



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:
Jicarilla Contract 459
3162.3-1 (2110)

January 12, 2006

Mr. Allen Parrent
Black Hills Gas Resources, Inc.
PO Box 249
Bloomfield, NM 87413

30-039-29324



Dear Mr. Parrent:

Reference is made to the following well drilled on Jicarilla Contract 459:

Jicarilla 459-17 #24, located 1795' FNL and 425' FEL, Section 17, T30N, R3W, Rio Arriba County, New Mexico

On January 9, 2006, this office received your Well Completion Reports indicating that the well was drilled as vertical well, completed in Pictured Cliffs, Fruitland Coal, and the Cabresto Canyon Tertiary. This office has no record of prior approval, written or verbal, being given to complete multiple horizons, or any horizon, other than the Pictured Cliffs, as approved in the original Application for Permit to Drill (APD). As a result, this is considered a violation.

You are in violation of 43 CFR 3162.3-1(e), which states that the drilling plan may be modified, as circumstances may warrant, with the approval of the authorized officer (AO) and also in violation of 43 CFR 3162.3-2(a), which requires prior approval before commencing commingling production between intervals. These violations will serve as notice that if actions of this sort occur in the future, on any operations conducted by your company, you will be subject to an assessment. Enclosed you will find your processed Well Completion Reports.

Another Regulation that has been overlooked by Black Hills, is the requirement to file well completion reports in a more timely manner. The well completion reports must be filed within 30 days of completion of the well pursuant to Onshore Order No. 1, VIII. In the future, please submit these reports as required.

If you have any questions or concerns regarding this issue, please feel free to contact me at (505) 599-6358.

Sincerely,

/s/ Adrienne Brumley

Adrienne Brumley
Petroleum Engineer,
Petroleum Management Team