

| | | | | | |
|-------------------|----------|--------------------------|---------------------|-------------|---------------------------|
| DATE IN 9/4/06 | SUSPENSE | DAVID BROOKS ENGINEER | LOGGED IN 9/4/06 | TYPE NSL | APP NO. PTD50624835200 |
|-------------------|----------|--------------------------|---------------------|-------------|---------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ~~X~~ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
[B] ☐ Offset Operators, Leaseholders or Surface Owner
[C] ☐ Application is One Which Requires Published Legal Notice
[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

| | | | |
|---|-------------------------------------|--------------------------|-----------------------|
| <u>William F. Carr</u> Print or Type Name | <u>William F. Carr</u> Signature | <u>Attorney</u> Title | <u>9/1/06</u> Date |
| <u>wcarr@holandhart.com</u> e-mail Address | | | |

2006 AUG 32 PM 2 09



September 1, 2006

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Black Hills Gas Resources, Inc. for administrative approval of an unorthodox well location for its Jicarilla Apache 458-5 Well No. 22 (**API No. 30-039-29314**) in the Mancos formation, WC Basin Mancos Pool (**Pool Code 97232**) at a location 2230 feet from the North line and 2175 feet from the West line of Section 5, Township 30 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.

Dear Mr. Fesmire:

Black Hills Gas Resources, Inc. ("Black Hills") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) adopted on August 12, 1999, of an unorthodox well location for its Jicarilla Apache 458-5 Well No. 22 (API No. 30-039-29314) in the Mancos formation, WC Basin Mancos Pool (Pool Code 97232), at a point 2230 feet from the North line and 2175 feet from the West line of Section 5, Township 30 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico. The well was originally drilled in 2004 to the Pictured Cliffs formation, East Blanco-Pictured Cliffs Pool, and a 149.18-acre non-standard gas spacing unit comprised of Lots 3, 4, 5 and 6 (NW/4 equivalent) of Section 5 was dedicated to the well. This well is located within the "Mallon/Jicarilla Consolidated Contract Area" which pursuant to Corrected Administrative Order NSL-4355, dated October 2002, authorizes unorthodox well locations in "any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation..." In 2006, Black Hills drilled to the Dakota formation and attempted to completed the well in the Basin Dakota Gas Pool with the N/2 of the section dedicated to the well. The well was not productive in the Dakota formation and it has now been re-completed up-hole in the Mancos formation. The NW/4 equivalent of said Section 5 is dedicated to the well.

HOLLAND & HART^{LLP}



Using the existing wellbore made this completion in the Mancos formation more economically feasible and therefore is in the interest of the prevention of waste and the protection of correlative rights.

This location in the Mancos formation is unorthodox because it is governed by the Division's statewide rules that provide for wells on 160-acre spacing units to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. The proposed well location is unorthodox because it is only 410 feet from the southern boundary of the dedicated spacing unit (250 feet too close) and only 410 feet from the eastern boundary of the dedicated spacing unit (195 feet too close).

Attached hereto as Exhibit A is the Form C-102 plat for the well that shows its survey location, the 149.18-acre spacing unit comprised of the NW/4 equivalent of Section 5. Exhibit B is a plat that shows the proposed unorthodox well location and offsetting spacing units and wells. This well encroaches on offsetting federal acreage to the south, east and southeast where Black Hills is the lessee of 100% of the working interest. The royalty interest is owned by the federal government and is common under the subject spacing unit and the offsetting properties on which the proposed well encroaches. Accordingly, there are no affected parties to whom copies of this application needs to be provided in accordance with Rule 1207 (A)(2).

Your attention to this application is appreciated.

Very truly yours,

William F. Carr

Attorney for Black Hills Gas Resources, Inc.

Enclosures

cc: Brenda J. Mustain, CPL TA
Sr. Division Order & Lease Analyst
Black Hills Exploration and production, Inc.
350 Indiana Street, Suite 400
Golden, Colorado 80401

DISTRICT I
1005 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1201 W. Grand Ave., Artesia, N.M. 88210

DISTRICT III
1000 Rio Grande Rd., Artesia, N.M. 87410

DISTRICT IV
1200 South St. Francis Dr., Santa Fe, NM 87605

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87605

Form C-102

Revised June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|--|---|--|
| *API Number 30-039-29314 | *Pool Code 72400 | *Pool Name E. Blanco/Pictured Cliffs |
| *Property Code -24245, 22858 | *Property Name JICARILLA 458-5 | *Well Number 22 |
| *OCCID No. 013925 | *Operator Name MALLON OIL COMPANY | *Elevation 7271' |

10 Surface Location

| UL or lot no. | Section | Township | Range | Lot No. | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|------------|
| LOT 8 | 5 | 30-N | 3-W | | 2230 | NORTH | 2175 | WEST | RIO ARriba |

11 Bottom Hole Location if Different From Surface

| UL or lot no. | Section | Township | Range | Lot No. | Feet from the | North/South line | Feet from the | East/West line | County |
|------------------------------------|---------|----------|-------|---------|---------------|------------------|---------------------|----------------|------------|
| *Dedicated Survey 149.18 | | | | | *Foot or Inch | | *Consolidation Code | | *Order No. |

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

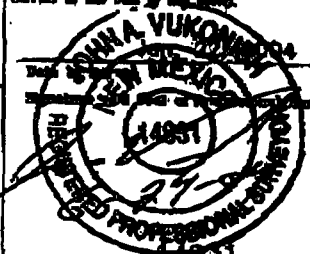
| | | | | |
|---|--|-----------------------------|--|---|
| CALC. CORNER FD. 2 1/2" BC. 1917 U.S.G.L.O. 1.56' SOUTH OF CORNER POSITION LOT 4 W N 00-08-24 2578.1' (M) | LOT 3 | S 89-59-03 W 2638.1' (M) | SEC. CORNER FD. 2 1/2" BC. 1917 U.S.G.L.O. | 17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Kathy L. Schnebeck</i> Signature Kathy L. Schnebeck Printed Name Agent for Mallon Oil Company Title August 25, 2004 Date |
| LOT 5 | LOT 6 | 2230' | LOT 7 | LOT 8 |
| QTR. CORNER FD. 2 1/2" BC. 1917 U.S.G.L.O. | LAT. 36°50'31"N LONG. 107°10'28"W (NAD 83) (NAD 83) | LOT 10 | LOT 9 | 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.  Anna Vukobratovic Printed Name State of New Mexico License No. 14831 Professional Surveyor Certificate Number |
| LOT 12 | LOT 11 | 2175' | LOT 13 | LOT 14 |
| LOT 15 | LOT 16 | 5 | LOT 17 | LOT 18 |

EXHIBIT A

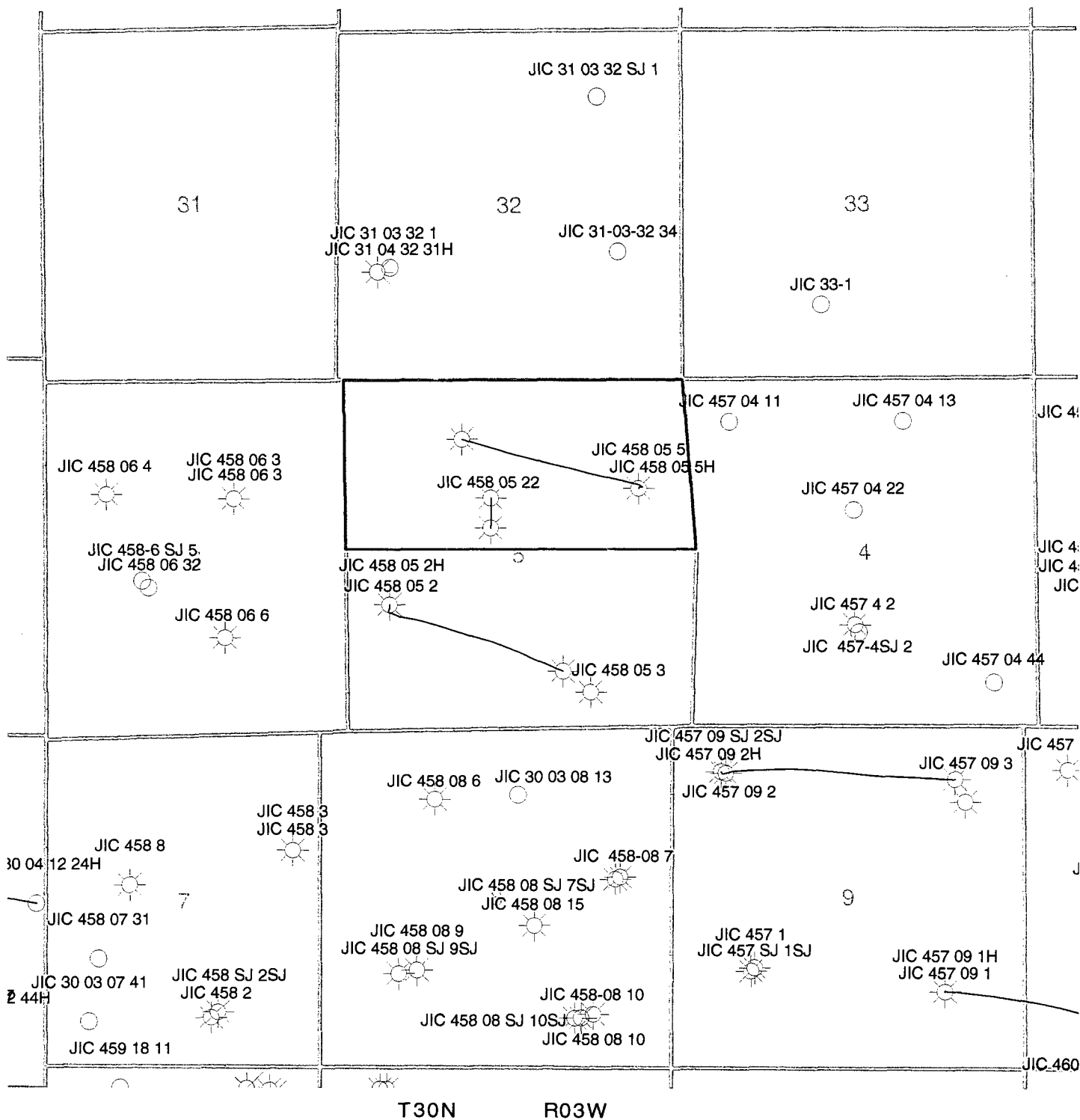


EXHIBIT B



JICARILLA 458 5 #22

Engineer(s): Lam / Peterson
Geologist(s): D. White
Land Dept: Mustain / Byrd
GeoTech(s): Whitten / Buschman

SE NW 5, T30N R3W
Rio Arriba Co., NM

Project: NM - San Juan Basin

AOI: rjw_RioArriba

Map Title: