



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 1, 2007

Black Hills Gas Resources, Inc.
c/o Mr. William F. Carr
Holland & Hart LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSL-5960

Re: Many Canyons 30-04-12 Well #124
API No. 30-039-29968
Rio Arriba County

Dear M:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-26136066**), submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 17, 2007, on behalf of Black Hills Gas Resources, Inc. (Black Hills), and

(b) the Division's records pertinent to this request.

Black Hills has requested to drill its Many Canyons 30-04-12 Well No. 124 (API No. 30-039-29968) as a horizontal well that will penetrate the Pictured Cliffs formation at an unorthodox point of penetration. Black Hills proposes to drill this well from an unorthodox surface location 2535 feet from the North line and 135 feet from the East line (Unit H) of Section 12, Township 30 North, Range 4 West, N.M.P.M., in Rio Arriba County, New Mexico, and penetrate the Pictured Cliffs formation at an unorthodox point of penetration, 2485 feet from the North line and 704 feet from the East line (Unit H) of said Section 12, and thence in a northwesterly direction to an orthodox terminus 1980 feet from the North line and 660 feet from the West line (Unit E) of said Section.

The N/2 of Section 12 will be dedicated to this well in order to form a project area in accordance with OCD Rule 111 comprising two standard 160-acre spacing units in the East Blanco-Pictured Cliffs Pool (72400). This pool is governed by statewide Rule 104.C(3), which provides for 160-acres units, with wells located at least 660 feet from a unit outer boundary. The proposed point of penetration is less than 660 feet from the southern unit boundary.

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

It is our understanding that Black Hills is seeking this location because surface considerations necessitate placing the surface location in the extreme southeastern part of the project area, and penetrating the formation at an unorthodox location will enable Black Hills to access the maximum amount of the formation with this wellbore, given the surface location.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because Black Hills owns 100% of the working interest in the adjoining unit to the south.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec
United States Bureau of Land Management - Farmington