

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  
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District II  
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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 29-02-21 #31** Well No. Unit Letter-Section-Township-Range County  
2006 OCT 13 PM 2 19 DHC-3815 Rio Arriba  
L SEC. 21 T29N R02W  
OGRID No. 013925 Property Code 32537 API No. 30-039-29523 Lease Type:  Federal  State  Fee

DATA ELEMENT	UPPER ZONE <i>UNDES</i>	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	La Jara Canyon Tertiary	Basin Fruitland Coal	East Blanco Pictured Cliffs
Pool Code	97036	71629	72400
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1156'-92'	3424'-36'	3460'-97'
Method of Production (Flowing or Artificial Lift)	Now Flowing Plan to Pump	Now Flowing Plan to Pump	Now Flowing Plan to Pump
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.)	258	1130	1150
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1052	1125	1185
Producing, Shut-In or New Zone	Producing Above PKR	Producing Below PKR DHC-3726	Producing Below PKR DHC-3726
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: 10/9/06 Rates: 56 MCF/D & 0 BWPD	Date: 2/21/06 Rates: 11 MCF/D	Date: 2/15/06 Rates: 407 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 Gas 0% 12%	Oil Gas 0% 2%	Oil Gas 100% 86%

**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 October 10, 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 and Tertiary gas pools do 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 the Pictured Cliffs, the Fruitland Coal, and the Tertiary 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.

$$Q = .0555 * C * P \quad C = \text{coefficient for } \frac{1}{2} \text{ choke} = 112.72$$
$$P = \text{gauge pressure} + 15 \text{ psi} = 65 \text{ psi.}$$
$$Q = .0555 * 112.72 * 65 = \mathbf{407 \text{ MCF/D.}}$$

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.

$$Q = .0555 * C * P \quad C = \text{coefficient for } \frac{1}{8} \text{ choke} = 6.25$$
$$P = \text{gauge pressure} + 15 \text{ psi} = 32.7 \text{ psi.}$$
$$Q = .0555 * 6.25 * 32.7 = \mathbf{11 \text{ MCF/D.}}$$

The Tertiary (only) metered gas on 10/9/06 was **56 MCF/D** and 0 BWPD. This well is producing above a pkr up the tbg annulus to a separate meter.

$$\underline{\text{Total gas}} = 407 + 11 + 56 = 474 \text{ MCF/D.}$$

$$\% \text{ Pictured Cliffs} = \frac{407}{474} = 86\%$$

$$\% \text{ Fruitland Coal} = \frac{11}{474} = 2\%$$

$$\% \text{ Tertiary} = \frac{56}{474} = 12\%$$

### ADDITIONAL EXPLANATION

This well is currently producing up the tubing from commingled FRTC/PC intervals below a packer at 2881' with DHC-3726. The Tertiary produces from the annulus through the casing valve to a separate meter. See the attached wellbore diagram. Since both sides are having problems producing, Black Hills Gas Resources would like to trimingle and pump the well. Both sides were recently 1<sup>st</sup> delivered on 7/20/06.

DISTRICT I  
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DISTRICT II  
1301 W. Grand Ave., Artesia, N.M. 88210

DISTRICT III  
1600 Rio Brazos Rd., Artec, 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 <b>30-039-29523</b>		*Pool Code <b>72400</b>	*Pool Name <b>E. Blanco / Pictured Cliffs</b>
*Property Code <b>24245-32537</b>	*Property Name <b>JICARILLA 29-02-21</b>		*Well Number <b>31</b>
*OGRD No. <b>013925</b>	*Operator Name <b>BLACK HILLS GAS RESOURCES</b>		*Elevation <b>7077'</b>

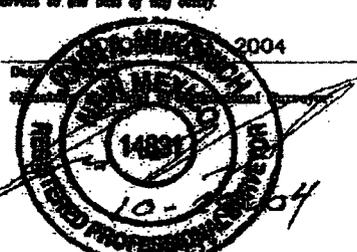
**10 Surface Location**

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 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
*Dedicated Acres <b>160 acres - SW/4</b>			*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**

18 FD MRKD STONE W/ P+C 8894  N 00-26-21 W 5544.96' (M)	LAT. 36°42'28.0"N (NAD 83) LONG. 107°03'14.8" W (NAD 83)			17 <b>OPERATOR CERTIFICATION</b> 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 <b>Kathy L. Schneebeck</b> Printed Name Permit Agent for Black Hills Title <b>April 7, 2005</b> Date
	16 <b>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 Signature Certificate Number			
RECEIVED 2 PM 2 APR 8 2005 RPR FD MRKD STONE W/ P+C 8894 S 86-04 W 5273.0' (M)				

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State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
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Form C-102  
Revised October 12, 2005  
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AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number 30-039-29523		<sup>2</sup> Pool Code 97036		<sup>3</sup> Pool Name La Jara Canyon Tertiary Ext.	
<sup>4</sup> Property Code 32537		<sup>5</sup> Property Name Jicarilla 29-2-21			<sup>6</sup> Well Number 31
<sup>7</sup> OGRID No. 013925		<sup>8</sup> Operator Name Black Hills Gas Resources, Inc.			<sup>9</sup> Elevation 7077' GL

<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
L	21	29-N	2-W		1900'	South	900'	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 - SW/4	<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.

	<p><b><sup>17</sup> OPERATOR CERTIFICATION</b></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 unleased 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>Signature: <u>Mike Pippin</u> Date: <u>6-8-06</u></p> <p>Printed Name: <u>Mike Pippin</u></p>	
	<p><b><sup>18</sup> SURVEYOR CERTIFICATION</b></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: _____</p> <p>Certificate Number: _____</p>	

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District I  
1625 N. French Dr., Hobbs, NM 88240  
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1090 Rio Brueas Rd., Antec, NM 87410  
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AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number 30-039-29523		<sup>2</sup> Pool Code 71629		<sup>3</sup> Pool Name Basin Fruitland Coal	
<sup>4</sup> Property Code 32537		<sup>5</sup> Property Name Jicarilla 29-2-21			<sup>6</sup> Well Number 31
<sup>7</sup> OGRID No. 013925		<sup>8</sup> Operator Name Black Hills Gas Resources, Inc.			<sup>9</sup> Elevation 7077' GL

<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
L	21	29-N	2-W		1900'	South	900'	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 320 - S/2	<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.

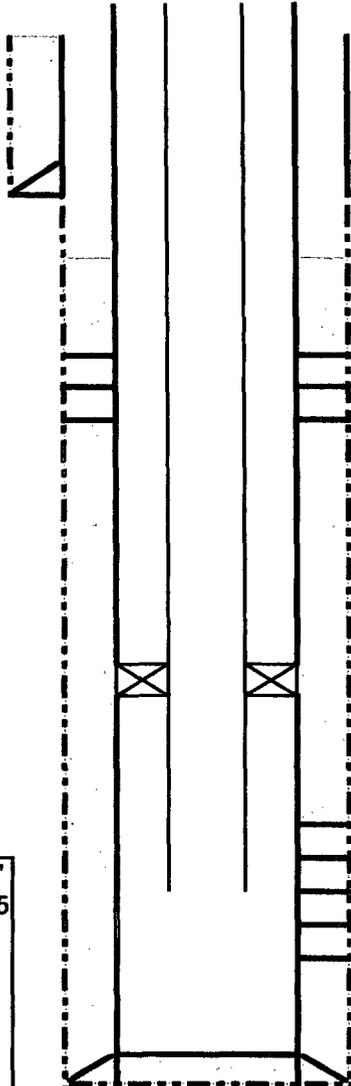
<p>16</p>	<p><b>17 OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location 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>Mike Pippin</i> 6-8-06 Signature Date</p> <p>Mike Pippin Printed Name</p>		
	<p><b>18 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.</p> <p>Date of Survey Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>		

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**JIC 29-02-21 #31**  
**Current Wellbore Diagram**  
 API # 30-039-29523  
 UNIT L NW SW, Sec 21, T29N, R02W Rio Arriba, NM  
 Spud Date 1-4-06

Elev. GL= 7077'  
 Elev. KB= 7090'

**SURF CSG**  
 8 5/8" 24# J-55  
 @297' KB, TOC surf



**TUBING DETAIL**

KB	13
91 JOINTS 2-3/8" TBG	2862.14
MODEL R PKR	6.85
18 JOINTS TBG 2-3/8"	566.63
SN	1.1
MULE SHOE	0.4
<b>EOT</b>	<b>3449.72</b>

**SAN JOSE PERFS:** 1156'-61', 1171'-82', 1186,-92' 4-0.34" SPF PERF IN ACID, BROKE DOWN W/500 GALS 7-1/2% HCL

**SQUEEZE HOLES @ 1340' PUMP 70 SXS CEMENT TOP OF CEMENT 930'**

**FRTC PERFS:** 3424'-36' 8 SPF, FRAC WELL W/ 19870# 20-40 BRADY XL FOAM SCREENED OFF ON 2# SND

**Pictured Cliffs perfs:** 3460'-62', 3466'-74', 3485'-87', 3495'-97': frac w/ 100720# 20-40 slick water foam

**PROD CASING**  
 5 1/2" 15.5# @ 3625'  
 KB; cmt; 445 sx 65/35  
 Poz lead, + 150 sx  
 50/50/3 Poz tail.  
 TOC= 930' - CBL

PBTD= 3603'

Prepared: 9-Jun-06