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OIL CONS. DIV.
DIST. 3

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Bureau of Land Management
Farmington Field Office

Form 3160-3
(April 2004)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: **MDA 701-98-00013**

6. If Indian, Allottee or Tribe Name: **Jicarilla Apache**

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

1a. Type of Work: [X] DRILL [ ] REENTER

8. Lease Name and Well No.: **Jicarilla 29-02-26 #121**

1b. Type of Well: [ ] Oil Well [X] Gas Well [ ] Other [ ] Single Zone [ ] Multiple Zone

2. Name of Operator: **Black Hills Gas Resources**

9. API Well No.: 30-039-30576

3a. Address: **P.O. 249, Bloomfield, NM 87413**

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

10. Field and Pool, or Exploratory: **La Jara Canyon Tertiary**

4. Location of well *(Report location clearly and In accordance with any State requirements.*)*
At surface: ~~2,220'~~ 2200 FNL 1,200' FWL SW/NW Unit E
At proposed prod. zone

11. Sec., T., R., M., or Blk. And Survey or Area: **Sec. 26 T29N R02W**

14. Distance in miles and direction from the nearest town or post office*: **25 Miles southwest from Dulce, New Mexico**

12. County or Parish: **Rio Arriba**

13. State: **NM**

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
Approx. 1,200'	**Approx. 9,600 acres**	**160 ACRES**
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/ BIA Bond No. on file
Approx. ±6,000'	+/- ~~3,000 TVD~~ 2000' TVD	**BIA - MMSP0267675**
21. Elevations (Show whether DF. RT, GR, etc.)	22. Aproximate date work will start*	23. Estimated duration
7189' GR	**Nov-08**	**45-60 Days drill + completion**

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

24. Attachments

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

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

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

25. Signature	Name *(Printed/ Typed)*	Date
	Lynn Benally	10/15/08
Title: **Regulatory Specialist**		
Approved By *(Signature)*	Name *(Printed/ Typed)*	Date
		10/27/08
Title: AFM	Office: FFO	

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 cc 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 Unite 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

H_2S POTENTIAL EXIST

NOV 07 2008

NMOCD

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.

INSTRUCTIONS

GENERAL: This form is designed for submitting proposals to perform certain well operations, as indicated, on Federal an 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 informatio collectio 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 TJ.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
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
30-039-30570	97036	LA JARA CANYON TERTIARY

4 Property Code	5 Property Name	6 Well Number
37461	JICARILLA 29-02-26	121

7 OGRID No.	8 Operator Name	9 Elevation
013925	BLACK HILLS GAS RESOURCES	7189

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
E	26	29-N	2-W		2200	NORTH	1200	WEST	RIO ARRIBA

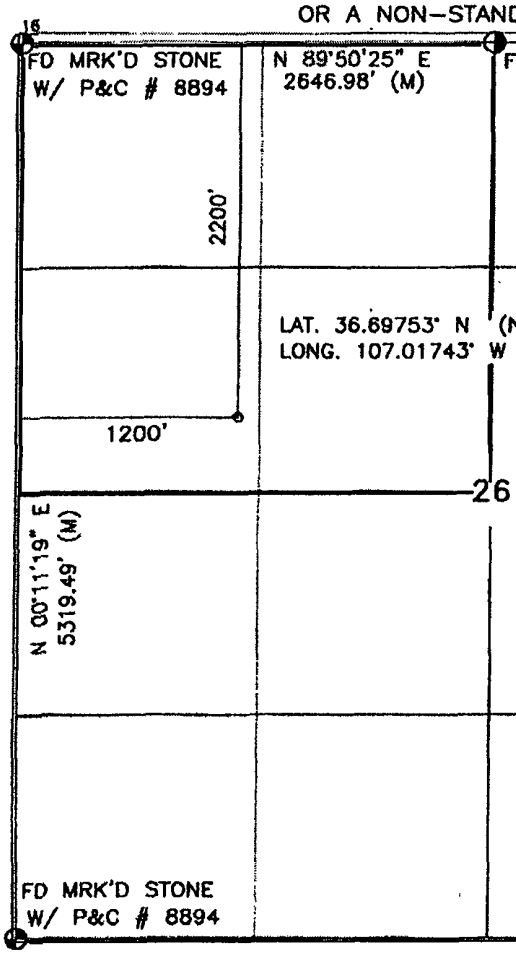
11 Bottom Hole Location If Different From Surface

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

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
160 NE/4			

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

16



17 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.

10/15/08
Signature Date

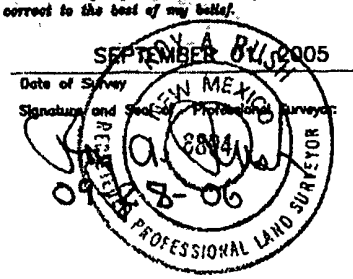
Lynn H. Benally
Printed Name

18 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.

SEPTEMBER 01, 2005
Date of Survey

Signature and Seal of Professional Surveyor:



8894
Certificate Number

Black Hills Gas Resources

Jicarilla 29-02-26 #121
Surface Location: 2,200' FNL 1,200' FWL (SW/NW) Unit E
Sec.26 T29N R2W
Rio Arriba County, New Mexico
Lease: Contract MDA 701-98-0013, Tract 4

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 October 31, 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 – 7189'

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

San Jose	Surface	Sandstone, shales & siltstones
Nacimiento	1950'	Sandstone, shales & siltstones
TOTAL DEPTH	**2000'**	**TVD**

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

San Jose	surf	Gas, water, sand
Nacimiento	1950'	Gas, water, sand

CASING PROGRAM

Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0-250' TVD	11"	7"	J-55 20# ST&C New	To surface (± 175 sxs ClassB) **
0' - TD	6-1/4"	4-1/2"	J-55 10.5# LT&C New	TD to surface (± 630 sxs lite or 65:35 poz and ± 270 sxs 50:50 poz) *

* Actual cement volume to be determined by caliper log.

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,~~ 1,500psi 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) H_2S: See attached H_2S plan in event H_2S is encountered.
D) Estimated bottomhole pressure: 682 psi

ANTICIPATED START DATE
November 3, 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.

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 will 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 will control drills for all personnel in each crew. The initial training sessions shell 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 required to carry documentation that they have received the proper training.

II. H2S safety equipment and Systems

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

3200 N. 1st Street, P.O. Box 249 • Bloomfield, NM 87413 • (505) 634-1111 • Fax (505) 634-1116
Email: lbenally@bhep.com

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

C. H_2S detection and monitoring equipment:
   1. Two portable H_2S monitors positioned on location for best coverage and response. These units have warning lights and aqudilbesirens when H_2S levels of 10ppm.

D. Visual warning systems:

   1. Wind direction indicators as shown on well site diagram.

   2. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate. See example attached.

E. Mud program:

   1. The mud programs has been designed to minimize the volume of H_2S circulated to the surface. Proper mud weight, safe drilling practices and the use of H_2S scavengers will minimize hazards when penetrating H_2S 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 H_2S service.

   2. All elastomers used for packing and seals shall be H_2S 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 H_2S environment will use the closed chamber method of testing.

2-M SYSTEM

Black Hills Gas Resources, Inc.

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