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|--------------------|----------|-----------------------|----------------------|-------------|---------------------------|
| DATE IN 9/17/07 | SUSPENSE | ENGINEER D. Brooks | LOGGED IN 9/18/07 | TYPE NSL | APP NO. p DS0726136466 |
|--------------------|----------|-----------------------|----------------------|-------------|---------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



Black Hills Gas

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

HOLLAND & HART LLP



RECEIVED
William F. Carr
wcarr@hollandhart.com

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September 17, 2007

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Request for Correction to Administrative Order NSL-4355.

Dear Mr. Fesmire:

Administrative Order No. NSL-4355, dated September 7, 1999, granted the application of Mallon Oil Company for authorization to drill and recompleat existing wells and drill new wells at unorthodox well locations in an area comprised of 60,167.64-acres in the Jicarilla Apache Tribal Lands all in Rio Arriba County, New Mexico. Black Hills Gas Resources, Inc. ("Black Hills") is the successor to Mallon Oil Company and now operates these Jicarilla Apache Tribal Lands.

Finding (2) (d) of Administrative Order NSL-4355 describes the lands covered by this order as including all of Sections 3 and 4 of Township 30 North, Range 3 West, NMPM and states that this order covers 60,167.64 total acres of land (See, Order paragraph (2)) including the lands in Section 3 of Township 30 North, Range 3 West, NMPM. However, the description in Ordering Paragraph (2) on pages 7 and 8 fails to include Section 3.

Black Hills Gas Resources, Inc. requests that the Division enter a Corrected Administrative Order to add Section 3, Township 30 North, Range 3 West, NMPM, to the order portion of Administrative Order NSL-4355.

Attached hereto are copies of Administrative Order No. NSL-4355 dated September 7, 1999, Corrected Administrative Order No. NSL-4355, and a draft of Second Corrected Administrative Order NSL-4355.

Your attention to this request is appreciated.

Very truly yours,


William F. Carr

Attorney for Black Hills Gas Resources, Inc.

cc: Brenda Mustain
Black Hills Gas Resources, Inc.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. 

**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**Santa Fe, New Mexico 87505
(505) 827-7131

September 7, 1999

Mallon Oil Company
P. O. Box 2797
Durango, Colorado 81302
Attention: Christy Serrano

| | |
|---------------------------|-------------------------------|
| BEFORE EXAMINER | Telefax No. (970) 382-7650 |
| OIL CONSERVATION DIVISION | |
| <u>Mallon</u> | EXHIBIT NO. <u>2</u> |
| CASE NO. <u>12892</u> | Administrative Order NSL-4355 |

Dear Ms. Serrano:

Reference is made to the following: (i) your meeting in Santa Fe, New Mexico on Thursday, May 20, 1999 with the New Mexico Oil Conservation Division's ("Division") Chief Hearing Officer/Engineer, Mr. Michael E. Stogner; (ii) your application submitted at that time for four unorthodox gas well locations on Jicarilla Apache Tribal Lands in Rio Arriba County, New Mexico to be applicable to any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation, which presently includes but is not necessarily limited to the Cabresto Canyon-San Jose Pool, Cabresto Canyon-Nacimiento Pool, Cabresto Canyon-Ojo Alamo, East Blanco-Pictured Cliffs, and Undesignated Choza Mesa-Pictured Cliffs Pool; (iii) two similar applications filed with the Division on January 25, 1999; (iv) the Division's initial response to these two particular applications by letter from Mr. Stogner dated February 3, 1999; (v) Mallon Oil Company's ("Mallon") request, also submitted on May 20, 1999, for a procedure allowing for future gas wells to be drilled to those potential gas bearing intervals from the surface to the base of the Pictured Cliffs formation within a particular area operated by Mallon on Jicarilla Apache Tribal Lands; (vi) your telephone conversation with Mr. Stogner on Monday, June 7, 1999; (vii) your supplemental technical data submitted to the Division on July 15, 1999; (viii) the records of the Division in Santa Fe including the files on Division Administrative Orders NSP-1786, NSP-1787, NSP-1788, NSP-1788-A, NSL-2377, NSL-2377-A, NSL-2518, NSL-2518-A, NSL-2575, NSL-2575-A, NSL-2576, NSL-2576-A, NSL-2831, NSL-2831-A, NSL-2831-B, NSL-3981, NSL-3981-A, NSL-3992, NSL-3992-A, NSL-3993, NSL-3993-A, NSL-3994, NSL-3994-A, NSL-3995, NSL-3995-A, NSL-3995-B, NSL-4109, NSL-4109-A, NSL-4110, NSL-4111, NSL-4199, NSL-4200, NSL-4201, NSL-4202, NSL-4229, NSL-4230, NSL-4231, and NSL-4244; and (ix) the record in New Mexico Oil Conservation Commission Case No. 12119, which resulted in Order No. R-11231 on August 12, 1999, that served to amend Division Rule 104.

The Division Director Finds That:

- (1) Mallon is the sole owner and operator of oil and gas mineral rights under Indian Mineral Development Agreement ("IMDA") No. 701-98-0013 with the Jicarilla Apache Tribe to a contract area in Rio Arriba County, New Mexico comprising the following described 39,360.00 acres, more or less:

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Mallon Oil Company

September 7, 1999

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TOWNSHIP 28 NORTH, RANGE 2 WEST, NMPM

Sections 1 through 18: All

Sections 21 through 24: All

TOWNSHIP 29 NORTH, RANGE 2 WEST, NMPM

Sections 4 through 9: All

Sections 15 through 23: All

Sections 26 through 36: All

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM

Sections 1 and 2: All

Sections 11 through 14: All

Sections 24: All

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Section 25: All

Section 27: All

Section 28: E/2

Sections 33 through 36: All;

- (2) Mallon however is a partial owner but sole operator of oil and gas mineral rights underlying all or portions of ten other offsetting contract areas within Jicarilla Apache Tribal Lands all in Rio Arriba County, New Mexico, as further described below:

- (a) a portion of IMDA No. 701-90-0002 covering a 640.00-acre area, more or less, comprising:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Section 28: W/2

TOWNSHIP 31 NORTH, RANGE 3 WEST, NMPM

Section 32: S/2;

- (b) Jicarilla Contract No. 451 covering 2536.29 acres, more or less, of the following described lands:

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM

Sections 3 and 4: All

Sections 9 and 10: All;

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- (c) Jicarilla Contract No. 452 covering 2235.53 acres, more or less, of the following described lands:

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM

Sections 5 through 8: All;

- (d) Jicarilla Contract No. 457 covering 2532.97 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 3 and 4: All

Sections 9 and 10: All;

- (e) Jicarilla Contract No. 458 covering 2249.19 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 5 through 8: All;

- (f) Jicarilla Contract No. 459 covering 2267.20 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 17 through 20: All;

- (g) Jicarilla Contract No. 460 covering 1999.99 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 15 and 16: All

Section 21: All;

- (h) Jicarilla Contract No. 461 covering 1972.12 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 13 and 14: All

Section 24: All;

- (i) Jicarilla Contract No. 462 covering 1920.00 acres, more or less, of the following described lands:

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Mallon Oil Company

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TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 22 and 23: All

Section 26: All; and

- (j) Jicarilla Contract No. 464 covering 2454.35 acres, more or less, of the following described lands:

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 29 through 32: All.

- (3) At the time these applications were filed the applicable rules and regulations for gas producing intervals developed on 160-acre spacing in northwest New Mexico required: (i) that wells be located no closer than 790 feet to any outer boundary of such tract nor closer than 130 feet to any quarter-quarter section or subdivision inner boundary; and (ii) limited the number of wells for each 160-acre drilling tract to only one;
- (4) On August 31, 1999, certain amendments to Division Rule 104 became effective; therefore, those gas bearing zones developed on 160-acre spacing that are the subject of this application (surface to the base of the Pictured Cliffs formation, including but not necessarily limited to the Cabresto Canyon-San Jose Pool, Cabresto Canyon-Nacimiento Pool, Cabresto Canyon-Ojo Alamo, East Blanca-Pictured Cliffs, and Undesignated Choza Mesa-Pictured Cliffs Pool) within the boundary formed by combining all of the above-described Jicarilla Apache Tribal contract areas, are subject to the current statewide rules for gas wells, which provides for: (i) 160-acre gas spacing and proration units, or drilling units; (ii) requires that wells be located no closer than 660 feet to any outer boundary of such tract nor closer than 10 feet to any quarter-quarter section or subdivision inner boundary; and (iii) limits the number of wells for each 160-acre drilling tract to only one;
- (5) Mallon's applications, having been duly filed with the Division, meet the provisions of Division Rules: (i) 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; and (ii) 1207.A(2), revised by Division Order No. R-11205, issued by the New Mexico Oil Conservation Commission in Case No. 12177 on June 17, 1999;
- (6) All oil and gas mineral interests within this combined area have been notified and no objections to Mallon's requests have been filed with the Division;
- (7) Approval of Mallon's existing or proposed:
- (i) Jicarilla "28-2-11" Well No. 1 (API No. 30-039-26038),

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located at an unorthodox gas well location 950 feet from the North line and 2050 feet from the West line (Unit C) of Section 11, Township 28 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the NW/4 of Section 11;

- (ii) Jicarilla "28-2-4" Well No. 1 (API No. 30-039-26037), located at an unorthodox gas well location 1135 feet from the North line and 1400 feet from the East line (Unit G) of Section 4, Township 28 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within a standard 140.73-acre gas spacing and proration unit comprising Lots 1 and 2 and the S/2 NE/4 (NE/4 equivalent) of Section 4;
- (iii) Jicarilla "28-2-10" Well No. 1 (API No. 30-039-26097), to be drilled at an unorthodox gas well location 754 feet from the North line and 824 feet from the West line (Unit D) of Section 10, Township 28 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the NW/4 of Section 10;
- (iv) Jicarilla "29-2-16" Well No. 2 (API No. 30-039-26109), to be drilled at an unorthodox gas well location 1761 feet from the North line and 602 feet from the East line (Unit H) of Section 16, Township 29 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the NE/4 of Section 16;
- (v) Jicarilla "29-2-29" Well No. 1 (API No. 30-039-26115), to be drilled at an unorthodox gas well location 1768 feet from the South line and 437 feet from the West line (Unit L) of Section 29, Township 29 North, Range 2 West, NMPM, Rio Arriba County, New Mexico, within a standard 160-acre gas spacing and proration unit comprising the SW/4 of Section 29;
- (vi) Jicarilla "30-3-36" Well No. 1 (API No. 30-039-26103), to be drilled at an unorthodox gas well location 673 feet from the North line and 580 feet from the West line (Unit D) of Section 36, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico, within a standard 160-acre gas

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spacing and proration unit comprising the NE/4 of Section 36:

are necessary for topographic and/or geological reasons;

- (8) As gas exploration and development on these Jicarilla Apache Tribal contract areas progresses it is anticipated by Mallon that additional unorthodox gas well locations will be necessary in order to: (i) avoid archeological sites; (ii) minimize disturbance to forested and wildlife habitats; (iii) minimize construction of wellpads by avoiding rugged terrain when practical; and (iv) position wellbores within geologically more favorable locations in order to maximize the likelihood of obtaining commercial gas production;
- (9) A procedure allowing Mallon to drill future gas wells to those gas bearing intervals from the surface to the base of the Pictured Cliffs formation that are developed on 160-acre spacing within the above-listed Jicarilla Apache Tribal contract areas at locations that are unorthodox based on the current well location requirements of Division Rule 104.C(3) without further administrative review by the Division Director should be adopted, provided that any such unorthodox location within that area formed by the combining the surface areas of the above-described contract areas is no closer than the required minimum orthodox distance (660 feet) to: (i) the outer boundary of this combined area; (ii) nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;
- (10) Approval of this application is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow Mallon to develop its gas reserves within those gas producing intervals from the surface to the base of the Pictured Cliffs formation developed on 160-acre spacing underlying the above-described contracted areas; and
- (11) The provisions of this order should be amended if: (i) the operator within this area changes in any way; or (ii) significant changes are made to the oil and gas mineral interest ownership within any of these contracted areas.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104 F(2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, Mallon Oil Company ("Mallon") is hereby authorized to complete or drill the following six wells at unorthodox gas well locations to be applicable to any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formations, all in Rio Arriba County, New Mexico:

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Mallon Oil Company

September 7, 1999

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| Well Name and No. | API Number | Footage Location Section-Township-Range | Unit | Dedicated 160- Acre Tract |
|-----------------------------------|--------------|--|------|------------------------------|
| Jicarilla "28-2-11" Well No. 1 | 30-039-26038 | 950' FNL & 2050' FWL 11-T28N-R2W | C | NW/4 |
| Jicarilla "28-2-4" Well No. 1 | 30-039-26037 | 1135' FNL & 1400' FEL 4-T28N-R2W | G | NE/4 equivalent |
| Jicarilla "28-2-10" Well No. 1 | 30-039-26097 | 754' FNL & 824' FWL 10-T28N-R2W | D | NW/4 |
| Jicarilla "29-2-16" Well No. 2 | 30-039-26109 | 1761' FNL & 602' FEL 16-T29N-R2W | H | NE/4 |
| Jicarilla "29-2-29" Well No. 1 | 30-039-26115 | 1768' FSL & 457' FWL 29-T29N-R2W | L | SW/4 |
| Jicarilla "30-3-36" Well No. 1 | 30-039-26103 | 673' FNL & 580' FWL 36-T30N-R3W | D | NE/4 |

It Is Further Ordered That:

(2) Within the following described 60,167.64 acres, more or less, within Jicarilla Apache Tribal Lands all in Rio Arriba County, New Mexico, hereinafter referred to as the *Mallon/Jicarilla Consolidated Contract Area*, Mallon is hereby authorized to recompleat existing wells and drill new wells on Jicarilla Apache Tribal Lands in Rio Arriba County, New Mexico to be applicable to any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation, which presently includes but is not necessarily limited to the Cabresto Canyon-San Jose Pool, Cabresto Canyon-Nacimiento Pool, Cabresto Canyon-Ojo Alamo, East Blanco-Pictured Cliffs, and Undesignated Choza Mesa-Pictured Cliffs Pool that are unorthodox based on the well location requirements of Division Rule 104.C(3), provided however that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Mallon/Jicarilla Consolidated Contract Area nor closer than 70 feet to any quarter-quarter section line or subdivision inner boundary:

TOWNSHIP 28 NORTH, RANGE 2 WEST, NMPM

Sections 1 through 18: All

Sections 21 through 24: All

TOWNSHIP 29 NORTH, RANGE 2 WEST, NMPM

Sections 4 through 9: All

Sections 15 through 23: All

Sections 26 through 36: All

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM

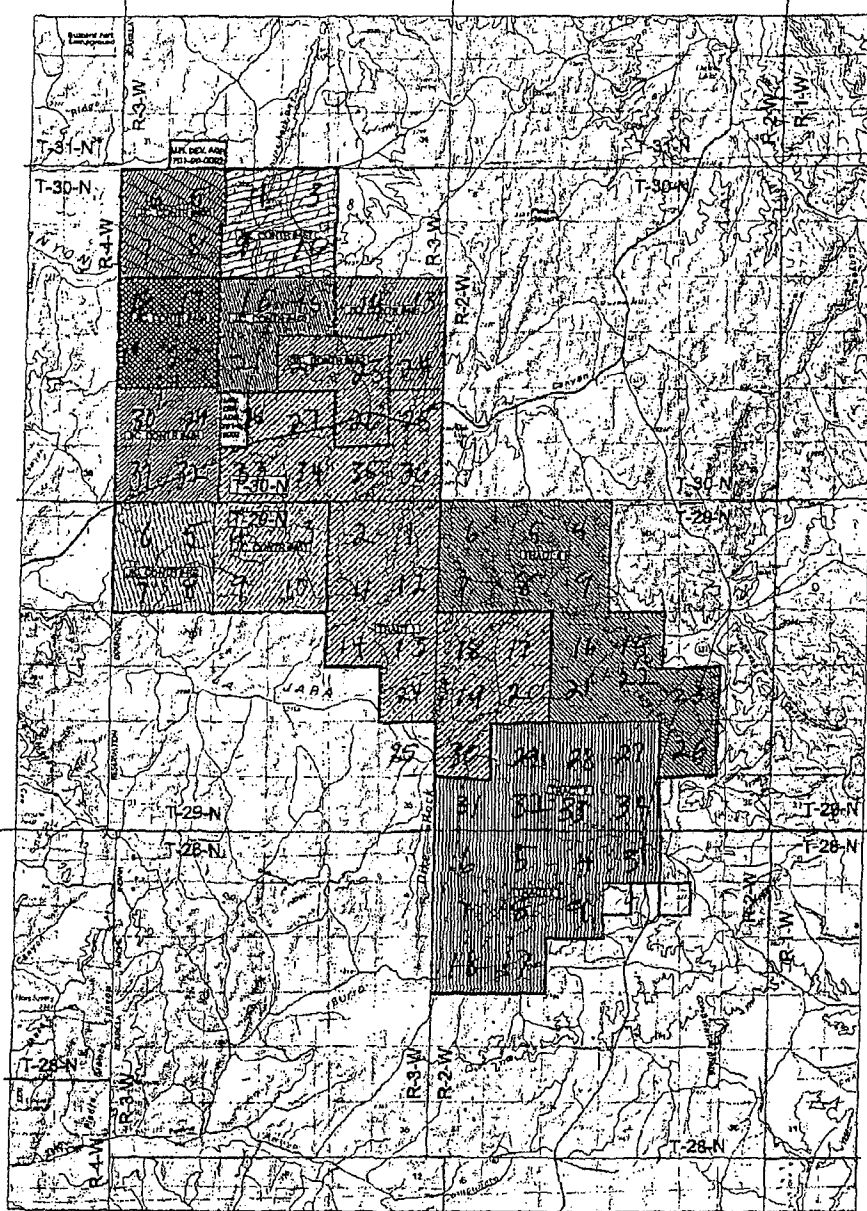
Sections 1 through 14: All

Sections 24: All

P. 10/11

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Black Hills Teton lease

11-10-01-0





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera
Cabinet Secretary

October 29, 2002

Lori Wrotenbery

Director

Oil Conservation Division

Mallon Oil Company
c/o Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
Attention: William F. Carr

Telefax No. (505) 983-6043

Corrected

Administrative Order NSL-4355

Dear Mr. Carr:

Due to inadvertence, Ordering Paragraph No. (2) on pages 7 and 8 of Division Administrative Order NSL-4355, dated September 7, 1999, is incorrect and shall therefore be amended to read in its entirety as follows:

"(2) Within the following described 60,167.64 acres, more or less, within Jicarilla Apache Tribal Lands all in Rio Arriba County, New Mexico, hereinafter referred to as the Mallon/Jicarilla Consolidated Contract Area, Mallon is hereby authorized to recomplete existing wells and drill new wells on Jicarilla Apache Tribal Lands in Rio Arriba County, New Mexico to be applicable to any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation, which presently includes but is not necessarily limited to the Cabresto Canyon-San Jose Pool, Cabresto Canyon-Nacimiento Pool, Cabresto Canyon-Ojo Alamo, East Blanco-Pictured Cliffs, and Undesignated Choza Mesa-Pictured Cliffs Pool that are unorthodox based on the well location requirements of Division Rule 104.C(3), provided however that any such unorthodox location is no closer than the required minimum orthodox distance (660 feet) to the outer boundary of the Mallon/Jicarilla Consolidated Contract Area nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary:

TOWNSHIP 28 NORTH, RANGE 2 WEST, NMPM

Sections 1 through 18: All

Sections 21 through 24: All

TOWNSHIP 29 NORTH, RANGE 2 WEST, NMPM

Sections 4 through 9: All

Sections 15 through 23: All

Sections 26 through 36: All

Oil Conservation Division * 1220 South St. Francis Drive * Santa Fe, New Mexico 87505
Phone: (505) 476-3440 * Fax (505) 476-3462 * <http://www.emnrd.state.nm.us>

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Corrected Administrative Order NSL-4355
Mallon Oil Company
October 29, 2002
Page 2

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM

Sections 1 through 14: All

Sections 24:

All

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 4 through 10: All

Sections 13 through 36: All

TOWNSHIP 31 NORTH, RANGE 3 WEST, NMPM

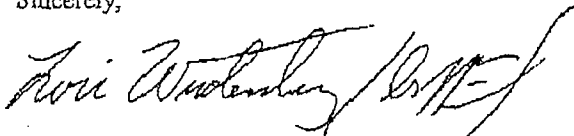
Section 32:

S/2."

The corrections set forth in this order shall be entered retroactively as of September 7, 1999; all other provisions of Division Administrative Order NSL-4355 shall remain in full force and effect until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Albuquerque
File: Case No. 12892
NSL-4355

Administrative Order NSL-4355
Mallon Oil Company
September 7, 1999
Page 8

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 4 through 10: All

Sections 13 through 36: All

TOWNSHIP 31 NORTH, RANGE 3 WEST, NMPM

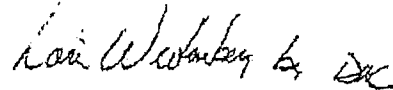
Section 32: S/2

(3) Any unorthodox location authorized by Ordering Paragraph (2) shall require the submission of a Division Form C-102, in accordance with Division Rules 1101 and 1102, and the approval of the Supervisor of the Division's District Office in Aztec. The Form C-102 for any such well shall include the following additional information: (i) the boundary of the Mallon/Jicarilla Consolidated Contract Area must be outlined; (ii) the designated 160 acres to be dedicated to the well is to be highlighted or outlined; and, (iii) this administrative order (NSL-4355) must be referenced.

(4) The provisions of this order shall be amended if: (i) the operator within this area changes in any way; or (ii) significant changes are made to the oil and gas mineral interest ownership within any of these contracted areas.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Albuquerque

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P. 08

FAX NO.

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JUN-13-02 THU 09:58 AM

Black Hills Gas Resources, Inc.
C/O Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
Attention William F. Carr

Second Corrected
Administrative Order NSL-4355

Dear Mr. Carr:

Due to inadvertence, Ordering paragraph No. (2) on pages 7 and 8 of Division Administrative Order NSL-4355, dated September 7, 1999, is incorrect and shall therefore be amended to read in its entirety as follows:

“(2) Within the following described 60,167.64 acres, More or less, within the Jicarilla Apache Tribal Lands all in Rio Arriba County, New Mexico, hereinafter referred to as the Mallon/Jicarilla Consolidated Contract Area, Mallon is hereby authorized to recomplete existing wells and drill new wells on the Jicarilla Apache Tribal lands in Rio Arriba, County , New Mexico to be applicable to any and all formations and/or pools developed on 160-acre spacing from the surface to the bases of the Pictured Cliffs formation, which presently includes but is not necessarily limited the Cabresto Canyon-San Jose Pool, Cabresto Canyon Nacimiento Pool, Cabresto Canyon-Ojo Alamo Pool, East Blanco-Pictured Cliffs Pool, and Undesignated Choza Mesa-Pictured Cliffs Pool that are unorthodox based on the well location requirements of Division Rule 104.C(3), provided however that any such unorthodox location is no closer than the required minimum orthodox distance (660 feet) to the outer boundary of the Mallon/Jicarilla Consolidated Contract Area nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary:

TOWNSHIP 28 NORTH, RANGE 2 WEST, NMPM

Sections 1 through 18: All
Sections 21 through 24: All

TOWNSHIP 29 NORTH, RANGE 2 WEST, NMPM

Sections 4 through 9: All
Sections 15 through 23: All
Sections 26 through 36: All

TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM

Sections 1 through 14: All
Section 24: All

TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM

Sections 3 through 10: All
Sections 13 through 36: All

TOWNSHIP 31 NORTH, RANGE 3 WEST, NMPM

Section 32: All

The corrections set forth in this order shall be entered retroactively as of September 7, 1999: all other provisions of Division Administrative order NSL-4355 shall remain in full force and effect until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,

Mark E. Fesmire, P.E.
Director

cc: New Mexico Oil Conservation Division-Aztec
U. S. Bureau of land management – Albuquerque
File: Case No. 12892
NSL-4355

RECEIVED
2007 NOV 27 PM 2 32

November 27, 2007

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Follow-up Request for Correction to Administrative Order NSL-4355.

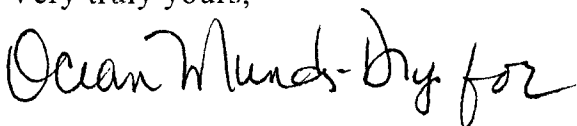
Dear Mr. Fesmire:

Black Hills Gas Resources requested a correction to Administrative Order NSL-4355 by letter dated September 17, 2007 to include the lands in Section 3, Township 30 North, Range 3 West, NMPM. On October 15, 2007, Legal Examiner David Brooks requested notice be given to working interest owner in adjoining sections if not identical to that in Section 3. Mr. Brooks also stated that notice was not required to be given to owners in Sections 2 or 11. See attached email communication from Mr. Brooks.

The working interest ownership is identical in Sections 3, 4, 9 and 10 and therefore no notice is required. To the best of our knowledge, Sections 33, 34 and 35 are unleased at this time. The Jicarilla Apache Tribe owns 100% of the minerals.

Your attention to this request is appreciated.

Very truly yours,



William F. Carr
Attorney for Black Hills Gas Resources, Inc.

William Carr

From: Brooks, David K., EMNRD [david.brooks@state.nm.us]

Sent: Monday, October 15, 2007 10:12 AM

To: William Carr

Subject: Black Hills Gas ; Application to Correct Order NSL-4355

Bill

I have examined the referenced application.

Although I have no reason to doubt that the omission of Section 3 from the first amended order was a clerical error; yet it seems that since the correction of that order affects parties' right, notice should be given of this request.

Applying the usual notice rules, and given that Black Hills operates all of this area, notice would only be required to working interest owners in adjacent sections where the working interest ownership is not identical to that in Section 3. Since the order does not allow encroachment toward the outer boundaries of the defined area, no notice would be required to owners in Sections 2 or 11.

Please furnish proof of notice to owners in the other adjoining sections, or advise that ownership is identical to that in Section 3.

Thanks
David K. Brooks
Legal Examiner

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10/15/2007

HOLLAND & HART LLP



William F. Carr
wcarr@hollandhart.com

November 27, 2007

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Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻

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