

8/28/06
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

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

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

Form C-107A
Revised June 10, 2003

APPLICATION TYPE

☒ Single Well

Establish Pre-Approved Pools

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
2006 JUN 28 PM 12 59
JICARILLA 459-17 #24 H SEC. 17 T30N R08W Rio Arriba
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 013925 Property Code 22211 API No. 30-039-29324 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
Pool Code	71629		72400
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3668'-98'		3735'-92'
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation 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: 6/17/05 Rates: 175 MCF/D	Date: Rates:	Date: 6/14/05 Rates: 219 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% 44%	Oil Gas % %	Oil Gas 100% 56%

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 22, 2006

TYPE OR PRINT NAME Mike Pippin TELEPHONE NO. (505) 327-4573

E-MAIL ADDRESS mike@pippinllc.com

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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 30-039-29324	² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code 22211	⁵ Property Name Jicarilla 459-17	⁶ Well Number 24
⁷ OGRID No. 013925	⁸ Operator Name Black Hills Gas Resources, Inc.	⁹ Elevation 7166' 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
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
¹² Dedicated Acres 320 - E/2	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.

	¹⁷ OPERATOR CERTIFICATION <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> Signature: <u>Mike Pippin</u> Date: <u>6-23-06</u> Printed Name: <u>Mike Pippin</u>
	¹⁸ SURVEYOR CERTIFICATION <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> Date of Survey: _____ Signature and Seal of Professional Surveyor: _____
	Certificate Number: _____

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

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

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1000 Rio Grande Rd., Aztec, N.M. 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000

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

☐ AMENDED REPORT

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 No.	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 No.	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

	<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><u>Kathy L. Schneebeck</u> Signature</p> <p>Kathy L. Schneebeck Printed Name</p> <p>Agent for Mallon Oil Company Title</p> <p>July 30, 2004 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 are true and correct.</p> <p></p> <p>14831 Certificate Number</p>

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

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 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.

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

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