



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



October 29, 2008

Ms. Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSP-1928

**Re: Black Hills Gas Resources, Inc.
Jicarilla 458-05 Well No. 2H
API No. 30-039-25781
W/2 SE/4 of Section 5-30N-3W
Rio Arriba County**

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-26034798**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 15, 2008, on behalf of Black Hills Gas Resources, Inc. (Black Hills); and

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

Black Hills has requested approval of a non-standard 80-acre gas spacing unit in the Jicarilla Tribal Lands Production Area of the East Blanco-Pictured Cliffs Gas Pool (72400), consisting of the W/2 SE/4 of Section 5, Township 30 North, Range 3 West, NMPM, in Rio Arriba County, New Mexico. Spacing for gas wells in this pool is governed by the Special Rules and Regulations for the Jicarilla Apache Tribal Lands Production Area, as established by Order R-12707, effective January 30, 2007, which provide that a standard spacing unit for a gas well shall consist of 160 acres, comprising an entire governmental quarter section. The proposed non-standard gas spacing unit will be dedicated to Black Hills' Jicarilla 458-05 Well No. 2H (API No. 30-039-25781), a horizontal gas well with a surface location, 1850 feet from the South line and 790 feet from the West line (Unit L) of Section 5, Township 30 North, Range 3 West, NMPM in Rio Arriba County, New Mexico, and a terminus, or bottom-hole location 989 feet from the South line and 1890 feet from the East line (Unit P) of the same section. Black Hills will form a

Oil Conservation Division * 1220 South St. Francis Drive

* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462 * <http://www.emnrd.state.nm.us>



project area (Division Rule 111) for this well consisting of the subject unit and the SW/4 of Section 5.

Your application on behalf of Black Hills has been duly filed under the provisions of Division Rules 104.D(2) and 1210.A(3).

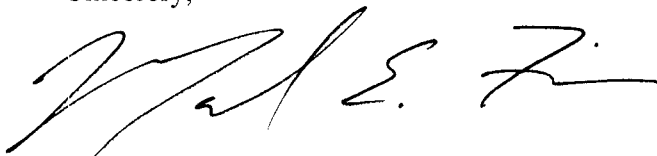
We understand that you are seeking establishment of this non-standard unit because extension of the horizontal Jicarilla 458-05 Well No. 2H into the E/2 SE/4 of Section 5 proved not feasible, and accordingly the inclusion of the E/2 SE/4 of Section in the project area for another horizontal well drilled into that tract from the east is necessary to produce reserves underlying that tract, thereby preventing waste.

It is our understanding that Black Hills owns 100% of the working interest in all of that portion of the SE/4 of Section 5 that is excluded from the subject unit, and also in all offsetting units. Accordingly no notice of this application is necessary.

Pursuant to Rule 104.D(2)(b), the above-described non-standard 80-acre East Blanco-Pictured Cliffs gas spacing unit 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', with a stylized flourish at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

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