



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

November 7, 2006

Black Hills Gas Resources, Inc.
c/o Ms. Ocean Munds-Dry
Holland & Hart LLP
P.O. Box 2208
Santa Fe, NM 87504-2208

RE: **Jicarilla Apache 462-22 Well No. 722 (API No. 30-039-29889)**
1975 feet from the East Line, 2070 feet from the West line
Section 22, Range 30 North, Township 3 West, NMPM, Rio Arriba County
NW/4 of Section 22 Acreage Dedication

Administrative Order NSL-5481

Dear Ms. Munds-Dry:

Reference is made to the following:

- (a) your application (administrative application reference No. pWVJ0-631179030 for non-standard location [NSL]) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on October 25, 2006, on behalf of Black Hills Gas Resources, Inc. (Black Hills); and
- (b) the Division's records pertinent to Black Hill's request.

Black Hills has drilled the above referenced well at the above referenced unorthodox Mancos gas well location within the NW/4 of Section 22 and requests to produce Mancos gas from the well within a standard 160-acre, more or less, spacing unit within the WC Basin Mancos Pool consisting of the NW/4 of Section 22.

The WC Basin Mancos Gas Pool (97232) is governed by statewide Rule 104C(3), which allows 160-acre gas well spacing units with one well located at least 660 feet from the spacing unit boundaries. The location of this well is 570 feet from the eastern edge of this spacing unit and is therefore unorthodox.

Your application states this well was drilled at this location after consulting with Jicarilla Apache and Bureau of Indian Affairs personnel. The well was drilled unsuccessfully to the Dakota, and then plugged back successfully to the Mancos.

It is our understanding that ownership is identical in the Mancos spacing unit directly east of this location in the NE/4 of Section 22. There are no parties adversely affected by production of Mancos gas at this location and no notice was provided.

Your application on behalf of Black Hills has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

Pursuant to the authority granted under the provisions of Division Rule 104.F(2), the above-described unorthodox Mancos gas well location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/wvjj

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management – Farmington