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

Black Hills Res.
Jicarilla 464-30#724

ADMINISTRATIVE APPLICATION CHECKLIST 30-039-30278

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 _____

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[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 Munds-Dry Ocean Munds-Dry Attorney 12-30-10
Print or Type Name Signature Title Date
omundsdry@hollandhart.com
e-mail Address

December 30, 2010

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: Application of Black Hills Gas Resources for administrative approval of (1) an unorthodox well location for its Jicarilla 464-30 Well No. 724 to be drilled from a surface location and penetration point 1550 feet from the North line and 920 feet from the East line of Section 30 and a bottomhole location 1650 feet from the North line and 701 feet from the East line of Section 29, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico and (2) a 400-acre non-standard spacing unit to be located in the E/2 NE/4 of Section 30 and the N/2 of Section 29.

Dear Mr. Fesmire:

Black Hills Gas Resources ("Black Hills") hereby seeks administrative approval pursuant to the provisions of Division Rules 19.15.15.13 and 19.15.16.14 for an unorthodox well location for its Jicarilla 464-30 Well No. 724 and administrative approval for a non-standard spacing unit pursuant to the provisions of Division Rule 19.15.15.11. This well is located in Sections 29 and 30, Township 30 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico and is to be drilled in the Mancos formation at a surface location and a penetration point 1550 feet from the North line and 920 feet from the East line of Section 30 and a bottomhole location 1650 feet from the North line and 701 feet from the East line of Section 29, Rio Arriba County, New Mexico. A 400-acre project area has been dedicated to this horizontal well comprised of the N/2 of Section 29 and the E/2 NE/4 of Section 30.

This location is unorthodox because the Mancos formation under this acreage is governed by the Special Rules for the Basin-Mancos Gas Pool which provide for wells on 320-acre spacing units to be located no closer than 660 feet to the outer boundary of the spacing unit. Division Rule 19.15.16.14 defines the "Penetration Point" as "the point where the wellbore penetrates the top of the pool from which it is intended to produce." The wellbore penetrates the Mancos formation at a point 400 feet from the

HOLLAND & HART^{LLP}



West line of the proposed project area and is therefore closer than allowed by Division rules.

Although the wellbore penetrates the top of the Mancos at an unorthodox location, the well will be at a standard location at the producing interval. Black Hills will begin its first perforations at approximately 7858 feet (TVD) which is 714 feet from the vertical wellbore. Therefore, once Black Hills reaches the targeted formation, it will be at a standard location.

Black Hills also requests approval of a non-standard spacing unit in order to form a project area for the subject well that consists of the E/2 NE/4 of Section 30 and the N/2 of Section 29 for a total of 400 acres. Division Rule 19.15.16.7 defines a "project area" as "an area designated on Form C-102 that is enclosed by the other boundaries of a spacing unit, a combination of complete spacing units...." Allowables for project areas are established by "the number of standard spacing units (or approved non-standard spacing units) that are developed or traversed by the producing interval of the directional wellbore."

This acreage is located within the boundaries of the Jicarilla Apache Tribal Lands Production Area. Black Hills is attempting to use an existing wellpad to minimize surface disturbance which is critical to the Jicarilla Tribe in gaining approval of the well location. Additionally, the well is planned to maximize the lateral exposure to the targeted producing interval once it enters Section 29 which will allow for greater opportunity to make an economic well.

Exhibit A is a plat showing the location of the well. This location is encroaching to the west. This location is within the Jicarilla Contract Area which is operated by Black Hills and working interest ownership is common in the adjoining acreage to the west. Additionally, Black Hills is the operator of offsetting spacing units. Therefore, there are no parties to notify of this application pursuant to Division rules. **Exhibit B** is the C-102 for this well.

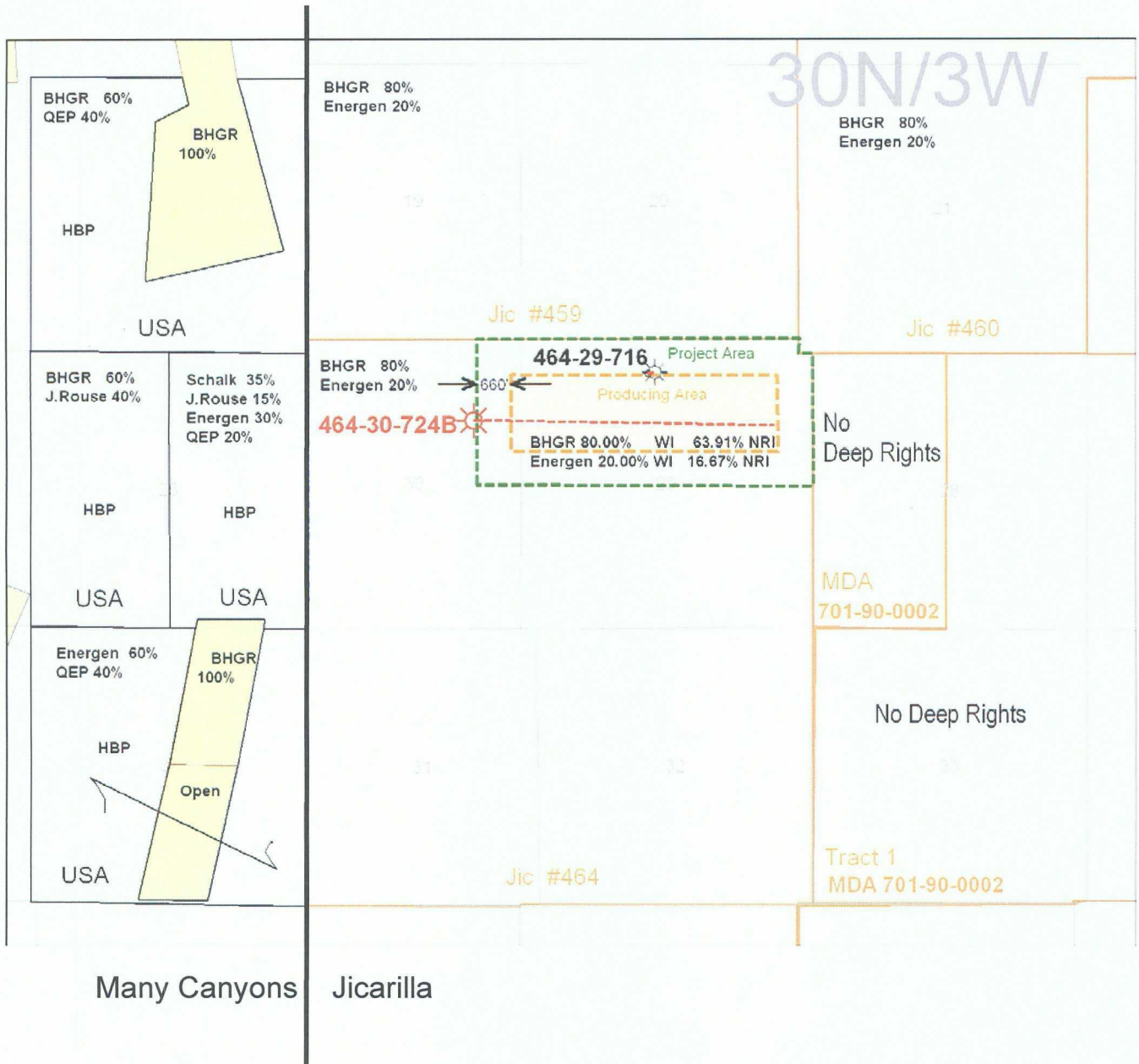
Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry

ATTORNEY FOR
BLACK HILLS GAS RESOURCES

cc: OCD District Office



T30N R03W
464-30 #724 B
Mancos Location



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 July, 16, 2010
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-30278	² Pool Code 97232	³ Pool Name BASIN MANCOS
⁴ Property Code 20469	⁵ Property Name JICARILLA 464-30	⁶ Well Number 724
⁷ GRID No. 013925	⁸ Operator Name BLACK HILLS GAS RESOURCES	⁹ Elevation 7226'

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
H	30	30-N	3-W		1550	NORTH	920	EAST	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
H	29	30-N	3-W	2	1650	NORTH	701	EAST	RIO ARRIBA
¹² Dedicated Acres 80 E/2 NE/4 SEC. 30 320 N/2 SEC. 29			¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ 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

<p>SURFACE LAT: 36.78644° N. (NAD 83) LONG: 107.18640° W. (NAD 83) LAT: 36°47'11.16" N. (NAD 27) LONG: 107°11'08.91" W. (NAD 27)</p> <p>JICARILLA 464-29 No. 716 Science well BHL (665 FNL 2100 FWL)</p> <p>FD. 2 1/2" BC 1917 G.L.O.</p> <p>FD. 2 1/2" BC. 1917 G.L.O.</p> <p>FD. 2 1/2" BC. 1917 G.L.O.</p> <p>FD. 2 1/2" BC. 1917 G.L.O.</p> <p>N 88°13'12" W 2638.76' (M)</p> <p>N 89°58'39" E 2636.81' (M)</p> <p>N 89°56'42" E 2634.45' (M)</p> <p>LOT 1</p> <p>PRODUCING AREA</p> <p>SHL/PP</p> <p>920'</p> <p>660'</p> <p>LOT 2</p> <p>LOT 3</p> <p>LOT 4</p> <p>LOT 5</p> <p>LOT 6</p> <p>LOT 7</p> <p>CLOSING CORNER FD. 2 1/2" BC. 1917 G.L.O.</p> <p>MARKED STONE W/PIN & CAP LS #8894</p> <p>PRELIMINARY B.H.L. B.H.L. FOOTAGES ARE APPROXIMATE</p> <p>BHGR CLIENT</p>						<p>17 OPERATOR CERTIFICATION</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><i>Daniel Manus</i> 12/14/10 Signature Date</p> <p>Daniel Manus Printed Name</p> <p>daniel.manus@blackhillsco.com E-mail Address</p>	
<p>18 SURVEYOR CERTIFICATION</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>SEPTEMBER 30, 2010 Date of Survey</p> <p><i>ROY A. RUSSELL</i> Signature and Seal of Professional Surveyor</p> <p>8894 Certificate Number</p>							

EXHIBIT

B