

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

207 MAR 22 PM 2:01

SUBMIT IN TRIPLICATE - Other Instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Black Hills Gas Resources, Inc. Contact: Lynn H. Benally

3a. Address

3200 N 1st Street PO Box 249 Bloomfield, NM 87413

3b. Phone No. (include area code)

505-634-1111 ext 27

4. Location of Well (Footage, Sec., T, R., M., or Survey Description)

Surface: NW/SE 1,960' FSL 1,915' FEL Bottom Hole: NE/SE 1,800' FSL 660' FEL
NW/SE Sec. 26, Township 29 North, Range 4 West

5. Lease Serial No.

NMNM 18325

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Many Canyon 29-04-26 #33

9. API Well No.

30-039-29988

10. Field and Pool, or Exploratory Area

Choza Mesa/Pictured Cliffs

11. County or Parish, State

Rio Arriba, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | | |
|--|---|---|--|--|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) | <input type="checkbox"/> Water Shut-Off |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation | <input type="checkbox"/> Well Integrity |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete | <input checked="" type="checkbox"/> Other <u>Change Drilling</u> |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | angle _____ |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | |

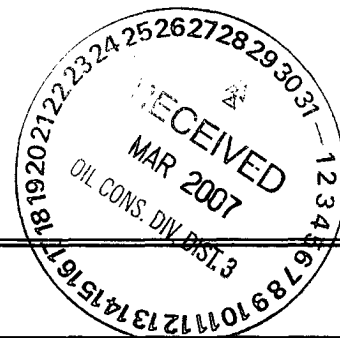
3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

The initial APD to drill a Pictured Cliff (PC) well was approved on 8/15/06. The well was given API # 30-039-29988. BHGR submitted a sundry to convert the vertical well to a horizontal well, which was approved 12/12/2006. This sundry modifies the drilling angle based on recent drilling data. BHGR requests that if tests of the tertiary and PC formations are favorable that BHGR will complete these formations and submit comingle applications.

The surface and bottom hole locations will remain the same.

Surface disturbance will not change from the initial APD, therefore the Surface Use Plan will not be updated or modified. Attached is the revised drilling plan and the Nevis drilling data.

(S#) HOLD C104 FOR directional survey



14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Lynn H. Benally

Title Regulatory Specialist

Signature

Date

3/22/2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

Original Signed: Stephen Mason

Name

(Printed/Typed)

Title

Office

Date

MAR 27 2007

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on next page)

NMOC



Black Hills Gas Resources

Black Hills Gas Resources (BHGR)

Many Canyons 29-04-26 #33

Surface Location: 1960' FSL 1915' FEL (NW/SE)

Bottom Hole Location: 1800' FSL 660' FEL (NE/SE)

Sec.26 T29N R4W

Rio Arriba County, New Mexico

NMNM 18325

DRILLING PROGRAM

(Per Rule 320)

This Application for Permit to Drill (APD) was initiated under the NOS process as stated in Onshore Order No. 1 and supporting Bureau of Land Management (BLM) documents. This APD process includes an onsite meeting which was held on November 28, 2005 as determined by Bureau of Land Management (BLM) and Carson National Forest Service, at which time the specific concerns of Black Hills Gas Resources (BHGR) were discussed.

This well was originally permitted and approved as a vertical PC well on 8/15/2006. A sundry with a new drilling plan changing the un-drilled well to a dual horizontal PC well was approved on 12/12/2006. This revised drilling plan based on recent drilling data will modify the drilling angle.

SURFACE FORMATION – San Jose

GROUND ELEVATION – 7,396'

ESTIMATED FORMATION TOPS - (Water, oil, gas and/or other mineral-bearing formations)

| | | |
|-----------------|---------|--------------------------------|
| San Jose | Surface | Sandstone, shales & siltstones |
| Nacimiento | 2,220' | Sandstone, shales & siltstones |
| Ojo Alamo | 3,650' | Sandstone, shales & siltstones |
| Kirtland | 3,800' | Sandstone, shales & siltstones |
| Fruitland Coal | 3,970' | Sandstone, shales & siltstones |
| Pictured Cliffs | 4,105' | Sandstone, shales & siltstones |
| Lewis | 4,380' | Sandstone, shales & siltstones |

| | | |
|--------------------|---------------|--------------------------------|
| TOTAL DEPTH | 4,500' | TVD |
| | 1,265' | Vertical Length of Bore |

Estimated depths of anticipated fresh water, oil, or gas:

Tertiary

| | | |
|-----------------|---------|-----|
| San Jose | surface | Gas |
| Nacimiento | 2,220' | Gas |
| Ojo Alamo | 3,650' | Gas |
| Fruitland Coal | 3,970' | Gas |
| Pictured Cliffs | 4,105' | Gas |

HORIZONTAL DRILLING PROGRAMKick Off Point is estimated to be \pm 3607' TVD**CASING PROGRAM**

| Depth | Hole Diameter | Casing Diameter | Casing Weight and Grade | Cement |
|--|---------------|-----------------|-------------------------|--|
| 0-250' TVD | 12-1/4" | 8 5/8" | J-55 24# ST&C New | To surface (\pm 175 sxs Standard cement containing 2% CaCl ₂ and 0.25lb/sx LCM) ** |
| 0-4113' TVD | 7-7/8" | 5 1/2 " | J-55 15.5# LT&C New | TD to surface (Lead: \pm 300 sxs lite standard cement. Tail: 400 sxs 50:50 poz containing 0.25 lb/sx LCM) * ** |
| 3607' TVD (KOP) End of Lateral Bore | 4-3/4" | 2-7/8" | PH-6 Liner | None |

* Actual cement volume to be determined by caliper log.

** Cement will be circulated to surface

Yields:Surface: Standard cement yield = 1.2 ft³/sx (mixed at 15.6 lb/gal)Production: Lite Standard Cement yield: = 1.59 ft³/sx (mixed at 13.4 lb/gal)50:50 poz yield = 1.27 ft³/sx (mixed at 14.15 lb/gal)

All fresh water and prospectively valuable minerals encountered during drilling will be recorded by depth and protected.

PRESSURE CONTROL

BOPs and choke manifold will be installed and pressure tested before drilling out under surface casing (subsequent pressure test will be performed whenever pressure seals are broken), and then will be checked daily as to mechanical operating conditions. BOP's will be pressure tested at least once every 30 days. Ram type preventors and related pressure control equipment will be pressure tested to 1,000 psi. Annular type preventor will be pressure tested to 50% of the rated working pressure, not to exceed 1,000 psi. All casing strings will be pressure tested to 0.22 psi/ft. or 1,000 psi, whichever is greater, not to exceed 70% of internal yield.

BOP to be either double gate rams or an annular preventor as per Onshore Order No. 2.

Statement on Accumulator System and Location of Hydraulic Controls

The drilling rig has not yet been selected for this well. Selection will take place after approval of this application. Manual and/or hydraulic controls will be in compliance with Onshore Order No. 2 for 2M systems.

A remote accumulator will be used. Pressures, capacities, location of remote hydraulic and manual controls will be identified at the time of the BLM supervised BOP test.

MUD PROGRAM

| | | | |
|------|---|------|---------------------------------------|
| 0' | - | 300' | Fresh water – M.W. 8.5 ppg, Vis 30-33 |
| 300' | - | TD' | Clean Faze - Low solids non-dispersed |
| | | | M.W. 8.5 – 9.2 ppg |
| | | | Vis – 28 – 50 sec |
| | | | W.L. 15cc or less |

Sufficient mud materials to maintain mud properties, control lost circulation and to contain “kick” will be available at well site.

AUXILIARY EQUIPMENT

- A) A Kelly cock will be kept in the drill string at all times
- B) Inside BOP or stab-in valve (available on rig floor)
- C) Mud monitoring will be visually observed

LOGGING, CORING, TESTING PROGRAM

- A) Logging: DIL- CNL-FDC-GR - TD - BSC (GR to surface)
Sonic (BSC to TD)
- B) Coring: None
- C) Testing: Possible DST – None anticipated. Drill stem tests may be run on shows of interest

ABNORMAL CONDITIONS

- A) Pressures: No abnormal conditions are anticipated
Bottom hole pressure gradient – 0.31 psi/ft
- B) Temperatures: No abnormal conditions are anticipated
- C) H₂S: See attached H₂S plan in event H₂S is encountered.
- D) Estimated bottomhole pressure: 1,395 psi

ANTICIPATED START DATE

April 1, 2007

COMPLETION

The location pad will be of sufficient size to accommodate all completion activities and equipment. A string of 2-7/8” PH-6 tubing will be run for a flowing string. A Sundry Notice will be submitted with a revised completion program if warranted.

Job Number: 71xxx

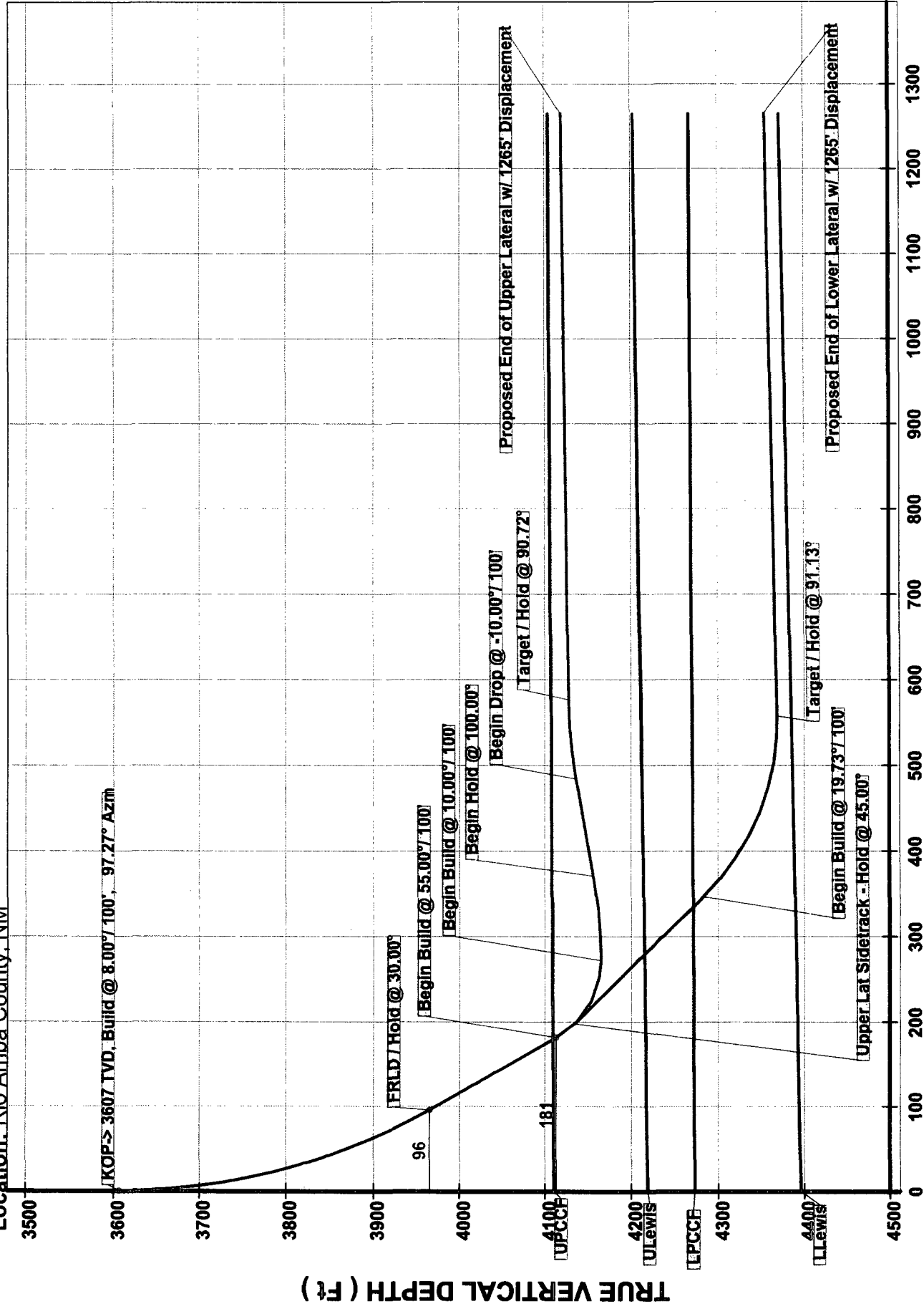
Company: Black Hills Gas Resources

Lease/Well: Many Canyons 29 04 26 #33

Location: Rio Arriba County, NM



1794-S Trenchard Dr., Houston, TX 77060
(713) 821-4500
www.mevisenergy.com



VERTICAL SECTION (Ft) @ 97.27°