

UNITED STATES 2007 AUG -6 PM 12:53
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT RECEIVED
APPLICATION FOR PERMIT TO DRILL OR REENTER 210 PARKING STATION NM

FORM APPROVED
OMB NO. 1004-0137
Expires: March 31, 2007

1a. Type of Work: ☒ DRILL ☐ REENTER
1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator

Black Hills Gas Resources

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 (Report location clearly and in accordance with any State requirements. *)

At surface

1,660' FSL 805' FWL (NW/SW) Unit L

At proposed prod. zone

1,880' FSL 700' FEL (NE/SE) Unit I

14. Distance in miles and direction from the nearest town or post office*

20 miles Southwest of Dulce, New Mexico

15. Distance from proposed*

location to nearest

property or lease line, ft.

(Also to nearest drlg. unit line, if any)

Approx. 805 ft

16. No. of acres in lease

Approximately 640 Acres

17. Spacing Unit dedicated to this well

320 Acres

18. Distance from proposed location*

to nearest well, drilling, completed,
applied for, on this lease, ft.

50 ft (Twin Location)

19. Proposed Depth

3900 bgs

20. BLM/ BIA Bond No. on file

BIAMMSP02676/BIAMMSP02668

21. Elevations (Show whether DF, RT, GR, etc.)

7096' Ground

22. Approximate date work will start*

27-Aug-07

23. Estimated duration

45-60 days drilling and completion

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1 shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by existing bond on file (see item 20 above).
- Operator certification.
- Such other site specific information and/ or plans as may be required by the authorized officer.

25. Signature

[Signature]

Name (Printed/ Typed)

Lynn H. Benally

Date

8/6/2007

Title

Regulatory Specialist/Black Hills Gas Resources

Approved By (Signature)

[Signature]

Name (Printed/ Typed)

Date

8/15/07

Title

AFM

Office

FEO

Application approval 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 operations thereon.

Conditions of approval, if any, are attached.

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.

*(Instructions on page 2)

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

HOLD 6004 FOR directional survey

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

INSTRUCTIONS

GENERAL: This form is designed for submitting proposals to perform certain well operations, as indicated, on Federal and Indian lands and leases for action by appropriate Federal agencies, pursuant to applicable Federal laws and regulations. Any necessary special concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office.

ITEM 1: If the proposal is to redrill to the same reservoir at a different subsurface location or to a new reservoir, use this form with appropriate notations. Consult applicable Federal regulations concerning subsequent work proposals or reports on the well.

ITEM 4: Locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local Federal offices for specific instructions.

ITEM 14: Needed only when location of well cannot readily be found by road from the land or lease description. A plat, or plats, separate or on this reverse side, showing the roads to, and the surveyed location of, the well, and any other required information, should be furnished when required by Federal agency offices.

ITEMS 15 AND 18: If well is to be, or has been directionally drilled, give distances for subsurface location of hole in any present or objective production zone.

ITEM 22: Consult applicable Federal or State regulations, or appropriate officials, concerning approval of the proposal before operations are started.

BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

NOTICE

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this application.

AUTHORITY: 30 U.S.C. 181 et seq., 25 U.S.C. 396; 43 CFR Part 3160.

PRINCIPAL PURPOSES: The information will be used to: (1) process and evaluate your application for a permit to drill a new oil, gas, or service well or to reenter a plugged and abandoned well; and (2) document, for administrative use, information for the management, disposal and use of National Resource Lands and resources including (a) analyzing your proposal to discover and extract the Federal or Indian resources encountered; (b) reviewing procedures and equipment and the projected impact on the land involved; and (c) evaluating the effects of the proposed operation on the surface and subsurface water and other environmental impacts.

ROUTINE USE: (1) The analysis of the applicant's proposal to discover and extract the Federal or Indian resources encountered. (2) The review of procedures and equipment and the projected impact on the land involved. (3) The evaluation of the effects of proposed operation on surface and subsurface water and other environmental impacts. (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions, as well as routine regulatory responsibility.

EFFECT OF NOT PROVIDING INFORMATION: Filing of this application and disclosure of the information is mandatory only if the operator elects to initiate drilling operation on an oil and gas lease.

BURDEN HOURS STATEMENT

Public reporting burden for this form is estimated to average 30 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management, (Alternate) Bureau Clearance Officer, (WO-771), 1849 C Street, N.W., Washington, D.C. 20240, and the Office of Management and Budget, Paperwork Reduction Project (1004-0136), Washington, D.C. 20503.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq) requires us to inform you that: This information is being collected to allow evaluation of the technical, safety, and environmental factors involved with drilling for oil and/or gas on Federal and Indian oil and gas leases.

This information will be used to analyze and approve applications.

Response to this request is mandatory only if the operator elects to initiate drilling or reentry operations on an oil and gas lease.

DISTRICT I
1025 N. French Dr., Hobbs, NM 88240
DISTRICT II
1301 W. Grand Ave., Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd. Aztec, NM 87410
DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87505
1220 South St. Francis Dr.
Santa Fe, NM 87505
OIL CONSERVATION DIVISION
Energy, Minerals & Natural Resources Department
State of New Mexico
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 REPORT

API Number	30-039-30314
Property Code	20460
Operator Name	JICARILLA 31-03-32
Property Name	EAST BLANCO PICTURED CLIFFS
Pool Code	72400
Pool Name	
Well Number	31
Elevation	7096

10	Surface location	US or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
		32	31 N	3 W	1660			SOUTH	805	WEST	RIO ARriba

11	Bottom Hole Location If Different From Surface	US or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
		32	31 N	3 W	1880			SOUTH	700	EAST	RIO ARriba

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

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 unless 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: Daniel Murray
Date: 6/6/07
Printed Name: Daniel Murray

16 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.

Date of Survey: AUGUST 4, 2006
Surveyor and Seal: ROBERT A. RUSH
Professional Land Surveyor
Certificate Number: 8000

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Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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 and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.

30-039-30316

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

MDA 701-90-0002

8. Well Number

Jicarilla 31-03-32 #3131

9. OGRID Number

013925

10. Pool name or Wildcat

East Blanco PC

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other:

2. Name of Operator

Black Hills Gas Resources, Inc.

3. Address of Operator

P.O. Box 249 Bloomfield, NM 87413

4. Well Location

Unit Letter: L : 1,660 feet from the South line and 805 feet from the West line

Section: 32 Township 31N Range 3W NMPM County: Rio Arriba

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

7,096'

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type: Drilling Pit Depth to Groundwater > 100 Distance from nearest fresh water well > 1000 Distance from nearest surface water > 200

Pit Liner Thickness: 15 mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: Pit Registration ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ P AND A ☐

CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Drilling Pit Registration

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Daniel R. Manus TITLE: Regulatory Technician DATE 8/6/2007

Type or print name: Daniel R. Manus E-mail address: dmanus@bhep.com Telephone No. (505) 634-1111 ext. 28

For State Use Only

APPROVED BY: [Signature] TITLE Deputy Oil & Gas Inspector, District #3 DATE AUG 20 2007

Conditions of Approval (if any):



Black Hills Gas Resources

Jicarilla 31-03-32 #31

Surface Location: 1,660' FSL 805' FWL (NW/SW) Unit L

Bottom Hole: $\pm 1,880'$ FSL $\pm 700'$ FEL (NE/SE) Unit I

Sec.32 T31N R3W

Rio Arriba County, New Mexico

Lease: MDA 701-90-0002

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 NOS process includes an onsite meeting which was held on February 15, 2006 as determined by Bureau of Indian Affairs (BIA) and Jicarilla Oil & Gas Administration (JOGA) and at which time the specific concerns of Black Hills Gas Resources (BHGR), BIA, and JOGA were discussed.

SURFACE FORMATION – San Jose

GROUND ELEVATION – 7,096'

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

San Jose	Surface	Sandstone, shales & siltstones
Nacimiento	1,985'	Sandstone, shales & siltstones
Ojo Alamo	3,240'	Sandstone, shales & siltstones
Kirtland	3,450'	Sandstone, shales & siltstones
Fruitland Coal	3,849'	Sandstone, shales & siltstones
Pictured Cliffs	4,363'	Sandstone, shales & siltstones

TOTAL DEPTH	3,816'	TVD
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Estimated depths of anticipated fresh water, oil, or gas:

Nacimiento	1,985'	Gas, water, sand
Ojo Alamo	3,240'	Gas, water, sand
Kirtland	3,450'	Gas, water, sand, shale
Fruitland Coal	3,849'	Gas, water, sand
Pictured Cliffs	4,363'	Gas, water, sand

HORIZONTAL DRILLING PROGRAMKick Off Point is estimated to be $\pm 2965'$ TVD**CASING PROGRAM**

Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0'-250'	12-1/4"	9-5/8"	36# J-55	To surface (± 175 sxs Standard cement containing 2% CaCl_2 and 0.25lb/sx LCM)
250'-4379'	8-3/4"	7"	23# J-55 LT&C	TD to surface (Lead: ± 300 sxs lite standard cement. Tail: 400 sxs 50:50 poz containing 0.25 lb/sx LCM)
4379'-7025'	6-1/8"	Open hole**	Open hole	

* Actual cement volume to be determined by caliper log.

** If hole instability is encountered, a 4 1/2", 10.5#, J-55 uncemented liner may be run in the 6 1/8" open hole section.

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 condition. 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'	-	250'	Fresh water – M.W. 8.5 ppg, Vis 30-33
250'	-	TD'	Fresh water- 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 wellsite.

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: GR/SP/CAL – Resistivity/Conductivity – Neutron/Density – Bulk Density/RWA
From TD to SC
- 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: 1183 psi

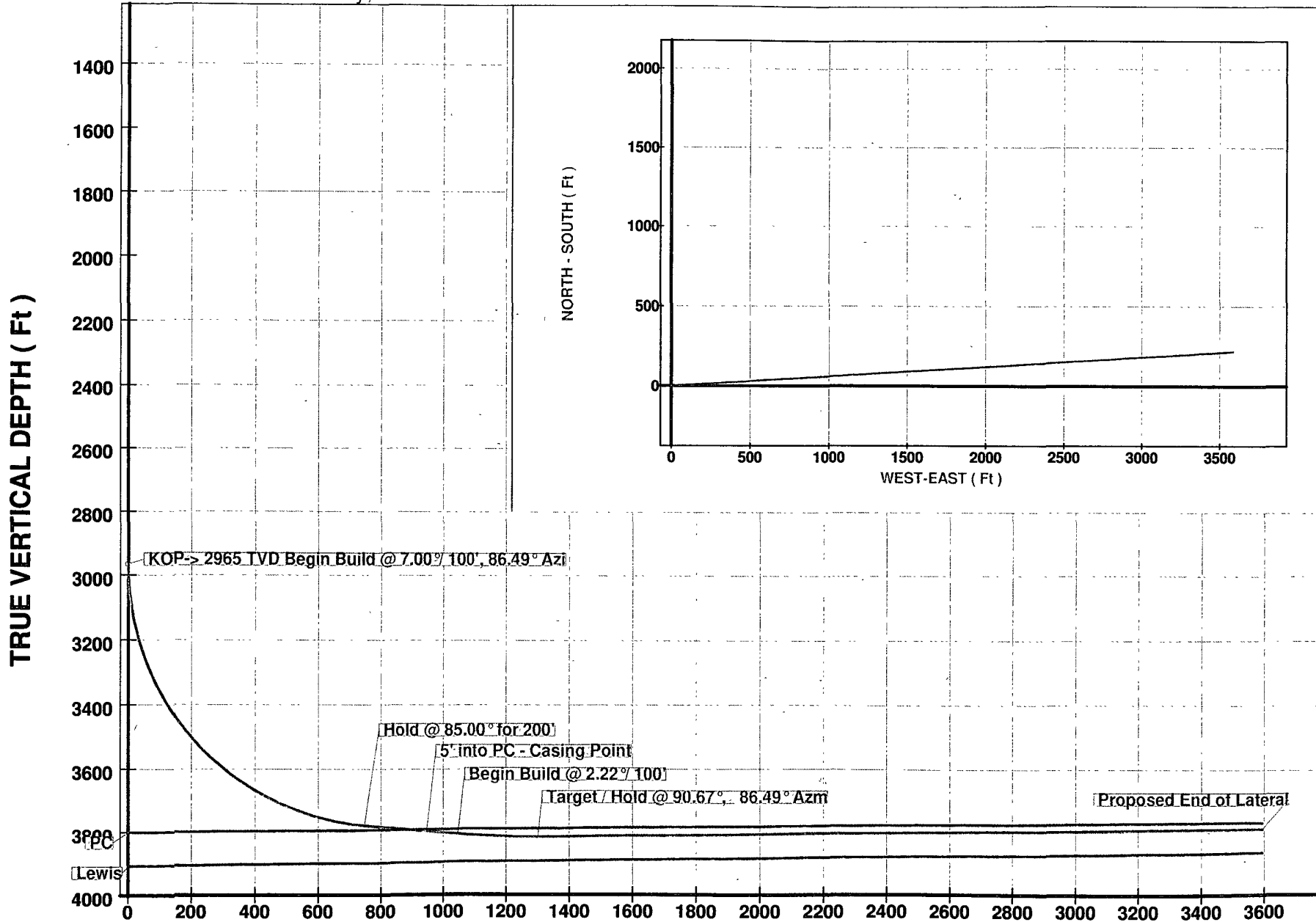
ANTICIPATED START DATE

August 27, 2007

COMPLETION

The location pad will be of sufficient size to accommodate all completion activities and equipment. A string of 2-3/8" J-55 4.7#/ft 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: Jicarilla 31-03-32 #31
Location: Rio Arriba County, NM

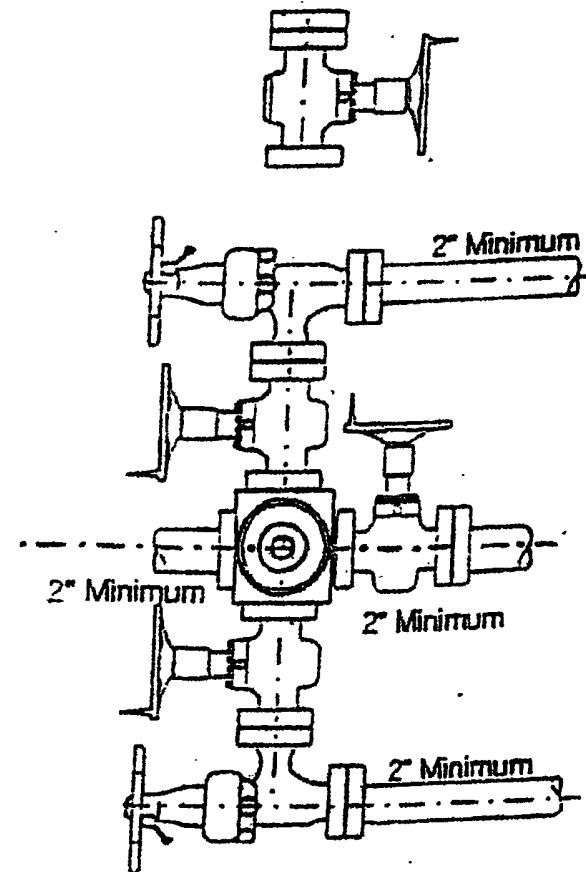
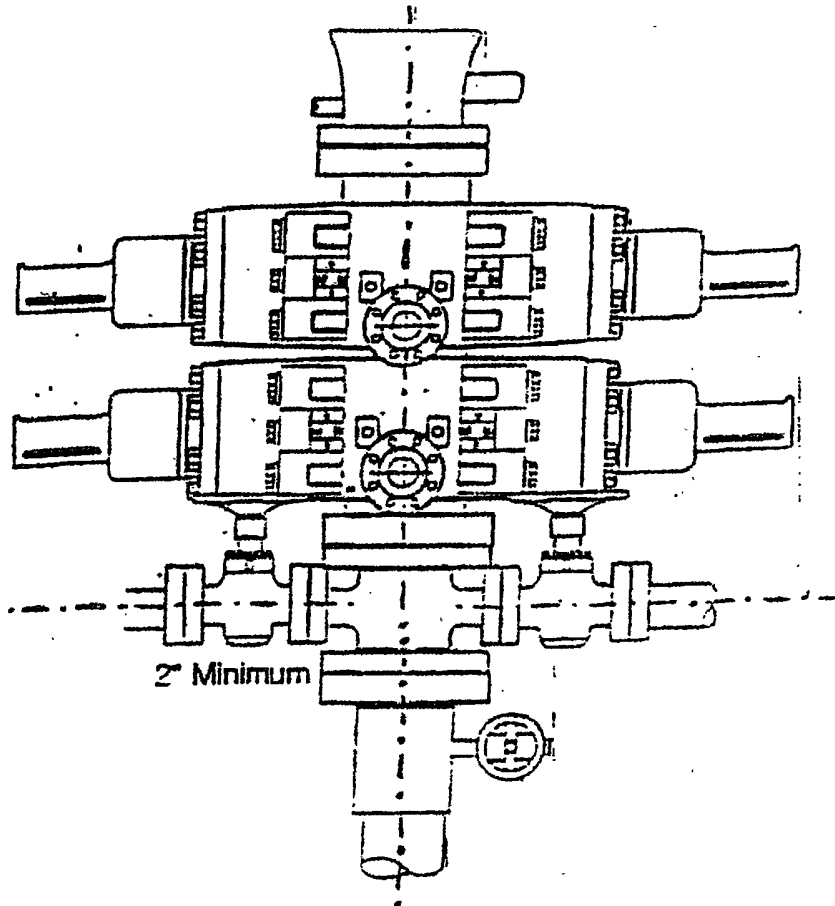


VERTICAL SECTION (Ft) @ 86.49°

2-M SYSTEM

Black Hills Gas Resources, Inc.

ANNULAR PREVENTOR MAY BE SUBSTITUTED FOR DOUBLE GATE PREVENTORS
BOP PRESSURE TEST TO 1,000 PSI





Black Hills Gas Resources

Hydrogen Sulfide Drilling Operations Plan

I. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H_2S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H_2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H_2S on metal components. If high tensile tubular are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H_2S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H_2S zone (within 3 days or 500 feet) and weekly H_2S and well control drills for all personnel in each crew. The initial training sessions shall include a review of the site specific H_2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H_2S safety equipment and Systems

Note: All H_2S safety equipment and systems (if necessary) will be installed, tested, and operational when drilling reaches a depth of 500 feet above the three days prior to penetrating the first zone containing or reasonably expected to contain H_2S .

A. Well control equipment:

1. Choke manifold with a minimum of one remote choke.
2. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.

B. Protective equipment for essential personnel

1. Mark II Surniveair 30-minute units located in the doghouse and at briefing areas, as indicated on will site diagram.

C. H₂S detection and monitoring equipment:

1. Two portable H₂S monitors positioned on location for best coverage and response. These units have warning lights and aquilbesirens when H₂S levels of 10ppm.

D. Visual warning systems:

1. Wind direction indicators shall be visible in 360° on the location.
2. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be highly visible with lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate.

E. Mud program:

1. The mud programs has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weight, safe drilling practices and the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.

F. Metallurgy:

1. All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.
2. All elastomers used for packing and seals shall be H₂S trim.

G. Communication:

1. Cellular telephone communications in company vehicles.

H. Well testing:

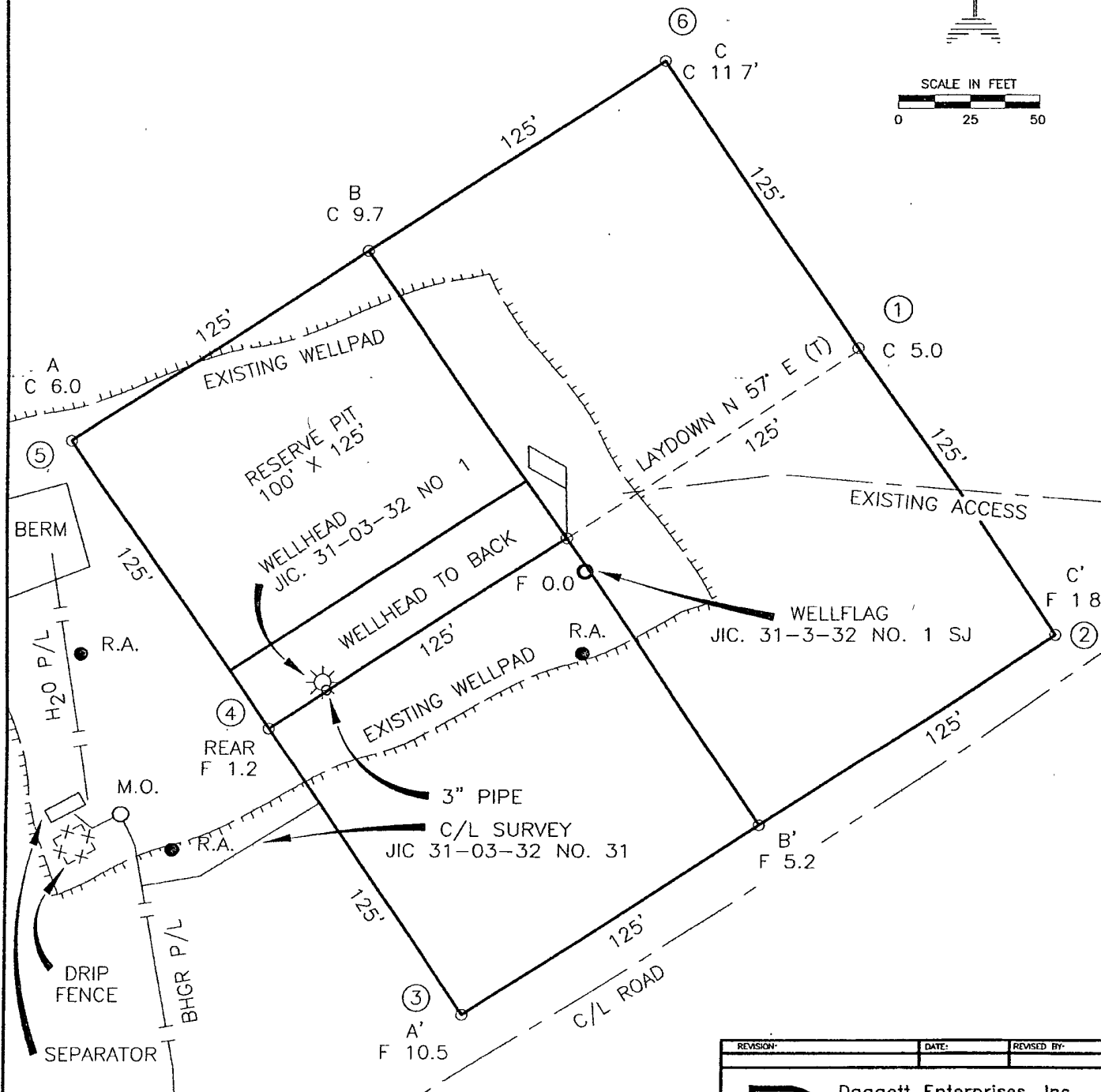
1. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity which are necessary to safely and adequately conduct the test. The drill stem lesting will be conducted during daylight hours and formation fluids will not be flowed to the surface. All drill stem testing operations conducted in an H₂S environment will use the closed chamber method of testing.

WELL PAD DIAGRAM

COMPANY: BLACK HILLS GAS RESOURCES
 LEASE JICARILLA 31-03-32 NO. 31
 FOOTAGE 1660 FSL, 805 FWL
 SEC 32, TWN. 31-N, RNG 3-W, NMPM
 ELEVATION 7096'




SCALE IN FEET
 0 25 50



NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO. ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO EXCAVATION OR CONSTRUCTION.

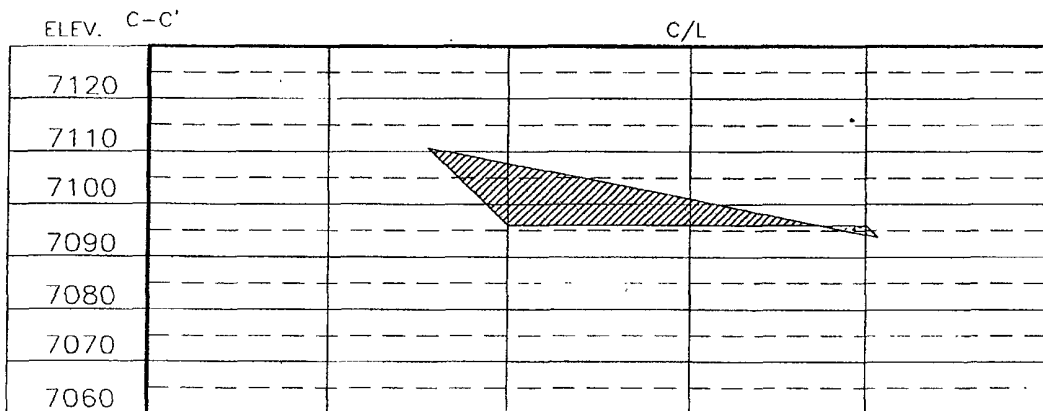
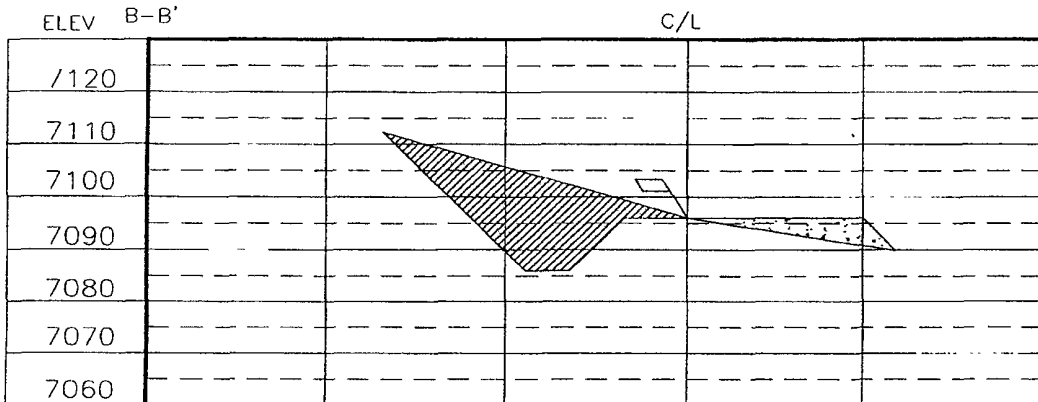
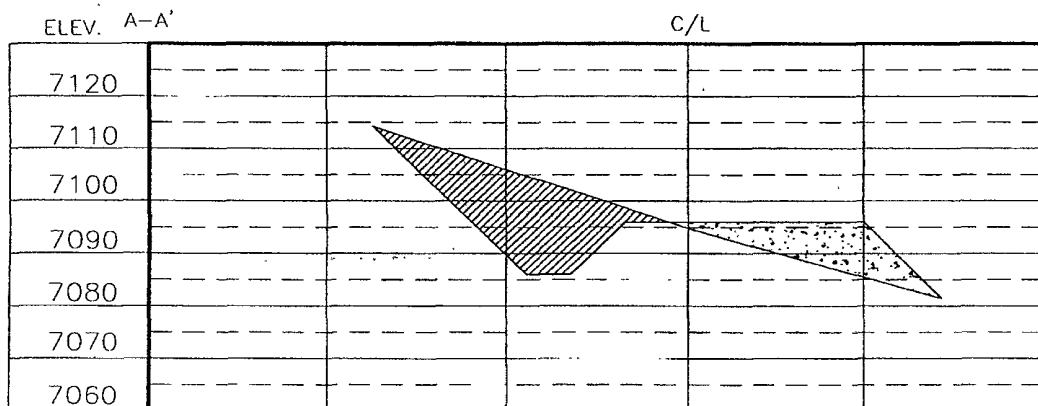
REVISION	DATE	REVISED BY
 Daggett Enterprises, Inc. Surveying and Oil Field Services P. O. Box 15068 • Farmington, NM 87401 Phone (505) 326-1772 • Fax (505) 326-6019 NEW MEXICO L.S. 14831		
DRAWN BY: G.V.	CADFILE: MN439_PLB	
ROW#: MN439	DATE: 08/10/05	

WELL PAD CROSS-SECTIONAL DIAGR/

COMPANY: BLACK HILLS GAS RESOURCES
 LEASE: JICARILLA 31-03-32 NO. 31
 FOOTAGE: 1660 FSL, 805 FWL
 SEC. 32, TWN: 31-N, RNG 3-W, NMMP
 ELEVATION: 7096'

NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR
 UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO
 ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO
 EXCAVATION OR CONSTRUCTION.



REF. DWG. MN439_PL8 WELL PAD DIAGRAM

REVISION DATE: REVISED BY:

Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 15088 • Farmington, NM 87401
 Phone (505) 326-1772 • Fax (505) 326-6019
 NEW MEXICO L.S. 14831
 CADDLE: MN439_CFB



DRAWN BY: G.V.
 ROW#1: MN439

DATE: 08/10/05