

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-039-24306
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. Jicarilla Contract 459
7. Lease Name or Unit Agreement Name
8. Well Number Jicarilla 459 No. 3
9. OGRID Number 013925
10. Pool name or Wildcat East Blanco; Pictured Cliffs and Cabresto Canyon, Tertiary

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
Black Hills Gas Resources, Inc.

3. Address of Operator
350 Indiana St, Suite 400 Golden, CO 80401

4. Well Location

Unit Letter G: 1658 feet from the North line and 1901 feet from the East line

Section 18

Township 30N

Range 03W

NMPM

Rio Arriba

County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
7034' GL

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: Downhole Commingle Formations ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐

CASING TEST AND CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Black Hills Gas Resources, Inc. intends to complete the subject well and downhole commingle the Cabresto Canyon; Tertiary and East Blanco; Pictured Cliffs under Division Order R-11363. All gas production is to be allocated based on initial production tests as 92 percent to the East Blanco; Pictured Cliffs formation and 8 percent to Cabresto Canyon; Tertiary formation. See attached Supplemental Data Sheet for the information fracture pressures and flow test. The commingling will not reduce the value of the total remaining production. A Sundry Notice form 3160-5 has been sent, notifying the BLM of downhole commingling formations.

DHC1904AZ

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

SIGNATURE Allison Newcomb TITLE Engineering Technician DATE 5/17/2005

Type or print name: Allison Newcomb

E-mail address: anewcomb@bhep.com

Telephone No. 720-210-1308

(This space for State use)

APPROVED BY [Signature]

TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 40

DATE MAY 23 2005

Conditions of approval, if any:

C103 Supplemental Information

Jicarilla 459 #3

Production and Pressure Data Pictured Cliffs and Tertiary Formations

The Pictured Cliffs formation was perforated at intervals 3657' – 3667', 3674' – 3679', 3684' – 3688', 3695' – 3705', 3729' – 3736' and 3747' – 3751' with 2 jsf. Based upon pressure data obtained from the breakdown and fracture stimulation treatment the fracturing pressure of the Pictured Cliffs formation at mid-perforation is 2200 psi with a fracture gradient of 0.65 psi/ft. After fracture stimulation and clean up the Pictured Cliffs formation was flow tested for twenty-four hours, 330 MCFPD.

The Tertiary formation was perforated at intervals 3124' – 3128', 3137' – 3141', 3145' – 3153', 3156' – 3160', 3729' – 3736' and 3747' – 3751'. Based upon the pressure data obtained from the fracture stimulation treatment of the formation the fracturing pressure of the Tertiary formation is 2272 psi with a fracture gradient of 0.72 psi/ft. After fracture stimulation of the Tertiary formation, a stabilized flow test was conducted for twenty-four hours, 30 MCFPD.

The allocation method that has been agreed upon between Black Hills Gas Resources, Inc. and the Jicarilla Apache Nation is to use a percent based on the initial test for allocation of the produced volumes from the downhole commingled formations. In summary, the following calculations reflect the allocation percentages for the subject well.

Formation Name	Gas Flow Rate (MCFPD)	Water Rate (BWPD)	Allocation Factor
Pictured Cliffs	330		92%
Tertiary	30		8%
Total	360		100%