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| DATE 2-26-10 | SUSPENSE | ENGINEER RE | LOGGED IN 2-26-10 | TYPE PC | APP NO. 1005758221 |
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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



Black Hills Gas Res.
Tic. 462-26 #11

ADMINISTRATIVE APPLICATION CHECKLIST

30-039-26059

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

*out of the 21 wells
 sent in this is the only
 one that doesn't have
 a DHC*

[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 n

David C Thornquist
 Print or Type Name

[Signature]
 Signature

agerial and/or supervisory capacity.

Land man
 Title

2-11-2010
 Date

david.thornquist@blackhillscorp.com
 e-mail Address



Black Hills Gas Resources, Inc.

A Black Hills Corporation Enterprise

1515 Wynkoop Street, Suite 500, Denver, Colorado 80202

David C. Thornquist
Landman

Bus: (303) 566-9436

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February 11, 2010

Mr. William V. Jones PE
New Mexico Oil Conservation Division
1200 South St. Francis
Santa Fe, New Mexico 87505

Re: Consent to Commingle Production
Jic 462-26 11
Rio Arriba County, New Mexico

Dear Mr. Jones,

It is the wish of Black Hills Gas Resources, Inc. to commingle production from several potential gas producing formations. The correlative rights within these commingled formations remain the same. The formations being commingled under this well are:

San Jose Formation
Pictured Cliffs Formation

Black Hills appreciates your consideration of this request and looks forward to a favorable approval. Should you have any questions or comments with this request, please do not hesitate to contact me.

Sincerely,

David C. Thornquist
Landman



Black Hills Gas Resources
1515 Wynkoop St.
Suite 500
Denver, CO 80202

February 25, 2010

Richard Ezeanyim
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: Surface commingle of wells.

Dear Mr. Ezeanyim:

The purpose of this letter is to clarify a conversation between Will Jones and myself on January 12, 2010, regarding commingling production of individual wells at the surface.

Black Hills has a *Total Flow* meter at each well bore and this meter is calibrated regularly, depending on how much the well is capable of producing i.e. if the volume exceeds 100 MCF per day the calibration is quarterly. All royalties are calculated and paid at that point. Up till now the well had the ability to produce from different pools that were completed within the well bore. The correlative rights in the well bore are identical. However surface commingling had not taken place. The well has been produced either up the casing annulus or the tubing string, but not both. Therefore Black Hills has begun surface commingling (see attachment) as directed by Mr. Jones in an e-mail received January 12, 2010, and is submitting documentation required by Mr. Jones.

I would like to thank the staff at the Oil Conservation Division for their prompt and professional manner in dealing with this issue.

Please do not hesitate to call me in the event of any questions.

Sincerely,

Alan Vrooman
Senior Permitting Coordinator
Black Hills Exploration & Production
1515 Wynkoop St.
Suite 500
Denver, CO 80202
303-566-3356

Jicarilla 462-26 #11

Wellbore Diagram

API # 30-039-26059

UNIT I, NE SE Sec 26, T30, R3W Rio Arriba, NM

GL = 7232

KB = 7244

SURF CSG

8 5/8", 24# J-55 @ 228',
140 sx TOC surf

PROD TBG DETAIL:

| | |
|------------------------|---------|
| 1 jt 2 3/8" tbg | |
| 2 - 8' 2 3/8" tbg subs | |
| 111 jts 2 3/8" tbg | |
| ON/OFF tool | 3554.00 |
| AS 1 10K packer | 3556.00 |
| 2 jts 2 3/8" tbg | |
| 1.78 R | 3627.00 |
| 6' 2 3/8" tbg sub | |
| WLREG | |
| EOT | 3634.00 |

✓ **San Jose perms: 11-17-00;** 1080-1096, 1135-1150, 1199-1216, 1240-1251 4 spf 236 holes, BD 4000 gals HCl. Frac with 80,760# 12/20, and N2 foam, Test 626 mcf + 0 bwph.

✓ **Ojo Alamo; 11-15-00;** 3146-3148, 3154-3157, 3169-3190 4 spf 104 holes, BD 2000 gals HCl, Tested No water, No gas.

PROD CASING

5 1/2" 17#, J-55 @ 3921',
TOC surface, 750 sx
50/50 poz

✓ **Pictured Cliffs perms: 1-10-06;** 3628-3632, 3634-3636, 3640-3644, 3648-3650, 3654-3658. Frac with 82800# 20/40 and N2 slick foam. Tested 407 mcf

PBTD=3850'

TD=3920'

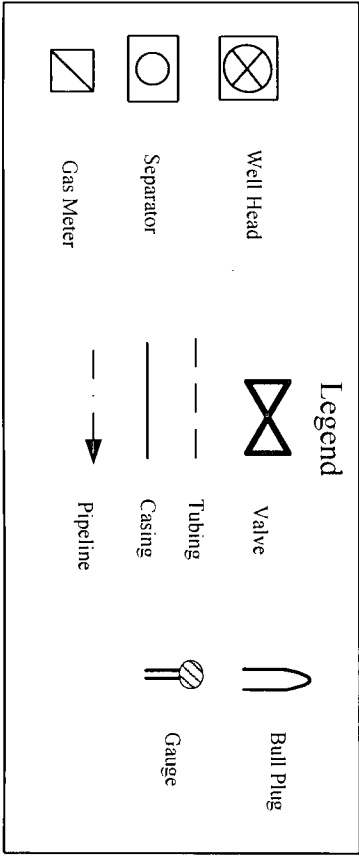
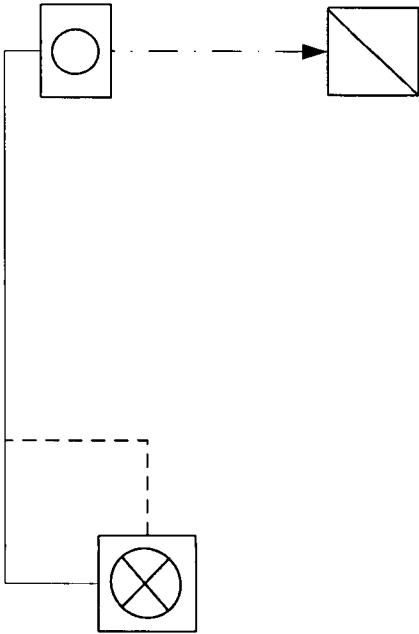
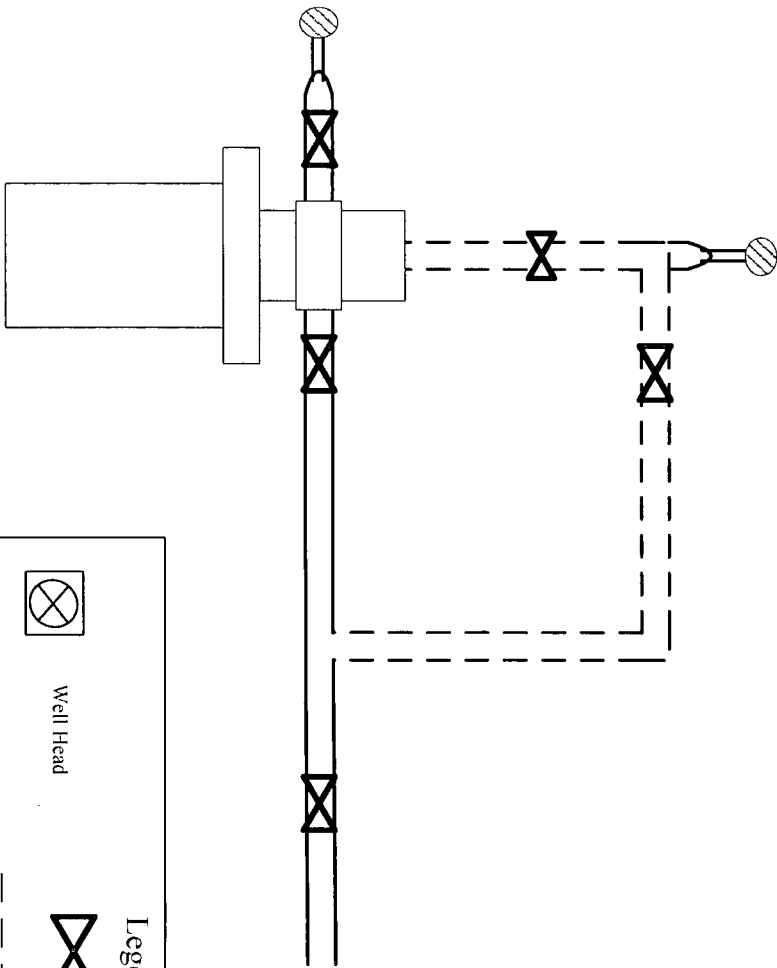
Black Hills Exploration and Production
Surface Commingling Diagram

Well Name Jicarilla 462-26 #11
Township 30 N
Range 3 W
Section NE SE 36

Location Rio Arriba County, NM
Latitude N 36.78011
Longitude W 107.11432

API # 300392605900

Aerial View of Surface Facilities



Not to Scale

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Tuesday, January 12, 2010 12:23 PM
To: Sharp, Karen, EMNRD; Perrin, Charlie, EMNRD
Cc: Brooks, David K., EMNRD; Ezeanyim, Richard, EMNRD; 'Mike Pippin'
Subject: Black Hills Commingling production on the Jicarilla Tribal Lands

Hello Karen or Charlie:

To comply with the open records act, would you please print this email and save it in the "Black Hills" company file – we don't have those here.

Then please forward this email to the appropriate Black Hills person. Alan called this morning and I can't seem to get him on the phone.

Alan:

I ran this by Richard E., Terry Warnell, and our attorney David Brooks.

We understand you have DHC permits in place and a Total Flow (sales gas meter) on each well and these are all Tribal wells operated (100% WI) by Black Hills with identical royalty ownership between Pools.

Please commence production as soon as is practical from all completed Pools in wells that have a DHC order approved and in order to ensure correlative rights are protected and our rules are followed....submit the following information to this office by March 1, 2010. This data will be copied and placed in the well files or DHC permit files for each well involved.

- a. Send a cover letter addressed to the Engineering Bureau in Santa Fe stating the overall ownership situation on the Jicarilla and that these Total Flow gas meters are installed on all wells and these meters are considered to be "sales" meters for purposes of royalty payments.
- b. Send a list of all the wells involved including each API number and each DHC permit number for each well. List the Pool Names approved for commingling in the DHC permit and what percentage allocation you are approved to use.
- c. Send another letter signed by a Landman or Attorney stating the ownership situation between the completed Pools in each well. If ownership is identical (ORRI, RI, WI the same) between Pools, have that stated and the letter signed. You can send in only one letter and just list the identically owned wells/pools within that letter.

If in this investigation, your landman finds differing overrides or differing WI from any Pool completed in any of these wells, please prepare diversely owned surface commingle application for each diverse well, send out notices, and send the application in to Santa Fe for approval.

If you have wells not yet covered by DHC orders and are completed as duals or triples, then you could apply for a surface commingle permit on those – most likely under category: "identically owned Pool Commingles".

Regards,

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87305
505-476-3448

Tracking: