zone is within one hundred fifty percent (150%) of the depth of the top perforation in the upper zone or Applicant has provided evidence that the proposed commingling of the Pools shall not result in shut-in or flowing well bore pressure

in excess of the commingled pool's fracture parting pressure in accordance with 19.15.12.11(A)(3) NMAC.

11. Applicant's proposed method of allocation, as modified herein, complies with 19.15.12.11(A)(8) NMAC.

12. By granting the Application with the conditions specified below, this Order prevents waste and protects correlative rights, public health, and the environment.

ORDER

1. Applicant is authorized to downhole commingle the Pools described in Exhibit A within the well bore of the well identified in Exhibit A.

2. This Order supersedes Order DHC-5034.

3. Applicant shall allocate thirty-five percent (35%) of the oil production from the Well to the Otero Chacra (Gas) pool (Pool ID 82329), fifty-eight and seven tenths percent (58.7%) of the oil production from the Well to the Blanco-Mesaverde (Prorated Gas) pool (Pool ID 72319), and six and three tenths percent (6.3%) of the oil production from the Well to the Basin Dakota (Prorated Gas) pool (Pool ID 71599) until a different plan to allocate oil and gas production is approved by OCD.

   Applicant shall allocate gas production to the Otero Chacra (Gas) pool (Pool ID 82329) and Blanco-Mesaverde (Prorated Gas) pool (Pool ID 72319) equal to the total gas production from the Well minus the projected gas production from the Basin Dakota (Prorated Gas) pool (Pool ID 71599) until a different plan to allocate oil and gas production is approved by OCD. Of the gas production allocated to the Otero Chacra (Gas) pool (Pool ID 82329) and Blanco-Mesaverde (Prorated Gas) pool (Pool ID 72319), forty-three percent (43%) shall be allocated to the Otero Chacra (Gas) pool (Pool ID 82329) and fifty-seven percent (57%) shall be allocated to the Blanco-Mesaverde (Prorated Gas) pool (Pool ID 72319).

   Applicant shall calculate the oil and gas production average during the fourth year after the commencement of commingling, which shall be used to establish a fixed percentage of the total oil and gas production that shall be allocated to each of the Pools ("fixed percentage allocation plan"). No later than ninety (90) days after the fourth year, Applicant shall submit a Form C-103 to the OCD Engineering Bureau that includes the fixed percentage allocation plan and all data used to determine it. If Applicant fails to do so, this Order shall terminate on the following day. If OCD denies the fixed percentage allocation plan, this Order shall terminate on the date of such action. If OCD approves the percentage allocation plan with or without modifications, then the approved percentage allocation plan shall be used to determine oil and gas allocation starting on the date of such action until the Well is plugged and abandoned.

4. If an alteration is made to the Well or a condition within the Well changes which may cause the allocation of production to the Pools as approved within this Order to become inaccurate, then no later than sixty (60) days after that event, Applicant shall submit Form C-103 to the

OCD Engineering Bureau describing the event and include a revised allocation plan. If OCD denies the revised allocation plan, this Order shall terminate on the date of such action.

5. If any of the pools being commingled is prorated, or the Well's production has been restricted by an OCD order in any manner, the allocated production from each producing pool in the commingled well bore shall not exceed the top oil or gas allowable rate for a well in that pool or rate restriction applicable to the well.

6. If the Well is deepened, then no later than forty-five (45) days after the Well is deepened, Applicant shall conduct and provide logs to OCD that are sufficient for OCD to determine which pool(s) each new completed interval of the Well will produce from.

7. If the downhole commingling of the Pools reduces the value of the oil and gas production to less than if it had remained segregated, no later than sixty (60) days after the decrease in value has occurred Applicant shall submit a new downhole commingling application to OCD to amend this Order to remove the pool that caused the decrease in value. If Applicant fails to submit a new application, this Order shall terminate on the following day, and if OCD denies the application, this Order shall terminate on the date of such action.

8. If a completed interval of the Well is altered from what is submitted within the Application as identified in Exhibit A, then no later than sixty (60) days after the alteration, Applicant shall submit Form C-103 to the OCD Engineering Bureau detailing the alteration and completed interval.

9. If OCD determines that Applicant has failed to comply with any provision of this Order, OCD may take any action authorized by the Oil and Gas Act or the New Mexico Administrative Code (NMAC).

10. OCD retains jurisdiction of this matter and reserves the right to modify or revoke this Order as it deems necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DATE: 5/19/2022

ADRIENNE E. SANDOVAL
DIRECTOR

State of New Mexico
Energy, Minerals and Natural Resources Department

Exhibit A

	Order:	DHC-5189		
	Operator:	Hilcorp Energy Company (372171)		
	Well Name:	San Juan 28 7 Unit #242		
	Well API:	30-039-21093		
Upper Zone	**Pool Name:**	OTERO CHACRA (GAS)		
	Pool ID:	82329	**Current:**	**New:** X
	Allocation:		**Oil:** 35%	**Gas:** 43%
	Interval:	Perforations	**Top:** 4,400	**Bottom:** 5,100
Intermediate Zone	**Pool Name:**	BLANCO-MESAVERDE (PRORATED GAS)		
	Pool ID:	72319	**Current:**	**New:** X
	Allocation:		**Oil:** 58.7%	**Gas:** 57%
	Interval:	Perforations	**Top:** 5,100	**Bottom:** 6,100
	Bottom of Interval within 150% of Upper Zone's Top of Interval:	YES		
Lower Zone	**Pool Name:**	BASIN DAKOTA (PRORATED GAS)		
	Pool ID:	71599	**Current:** X	**New:**
	Allocation:		**Oil:** 6.3%	**Gas:**
	Interval:	Perforations	**Top:** 7,755	**Bottom:** 7,961
	Bottom of Interval within 150% of Upper Zone's Top of Interval:	NO		