12/14/06 DATE IN	SUSPENSE	BROOKS ENGINEER	12/15/06 LOGGED IN	NSL TYPE	APP NO. pTDS06-3493942 3

ABOVE THIS LINE FOR DIVISION USE ONLY

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

Black Hills
Many Canyons 30-04-24#3
5543

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 _____

2006 DEC 14 PM 2 39

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or 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.

Ocean Munds-Dry	Ocean Munds-Dy	Attorney	12-14-06
Print or Type Name	Signature	Title	Date

omundsdry@hollandhart.com
e-mail Address

HOLLAND&HART LLP

Ocean Munds-Dry
Associate
omundsdry@hollandhart.com

December 14, 2006

HAND DELIVERY

Mr. Mark Fesmire, 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 Many Canyons 30-04-24 Well No. 34H **(API No. 30-039-30016)** in the Pictured Cliffs formation, Pictured Cliffs Pool **(Pool Code 72400)** at a surface location 2500 feet from the South line and 1100 feet from the East line and a bottomhole location 2500 feet from the South line and 660 feet from the West line of Section 24, Township 30 North, Range 4 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), of an unorthodox well location for its Many Canyons 30-04-24 Well No. 34H, which is located at a surface location 2500 feet from the South line and 1100 feet from the East line and a bottomhole location 2500 feet from the South line and 660 feet from the West line of Section 24 (Unit L), Township 30 North, Range 4 West, N.M.P.M., Rio Arriba County, New Mexico.

This location in the Pictured Cliffs formation is unorthodox because it is governed by the Division's statewide rules that provide for wells on 320-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 well location is unorthodox because it is only 140 feet from the northern boundary of the dedicated spacing unit.

This location is needed for topographical reasons. The attached topographic map **(Exhibit A)** shows the subject well is positioned in Espinosa Canyon with steep hills on three sides. Further, the surface location was chosen to maximize the length of the lateral portion of the well.

Attached hereto as **Exhibit B** is the Form C-102 plat for the well that shows its survey location and the 320-acre spacing unit comprised of the S/2 of Section 24. **Exhibit C** is a copy of the directional survey on file with the Division confirming the bottomhole location. The well bore enters the top of the Pictured Cliffs formation at 3814 feet (measured depth) or 2472 from the South line and 1093 feet from the East line. The vertical well is cased and cemented. The lateral is completed with a perforated, uncemented liner.

This well encroaches on offsetting acreage to the north in Section 24 where Black Hills is the operator and owns 100% of the working interest in the Pictured Cliffs formation. All mineral, royalty and working interest owners are common in the offsetting spacing unit and hold the same percentage of interests in each spacing unit. Therefore, there are no affected parties who should be notified of this application in accordance with Division rules.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry

Ocean Munds-Dry
ATTORNEY FOR BLACK HILLS GAS RESOURCES

Enclosures

cc: Brenda Mustain (w/o attachments)

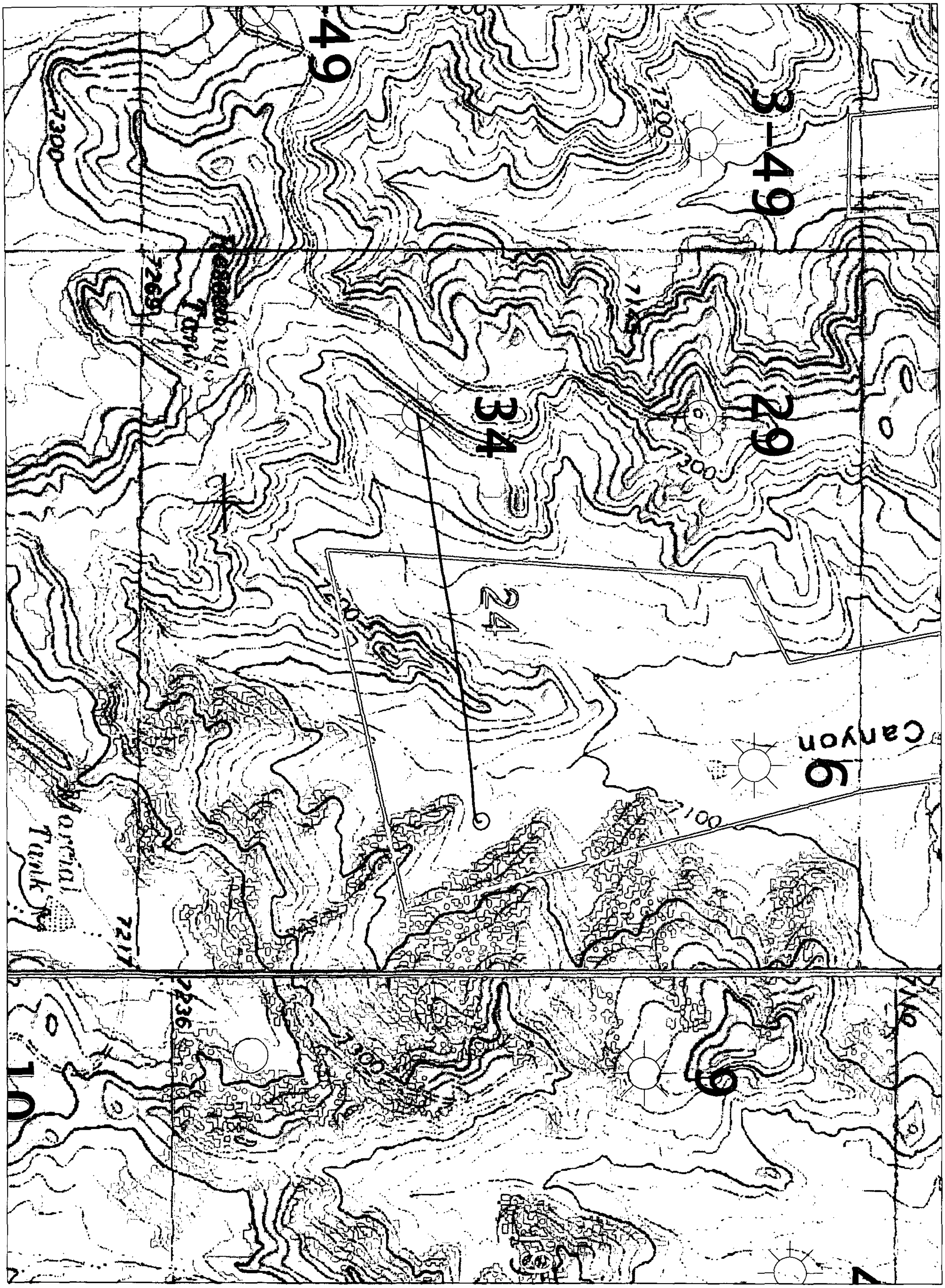


EXHIBIT A

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	
30-039-30016	72400	E. Blanco Pictured Cliffs	72400

[4] Property Code	[5] Property Name	[6] Well Number
35284	MANY CANYONS 30-04-24	34

[7] OGRID No.	[8] Operator Name	[9] Elevation
013925	BLACK HILLS GAS RESOURCES	7133

[10] Surface Location

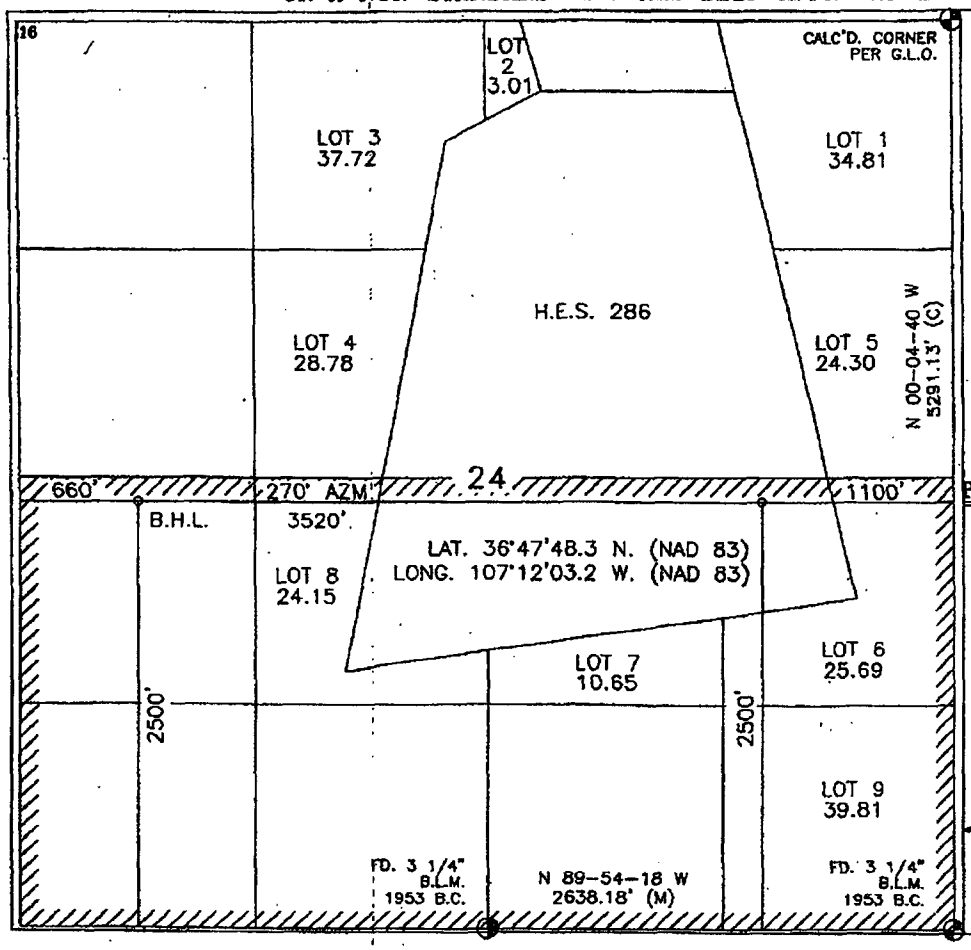
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	24	30-N	4-W		2500	SOUTH	1100	EAST	RIO ARRIBA

[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
L	24	30-N	4-W		2500	SOUTH	660	WEST	RIO ARRIBA

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320 - S/2			

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



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.

Kathy L Schneebeck 08/04/06
Signature Date

Kathy L. Schneebeck
Printed Name

Permit Agent for Black Hills

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.

MAY 2006
Date of Survey

JOHN A. VUKONICH
NEW MEXICO
14831
REGISTERED PROFESSIONAL SURVEYOR
4-28-06

Signature and Seal of Professional Surveyor

Certificate Number

EXHIBIT B

Well Id	MD	INCL	AZMUTH	TVD	Vertical	N-S	E-W
30039300160000	0	0	0	0	0	0	0
30039300160000	3810	1.12	60.7	3809.7	-2.88	-28.4	7.1
30039300160000	3848	20.7	247.7	3846.92	3.37	-30.8	1.14
30039300160000	3879	40.4	244.6	3873.49	18.45	-37.25	-13.15
30039300160000	3910	58.2	254.2	3893.65	41.33	-45.22	-35.1
30039300160000	3941	74.6	265.1	3906.05	69.58	-50.13	-62.93
30039300160000	3975	91.7	266.4	3910.09	103.12	-52.61	-96.47
30039300160000	4006	98.1	266.9	3907.44	133.87	-54.42	-127.29
30039300160000	4038	98.1	266.2	3902.93	165.43	-56.32	-158.91
30039300160000	4069	97.2	265.7	3898.81	196.07	-58.49	-189.56
30039300160000	4100	96.7	265.7	3895.05	226.76	-60.8	-220.24
30039300160000	4132	96.7	265.1	3891.32	258.47	-63.35	-251.92
30039300160000	4163	96.9	264.9	3887.65	289.2	-66.03	-282.58
30039300160000	4194	96.7	264.7	3883.98	319.93	-68.82	-313.24
30039300160000	4225	93	265.1	3881.36	350.77	-71.57	-344
30039300160000	4256	89.8	264.9	3880.6	381.7	-74.27	-374.87
30039300160000	4288	89.7	264.5	3880.74	413.65	-77.22	-406.73
30039300160000	4319	89.9	264.2	3880.85	444.62	-80.28	-437.58
30039300160000	4351	90.1	264.2	3880.85	476.58	-83.51	-469.42
30039300160000	4382	90.1	263.8	3880.8	507.55	-86.75	-500.25
30039300160000	4413	90.1	263.6	3880.74	538.53	-90.15	-531.06
30039300160000	4445	91.5	264.5	3880.3	570.5	-93.47	-562.88
30039300160000	4476	91.8	264.3	3879.4	601.45	-96.49	-593.72
30039300160000	4506	91.7	264	3878.49	631.41	-99.55	-623.55
30039300160000	4538	92.1	263.8	3877.43	663.36	-102.95	-655.35
30039300160000	4569	92.4	263.4	3876.21	694.32	-106.4	-686.14
30039300160000	4600	93.2	263.4	3874.69	725.27	-109.96	-716.9
30039300160000	4632	91.5	262.8	3873.38	757.23	-113.8	-748.64
30039300160000	4663	92.2	262.4	3872.38	788.21	-117.79	-779.36
30039300160000	4694	93.4	262.5	3870.87	819.17	-121.86	-810.06
30039300160000	4725	91.6	262.1	3869.51	850.13	-126.01	-840.74
30039300160000	4757	91.8	262.1	3868.57	882.12	-130.4	-872.43
30039300160000	4788	91.9	261.9	3867.56	913.1	-134.72	-903.11
30039300160000	4819	92	261.7	3866.51	944.08	-139.14	-933.77
30039300160000	4850	91.7	261.4	3865.51	975.07	-143.69	-964.42
30039300160000	4882	90.7	261.7	3864.84	1007.06	-148.39	-996.07
30039300160000	4914	91.2	261.7	3864.31	1039.05	-153.01	-1027.73
30039300160000	4945	92.3	261.7	3863.36	1070.04	-157.48	-1058.39
30039300160000	4976	93.4	261	3861.82	1101	-162.14	-1089
30039300160000	5007	92.1	261.5	3860.33	1131.96	-166.85	-1119.6
30039300160000	5039	91.1	261	3859.44	1163.95	-171.71	-1151.22
30039300160000	5070	90.2	262.1	3859.09	1194.95	-176.27	-1181.88
30039300160000	5101	90	261.6	3859.03	1225.95	-180.66	-1212.56
30039300160000	5132	90.2	261.6	3858.98	1256.95	-185.19	-1243.23
30039300160000	5164	90.3	261.4	3858.84	1288.95	-189.92	-1274.88
30039300160000	5195	90.3	261.1	3858.68	1319.95	-194.64	-1305.52
30039300160000	5226	90.5	261.1	3858.46	1350.94	-199.43	-1336.14
30039300160000	5258	90.5	261.1	3858.18	1382.94	-204.38	-1367.76
30039300160000	5289	88.7	265.5	3858.4	1413.92	-208	-1398.54
30039300160000	5320	88.7	265.5	3859.1	1444.84	-210.43	-1429.43
30039300160000	5352	89.5	259.9	3859.6	1476.81	-214.5	-1461.16

EXHIBIT C

30039300160000	5384	89.9	259.7	3859.77	1508.8	-220.16	-1492.65
30039300160000	5415	90.8	259.4	3859.58	1539.78	-225.79	-1523.13
30039300160000	5446	90.8	259.4	3859.15	1570.75	-231.49	-1553.6
30039300160000	5477	91.5	259.1	3858.53	1601.72	-237.27	-1584.05
30039300160000	5508	92.4	258.7	3857.47	1632.67	-243.23	-1614.45
30039300160000	5540	92	259.5	3856.24	1664.61	-249.28	-1645.85
30039300160000	5571	92.5	259.2	3855.03	1695.56	-255	-1676.3
30039300160000	5602	91.4	259.6	3853.97	1726.52	-260.7	-1706.75
30039300160000	5633	92	259.7	3853.05	1757.49	-266.27	-1737.23
30039300160000	5665	90.8	260.6	3852.27	1789.47	-271.74	-1768.75
30039300160000	5706	91.5	260.9	3851.45	1830.46	-278.33	-1809.21
30039300160000	5738	91.5	260.7	3850.61	1862.44	-283.45	-1840.78
30039300160000	5769	90.1	260.4	3850.18	1893.43	-288.53	-1871.36
30039300160000	5800	90	260.4	3850.15	1924.43	-293.7	-1901.93
30039300160000	5832	90	262.2	3850.15	1956.43	-298.54	-1933.56
30039300160000	5863	90.3	262.2	3850.07	1987.42	-302.75	-1964.27
30039300160000	5894	90.8	261.9	3849.77	2018.42	-307.04	-1994.97
30039300160000	5926	90.3	262.6	3849.47	2050.42	-311.35	-2026.68
30039300160000	5957	88.6	261.7	3849.76	2081.41	-315.59	-2057.38
30039300160000	5988	88.2	261.1	3850.63	2112.4	-320.22	-2088.02
30039300160000	6019	88.1	261.4	3851.63	2143.38	-324.94	-2118.64
30039300160000	6051	87.6	261.1	3852.83	2175.36	-329.8	-2150.25
30039300160000	6082	87.6	260.9	3854.13	2206.33	-334.64	-2180.84
30039300160000	6113	87	260.7	3855.59	2237.29	-339.6	-2211.41
30039300160000	6144	84.8	260.3	3857.8	2268.21	-344.7	-2241.9
30039300160000	6176	86.2	260.7	3860.32	2300.1	-349.96	-2273.37
30039300160000	6207	86.1	261.6	3862.4	2331.03	-354.72	-2303.93
30039300160000	6239	91.6	261.9	3863.04	2363.01	-359.31	-2335.58
30039300160000	6270	92.7	262.7	3861.88	2393.99	-363.46	-2366.28
30039300160000	6301	92.1	262.7	3860.58	2424.95	-367.4	-2397
30039300160000	6333	91.9	262.1	3859.46	2456.93	-371.63	-2428.7
30039300160000	6364	91.9	261.7	3858.43	2487.91	-375.99	-2459.37
30039300160000	6394	91.7	261.9	3857.49	2517.9	-380.27	-2489.05
30039300160000	6426	91.8	261.9	3856.51	2549.88	-384.78	-2520.72
30039300160000	6457	91.7	261.6	3855.57	2580.87	-389.22	-2551.38
30039300160000	6488	91.4	261.1	3854.73	2611.86	-393.88	-2582.02
30039300160000	6520	90.2	260.5	3854.28	2643.85	-399	-2613.6
30039300160000	6551	89.8	260.2	3854.28	2674.84	-404.19	-2644.16
30039300160000	6582	89.6	260.2	3854.44	2705.83	-409.47	-2674.71
30039300160000	6613	89.9	260.6	3854.58	2736.83	-414.64	-2705.27
30039300160000	6645	90	260.6	3854.61	2768.82	-419.87	-2736.85
30039300160000	6676	90.2	260.9	3854.55	2799.82	-424.85	-2767.44
30039300160000	6707	90.1	261.3	3854.47	2830.82	-429.65	-2798.07
30039300160000	6738	89.8	260.7	3854.5	2861.81	-434.5	-2828.69
30039300160000	6770	89.9	260.6	3854.58	2893.81	-439.69	-2860.26
30039300160000	6802	89.9	260.5	3854.64	2925.8	-444.95	-2891.83
30039300160000	6833	93.3	260.5	3853.77	2956.78	-450.06	-2922.39
30039300160000	6879	93.3	260.5	3851.12	3002.7	-457.64	-2967.68

Distance	Direction	Severity
0	0	0
29.27	165.96	0
30.82	177.88	57.4
39.5	199.44	63.73
57.24	217.82	61.91
80.45	231.46	61.85
109.88	241.39	50.44
138.43	246.85	20.71
168.6	250.48	2.17
198.38	252.85	3.31
228.48	254.57	1.61
259.76	255.88	1.86
290.2	256.85	0.91
320.71	257.61	0.91
351.37	258.25	12
382.16	258.79	10.34
414	259.25	1.29
444.88	259.6	1.16
476.79	259.91	0.62
507.71	260.16	1.29
538.66	260.37	0.65
570.59	260.57	5.2
601.51	260.77	1.16
631.45	260.93	1.05
663.39	261.07	1.4
694.34	261.19	1.61
725.28	261.28	2.58
757.24	261.36	5.63
788.21	261.41	2.6
819.17	261.44	3.88
850.14	261.48	5.95
882.12	261.5	0.62
913.1	261.52	0.72
944.08	261.53	0.72
975.07	261.53	1.37
1007.06	261.53	3.26
1039.06	261.53	1.56
1070.04	261.54	3.55
1101	261.53	4.2
1131.96	261.52	4.49
1163.95	261.52	3.49
1194.95	261.52	4.58
1225.95	261.53	1.74
1256.95	261.53	0.65
1288.95	261.53	0.7
1319.95	261.52	0.97
1350.94	261.51	0.65
1382.94	261.5	0
1413.92	261.54	15.33
1444.84	261.63	0
1476.82	261.65	17.68

1508.8	261.61	1.4
1539.78	261.57	3.06
1570.75	261.53	0
1601.72	261.48	2.46
1632.67	261.43	3.18
1664.62	261.39	2.79
1695.58	261.35	1.88
1726.54	261.32	3.78
1757.52	261.29	1.96
1789.5	261.27	4.69
1830.49	261.25	1.86
1862.48	261.25	0.62
1893.47	261.23	4.62
1924.47	261.22	0.32
1956.47	261.22	5.63
1987.46	261.24	0.97
2018.46	261.25	1.88
2050.45	261.27	2.69
2081.45	261.28	6.2
2112.43	261.28	2.33
2143.42	261.28	1.02
2175.39	261.28	1.82
2206.37	261.28	0.64
2237.33	261.27	2.04
2268.25	261.26	7.21
2300.15	261.25	4.55
2331.07	261.25	2.91
2363.05	261.25	17.21
2394.03	261.27	4.39
2424.99	261.29	1.94
2456.96	261.3	1.98
2487.95	261.31	1.29
2517.93	261.31	0.94
2549.91	261.32	0.31
2580.9	261.33	1.02
2611.89	261.33	1.88
2643.88	261.32	4.19
2674.88	261.31	1.61
2705.87	261.3	0.65
2736.87	261.29	1.61
2768.86	261.28	0.31
2799.86	261.27	1.16
2830.86	261.27	1.33
2861.86	261.27	2.16
2893.86	261.26	0.44
2925.86	261.25	0.31
2956.84	261.24	10.97
3002.76	261.23	0