

6/21/06 DATE IN	SUSPENSE	WILL JONES ENGINEER	6/21/06 LOGGED IN	DHC TYPE	APP NO. PTDC0617259978
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

Title

Date

e-mail Address

District I
1625 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

District II
1301 W. Grand Avenue, Artesia, NM 88210

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE

District III
1000 Rio Brazos Road, Amos, NM 87410

Single Well
 Establish Pre-Approved Pools

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

EXISTING WELLBORE
 Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

BLACK HILLS GAS RESOURCES, INC. c/o Mike Pippin LLC (agent), 3104 N. Sullivan, Farmington, NM 87401
Operator Address
JICARILLA 29-02-33 #2 2006 JUN 21 PM 12 13 D SEC. 33 T29N R02W Rio Arriba
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 013925 Property Code 28884 API No. 30-039-26819 Lease Type: Federal State Fee

THIS IS PART OF THE BLACK HILLS CLEAN-UP PROGRAM

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Fruitland Coal		East Blanco Pictured Cliffs WILDCAT
Pool Code	71629		28001
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3508'-34'		3560'-88'
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom performance in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1165		1175
Producing, Shut-In or New Zone	Producing		Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 8/24/05 Rates: 47 MCF/D	Date: Rates:	Date: 8/26/05 Rates: 98 MCF/D
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 0% 24%	Oil Gas % %	Oil Gas 100% 76%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No
Are all produced fluids from all commingled zones compatible with each other? Yes No
Will commingling decrease the value of production? Yes No
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No
NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:
List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Mike Pippin TITLE Petroleum Engineer - Agent DATE June 19, 2006
TYPE OR PRINT NAME Mike Pippin TELEPHONE NO. (505) 327-4573
E-MAIL ADDRESS mike@pippinllc.com

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-26819		² Pool Code 71629		³ Pool Name Basin Fruitland Coal	
⁴ Property Code 28884		⁵ Property Name Jicarilla 29-2-33			⁶ Well Number 2
⁷ OGRID No. 013925		⁸ Operator Name Black Hills Gas Resources, Inc.			⁹ Elevation 7258' GL

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	33	29-N	2-W		770'	North	725'	West	Rio Arriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 320 - N/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

	<p>¹⁷ OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>Signature: <u>Mike Pippin</u> Date: <u>6-17-06</u></p> <p>Printed Name: <u>Mike Pippin</u></p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Date of Survey: _____ Signature and Seal of Professional Surveyor: _____</p> <p>Certificate Number: _____</p>

DISTRICT I
P.O. Box 1880, Hobbs, N.M. 88241-1880

DISTRICT II
P.O. Drawer 80, Artesia, N.M. 88211-0718

DISTRICT III
1000 Rio Brazos Rd., Artesia, N.M. 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

Form C-102

Revised February 21, 1984

Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30039-26819		*Pool Code 72400	*Pool Name Blanco - Pictured Cliffs East
*Property Code 28884	*Property Name JICARILLA 29-02-33		*Well Number 2
*OGRM No. 13925	*Operator Name MALLON OIL COMPANY		*Elevation 7258'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
D	33	29-N	2-W		770'	NORTH	725'	WEST	RIO ARRIBA

¹¹ Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
¹² Deviated Lores <i>160 ft</i>					¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.

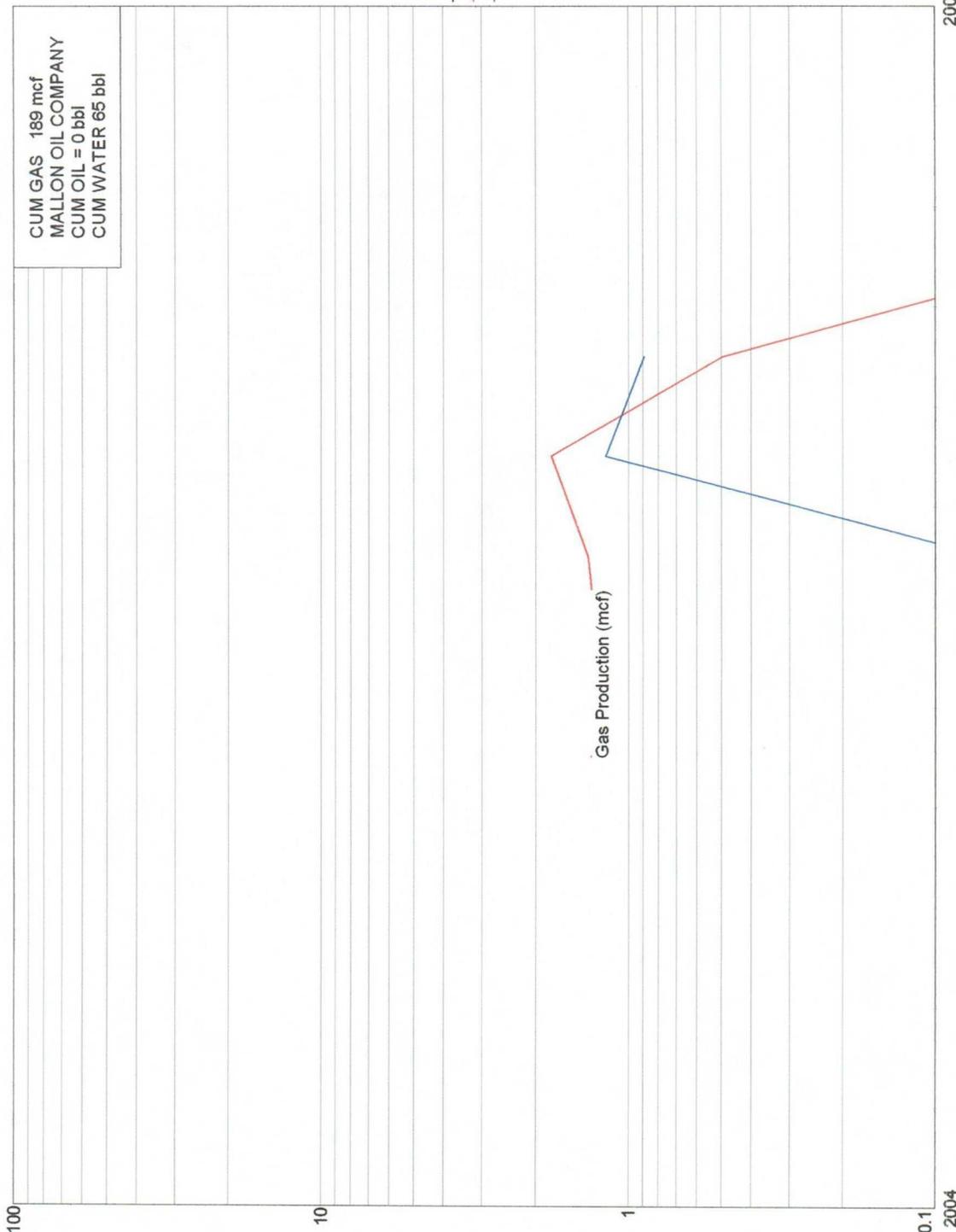
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>FD. MARKED STONE</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature David F. Banko</p> <p>Printed Name Agent for Mallon Oil Co.</p> <p>Title August 30, 2001</p> <p>Date</p>
		<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.</p> <p>Date of Survey 8-30-01</p> <p>Signature and Title of Registered Surveyor <i>[Signature]</i></p> <p>Certificate Number 8894</p>



Lease Name: JIC 29 02 33
 County, State: RIO ARBA, NM
 Operator: MALLON OIL COMPANY
 Field: BLANCO EAST
 Reservoir: PICTURED CLIFFS
 Location: 33 29N 2W SE NW NW

JIC 29 02 33 - 2 33 29N 2W SE NW NW PICTURED CLIFFS 05/2004



CUM GAS 189 mcf
 MALLON OIL COMPANY
 CUM OIL = 0 bbl
 CUM WATER 65 bbl

Daily Rates

Oil Production (bb) Daily
 Gas Production (mcf) Daily
 Water Production (bb) Daily

YEAR

BLACK HILLS GAS RESOURCES, INC.
JICARILLA 29-02-33 #2 PC / FRTC
D Section 33 T29N R02W
6/18/2006

Commingle Allocation Calculations

OIL

The Basin Fruitland Coal gas pool does not make any oil in the vicinity of the subject well. The East Blanco Pictured Cliffs gas pool does produce a little oil. Therefore, any and all oil will be assigned to the Pictured Cliffs.

GAS

During workover operations in July & August 2005, stabilized choke gas tests were taken on the FRTC alone, then on the FRTC and Pictured Cliffs together.

Choke gas test on FRTC alone: 47 MCF/D.

Choke gas test on Pictured Cliffs and FRTC together: 145 MCF/D.

Total gas = 47 + 145 = 192 MCF/D.

$$\% \text{ Pictured Cliffs} = \frac{192-47}{192} = 76\%$$

$$\% \text{ FRTC} = \frac{47}{192} = 24\%$$