



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

December 15, 2006

Black Hills Gas Resources, Inc.
c/o Ms. Ocean Munds-Dry
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attention: Ms. Ocean Munds-Dry, Attorney

Re: **Jicarilla Apache 457 10 Well No. 708**
API No. 30-039-29869
2410' FSL & 1515' FWL (Unit K)
Section 10, T-30 North, R-3 West, NMPM,
Rio Arriba County, New Mexico

Administrative Order NSL-5529

Dear Ms. Munds-Dry:

Reference is made to the following:

- (a) your application on behalf of Black Hills Gas Resources, Inc. ("Black Hills") for a non-standard well location (*administrative application reference No. pTDS0634833425*) for the Jicarilla Apache 457 10 Well No. 708 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on December 13, 2006; and
- (b) the Division's records pertinent to your request.

Black Hills requests approval of an unorthodox well location for its **existing** Jicarilla Apache 457 10 Well No. 708 in the WC Basin-Mancos Pool (Gas – 97232) 2410 feet from the South line and 1515 feet from the West line (Unit K) of Section 10, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico. The SW/4 of Section 10 is to be dedicated to the well forming a standard 160-acre gas spacing and proration unit for said pool.

The WC Basin-Mancos Pool is currently governed by Division Rule 19.15.3.104(C)(3). This rule requires 160-acre spacing with wells to be located no closer than 660 feet to any outer boundary of the unit, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

It is our understanding that the well was recently drilled to test the Basin-Dakota Gas Pool, and that the well is non-productive in this interval. Black Hills now proposes to plug back and test the Mancos interval in the well.

The affected offset acreage is the NW/4 of Section 10. The applicant stated that the working interest ownership between the subject spacing unit and the affected offset acreage is common. Consequently, the applicant is not required, and did not provide notice of this application to any party.

Division records show that the Jicarilla Apache 457 10 Well No. 708 will be the only producing well in the WC Basin-Mancos Pool within the subject spacing unit.

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox well location in the WC Basin-Mancos Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

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