

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

RECEIVED  
2007 NOV 27 AM 11:02

**Re: Request for Authorization to Produce Black Hills Gas Resources?  
Jicarilla 458-8 Well No. 13 (API No. 30-039-29894), Rio Arriba County,  
New Mexico.**

Dear Mr. Fesmire;

Black Hills Gas Resources respectfully requests authorization to produce its Jicarilla 458-8 Well No. 13 (API No. 30-039-29894) pending an Oil Conservation Division Examiner hearing. This well has been drilled at a surface location 1000 feet from the North line and 2300 feet from the East line of Section 8, Township 30 North, Range 3 West and a bottomhole location 200 feet from the North line and 700 feet from the West line of Section 7, Township 30 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.

On November 2, 2007, Black Hills filed a C-102 (Well Location and Acreage Dedication Plat) for the well and dedicated a 585.43-acre project area consisting of the N/2 of Section 8, the NE/4, E/2 NW/4 of Section 7 and Lot 10 of Section 6. See Attached C-102. However, the Aztec district office directed Black Hills to the Santa Fe office for approval of a non-standard proration unit.

Black Hills contacted the Santa Fe office for guidance on how to proceed. Last week, Mr. Brooks advised us that this matter would need to be set for hearing as it does not fit the traditional exceptions for a non-standard unit under Division Rule 104. The next Examiner Hearing docket Black Hills can apply for is on January 10, 2008. As this was an unexpected procedural issue, Black Hills has already begun to drill this well. Black Hills estimates it will be ready to produce this well sometime between December 3rd and December 7th, 2007.

Case 14057  
12/11/07  
1/2/08 ✓



This area is within the Jicarilla Apache Tribal Lands Production Area in which Black Hills is the Operator. Division Order R-8774 originally established non-standard gas spacing and proration units for any and all formations and/or pools developed on 160-acre spacing (including the East Blanco Pictured Cliffs Pool) in Sections 6 and 7 of Township 30 North, Range 3 West. Corrected Administrative Order NSL-4355 authorized unorthodox well locations provided that wells are located no closer than 660 feet from the outer boundary of the contract area nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Division Order R-12707 adopted Special Pool Rules and Regulations for the Jicarilla Apache Tribal Lands Production Area which allows for an optional infill well to be drilled in a quarter-quarter section not containing the initial well completed in the same formation. Rule 1(b). Rule 4 allows the operator to drill and produce a directional or a horizontal well pursuant to Division Rule 111. Division Order R-12707 addressed issues of waste and correlative rights. See Conclusion ¶ 19.

There are currently four existing spacing units containing vertical wells underlying Black Hills' proposed project area for the Jicarilla 458-08 Well No. 13. These wells are:

The Jicarilla 458-8 Well No. 6 located 1050 feet from the North line and 1700 feet from the West line (Unit C) which is dedicated to a NW/4 spacing unit in said Section 8;

The Jicarilla 458 Well No. 8 located 2240 feet from the North line and 1410 feet from the West line (Unit F) of said Section 7 which is dedicated to a 133.39 acre spacing unit in Lot 10 of Section 6 and Lots 3 and 4 in Section 7 (approved by NSL-2530);

The Jicarilla 458 Well No. 3 located 1815 from the North line and 230 feet from the East line (Unit H) which is dedicated to a NE/4 spacing unit of Section 7 (approved by NSL-2377); and

The Jicarilla 458-8 Well No. 7 located 2270 feet from the North line and 795 feet from the East line (Unit H) which is dedicated to a NE/4 spacing unit of Section 8 (approved by NSL-3993).

According to Mr. Brooks, the ONGARD system is unable to track the Jicarilla 458-8 Well No. 13 and consequently a non-standard proration unit must be formed and the horizontal and vertical wells should be dedicated to it.

In the meantime, Black Hills respectfully requests it be allowed to produce the Jicarilla 458-08 Well No. 13 while it seeks approval of the non-standard proration unit from the Division. Black Hills believes granting this interim authorization is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

November 27, 2007

Page 3

HOLLAND & HART  LLP

Your attention to this request is appreciated. Please feel free to contact me if you have any questions regarding this matter.

Sincerely,

*Ocean Munds-Dry*

Ocean Munds-Dry  
Attorney for Black Hills Gas  
Resources

cc: Brenda Mustain

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 Division

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

<sup>1</sup> API Number 30-039-29894		<sup>2</sup> Pool Code 72440		<sup>3</sup> Pool Name EAST BLANCO PICTURED CLIFFS	
<sup>4</sup> Property Code 22182		<sup>5</sup> Property Name JICARILLA 458-08			<sup>6</sup> Well Number 13
<sup>7</sup> GRID No. 013925		<sup>8</sup> Operator Name BLACK HILLS GAS RESOURCES			<sup>9</sup> Elevation 7151

<sup>10</sup> Surface Location

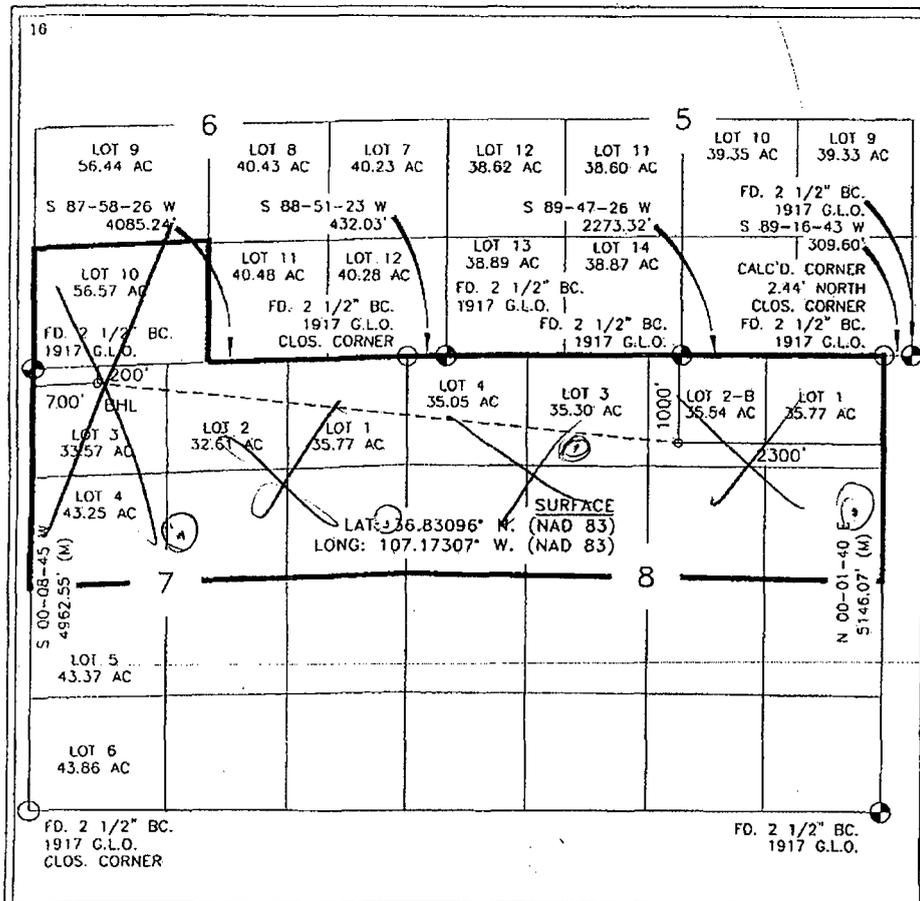
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2-B	8	30-N	3-W	2	1000	NORTH	2300	EAST	RIO ARRIBA

<sup>11</sup> 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
C	7	30-N	3-W	3	200	NORTH	700	WEST	RIO ARRIBA

<sup>12</sup> Dedicated Acres 583.43		<sup>13</sup> Joint or Infill		<sup>14</sup> Consolidation Code		<sup>15</sup> Order No. R12707--INFILL	
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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 \_\_\_\_\_ Date \_\_\_\_\_  
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.  
JULY 19, 2005  
Date of Survey  
Signature and Seal of Professional Surveyor:  
  
8894  
Certificate Number