

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

5. Lease Serial No.

Jicarilla Contract 459

6. If Indian, Allottee or Tribe Name

Jicarilla Apache Tribe

7. If Unit or CA/Agreement, Name and/or No

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Black Hills Gas Resources, Inc. c/o Mike Pippin LLC (Agent)

3a. Address

3104 N. Sullivan, Farmington, NM 87401

3b. Phone No. (include area code)

505-327-4573

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1795' FNL & 425' FEL Unit H
Sec. 17, T30N, R03W

8. Well Name and No.

Jicarilla 459-17 #24

9. API Well No.

30-039-29324

10. Field and Pool, or Exploratory Area

East Blanco PC & Basin
Fruitland Coal

AND

Rio Arriba County, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent☐ Subsequent Report☐ Final Abandonment Notice☐ Acidize☐ Alter Casing☐ Casing Repair☐ Change Plans☐ Convert to Injection☐ Deepen☐ Fracture Treat☐ New Construction☐ Plug and Abandon☐ Plug Back☐ Production (Start/Resume)☐ Reclamation☐ Recomplete☐ Temporarily Abandon☐ Water Disposal☐ Water Shut-Off☐ Well Integrity☒ Other DHC

APPLICATION

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

"This is part of the Permit Clean-up program for Black Hills."

BLACK HILLS requests administrative approval to downhole commingle the East Blanco Pictured Cliffs (72400) & Basin Fruitland Coal (71629).

Both intervals have common ownership & produce essentially dry gas. We have not experienced any significant cross flows between these two intervals, & all the fluids are compatible. Downhole commingling will improve recovery of liquids & gas, eliminate redundant surface equipment, & maximize productivity. Notice has been filed concurrently on form C-107A with the State.

These Gas & Oil allocations are based on choke tests taken during rig operations in June 2005, in which the FRTC flowed 175 MCF/D & the PC flowed 219 MCF/D. See attached calculations. This FRTC pool does not produce oil.

GAS: Pictured Cliffs

56%

OIL: Pictured Cliffs

100%

GAS: Fruitland Coal

44%

OIL: Fruitland Coal

0%

DHC-3737

Permit

Name (Printed/Typed)

Mike Pippin

Title

Petr. Engr. (Agent)

Signature

Mike Pippin

Date

June 22, 2006

THIS SPACE FOR FEDERAL OR STATE USE

Approved by:

Matt Haddock

Title

PETE ENGE

Date

7-7-06

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

BLM-FFO

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

NMCCD

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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.

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

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