

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



April 2, 2009

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

Administrative Order NSL-6022

**Re: Black Hills Gas Resources, Inc.
Many Canyons 29-04-24 Well No. 114H
API No. 30-039
Unit A, Section 24-29N-4W
Rio Arriba County**

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pKAA09-06841877**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Black Hills Gas Resources, Inc. (Black Hills), on March 6, 2009,

(b) your supplemental email dated April 2, 2009, and

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

Black Hills has requested to drill the above-referenced well as a horizontal gas well in the Pictured Cliffs formation, at a location that will be unorthodox under Division Rule 16.14.B(2). The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 675 feet from the North line and 1120 feet from the East line
(Unit A) of Section 24, Township 29N, Range 4W, NMPM
Rio Arriba County, New Mexico

Point of Penetration: 752 feet from the North line and 2188 feet from the East line
(Unit B) of said Section 24.



Terminus 1150 feet from the North line and 2530 feet from the East line
(Unit B) of Section 23, Township 29N, Range 4W.

The NE/4 of Section 23 and the N/2 of Section 24 will be dedicated to the proposed well to form a project area consisting of three standard, 160-acre, more or less, spacing units in the undesignated Choza Mesa Pictured Cliffs Gas Pool (74960). This pool is governed by statewide Rule 15.10.C, which provides for 160-acre units, with wells located at least 660 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval will be less than 660 feet from the western boundary of the project area, and therefore outside the producing area.

Your application on behalf of Black Hills has been duly filed under the provisions of Division Rules 15.13 and 4.12.A(2).

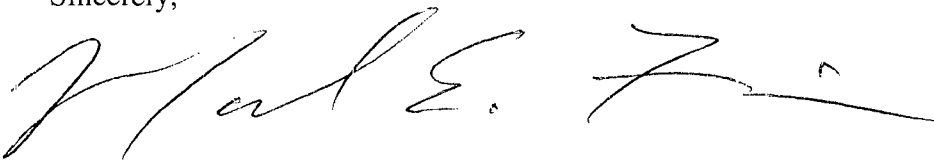
It is our understanding that you are seeking this location for geologic and engineering reasons, in order to achieve optimal drainage of the target formation. It is further understood notice of this application to offsetting operators or owners is not required due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

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