

DATE IN 6/12/06	SUSPENSE	ENGINEER WILL JONES	LOGGED IN 6/12/06	TYPE DHC 3726	APP NO. p.D50616360410
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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



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.

Print or Type Name	Signature	Title	Date
e-mail Address			

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 87503

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 **DHC-3726** 7642

JICARILLA 29-02-21 #31 L SEC. 21 T29N R02W Rio Arriba County

Lease Well No. Unit Letter-Section-Township-Range

OGRID No. 013925 Property Code 32537 API No. 30-039-29523 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 WILDCAT
Pool Code	2008 JUN 12 11:29 PM I 47		97456
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3424'-36'		3460'-97'
Method of Production (Flowing or Artificial Lift)	Flowing		Flowing
Bottomhole Pressure <small>(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)</small>			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1125		1185
Producing, Shut-In or New Zone	Shut-in Ready for 1 st delivery		Shut-in Ready for 1 st delivery
Date and Oil/Gas/Water Rates of Last Production. <small>(Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)</small>	Date: 2/21/06 Rates: 11 MCF/D	Date: Rates:	Date: 2/15/06 Rates: 407 MCF/D
Fixed Allocation Percentage <small>(Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)</small>	Oil Gas 0% 3%	Oil Gas % %	Oil Gas 100% 97%

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 8, 2006

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

E-MAIL ADDRESS mike@pippinllc.com

Commingle Allocation Calculations

OIL

The Basin Fruitland Coal gas pool does not make oil in this portion of San Juan Basin. Therefore, any and all oil will be assigned to the Pictured Cliffs.

GAS

During completion operations, stabilized choke tests were individually taken for both the Pictured Cliffs and the Fruitland Coal gas pools.

The Pictured Cliffs (only) choke test stabilized at 50 psi on a ½" choke for a 12 hour period on 2/15/06.

$$Q = .0555 * C * P \quad \begin{array}{l} C = \text{coefficient for } \frac{1}{2} \text{'' choke} = 112.72 \\ P = \text{gauge pressure} + 15 \text{ psi} = 65 \text{ psi.} \end{array}$$

$$Q = .0555 * 112.72 * 65 = 407 \text{ MCF/D.}$$

The Fruitland Coal (only) choke test stabilized at 17.7 psi on a 1/8" choke for a 17 hour period on 2/21/06.

$$Q = .0555 * C * P \quad \begin{array}{l} C = \text{coefficient for } \frac{1}{8} \text{'' choke} = 6.25 \\ P = \text{gauge pressure} + 15 \text{ psi} = 32.7 \text{ psi.} \end{array}$$

$$Q = .0555 * 6.25 * 32.7 = 11 \text{ MCF/D.}$$

$$\text{Total gas} = 407 + 11 = 418 \text{ MCF/D}$$

$$\% \text{ Pictured Cliffs} = \frac{407}{418} = 97\%$$

$$\% \text{ Fruitland Coal} = \frac{11}{418} = 3\%$$

DISTRICT I
1626 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1501 W. Grand Ave., Artesa, N.M. 88210

DISTRICT III
1600 Edo Brazos Rd., Artesa, N.M. 87410

DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87506

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

*API Number 30-039-29523		*Pool Code 72400	*Pool Name E. Blanco / Pictured Cliffs
*Property Code 24245 32537	*Property Name JICARILLA 29-02-21		*Well Number 31
*OGRD No. 013925	*Operator Name BLACK HILLS GAS RESOURCES		*Elevation 7077'

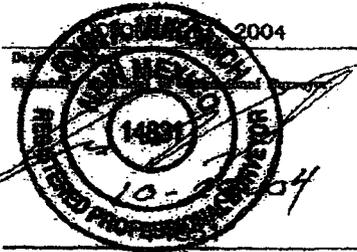
10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	21	29-N	2-W		1900	SOUTH	900	WEST	RIO ARRIEA

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
*Dedicated Acres 160 acres - SW/4			*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

16 FD MRKD STONE W/ P+C 8894 N 00-28-21 W 5544.96' (M)	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Kathy L. Schneebeck</i> Signature Kathy L. Schneebeck Printed Name Permit Agent for Black Hills Title April 7, 2005 Date		
	18 SURVEYOR CERTIFICATION 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.  Date Certificate Number		
19 LAT. 36°42'28.0"N (NAD 83) LONG. 107°03'14.8" W (NAD 83) 900' 1900' FD MRKD STONE W/ P+C 8894 S 86-04 W 5273.00' (M) FD MRKD STONE W/ P+C 8894			

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.
MDA-701-98-0013 Tract 4

6. If Indian, Allottee or Tribe Name
Jicarilla Apache Tribe

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

8. Well Name and No.
JICARILLA 29-02-21 #31

9. API Well No.
30-039-29523

10. Field and Pool, or Exploratory Area
E. Blanco PC & Basin Fruitland Coal

11. County or Parish, State
Rio Arriba County, New Mexico

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
c/o: Pippin, 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)
1900' FSL 900' FWL (L) Sec. 21 T29N R02W

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

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other DHC APPLICATION
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal

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 recompleate 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 recompleation 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 Black Hills Permit Clean-up Program.

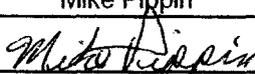
BLACK HILLS requests administrative approval to downhole commingle the East Blanco Pictured Cliffs (72400) & Basin Fruitland Coal (71629).

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 February 2006, in which the FRTC tested 11 MCF/D & the PC tested 407 MCF/D. See attached calculations. This FRTC pool does not produce oil.

GAS:	Pictured Cliffs	97%	OIL:	Pictured Cliffs	100%
GAS:	FRTC	3%	OIL:	FRTC	0%

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) Mike Pippin	Title Petr. Engr. (Agent)
Signature 	Date June 8, 2006

THIS SPACE FOR FEDERAL OR STATE USE

Approved by	Title	Date
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	

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 or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)