

10/25/06 DATE IN	SUSPENSE	W. J. [Signature] ENGINEER	LOGGED IN	NSL TYPE 5481	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



**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 \_\_\_\_\_

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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      10-25-06  
 Print or Type Name      Signature      Title      Date  
 omundsdry@hollandhart.com  
 e-mail Address

October 25, 2006

**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

(NSL-5481)

Re: Application of Black Hills Gas Resources, Inc. for administrative approval of an unorthodox well location for its Jicarilla Apache 462-22 Well No. 722 (API No. 30-039-29889) in the Mancos formation, WC Basin Mancos Pool (Pool Code 97232) at a location 1975 feet from the North line and 2070 feet from the West line of Section 22, Township 30 North, Range 3 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 Jicarilla Apache 462-22 Well No. 722 in the Mancos formation, located 1975 feet from the North line and 2070 feet from the West line of Section 22 (Unit F), Township 30 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.

In 2006, this well was originally drilled to the Dakota formation, Basin Dakota Pool and a 320-acre N/2 spacing unit in Section 22 was dedicated to the well. After a meeting with Jicarilla Oil and Gas and the Bureau of Indian Affairs, Black Hills moved the proposed location of the well to 1975 feet from the North line and 2070 feet from the West line. Although the location was five feet too close to the south line of the spacing unit, the application for permit to drill was approved. The well has proven to be unproductive in the Dakota formation and Black Hills now seeks permission to re-enter and re-complete the well in the Mancos formation, WC Basin Mancos Pool. Black Hills has dedicated a standard 160-acre spacing unit consisting of the NW/4 of Section 22.

*No Content* (This well is located within the "Mallon/Jicarilla Consolidated Contract Area" which pursuant to Corrected Administrative Order NSL-4355, dated October 2002, authorizes unorthodox well locations in "any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation...")



Using the existing wellbore made this completion in the Mancos formation more economically feasible and therefore is in the interest of the prevention of waste and the protection of correlative rights.

This location in the Mancos formation is unorthodox because it is governed by the Division's statewide rules that provide for wells on 160-acre spacing units to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. The proposed well location is unorthodox because it is only 570 feet from the eastern boundary and 665 feet from the southern boundary of the dedicated spacing unit.

Attached hereto as **Exhibit A** is the Form C-102 plat for the well that shows its surveyed location and the 160-acre spacing unit comprised of the NW/4 of Section 22. **Exhibit B** is a plat that shows the proposed unorthodox well location and offsetting spacing units and wells. This well encroaches on offsetting federal acreage to the south, east and southeast where Black Hills is the operator. All interest owners are common in the offsetting spacing units and therefore there are no affected parties to notify pursuant to Division rules.

Your attention to this application is appreciated.

Sincerely,  
  
Ocean Munds-Dry  
ATTORNEY FOR BLACK HILLS GAS  
RESOURCES, INC.

Enclosures

cc: Brenda Mustain (w/o attachments)

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. 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**

<sup>1</sup> API Number 30-039-29889		<sup>2</sup> Pool Code 97232		<sup>3</sup> Pool Name WC Basin Mancos	
<sup>4</sup> Property Code 23821		<sup>5</sup> Property Name Jicarilla 462-22			<sup>6</sup> Well Number 722
<sup>7</sup> OGRID No. 013925		<sup>8</sup> Operator Name Black Hills Gas Resources, Inc.			<sup>9</sup> Elevation 7209' GL

<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
F	22	30-N	3-W		1975'	North	2070'	West	Rio Arriba

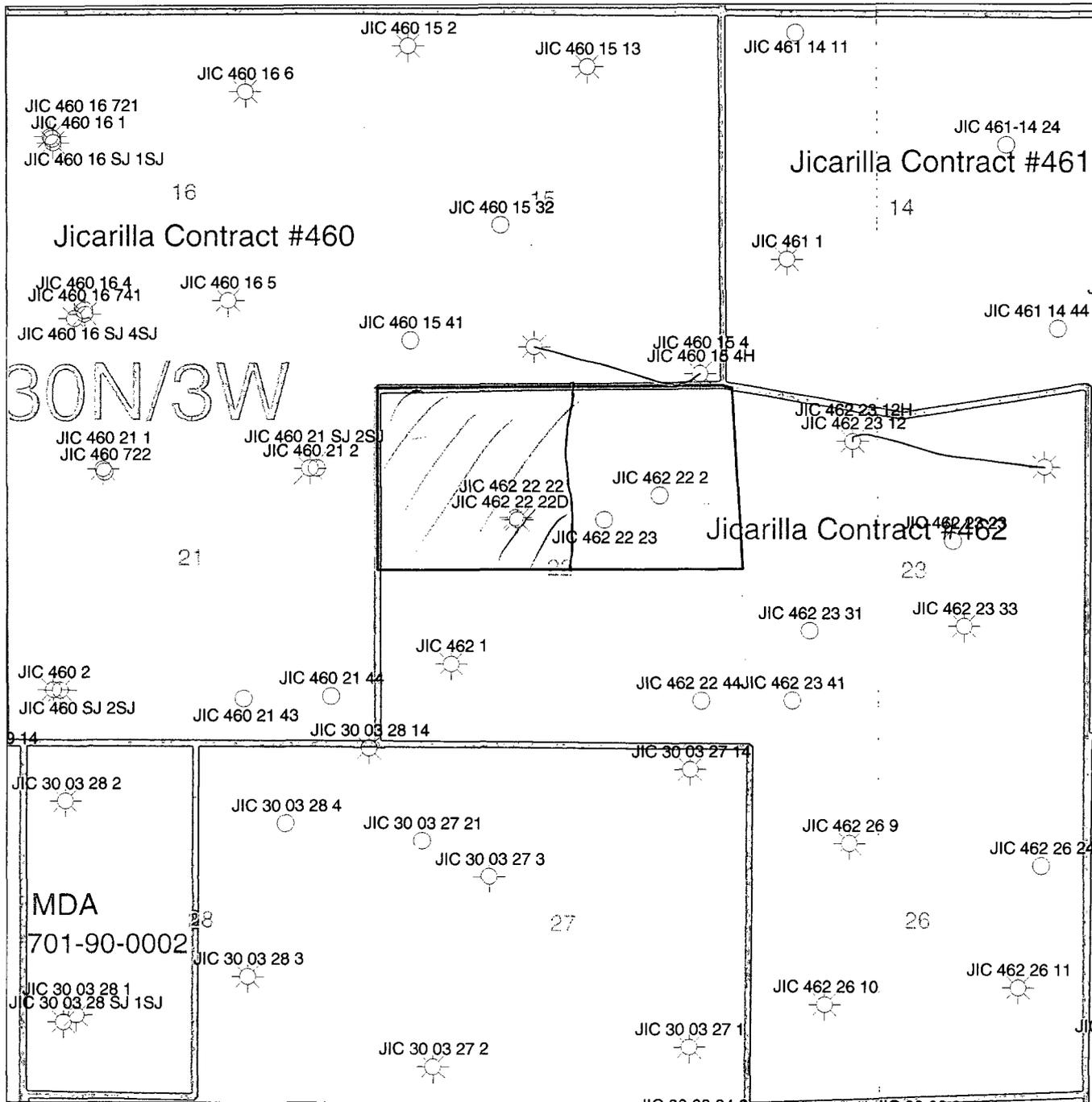
<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres 160 - NW/4	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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.

	<p><b><sup>17</sup> OPERATOR CERTIFICATION</b></p> <p><i>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 unbiased 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.</i></p> <p>Signature: <i>Mike Pippin</i> Date: <i>8-30-06</i></p> <p>Mike Pippin Printed Name</p>
	<p><b><sup>18</sup> SURVEYOR CERTIFICATION</b></p> <p><i>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.</i></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>



September 18, 2006

**BH**  
Black Hills Gas Resources

**JICARILLA 462-22 #722**

<p>Engineer(s): Lam / Peterson          Geologist(s): D. White          Land Dept: Mustain / Byrd          GeoTech(s): Whitten / Buschman</p>	<p>SE NW 22, T30N R3W          Rio Arriba Co., NM</p>
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**EXHIBIT B**