

DATE IN 7/17/06	SUSPENSE	ENGINEER WILL JONES	LOGGED IN 7/18/06	TYPE DHC	APP NO. PTDS0619935277
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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 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

Operator **BLACK HILLS GAS RESOURCES, INC.** c/o Mike Pippin LLC (agent), 3104 N. Sullivan, Farmington, NM 87401  
Address

Lease **JICARILLA 459-20 #34** Well No. **I SEC. 20 T30N R03W** Unit Letter-Section-Township-Range **D4C-3747** County **Rio Arriba**

OGRID No. **013925** Property Code **22862** API No. **30-039-29303** 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	<b>Basin Fruitland Coal</b>		<b>East Blanco Pictured Cliffs</b>
Pool Code	<b>71629</b>		<b>72400</b>
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	<b>3789'-3810'</b>		<b>3832'-3906'</b>
Method of Production (Flowing or Artificial Lift)	<b>Flowing</b>		<b>Flowing</b>
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)	<b>1165</b>		<b>1175</b>
Producing, Shut-In or New Zone	<b>Producing</b>		<b>Producing</b>
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: <b>7/7/05</b> Rates: <b>200 MCF/D</b>	Date: Rates:	Date: <b>7/13/05</b> Rates: <b>832 MCF/D</b>
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil <b>0%</b> Gas <b>19%</b>	Oil <b>%</b> Gas <b>%</b>	Oil <b>100%</b> Gas <b>81%</b>

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 July 4, 2006

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

E-MAIL ADDRESS mike@pippinllc.com

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1625 N. French Dr., Hobbs, NM 88240

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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**

<sup>1</sup> API Number 30-039-29303		<sup>2</sup> Pool Code 71629		<sup>3</sup> Pool Name Basin Fruitland Coal	
<sup>4</sup> Property Code		<sup>5</sup> Property Name Jicarilla 459-20			<sup>6</sup> Well Number 34
<sup>7</sup> OGRID No.		<sup>8</sup> Operator Name Black Hills Gas Resources, Inc.			<sup>9</sup> Elevation KB 7315' GL 7302'

**<sup>10</sup> Surface Location**

UL or lot no.	Section 20	Township 30N	Range 03W	Lot Idn	Feet from the 1870'	North/South line South	Feet from the 815'	East/West line East	County Rio Arriba
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**<sup>11</sup> 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
<sup>12</sup> Dedicated Acres 320									
<sup>13</sup> Joint or Infill									
<sup>14</sup> Consolidation Code									
<sup>15</sup> 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

  FD. 2 1/2" BC 1917 GLO  LAT.=36-47-45 N. (NAD 83) LONG.=107-10-05 W (NAD 83)  S 89-57-50 W 2634.40' (N)  FD. 2 1/2" BC 1917 GLO	  FD. 2 1/2" BC 1917 GLO	<b><sup>17</sup> OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.   Signature  Agatha Snell Printed Name  Admin. Tech.  Title and E-mail Address  Date 1/2/05
		<b><sup>18</sup> SURVEYOR CERTIFICATION</b> 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 of Survey  Signature and Seal of Professional Surveyor.  Certificate Number

DISTRICT I  
1635 N. French Dr., Hobbs, N.M. 88240

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

DISTRICT III  
1000 Rio Arriba Ed., 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 30-039-29303	*Pool Code 72400	*Pool Name E. Blanco/Pictured Cliffs
*Property Code 24245 22862	*Property Name JICARILLA 459-20	*Well Number 34
*OGRD No. 013925	*Operator Name MALLON OIL CO. Black Hills	*Elevation 7302'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot 14n	Feet from the	North/South line	Feet from the	East/West line	County
1	20	30-N	3-W		1870	SOUTH	815	EAST	RIO ARriba

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot 14n	Feet from the	North/South line	Feet from the	East/West line	County
*Dedicated Acres 160					*Joint or Infill		*Consolidation Code		*Order No. R-118586(ii) infill pilot

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 hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
				Signature <u>Kathy L. Schneebach</u>	
				Printed Name Kathy L. Schneebach	
				Agent for Mallon Oil Company	
				Date August 13, 2004	
				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.	
				Signature <u>JOHN A. KURONICH</u>	
				Printed Name JOHN A. KURONICH	
				Surveyor's License No. 14831	
				Certificate Number 14831	
				Date JANUARY 26, 2004	

FD. 2 1/2" BC  
1917 GLO

20

LAT.=36-47-45 N. (NAD 83)  
LONG.=107-10-05 W (NAD 83)

815'

1870'

N 00-05-12 W  
2639.89' (M)

S 89-57-50 W  
2634.40' (M)

FD. 2 1/2" BC  
1917 GLO

BLACK HILLS GAS RESOURCES, INC.  
JICARILLA 459-20 #34 PC / FRTC  
I Section 20 T30N R03W  
7/4/2006

## 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 completion operations in June & July 2005, stabilized gas tests were taken on the FRTC alone, then on the FRTC & PC together.

Orifice well tester (1") on FRTC alone for 24 hours (7/7/05): 200 MCF/D.

The Pictured Cliffs & FRTC choke test (together) stabilized at 150 psi on a ½" choke for a 24 hour period on 7/13/05.

$Q = .0555 * C * P$        $C = \text{coefficient for } \frac{1}{2}" \text{ choke} = 112.72$   
 $P = \text{gauge pressure} + 15 \text{ psi} = 165 \text{ psi.}$

$Q = .0555 * 112.72 * 165 = 1032 \text{ MCF/D.}$

Total gas = 1032 MCF/D.

Gas from PC only =  $1032 - 200 = 832 \text{ MCF/D}$

% Pictured Cliffs =  $\frac{832}{1032} = 81\%$

% FRTC =  $\frac{200}{1032} = 19\%$