



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 15, 2006

Black Hills Gas Resources, Inc.
c/o Ms. Ocean Munds-Dry
Holland & Hart LLP
P.O. Box 2208
Santa Fe, NM 87504-2208

RE: Many Canyons 30-04-12 Well No. 44H (API No. 30-039-29971)
SHL: 885 feet from the East Line, 755 feet from the South line
BHL: 721 feet from the West Line, 438 feet from the South line
Section 12, Range 30 North, Township 4 West, NMPM, Rio Arriba County
S/2 of Section 12 (320 Acres Communitized Dedication)

Administrative Order NSL-5480

Dear Ms. Munds-Dry:

Reference is made to the following:

- (a) your application (administrative application reference No. pTDS0630043004 for non-standard location [NSL]) last submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 9, 2006, on behalf of Black Hills Gas Resources, Inc. (Black Hills); and
- (b) the Division's records pertinent to Black Hill's request.

Black Hills has drilled the above referenced horizontal well at the above referenced unorthodox Mancos gas well location within the S/2 of Section 12 and requests to produce Pictured Cliffs gas from the well within a 320-acre, communitized spacing unit within the East Blanco-Pictured Cliffs Gas Pool consisting of the S/2 of Section 12.

The East Blanco-Pictured Cliffs Gas Pool (72400) is governed by statewide Rule 104C(3), which allows 160-acre gas well spacing units with one well located at least 660 feet from the spacing unit boundaries.

Your application states this well was planned at a standard location but was inadvertently drilled to a bottom hole location 438 feet from the southern boundary of Section 12 and therefore encroaches on Pictured Cliffs production in Section 13. It is our understanding that

ownership is common between the S/2 of Section 12 and Section 13 except for Questar Exploration and Production Company who was notified and has signed a waiver.

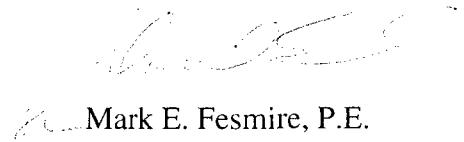
It is our understanding this will be the only Pictured Cliffs well producing in this communitized 320-acre unit.

Your application on behalf of Black Hills has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

Pursuant to the authority granted under the provisions of Division Rule 104.F(2), the above-described unorthodox Pictured Cliffs gas well location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/wvjj

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management – Farmington