

DATE IN 8/18/06	SUSPENSE	ENGINEER WILL JONES	LOGGED IN 8/21/06	TYPE DHC	APP NO. PTDS0623349001
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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**

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

Lease JICARILLA 464-30 # 9 Well No. N - SEC. 30 T30N R3W Unit Letter-Section-Township-Range  
County Rio Arriba

2006 AUG 18 PM 1 57  
DHC-3781

OGRID No. 013925 Property Code 22864 API No. 30-039-25789 Lease Type:  Federal  State  Fee  
"THIS IS PART OF THE BLACK HILLS PERMIT CLEAN-UP PROGRAM"

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	<u>Cabresto Canyon Tertiary</u>		<u>Basin Fruitland Coal</u>
Pool Code	<u>97037</u>		<u>71629</u>
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	<u>1665' - 1672'</u>		<u>3800' - 3850'</u>
Method of Production (Flowing or Artificial Lift)	<u>Pumping</u>		<u>Pumping</u>
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)	<u>258</u>		<u>1130</u>
Oil Gravity or Gas BTU (Degree API or Gas BTU)	<u>1052</u>		<u>1165</u>
Producing, Shut-In or New Zone	<u>Producing</u>		<u>Producing</u>
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: <u>11/17/05</u> Rates: <u>344 MCF/D</u>	Date: Rates:	Date: <u>12/5/05</u> Rates: <u>132 MCF/D</u>
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil <u>50%</u> Gas <u>72%</u>	Oil <u>%</u> Gas <u>%</u>	Oil <u>50%</u> Gas <u>28%</u>

**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 16, 2006  
 TYPE OR PRINT NAME Mike Pippin TELEPHONE NO. ( 505 ) 327-4573  
 E-MAIL ADDRESS mike@pippinllc.com

DISTRICT II  
P.O. Drawer DD, Artesia, N.M. 88211-0719

DISTRICT III  
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV  
PO Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, NM 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-25788 <sup>9</sup>		*Pool Code 97037	*Pool Name Cabresto Canyon; Tertiary
*Property Code 22864	*Property Name JICARILLA 464-30		*Well Number 9
*OGHD No. 151618	*Operator Name MALLON OIL CO.		*Elevation 7195'

<sup>10</sup> Surface Location

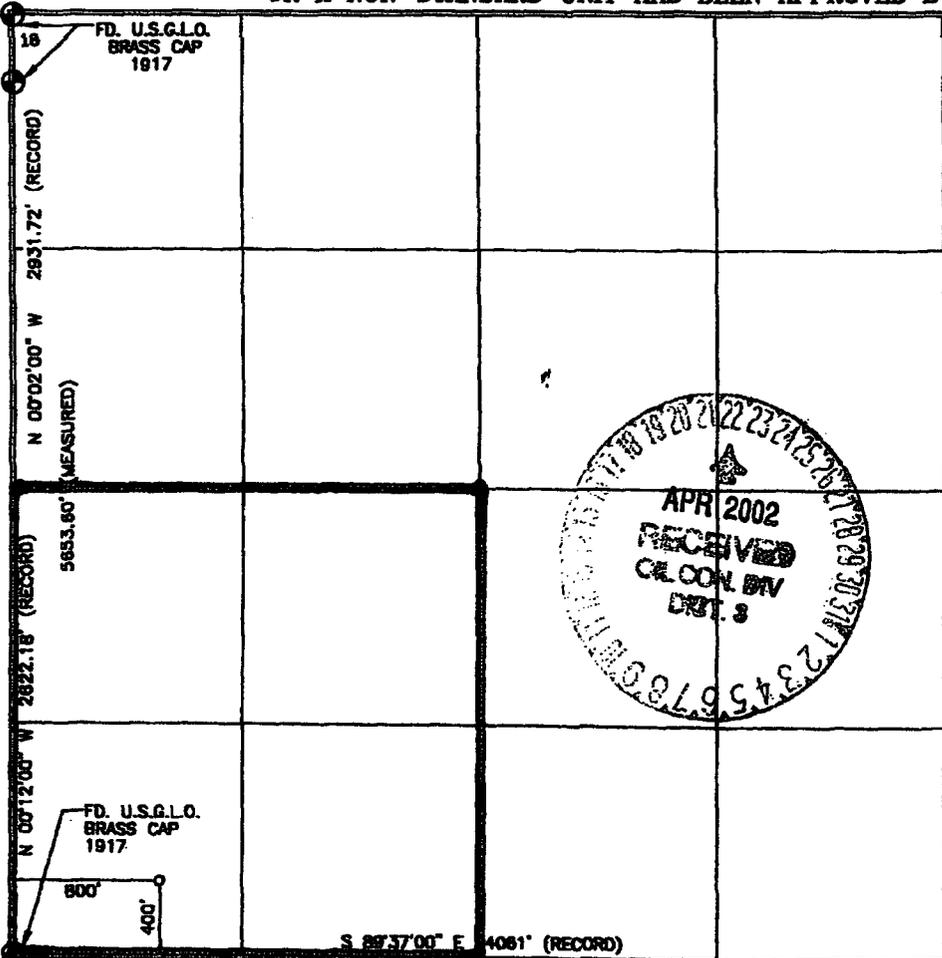
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	30	30-N	3-W		400	SOUTH	800	WEST	RIO ARRIBA

<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 160	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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



<sup>17</sup> OPERATOR CERTIFICATION

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

Signature: *Robert Gloylock*

Printed Name: Robert Gloylock

Title: District Manager

Date: 4/18/02

<sup>18</sup> SURVEYOR CERTIFICATION

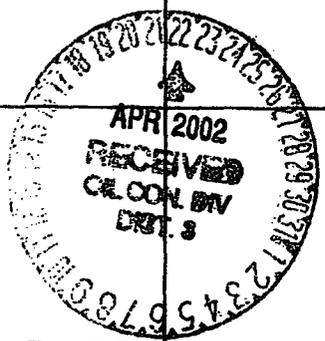
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey: 12-30-01

Signature and Seal: *[Signature]*

Professional Land Surveyor  
NEW MEXICO  
8894

Certificate Number: 8894



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1625 N. French Dr., Hobbs, NM 88240  
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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 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 30-039-25789		<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 464-30			<sup>6</sup> Well Number 9
<sup>7</sup> OGRID No. 013925		<sup>8</sup> Operator Name Black Hills Gas Resources, Inc.			<sup>9</sup> Elevation 7195'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	30	30N	03W		400	South	800	West	Rio Arriba

<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 781.86	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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

BRASS CAP 1917

FD. U.S.G.L.O. BRASS CAP 1917

3061' (RECORD)

**<sup>17</sup> OPERATOR CERTIFICATION**

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

*Agatha Sull*  
Signed

Agatha Sull  
Printed Name

Admin. Tech.

Title and E-mail Address

2/28/06  
Date

**<sup>18</sup> 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 of Survey

Signature and Seal of Professional Surveyor:

Certificate Number

HOLD C-104 FOR NSP

BLACK HILLS GAS RESOURCES, INC.  
JICARILLA 464-30 #9 FRTC/Tertiary  
N Section 30 T30N R3W  
8/17/2006  
API#: 30-039-25789

## Commingle Allocation Calculations

### OIL

The Basin Fruitland Coal and Cabresto Canyon Tertiary gas pools do not make any oil in the vicinity of the subject well.

### GAS

During completion operations in November and December 2005, stabilized gas tests were taken from both the FRTC and the Tertiary.

The Fruitland Coal (only) choke test stabilized at 75 psi on a ¼" choke for an 8 hour period on 12/5/05.

$$Q = .0555 * C * P \quad C = \text{coefficient for } \frac{1}{4} \text{ choke} = 26.51 \\ P = \text{gauge pressure} + 15 \text{ psi} = 90 \text{ psi}$$

$$Q = .0555 * 26.51 * 90 = 132 \text{ MCF/D.}$$

The Tertiary (only) choke test stabilized at 40 psi on a ½" choke for a 2 hour period on 11/17/05.

$$Q = .0555 * C * P \quad C = \text{coefficient for } \frac{1}{2} \text{ choke} = 112.72 \\ P = \text{gauge pressure} + 15 \text{ psi} = 55 \text{ psi}$$

$$Q = .0555 * 112.72 * 55 = 344 \text{ MCF/D.}$$

$$\text{Total gas} = 132 + 344 = 476 \text{ MCF/D.}$$

$$\% \text{ FRTC} = \frac{132}{476} = 28\%$$

$$\% \text{ Tertiary} = \frac{344}{476} = 72\%$$