

4/29/08 DATE IN	SUSPENSE	BROOK ENGINEER	4/30/08 LOGGED IN	NSL TYPE	PKVR0812147200 APP NO.
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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



Black Hills Gas Resources
Many Canyons 529-04-28
#121

ADMINISTRATIVE APPLICATION CHECKLIST

5827

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.

Ocean Monds-Dry Ocean Monds-Dry Attorney 4-29-08
Print or Type Name Signature Title Date
omondsdry@hollandhart.com
e-mail Address

RECEIVED
2008 APR 29 PM 4 15

Rupe 4/29

April 29, 2008

HAND DELIVERY

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

Re: Application of Black Hills Gas Resources, Inc. for administrative approval of an unorthodox well location for its Many Canyons 29-04-28 Well No. 121 (**API No. 30-039-30231**) in the Pictured Cliffs formation, Gobernador Pictured Cliffs Pool (**Pool Code 77440**) at a surface location 1895 feet from the North line and 670 feet from the West line and a bottomhole location 700 feet from the South and East lines of Section 28, Township 29 North, Range 4 West, N.M.P.M., Rio Arriba County, New Mexico.

Dear Mr. Fesmire:

Black Hills Gas Resources, Inc. ("Black Hills") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4), of an unorthodox well location for its Many Canyons 29-04-28 Well No. 121 in the Pictured Cliffs formation, at a surface location 1895 feet from the North line and 670 feet from the West line and a bottomhole location 700 feet from the South and East lines of Section 28, Township 29 North, Range 4 West, N.M.P.M., Rio Arriba County, New Mexico.

This location in the Pictured Cliffs formation is unorthodox because it is governed by the Division's statewide rules that provide for wells on 320-acre spacing units to be located no closer than 660 feet to the outer boundary of the quarter section or project area on which the well is located. The proposed well location is unorthodox because it is considered open hole 10 feet from the outer boundary of the spacing unit or project area.

As shown on **Exhibit A**, a comparison of the two drilling programs indicates that utilizing a 660 foot offset results in a significant reduction of exposure to both benches of the Pictured Cliffs formation. Casing to 660 feet from the boundary line results in 652 feet less well exposure in the Upper Pictured Cliffs and 582 feet less in the Lower Pictured Cliffs. The combined length of over 1200 feet is a significant reduction of



path for the dual laterals proposed for this well. The surface location was selected because the location was previously approved by the Bureau of Land Management .

Attached hereto as **Exhibit D** is the Form C-102 plat for the well that shows its surveyed location and the 320-acre spacing unit comprised of the S/2 of Section 28. This well encroaches on offsetting federal acreage to the north where Black Hills is the operator. The mineral interest owner is the same in Section 28. All interest owners are common in the offsetting spacing unit and therefore there are no affected parties to notify pursuant to Division rules.

This well is scheduled to be drilled immediately and we would therefore respectfully request your expedited processing and approval of this application.

Your attention to this application is appreciated.

Sincerely,

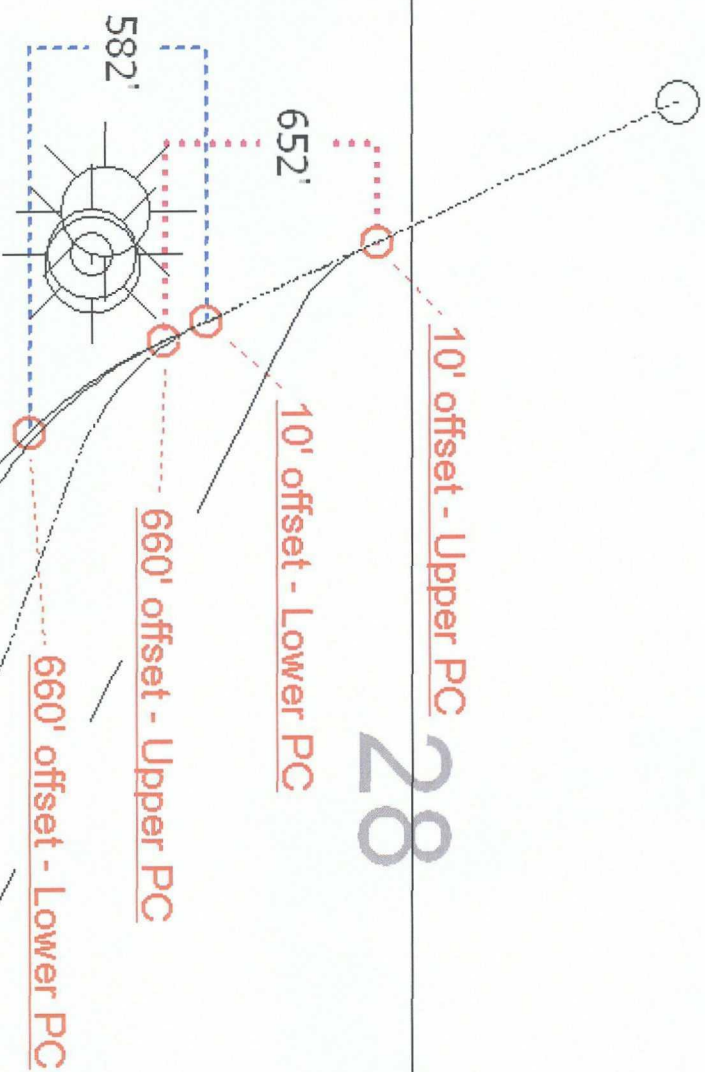
Ocean Munds-Dry

ATTORNEY FOR BLACK HILLS GAS
RESOURCES, INC.

Enclosures

cc: Janet Whitmore (w/o attachments)

#121 surface location



Comparison of the initial penetration locations of the Upper and Lower Pictured Cliffs in the 10' offset and 660' offset drilling plans.

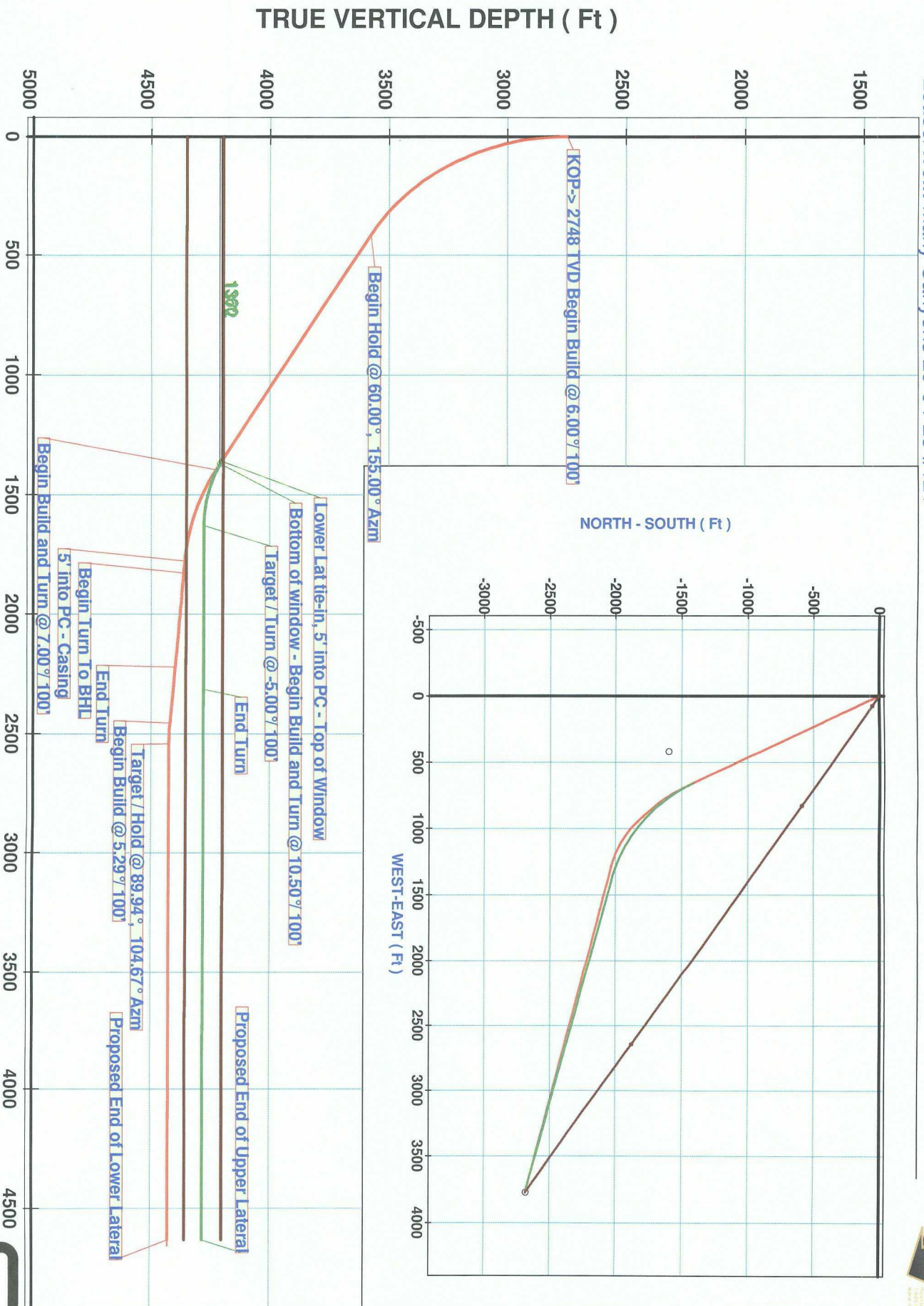
#121 BHL

North Half Section 28
South Half Section 28

tabbies®

EXHIBIT
A

Job Number: 81xxx
 Company: Black Hills Gas Resources
 Lease/Well: Many Canyons 29-04-28 #121



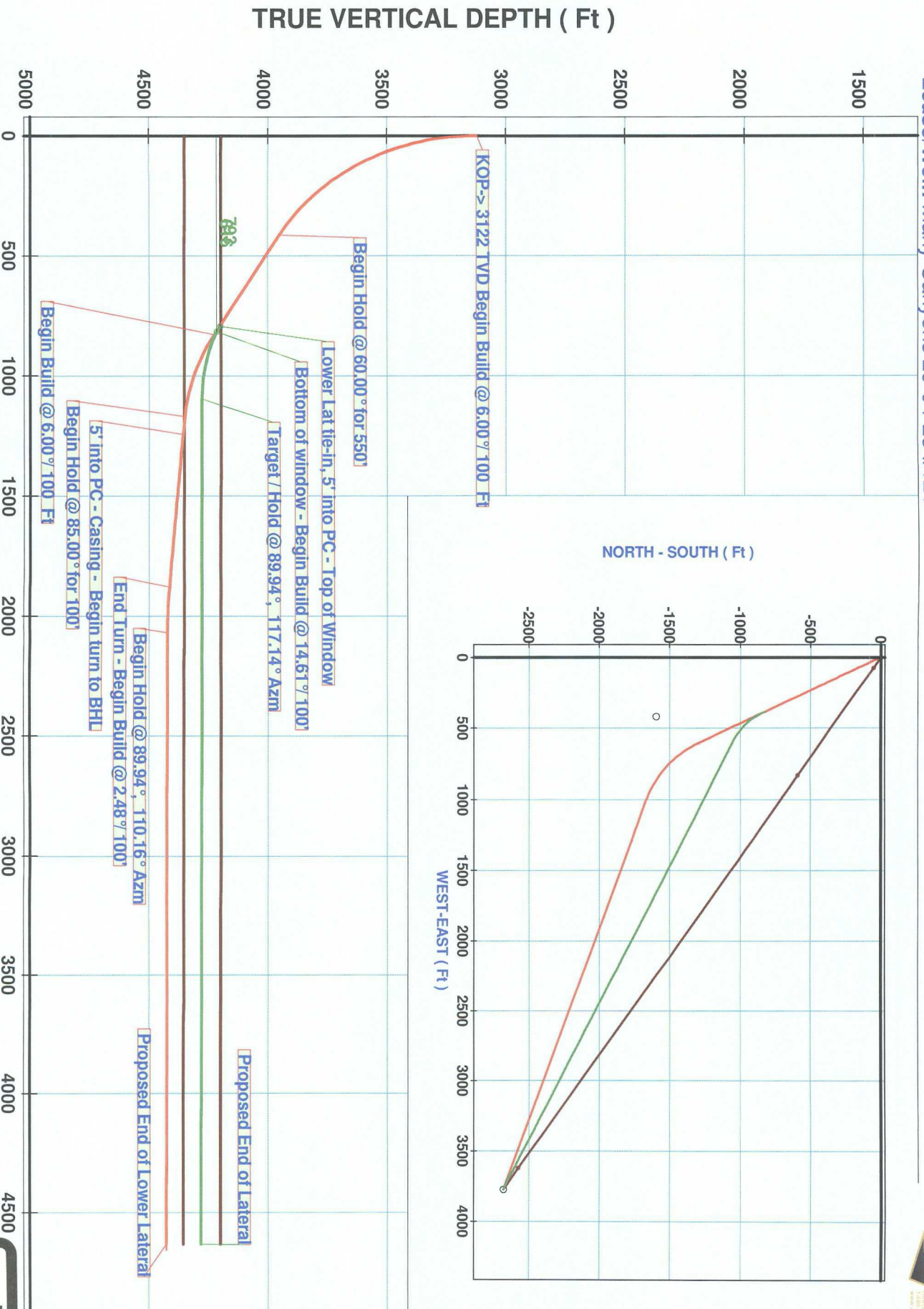
VERTICAL SECTION (Ft) @ 125.40°

tabbles®

B

EXHIBIT

Job Number: 81xxx
 Company: Black Hills Gas Resources
 Lease/Well: Many Canyons 29-04-28 #121



VERTICAL SECTION (Ft) @ 125.39°

tabbies®

EXHIBIT

C

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

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

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

DISTRICT IV
1220 South 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 October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-30231	² Pool Code 77440	³ Pool Name GOBERNADOR PICTURED CLIFF
⁴ Property Code 301949	⁵ Property Name MANY CANYONS 29-04-28	⁶ Well Number 121
⁷ GRID No. 013925	⁸ Operator Name BLACK HILLS GAS RESOURCES	⁹ Elevation 7472'

¹⁰ Surface Location

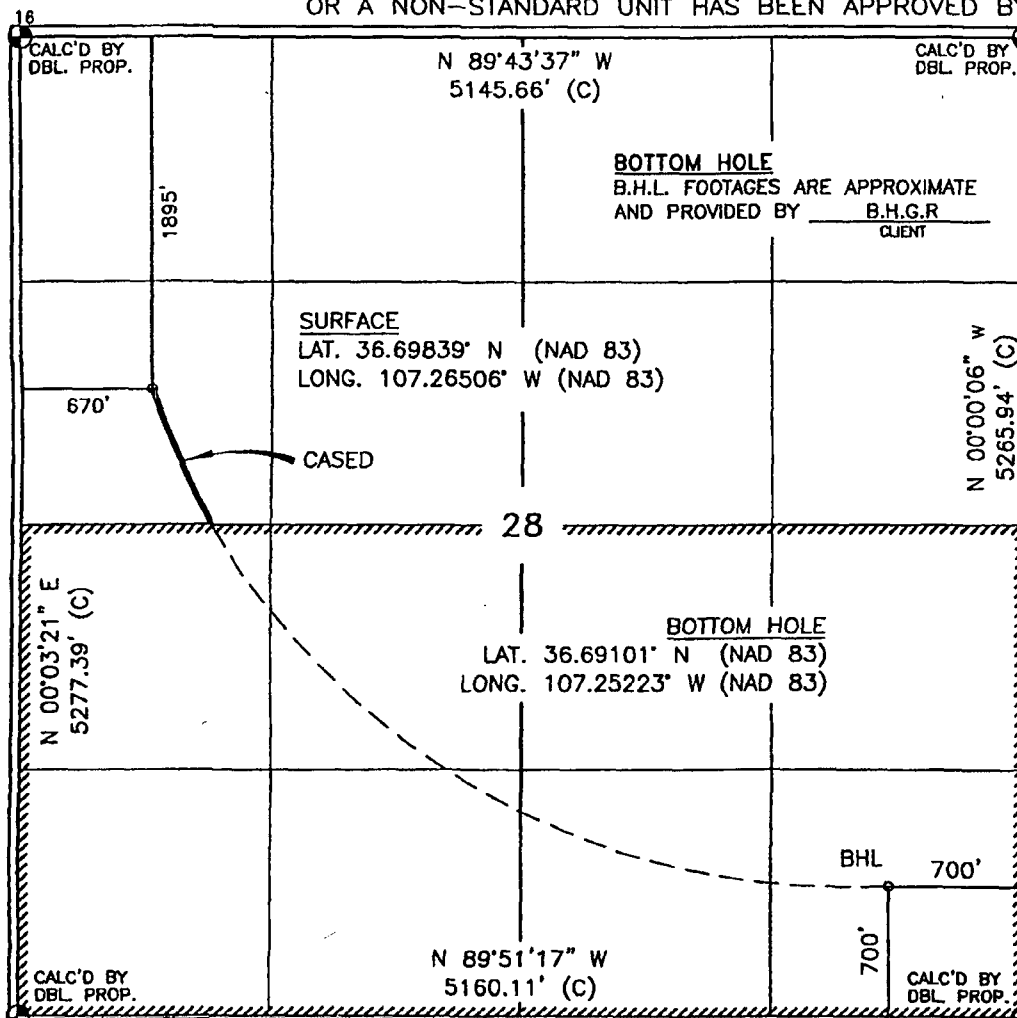
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	28	29-N	4-W		1895	NORTH	670	WEST	RIO ARRIBA

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
P	28	29-N	4-W		700	SOUTH	700	EAST	RIO ARRIBA

¹² Dedicated Acre 320 - S/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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



17 OPERATOR CERTIFICATION

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.

Signature Lynn H. Benally Date 3/21/08
Printed Name

18 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.

JUNE 5 2005
Date of Survey
Signature and Seal of Professional Surveyor
8894
Certificate Number

EXHIBIT

D

Brooks, David K., EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
Sent: Thursday, May 22, 2008 7:08 AM
To: Brooks, David K., EMNRD
Subject: RE: Black Hills - Many Canyons 29-04-28 #121

David -

The engineer has relayed the following:

The penetration point for the Upper Pictured Cliffs in the upper lateral is sec 28, 2567' FSL 1057' FWL.
The penetration point for the Lower Pictured Cliffs in the lower lateral is sec 28, 2095' FSL 1277' FWL.

Thanks very much.
Ocean

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Wednesday, May 21, 2008 3:04 PM
To: Ocean Munds-Dry
Subject: Black Hills - Many Canyons 29-04-28 #121

Dear Ocean

Will Jones indicates you had requested to expedite the order on this NSL application, and actually it is due for writing in regular order anyway.

However, there is no information in your application from which I can figure even approximate footages for the point of penetration of the PC, and I need that information to write an order.

Please ask Black Hills' engineers to provide an approximation of footages for the point of penetration. I will draft an order and have it ready for issuance as soon as I receive that information.

Thanks

David

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5/22/2008