

DATE IN 8/7/06	SUSPENSE	ENGINEER WILL JONES	LOGGED IN 8/8/06	TYPE DHC 3758	APP NO. PTDSOL622031436
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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

RECEIVED

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

AUG 07 2006

APPLICATION FOR DOWNHOLE COMMINGLING

BLACK HILLS GAS RESOURCES, INC. c/o Mike Pippin LLC (agent), 3104 N. Sullivan, Farmington, NM 87401
Oil Conservation Division Address **DHC-3758**
1220 S. St. Francis Drive P SEC. 30 T29N R02W Rio Arriba
SANTA FE, NM 87505 Unit Letter-Section-Township-Range County
OGRID No. 013925 Property Code 33865 API No. 30-039-29530 Lease Type: Federal State Fee

THIS IS PART OF THE BLACK HILLS CLEAN-UP PROGRAM

DATA ELEMENT	UPPER ZONE ✓	INTERMEDIATE ZONE	LOWER ZONE <i>WILDCAT</i>
Pool Name	WC 29N 2W 30: Fruitland Sand		East-Blanco Pictured Cliffs
Pool Code	97533		72400
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3345'-52'		3430'-3512'
Method of Production (Flowing or Artificial Lift)	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)			
Oil Gravity or Gas BTU (Degree API or Cms BTU)	1165		1175
Producing, Shut-In or New Zone	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: 7/29/06 Rates: 66 MCF/D	Date: Rates:	Date: 7/25/06 Rates: 231 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 22%	Oil % Gas %	Oil 100% Gas 78%

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 August 3, 2006
TYPE OR PRINT NAME Mike Pippin TELEPHONE NO. (505) 327-4573
E-MAIL ADDRESS mike@pippinllc.com

BLACK HILLS GAS RESOURCES, INC.
JICARILLA 29-02-30 #34 PC / FRTS
I Section 30 T29N R02W
8/3/2006
API#: 30-039-29530

Commingle Allocation Calculations

OIL

The Fruitland Sand 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 July 2006, stabilized gas tests were taken on both the PC and the Fruitland Sand.

The Pictured Cliffs choke test stabilized at 22 psi on a 1/2" choke for 2 hours on 7/25/06.

$$Q = .0555 * C * P \quad \begin{array}{l} C = \text{coefficient for } 1/2" \text{ choke} = 112.72 \\ P = \text{gauge pressure} + 15 \text{ psi} = 37 \text{ psi.} \end{array}$$

$$Q = .0555 * 112.72 * 37 = 231 \text{ MCF/D.}$$

The Fruitland Sand choke test stabilized at 30 psi on a 1/4" choke for a 1 hour period on 7/29/06.

$$Q = .0555 * C * P \quad \begin{array}{l} C = \text{coefficient for } 1/4" \text{ choke} = 26.51 \\ P = \text{gauge pressure} + 15 \text{ psi} = 45 \text{ psi.} \end{array}$$

$$Q = .0555 * 26.51 * 45 = 66 \text{ MCF/D.}$$

$$\text{Total gas} = 231 + 66 = 297 \text{ MCF/D.}$$

$$\% \text{ Pictured Cliffs} = \frac{231}{297} = 78\%$$

$$\% \text{ FRTS} = \frac{66}{297} = 22\%$$

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

District II
1391 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Bravo Rd., Aztec, NM 87410

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

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 October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-29530		² Pool Code 97533		³ Pool Name WC 29N2W30: Fruitland Sand	
⁴ Property Code 33865		⁵ Property Name Hearlita 29-02-30			⁶ Well Number 34
⁷ OGRID No. 013925		⁸ Operator Name Black Hills Gas Resources, Inc.			⁹ Elevation 7046' GL

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
I	30	29-N	2-W		1605'	South	755'	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>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, and that this organization either owns a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>[Signature]</i> 6-23-06 Signature Date</p> <p>Loren Diels Printed Name</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>Date of Survey Signature and Seal of Professional Surveyor: Certificate Number</p>

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DISTRICT I
1925 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1201 W. Grand Ave., Artesia, N.M. 88210

DISTRICT III
1009 Rio Grande Rd., Aztec, N.M. 87410

DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87605

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87605

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		*Pool Code	*Pool Name
		72400	E. Blanco / Pictured Cliffs
*Property Code	*Property Name		*Well Number
24245 33865	JICARILLA 29-02-30		34
*OCSID No.	*Operator Name		*Elevation
013925	BLACK HILLS GAS RESOURCES		7046'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
1	30	29-N	2-W		1605	SOUTH	755	EAST	RIO ARriba

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
*Dedicated acres			*Joint or Infill		*Consolidation Code		*Order No.		
160 acres - SE/4									

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

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FD P+C 8894

LAT. 36°41'37.2" N (NAD 83)
LONG. 107°04'40.1" W (NAD 83)

RECEIVED
OTO FARMINGTON NM
2005 APR 15 AM 10 01

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
14831

N 89-13-08 W
5239.20' (M)

FD P+C 8894

17 **OPERATOR CERTIFICATION**
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Kathy L. Schneebeck
Signature
Kathy L. Schneebeck
Printed Name
Permit Agent for Black Hills
Title
April 14, 2005
Date

18 **SURVEYOR CERTIFICATION**
I hereby certify that the well location shown on this plat was plotted from field notes and original survey data by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

[Signature]
Signature
14831
Certificate Number