

ABOVE THIS LINE FOR DIVISION USE ONLY

3731-A

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.

<u>Mike Pippin</u> Print or Type Name	 Signature	<u>Petroleum Engineer</u> Title	<u>May 16, 2008</u> Date
		<u>mike@pippinllc.com</u> e-mail Address	

RECEIVED
 2008 MAY 19 PM 4 16

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

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

District III
1000 Rio Tronco Road, Aztec, NM 87410

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

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

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

JICARILLA 29-02-5 #44 P SEC. 5 T29N R02W Rio Arriba County
Lease Well No. Unit Letter-Section-Township-Range

OGRID No. 013925 Property Code 34911 API No. 30-039-29315 Lease Type: Federal State Fee

THIS IS PART OF THE BLACK HILLS CLEAN-UP PROGRAM

DAC-3731-A

4 POOLS

DATA ELEMENT	UPPER ZONES	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	La Jara Canyon Tertiary Wildcat Kirtland	Basin Fruitland Coal	East Blanco Pictured Cliffs
Pool Code	97036 97490	71629	72400
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1422'-3339' 3641'-3652'	3678'-3700'	3732'-3814'
Method of Production (Flowing or Artificial Lift)	Flowing	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)	258 1100	1130	1150
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1052 1109	1165	1175
Producing, Shut-In or New Zone	Producing	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: 5/18/05 6/7/05 Rates: 313 MCF/D 26 MCF/D	Date: 5/14/05 Rates: 138 MCF/D	Date: 5/11/05 Rates: 411 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 0% Gas 35% Oil 0% Gas 3%	Oil 0% Gas 16%	Oil 100% Gas 46%

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
 NMOC 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 _____ TITLE Petroleum Engineer - Agent DATE May 15, 2008

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

E-MAIL ADDRESS mike@pippinllc.com

BLACK HILLS GAS RESOURCES
Mike Pippin
3104 N. Sullivan Avenue
Farmington, NM 87401
505-327-4573 (phone) mike@pippinllc.com

May 16, 2008

NMOCD
c/o Will Jones
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: C-107A TO COMMINGLE FOUR INTERVALS
Jicarilla 29-02-05 #44 – API#: 30-039-29315
Unit Letter "P" Section 5 T29N R02W
Rio Arriba County, New Mexico

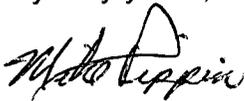
Dear Mr. Jones:

There are currently four intervals open to production in the referenced gas well: East Blanco Pictured Cliffs, Basin Fruitland Coal, Wildcat Kirtland, and La Jara Canyon Tertiary. The Pictured Cliffs and Fruitland Coal are commingled by DHC-3730 and produce up the tubing. See the attached wellbore diagram. The Kirtland and the Tertiary are commingled by DHC-3731 and flow to a 2nd meter up the annulus.

Black Hills would like to commingle all four intervals because the two upper intervals have not been able to flow up the annulus. We believe that commingling will improve recovery of liquids and gas, eliminate redundant surface equipment, and maximize productivity.

Please contact me at 505-327-4573 should you have any questions.

Very truly yours,



Mike Pippin

Petroleum Engineer

Commingle Allocation Calculations

OIL

The Basin Fruitland Coal, La Jara Canyon Tertiary, and Wildcat Kirtland gas pools do 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 completion operations in May 2005 stabilized gas tests were taken alone on each of the producing intervals: Pictured Cliffs, Fruitland Coal, Kirtland, and Tertiary.

Choke gas test on Pictured Cliffs alone: 411 MCF/D.

Choke gas test on Fruitland Coal alone: 138 MCF/D.

Choke gas test on Kirtland alone: 26 MCF/D.

Choke gas test on Tertiary alone: 313 MCF/D.

Total gas = 888 MCF/D

$$\% \text{ Pictured Cliffs} = \frac{411}{888} = 46\%$$

$$\% \text{ FRTC} = \frac{138}{888} = 16\%$$

$$\% \text{ Kirtland} = \frac{26}{888} = 3\%$$

$$\% \text{ Tertiary} = \frac{313}{888} = 35\%$$

JICARILLA 29-02-05 #44

BLACK HILLS GAS RESOURCES

API:30-039-29315

La Jara Canyon Tertiary, WC Kirtland, Basin FRTC, E. Blanco PC

(P) Section 5, T-29-N, R-02-W, San Juan County, NM

Today's Date: 5/16/08
Spud: 4/9/05
Completed: 6/10/05
Elevation: 7443'GL

Nacimiento @ 2265'

Ojo Alamo @ 3354'

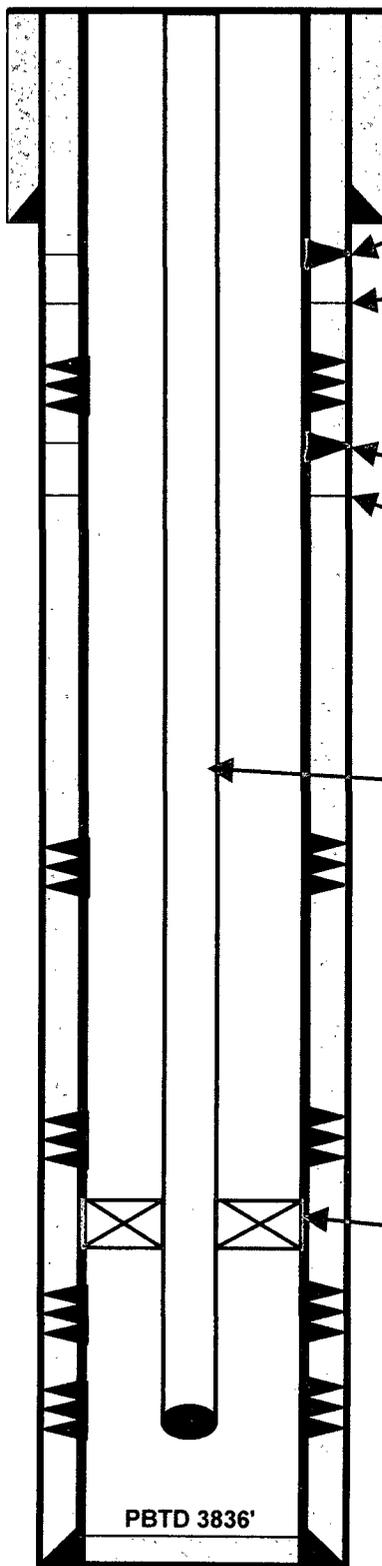
Kirtland @ 3575'

Fruitland @ 3653'

Pictured Cliffs @ 3732'

12-1/4" hole

7-7/8" hole



PBTD 3836'

TD 3854'

8-5/8" 24# Csg @ 263'
Cmt w/175 sxs (Circ. Cmt)

Sq holes @ 273' sq w/ cmt &
circ. cmt to surface

TOC @ 350' - CBL

Tertiary perms 1422'-90' fraced
w/39,700# sand in 50Q foam.
Tested @ 313 MCF/D.

Sq holes @ 1650' sq w/392 cf cmt

TOC @ 2000' - CBL

2-3/8" tbg @ 3803'

Tertiary perms 3014'-3339' acidized
w/ acid. Tested @ 0 MCF/D.

Kirtland perms 3641''-52' fraced
w/36,000# sand in 65Q foam.
Tested @ 26 MCF/D.

Pkr @ 3664'

FRTC perms 3678'-3700' acidized
w/formic acid. Tested @ 138 MCF/D.

PC perms 3732'-3814' fraced
w/69,235# sand in 65Q foam.
Tested @ 411 MCF/D.

5-1/2" 15.5# Csg @ 3854'
Cmt with 680 sx

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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 June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-039-29315		2 Pool Code 71629		3 Pool Name Basin, Fruitland Coal	
4 Property Code		5 Property Name Jicarilla 29-02-05		6 Well Number 44	
7 OGRID No. 013925		8 Operator Name Black Hills Gas Resources, Inc.		9 Elevation 7443'	

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
P	5	29-N	2-W		425'	South	425'	East	Rio Arriba

11 Bottom Hole Location If Different From Surface

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

12 Dedicated Acres 5/2	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR NO INTEREST HAS BEEN APPROVED BY THE DIVISION

16 LOT 4	LOT 3	LOT 2	LOT 1	SEC. CORNER FD. MARKED STONE	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>Deanna Swell</u> Printed Name: <u>Deanna Swell</u> Title: <u>Admin. Tech</u> Date: <u>11/21/05</u>
				5311.1' (M)	
SEC. CORNER FD. MARKED STONE	LAT. 36°44'52"N LONG. 107°03'33"W	(NAD 83) (NAD 83)	SEC. CORNER FD. MARKED STONE	425'	N 02-11-16 E
	N 89-07-32 W	5238.9' (M)	425'		

WF

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-039-29315		2 Pool Code 97490/97036/72400		3 Well Name <i>WC29N2W5; Kirtland La Jara Cyn Tertiary</i>	
4 Property Code		5 Property Name Hearlita 29-02-05		6 Well Number 44	
7 OGRID No. 013925		8 Operator Name Black Hills Gas Resources, Inc.		9 Elevation 7443'	

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
P	5	29-N	2-W		425'	South	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

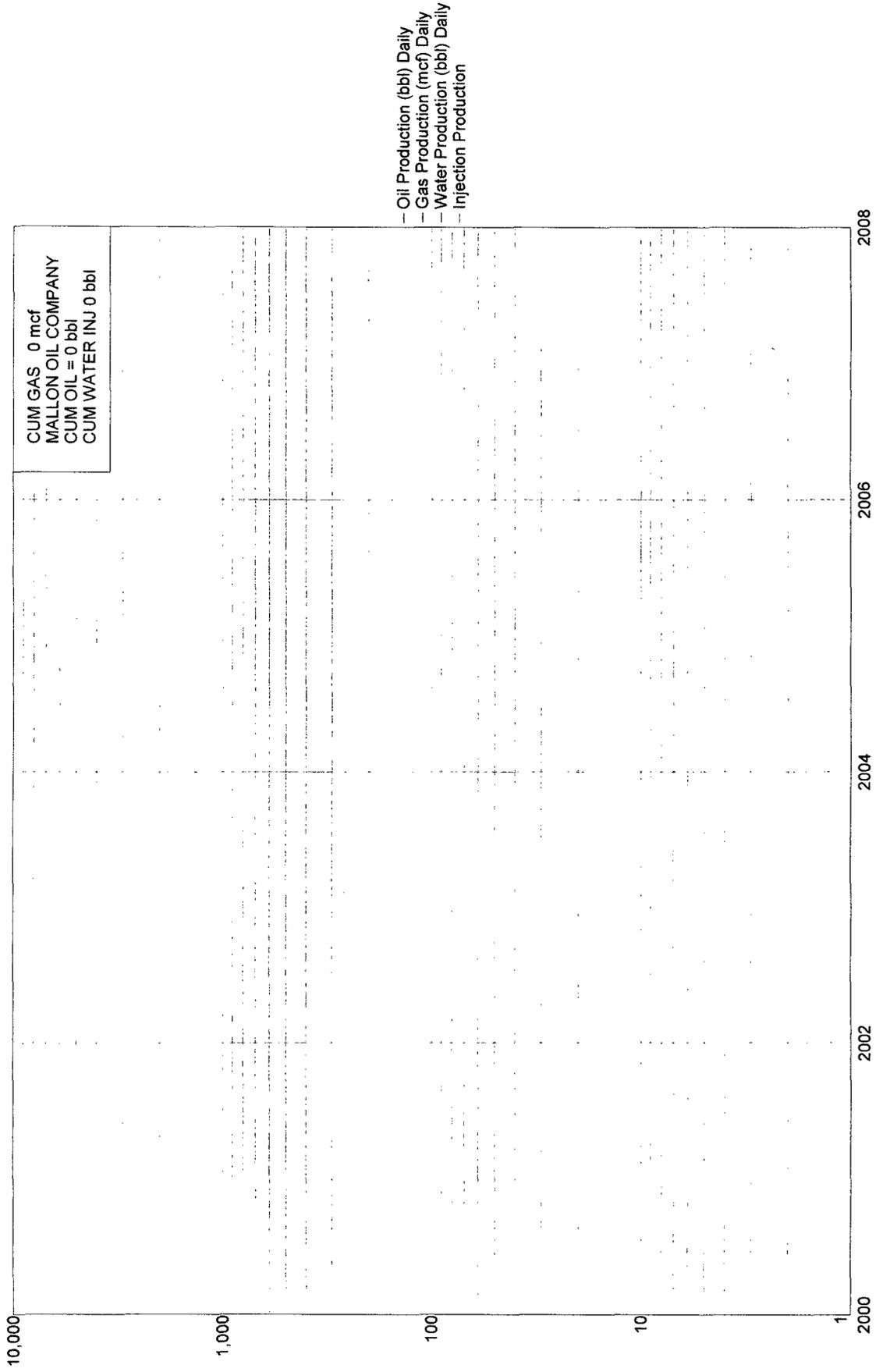
12 Dedicated Acres 160	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p> <p>LOT 3</p> <p>LOT 2</p> <p>LOT 1</p>	<p>SEC. CORNER 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><i>Agatha Snel</i> Signature <u>Agatha Snel</u> Printed Name <u>Admin. Tech</u> Title <u>11/21/05</u> Date</p>

Lease Name: JICARILLA 29 2 5
County, State: RIO ARBA, NM
Operator: MALLON OIL COMPANY
Field: WILDCAT
Reservoir: KIRKLAND
Location: 5 29N 2W SE SE

JICARILLA 29 2 5 - 44 5 29N 2W SE SE KIRKLAND / 30039293150000

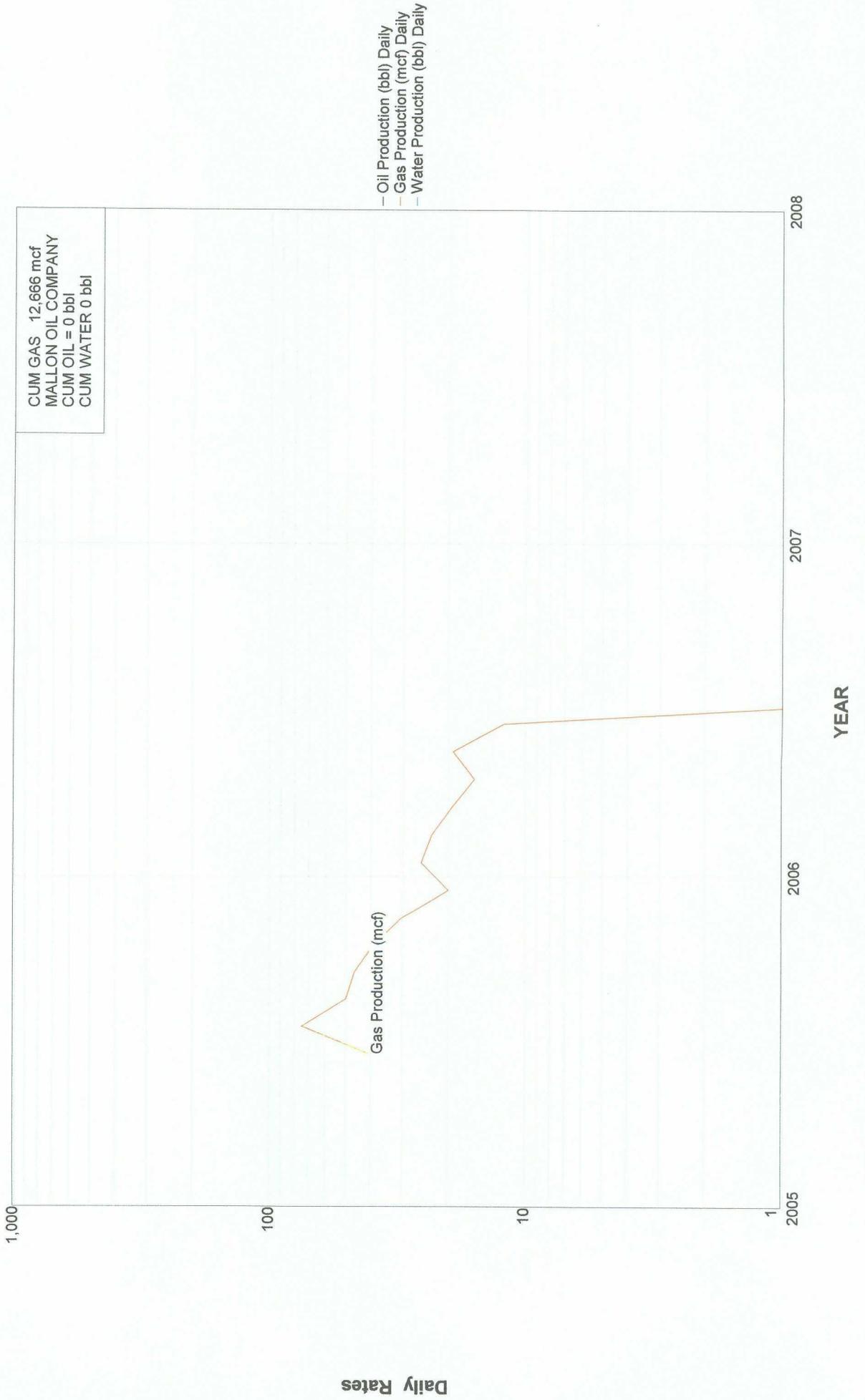


Daily Rates

YEAR

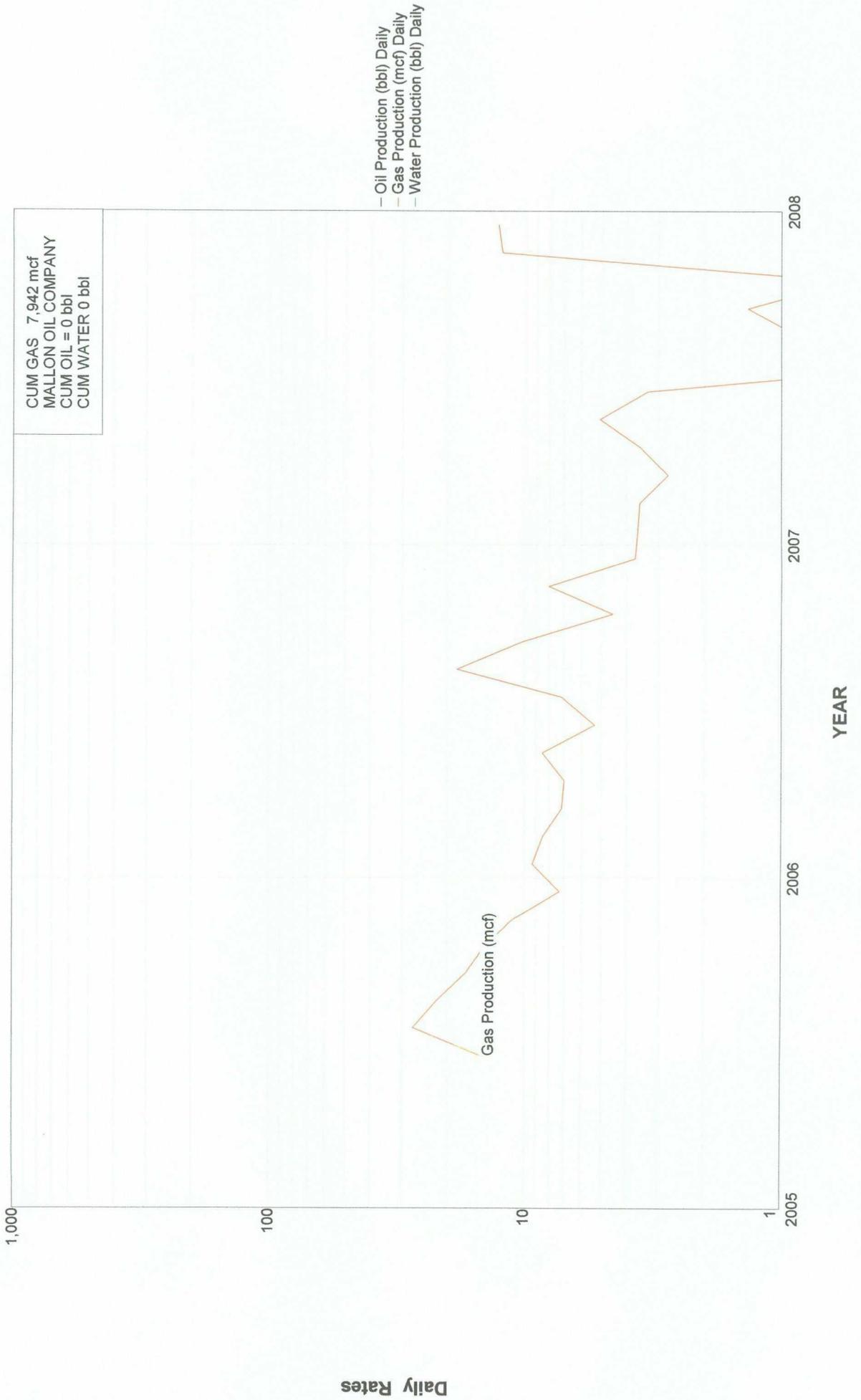
Lease Name: JICARILLA 29 2 5
County, State: RIO ARBA, NM
Operator: MALLON OIL COMPANY
Field: LA JARA CANYON
Reservoir: TERTIARY
Location: 5 29N 2W SE SE

JICARILLA 29 2 5 - 44 5 29N 2W SE SE TERTIARY 06/2005 30039293150000



Lease Name: JICARILLA 29 2 5
County, State: RIO ARBA, NM
Operator: MALLON OIL COMPANY
Field: BASIN
Reservoir: FRUITLAND COAL
Location: 5 29N 2W SE SE

JICARILLA 29 2 5 - 44 5 29N 2W SE SE FRUITLAND COAL 06/2005 30039293150000



Lease Name: JICARILLA 29 2 5
 County, State: RIO ARBA, NM
 Operator: MALLON OIL COMPANY
 Field: BLANCO EAST
 Reservoir: PICTURED CLIFFS
 Location: 5 29N 2W SE SE

JICARILLA 29 2 5 - 44 5 29N 2W SE SE PICTURED CLIFFS 06/2005 30039293150000

