

Approved Administrative Order

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Secretary

Adrienne Sandoval, Director
Oil Conservation Division



Administrative Order DHC-5059

Order Date: September 3, 2019

Previously issued DHC-424-Az

Hilcorp Energy Company
1111 Travis Street
Houston, Tx. 77002

Attention: Ms. Cherylene Weston

Cain Well No. 010E
API No. 30-045-24109
Unit F, Section 15, Township 28 North, Range 10 West NMPM
San Juan County, New Mexico

Pool	BASIN DAKOTA (PRORATED GAS)	Gas (71599)
Names:	OTERO CHACRA (GAS)	Gas (82329)
	BLANCO-MESAVERDE (PRORATED GAS)	Gas (72319)

Reference is made to your recent application for an exception to Division Rule 19.15.12.9A. NMAC of the Division Rules and Regulations to permit the above-described well to commingle production from the subject pools in the wellbore.

It appears that the subject well qualifies for approval for such exception pursuant to the provisions of Division Rule 19.15.12.11A. NMAC, and since reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion or otherwise required separation of the zones is hereby placed in abeyance.

In accordance with Division Rule 19.15.12.11A.(6) NMAC, the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

The operator shall run a CBL (or equivalent) for the 5-1/2 -inch casing to demonstrate adequate cement coverage across the injection interval and adequate cement to tie into the 8-5/8-inch surface casing. Applicant shall provide a copy of the CBL and discuss with the results with the District Office prior to commingling. **If the Applicant fails to satisfy these two requirements, the administrative order shall be null and void.**

Further, the Applicant shall meet the Aztec District Office prior to commencing commingling operations to discuss any required changes in the wellbore design. Applicant shall provide an

updated wellbore diagram that shows the required changes as required by the Aztec District Office, along with the cement tops. After the well has been completed in the new pool, the Applicant shall provide a net pressure plot (or equivalent) of the fracture treatment to the Aztec District Office and Engineering Bureau.

As per the application, the assignment of allowable and allocation of oil production from the subject well for the first four years shall be based on historic production and the subtraction method. Production attributable to the Blanco-Mesaverde (Prorated Gas) Pool shall be the remainder from total production minus the projected historical production from the Basin Dakota (Prorated Gas) and the Otero Chacra (Gas) Pools. A production average will be gathered during the 4th year and will be utilized to create a fixed percentage allocation. This allocation method agrees with the Bureau of Land Management practices.

Assignment of allowable and allocation of production from the well after the fourth year shall be as follows:

BASIN DAKOTA (PRORATED GAS)	Pct. Oil: TBD	Pct. Gas: TBD
OTERO CHACRA (GAS)	Pct. Oil: TBD	Pct. Gas: TBD
BLANCO-MESAVERDE (PRORATED GAS)	Pct. Oil: TBD	Pct. Gas: TBD

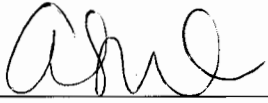
It is also understood that notice of this application, pursuant to Division Rule 19.15.4.12 A (6), is not required since the interest ownership between the zones to be commingled is common throughout.

REMARKS: The operator shall notify the Division's District office upon implementation of commingling operations.

This administrative order supersedes Administrative Order DHC-424-Az, issued on August 27, 2003. This administrative order permits the commingling of the Blanco-Mesaverde (Prorated Gas) Pool.

This Order is subject to like approval from the Bureau of Land Management.

Pursuant to Division Rule 19.15.12.11B. NMAC, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.



Adrienne Sandoval
Director

AS/mam

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management – Farmington
Well File - 30-045-24109