

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 Gas Resources  
IWE  
Sicarilla 457-04 #144

**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

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**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 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-Dry Attorney 9-15-08  
 Print or Type Name Signature Title Date  
 omundsdry@hollandhart.com  
 e-mail Address



September 15, 2008

**VIA HAND-DELIVERY**

Mark 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 80-acre non-standard spacing unit for its Jicarilla 457-04 Well No. 144 in the E/2 SE/4 of Section 5, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.**

Dear Mr. Fesmire:

Black Hills Gas Resources, Inc. ("Black Hills"), pursuant to the provisions of Division Rule 104(D)(2)(b) & (c) hereby seeks administrative approval of an 80-acre non-standard spacing unit for its Jicarilla 457-04 Well No. 144 in the E/2 SE/4 of Section 5, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

Black Hills seeks approval of this 80-acre non-standard spacing unit in order to form a project area for the subject well that consists of the E/2 SE/4 and the S/2 of Section 4 for a total of 398.41 acres, more or less. Division Rule 111 defines a "project area" as "an area designated on Form C-102 that is enclosed by the outer boundaries of a spacing unit, a combination of complete spacing units...." Allowables for project areas are established by "the number of standard spacing units (or approved non-standard spacing units) that are developed or traversed by the producing interval of the directional wellbore." Since Black Hills seeks to form a project area that consists of the E/2 of the SE/4, it must first seek approval of the non-standard spacing unit.

Rule 104 provides that the Division Director may grant administrative approval to non-standard spacing units when the unit "consists of quarter-quarter sections or lots joined by a common side; and..." the unit "lies wholly within: a single quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size...." Black Hills plans to drill the Jicarilla 457-04 Well No. 144 to test the Pictured Cliffs formation, East Blanco Pictured Cliffs Pool (72400). This acreage is located within the boundaries of the Jicarilla Apache Tribal Lands Production Area.

**Holland & Hart LLP**

Phone [505] 988-4421 Fax [505] 983-6043 [www.hollandhart.com](http://www.hollandhart.com)

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

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Pursuant to the Special Pool Rules and regulations for the Jicarilla Apache Tribal Lands, a standard spacing unit is 160 acres. See Rule 2, Order No. R-12707.

Black Hills seeks to extend the Jicarilla 457-04 Well No. 144 into Section 5. The well is planned to encounter approximately 1250 feet of lateral exposure in greater than 30 feet net gas thickness in the Pictured Cliffs Sandstone in Section 5. This exposure will nearly double the length of lateral. The proposed well will be outside of production communication risk with the existing Jicarilla 457-09 Well No. 2H to the south. Also the reserves in the SE SE of Section 5 will not be recovered by existing wells or future development wells. See **Exhibit A** attached.

Also on this date, Black Hills is submitting a request to form a non-standard spacing unit for its Jicarilla 458-5 Well No. 2. This well originally had the S/2 of Section 5 dedicated to it. However, Black Hills was only able to extend the bottomhole for that well to the SW/4 SE/4 (Unit O) of Section 5. Thus, Black Hills also seeks to contract the project area for the Jicarilla 458-5 Well No. 2 to include the SW/4 and W/2 SE/4 of Section 5.

Black Hills is the operator of the Jicarilla Apache Tribal Lands Production Area and accordingly of the adjoining spacing units. Black Hills is also the only working interest owner in the offsetting spacing units. Accordingly, no notice is required.

Black Hills plans to spud this well shortly. **Black Hills therefore respectfully requests your expedited review of this application.**

Your attention to this application is appreciated.

Very truly yours,

A handwritten signature in black ink that reads "Ocean Munds-Dry". The signature is written in a cursive, flowing style.

Ocean Munds-Dry  
Attorney for Black Hills Gas Resources, Inc.

cc: Janet Whitmore

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 87605

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

<sup>1</sup> API Number 30-039-30100		<sup>2</sup> Pool Code 72400		<sup>3</sup> Pool Name EAST BLANCO PICTURED CLIFFS	
<sup>4</sup> Property Code 25327		<sup>5</sup> Property Name JICARILLA 457-04			<sup>6</sup> Well Number 144
<sup>7</sup> GRID No. 013925		<sup>8</sup> Operator Name BLACK HILLS GAS RESOURCES			<sup>9</sup> Elevation 7122'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	4	30-N	3-W		775	SOUTH	545	EAST	RIO ARRIBA

<sup>11</sup> 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
P	5	30-N	3-W		1150	SOUTH	1200	EAST	RIO ARRIBA

<sup>12</sup> Dedicated Acres 398.41 PROJECT AREA		<sup>13</sup> Joint or Infill		<sup>14</sup> Consolidation Code		<sup>15</sup> Order No.	
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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

