Form 3160- 5
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
AUG 15 2008
Bureau of Land Management
Farmington Field Office

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

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.

SUBMIT IN TRIPLICATE *- Other Instructions on reverse side.*

5. Lease Serial No.
NM18316

6. If Indian, Allottee, or Tribe Name

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

1. Type of Well
☐ Oil Well ☑ Gas Well ☐ Other

8. Well Name and No.
Carson 29-04-11 #2

2. Name of Operator
Black Hills Gas Resources

9. API Well No.
30-039-20649

3a. Address
3200 N 1st Street PO Box 249 Bloomfield, NM 87413

3b. Phone No. *(include area code)*
505-634-1111 ext 27

10. Field and Pool, or Exploratory Area
Choza Mesa Pictured Cliffs

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
Surface: 1,770' FNL 944' FEL Unit H (SE/NE) Sec 11 T29N R04W
Bottom: ± 1770' FNL ± 700' FWL Unit E (SW/NW) Sec 11 T29N R04W

11. County or Parish, State
Rio Arriba, New Mexico

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☑ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/ Resume)	☐ Water Shut-off
	☐ Altering Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Subsequent Report	☐ Casing Repair	☐ New Construction	☐ Recomplete	☑ Other Add Horizontal Lateral
	☐ Change Plans	☐ Plug and abandon	☐ Temporarily Abandon	
☐ Final Abandonment Notice	☐ Convert to Injection	☐ Plug back	☐ Water Disposal	

13. 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 or pertinent markers and sands. Attach the Bond under which the work will performed or provide the Bond No. on file with the 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 Notice shall be filed only after all requirements, including reclamantion, have been completed, and the operator has determined that the site is ready for final inspection.)

The initial APD was submitted by Continental Oil Company on June 6, 1973, approved and given API# 30-039-20649. Black Hills Gas Resources (BHGR) is submitting the following sundry to horizontally re-enter the existing well bore and add a second horizontal lateral into the bottom of the PC formation. The initial upper PC horizontal lateral was submitted via sundry February 13, 2007 and approved. BHGR plans to plug and abandon the upper lateral, a separate sundry will be submitted for this activity. There will be no changes to disturbance and the target bottom hole will be ±1770 FNL and ±700 FWL. Attached is the updated C-102 and the horizontal drilling plan.

A COMPLETE C-144 MUST BE SUBMITTED TO AND APPROVED BY THE NMOCD FOR: A PIT, CLOSED LOOP SYSTEM, BELOW GRADE TANK, OR PROPOSED ALTERNATIVE METHOD, PURSUANT TO NMOCD PART 19.15.17, PRIOR TO THE USE OR CONSTRUCTION OF THE ABOVE APPLICATIONS.

Hold C104
for Directional Survey
and "As Drilled" plat

RCVD AUG 19 '08
OIL CONS. DIV.
DIST. 3

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

14. I hereby certify that the foregoing is true and correct.

Name *(Printed/ Typed)*
Lynn H. Benally

Title
Regulatory Specialist

Signature

Date Aug 15, 2008

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by Original Signed: Stephen Mason

Title

Date AUG 18 2008

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.

Office

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 any department or agency of the United States any false, fictitiousor fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

NMOCD

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1301 W. Grand Ave., Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
1220 South 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

[1] API Number	[2] Pool Code	[3] Pool Name
30-039-20649	74960	CHOZA MESA/PICTURED CLIFFS

[4] Property Code	[5] Property Name	[6] Well Number
301947	CARSON 29-4-11	2H

[7] OGRID No.	[8] Operator Name	[9] Elevation
013925	BLACK HILLS GAS RESOURCES	7066'

[10] Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	11	29-N	4-W		1770	NORTH	944	EAST	RIO ARRIBA

[11] 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
E	11	29-N	4-W		1770	NORTH	700	WEST	RIO ARRIBA

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
N/2 = PROJECT AREA 320 ACRES			

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

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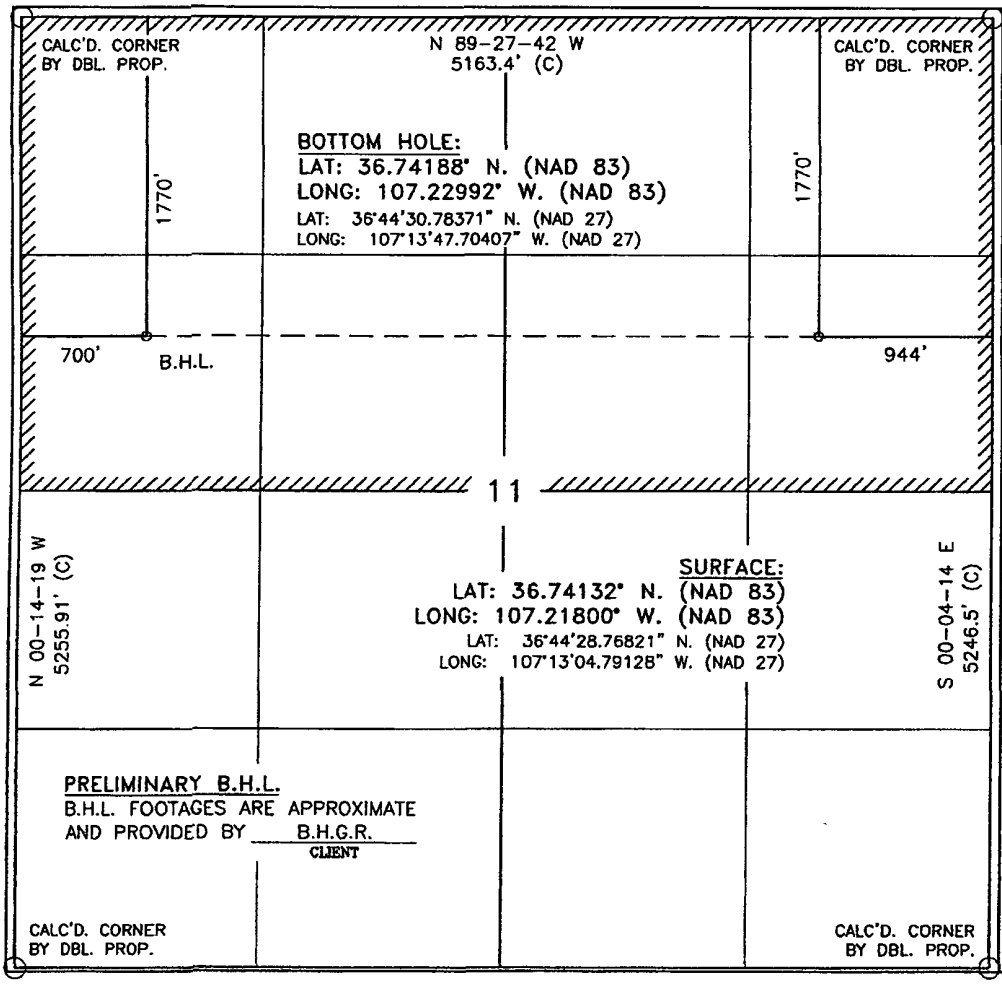

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OPERATOR CERTIFICATION

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 unleased 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.

Signature 8/15/08
Date

Lynn H. Benally
Printed Name

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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 knowledge and belief.

MAY 24, 2005
Date of Survey

Signature and Seal of Professional Surveyor:

ROY A. RUSH
NEW MEXICO
8894
REGISTERED PROFESSIONAL LAND SURVEYOR
08-08-08

8894
Certificate Number

Black Hills Gas Resources

Carson 29-04-11 #2
Surface Location: 1,770' FNL 944' FEL (SE/NE) Unit H
Sec.11 T29N R04W
Bottom Hole: ± 1770' FNL ± 700' FWL (SW/NW)Unit E
Sec.11 T29N R04W
Rio Arriba County, New Mexico
Lease: NM18316

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 as determined by Carson National Forest Service (FS) at which time the specific concerns of Black Hills Gas Resources (BHGR) and FS.

SURFACE FORMATION – San Jose

GROUND ELEVATION – 7,066' GL

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

Lower Pictured Cliffs	4050'	Sandstone, shales & siltstones
TOTAL DEPTH	**3923'**	**TVD 7323' TMD**

Estimated depths of anticipated fresh water, oil, or gas:
Lower Pictured Cliffs 4050' Gas, water, sand

HORIZONTAL RE-ENTRY DRILLING PROGRAM

A. It is planned to abandon the upper lateral before drilling the lower lateral.
B. A plug will be set approximately 170 feet into the existing upper lateral.
C. Kick Off Point for the lower lateral will use the previously milled drilling window estimated to be ± 3705 to 3718' TVD. The lateral will utilize approximately 100 feet of the existing upper lateral before turning the radius.

CASING PROGRAM

Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0-250'	**12-1/4"**	**8-5/8"**	**K-55 24#ST&C**	**To Surface (previously set)**
0-3718 TVD'	**7-7/8"**	**5 ½ "**	**K-55 15.5#LT&C**	**To Surface (previously set)**
3718 TVD-End of Lateral Bore	**4-3/4"**	**Open hole****	**Open hole**	

** If hole instability is encountered, a 2-7/8", 6.5#, J-55 uncemented liner may be run in the 4 3/4" 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. 8cc 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

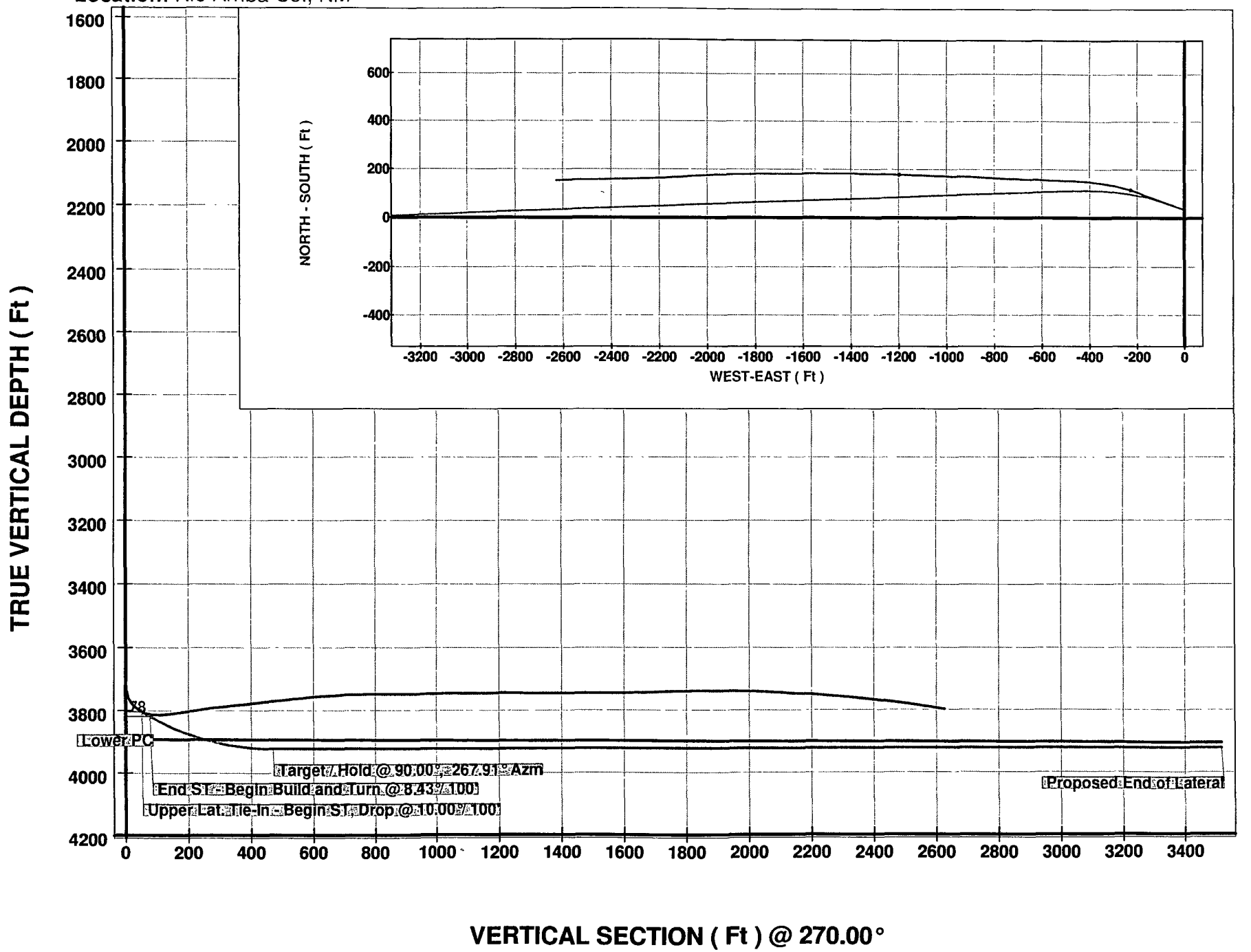
ABNORMAL CONDITIONS

A)	Pressures:	No abnormal conditions are anticipated Bottom hole pressure gradient – 0.31 psi/ft
B)	Temperatures:	No abnormal conditions are anticipated
C)	H_2S:	See attached H_2S plan in event H_2S is encountered.
D)	Estimated bottomhole pressure:	1143 psi

ANTICIPATED START DATE
September 1, 2008

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: 81xxxx
Company: Black Hills Gas Resources
Lease/Well: Carson 29-04 11 # 2
Location: Rio Arriba Co., NM



NEVIS ENERGY SERVICES INC.
1724-B Townhurst Drive
Houston Texas 77043
1-800-909-9819
www.nevisenergy.com

Job Number: 81xxxx
Company: Black Hills Gas Resources
Lease/Well: Carson 29-04 11 # 2
Location: Rio Arriba Co., NM
Rig Name:
RKB:
G.L. or M.S.L.:

State/Country: NM/USA
Declination:
Grid:
File name: Z:\BLACKH~1\NEWWEL~1\CARSON~1\2904112.SV
Date/Time: 09-Jul-08 / 14:41
Curve Name: Carson 29-04-11 #2 Lower Lat. Plan 7-09-08

Carson 29-04-11 #2 Lower Lat. Plan 7-09-08

WINSERVE PROPOSAL REPORT
Minimum Curvature Method
Vertical Section Plane 270.00
Vertical Section Referenced to Wellhead
Rectangular Coordinates Referenced to Wellhead

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	Vertical Section FT	N-S FT	E-W FT	CLOSURE Distance FT	CLOSURE Direction Deg	Dogleg Severity Deg/100
Upper Lat. Tie-In - Begin ST, Drop @ 10.00°/ 100'									
3826.00	63.70	287.90	3804.29	53.03	53.71	-53.03	75.47	315.36	.00
End ST - Begin Build and Turn @ 8.43°/ 100'									
3856.00	60.70	287.90	3818.28	78.28	61.86	-78.28	99.77	308.32	10.00
3886.00	62.74	286.20	3832.49	103.54	69.60	-103.54	124.76	303.91	8.43
3916.00	64.80	284.57	3845.75	129.48	76.74	-129.48	150.51	300.65	8.43
3946.00	66.88	282.98	3858.03	156.06	83.25	-156.06	176.88	298.08	8.43
3976.00	68.97	281.45	3869.30	183.23	89.13	-183.23	203.76	295.94	8.43
4006.00	71.08	279.96	3879.55	210.94	94.37	-210.94	231.08	294.10	8.43
4036.00	73.20	278.51	3888.75	239.12	98.95	-239.12	258.78	292.48	8.43
4066.00	75.33	277.09	3896.89	267.72	102.86	-267.72	286.81	291.02	8.43
4096.00	77.46	275.69	3903.95	296.70	106.11	-296.70	315.10	289.68	8.43
4126.00	79.61	274.32	3909.91	325.99	108.67	-325.99	343.62	288.44	8.43
4156.00	81.76	272.97	3914.77	355.53	110.56	-355.53	372.32	287.27	8.43
4186.00	83.91	271.63	3918.51	385.27	111.75	-385.27	401.15	286.18	8.43
4216.00	86.07	270.31	3921.13	415.15	112.26	-415.15	430.06	285.13	8.43
4246.00	88.23	268.99	3922.62	445.11	112.07	-445.11	459.00	284.13	8.43
Target / Hold @ 90.00°, 267.91° Azm									
4270.61	90.00	267.91	3923.00	469.70	111.41	-469.70	482.73	283.34	8.43
4370.61	90.00	267.91	3923.00	569.63	107.75	-569.63	579.73	280.71	.00
4470.61	90.00	267.91	3923.00	669.56	104.10	-669.56	677.61	278.84	.00
4570.61	90.00	267.91	3923.00	769.50	100.45	-769.50	776.03	277.44	.00
4670.61	90.00	267.91	3923.00	869.43	96.80	-869.43	874.80	276.35	.00

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	Vertical Section FT	N-S FT	E-W FT	CLOSURE Distance FT	CLOSURE Direction Deg	Dogleg Severity Deg/100
4770.61	90.00	267.91	3923.00	969.36	93.15	-969.36	973.83	275.49	.00
4870.61	90.00	267.91	3923.00	1069.30	89.50	-1069.30	1073.04	274.78	.00
4970.61	90.00	267.91	3923.00	1169.23	85.85	-1169.23	1172.38	274.20	.00
5070.61	90.00	267.91	3923.00	1269.16	82.20	-1269.16	1271.82	273.71	.00
5170.61	90.00	267.91	3923.00	1369.10	78.55	-1369.10	1371.35	273.28	.00
5270.61	90.00	267.91	3923.00	1469.03	74.90	-1469.03	1470.94	272.92	.00
5370.61	90.00	267.91	3923.00	1568.96	71.25	-1568.96	1570.58	272.60	.00
5470.61	90.00	267.91	3923.00	1668.90	67.60	-1668.90	1670.27	272.32	.00
5570.61	90.00	267.91	3923.00	1768.83	63.95	-1768.83	1769.99	272.07	.00
5670.61	90.00	267.91	3923.00	1868.76	60.30	-1868.76	1869.74	271.85	.00
5770.61	90.00	267.91	3923.00	1968.70	56.65	-1968.70	1969.51	271.65	.00
5870.61	90.00	267.91	3923.00	2068.63	53.00	-2068.63	2069.31	271.47	.00
5970.61	90.00	267.91	3923.00	2168.56	49.34	-2168.56	2169.13	271.30	.00
6070.61	90.00	267.91	3923.00	2268.50	45.69	-2268.50	2268.96	271.15	.00
6170.61	90.00	267.91	3923.00	2368.43	42.04	-2368.43	2368.80	271.02	.00
6270.61	90.00	267.91	3923.00	2468.36	38.39	-2468.36	2468.66	270.89	.00
6370.61	90.00	267.91	3923.00	2568.30	34.74	-2568.30	2568.53	270.78	.00
6470.61	90.00	267.91	3923.00	2668.23	31.09	-2668.23	2668.41	270.67	.00
6570.61	90.00	267.91	3923.00	2768.16	27.44	-2768.16	2768.30	270.57	.00
6670.61	90.00	267.91	3923.00	2868.10	23.79	-2868.10	2868.20	270.48	.00
6770.61	90.00	267.91	3923.00	2968.03	20.14	-2968.03	2968.10	270.39	.00
6870.61	90.00	267.91	3923.00	3067.96	16.49	-3067.96	3068.01	270.31	.00
6970.61	90.00	267.91	3923.00	3167.90	12.84	-3167.90	3167.92	270.23	.00
7070.61	90.00	267.91	3923.00	3267.83	9.19	-3267.83	3267.84	270.16	.00
7170.61	90.00	267.91	3923.00	3367.76	5.54	-3367.76	3367.77	270.09	.00
7270.61	90.00	267.91	3923.00	3467.70	1.89	-3467.70	3467.70	270.03	.00
Proposed End of Lateral									
7322.35	90.00	267.91	3923.00	3519.40	.00	-3519.40	3519.40	270.00	.00