

8/28/06

WNT State of New Mexico Energy, Minerals and Natural Resources Department

1/WNT 00180 32537 Form C-107A Revised June 10, 2003

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

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

APPLICATION TYPE
[X] Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
[X] Yes [ ] No

APPLICATION FOR DOWNHOLE COMMINGLING

BLACK HILLS GAS RESOURCES, INC. c/o Mike Pippin LLC (agent), 3104 N. Sullivan, Farmington, NM 87401
Operator 2006 JUN 28 PM 12 59 Address
JICARILLA 459-17 #24 H SEC. 17 T30N R08W Rio Arriba County
Lease Well No. Unit Letter-Section-Township-Range

DHC-3737

OGRID No. 013925 Property Code 22211 API No. 30-039-29324 Lease Type: [X] Federal [ ] State [ ] Fee

THIS IS PART OF THE BLACK HILLS CLEAN-UP PROGRAM

Table with 4 columns: DATA ELEMENT, UPPER ZONE, INTERMEDIATE ZONE, LOWER ZONE. Rows include Pool Name, Pool Code, Top and Bottom of Pay Section, Method of Production, Bottomhole Pressure, Oil Gravity or Gas BTU, Producing, Shut-In or New Zone, Date and Oil/Gas/Water Rates of Last Production, Fixed Allocation Percentage.

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes [X] 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 [X] No [ ]
Will commingling decrease the value of production? Yes [ ] No [X]
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 22, 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**

<sup>1</sup> API Number 30-039-29324		<sup>2</sup> Pool Code 71629		<sup>3</sup> Pool Name Basin Fruitland Coal	
<sup>4</sup> Property Code 22211		<sup>5</sup> Property Name Jicarilla 459-17			<sup>6</sup> Well Number 24
<sup>7</sup> OGRID No. 013925		<sup>8</sup> Operator Name Black Hills Gas Resources, Inc.			<sup>9</sup> Elevation 7166' GL

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	17	30-N	3-W		1795'	North	425'	East	Rio Arriba

<sup>11</sup> 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

<sup>12</sup> Dedicated Acres 320 - E/2	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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><b><sup>17</sup> OPERATOR CERTIFICATION</b></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>6-23-06</u></p> <p>Printed Name: <u>Mike Pippin</u></p>	
	<p><b><sup>18</sup> SURVEYOR CERTIFICATION</b></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: _____</p> <p>Signature and Seal of Professional Surveyor: _____</p>	
	<p>Certificate Number _____</p>	

DISTRICT I  
1000 N. French Dr., Hobbs, N.M. 88240

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 15, 2000

DISTRICT II  
621 South First, Artesia, N.M. 88210

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT III  
1000 Rio Arriba Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87605

AMENDED REPORT

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87605

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-29324		*Pool Code 72400	*Pool Name East Blanco; Pictured Cliffs
*Property Code 24245	*Property Name JICARILLA 459-17		*Well Number 24
*OCD No. 013925	*Operator Name MALLON OIL CO.		*Elevation 7165'

10 Surface Location

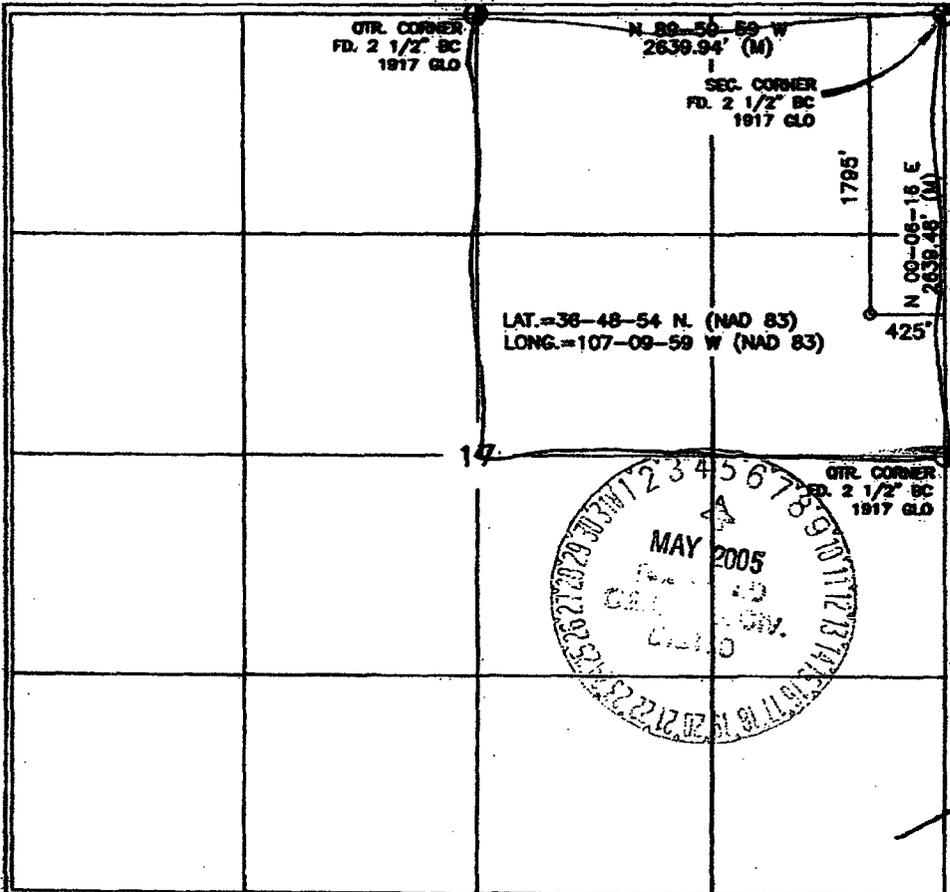
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
H	17	30-N	3-W		1795	NORTH	425	EAST	RIO ARRIBA

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

\*Dedicated Acres:      \*Joint or Infill:      \*Consolidation Code:      \*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



17 OPERATOR CERTIFICATION

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

*Kathy L. Schneebeck*  
Signature

Kathy L. Schneebeck  
Printed Name

Agent for Mallon Oil Company  
Title

July 30, 2004  
Date

18 SURVEYOR CERTIFICATION

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.

DECEMBER 27, 2004  
14831

14831  
Certificate Number

BLACK HILLS GAS RESOURCES, INC.  
JICARILLA 459-17 #24 PC / FRTC  
H Section 17 T30N R03W  
6/22/2006

## Commingled 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 June & July 2005, stabilized gas tests were taken on the PC alone, then on the FRTC alone.

Orifice well tester (1") on FRTC alone for 12 hours (6/14/05): 175 MCF/D.

The Pictured Cliffs (only) choke test stabilized at 20 psi on a ½" choke for a 2 hour period on 6/14/05.

$Q = .0555 * C * P$        $C = \text{coefficient for } \frac{1}{2}'' \text{ choke} = 112.72$   
 $P = \text{gauge pressure} + 15 \text{ psi} = 35 \text{ psi.}$

$Q = .0555 * 112.72 * 35 = 219 \text{ MCF/D.}$

Total gas = 175 + 219 = 394 MCF/D.

$\% \text{ Pictured Cliffs} = \frac{219}{394} = 56\%$

$\% \text{ FRTC} = \frac{175}{394} = 44\%$