

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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 and Natural Resources

Form C-103
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.
30-039-26094
5. Indicate Type of Lease
STATE ☐ FEE ☐
6. State Oil & Gas Lease No.
FEDERAL MDA 701-98-0013

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	7. Lease Name or Unit Agreement Name Jicarilla 29-02-09
2. Name of Operator Black Hills Gas Resources, Inc.	8. Well Number #1
3. Address of Operator 350 Indiana St, Suite 400 Golden, CO 80401	9. OGRID Number 013925
4. Well Location Unit Letter <u>L</u> : <u>2097</u> feet from the <u>South</u> line and <u>615</u> feet from the <u>West</u> line Section <u>9</u> Township <u>29N</u> Range <u>02W</u> NMPM Rio Arriba County	10. Pool name or Wildcat <u>La Jara</u> E. Blanco PC & Cabresto Canyon , Tertiary
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 7308' GL	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data	
NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOB <input type="checkbox"/>
OTHER: Downhole Commingle <input checked="" type="checkbox"/>	OTHER: <input type="checkbox"/>

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

La Jara Canyon
Black Hills Gas Resources, Inc. requests administrative approval to downhole commingle the East Blanco, Pictured Cliffs (72400) and ~~Cabresto Canyon~~, Tertiary (97030), which are both included in the pre-approved pools established by Division Order R-11363. Both intervals have common ownership and produce essentially dry gas. We have not experienced any significant cross flows between these two intervals, and all the fluids are compatible. Downhole commingling will improve recovery of liquids and gas, eliminate redundant surface equipment, and maximize productivity. Notice has been filed concurrently on form 3160-5 with the BLM.

These gas and oil allocations are based on cumulative production from each zone through February 2006. Each zone began production in May 2001. The cumulative production of the Tertiary is 594,501mcf and the cumulative production of the Pictured Cliffs is 101,373mcf. The Tertiary pool does not produce oil. See attachment for calculations.

Gas-Tertiary: 85% Oil-Tertiary: 0%
Gas-Pictured Cliffs: 15% Oil-Pictured Cliffs: 100%

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

SIGNATURE Heidi Lehr TITLE Engineering Technician DATE June 12, 2006

Type or print name Heidi Lehr E-mail address: hlehr@bhep.com Telephone No. 720-210-1302

(This space for State use)

APPROVED BY [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 4 DATE JUN 15 2006

Conditions of approval, if any:

BLACK HILLS GAS RESOURCES, INC.
JICARILLA 29-02-09 #1 PC / TERTIARY
L Section 9 T29N R02W
6/12/2006

Commingle Allocation Calculations

OIL

The Cabresto Canyon Tertiary 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

The well is currently a dual completion producing the Tertiary through an upper tubing string and the Pictured Cliffs through a lower tubing string set on a packer between the two formations. Production from the Pictured Cliffs has recently declined significantly due to water loading and the need for artificial lift. Therefore, the gas allocations are based on cumulative production from each zone through February 2006. Each zone began production in May 2001.

Cumulative production of Tertiary (05/2001 – 02/2006): 594,501 MCF.

Cumulative production of Pictured Cliffs (05/2001 – 02/2006): 101,373 MCF.

$$\% \text{ Tertiary} = \frac{594,501}{594,501 + 101,373} = 85\%$$

$$\% \text{ Pictured Cliffs} = \frac{101,373}{594,501 + 101,373} = 15\%$$