



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Daniel Sanchez
Acting Division Director
Oil Conservation Division



Harrison H. Schmitt
Cabinet Secretary-Designate

January 11, 2011

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

Administrative Order NSL-6316
Administrative Order NSP-1947

Re: Black Hills Gas Resources, Inc.
Jicarilla 464-30 Well No. 724
API No. 30-039-30278
1550 feet FNL & 920 feet FEL
Unit H, Section 30-30N-3W
Rio Arriba County, New Mexico

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your non-standard location application (**administrative application reference No. pTGW1100341756**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Black Hills Gas Resources, Inc. [OGRID13925] (Black Hills), on December 30, 2010,

(b) your non-standard proration unit application (**administrative application reference No. pTGW1100342123**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Black Hills Resources, Inc. [OGRID13925] (Black Hills), on December 30, 2010, and

(c) the Division's records pertinent to these applications.

Black Hills has requested to drill the above-referenced well as a horizontal well in the Mancos 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:

Oil Conservation Division
1220 South St. Francis Drive ▪ Santa Fe, New Mexico 87505
Phone (505) 476-3440 ▪ Fax (505) 476-3462 ▪ www.emnrd.state.nm.us/OCD



Surface Location: 1550 feet from the North line and 920 feet from the East line
(Unit H) of Section 30, Township 30N, Range 3W, NMPM,
Rio Arriba County, New Mexico

Point of Penetration: same as surface location

Terminus 1650 feet from the North line and 701 feet from the East line
(Unit H) of Section 29, said township and range

Black Hills has additionally requested approval of a non-standard, 80-acre, more or less, gas spacing unit in the Basin Mancos Gas Pool (97232) consisting of the E/2 NE/4 of Section 30, Township 30 North, Range 3 West.

The N/2 of Section 29 and the E/2 NE/4 of Section 30, Township 30N, Range 3W, NMPM, will be dedicated to the proposed well to form a project area comprising one standard 320-acre gas spacing unit and one hereby-approved non-standard, 80-acre, more or less, gas spacing unit in the Basin Mancos Gas Pool. Spacing in this pool is governed by the Special Rules for the Basin-Mancos Gas Pool, as promulgated in Order R-12984, issued on September 3, 2008, which provide for 320-acre units, with wells located at least 660 feet from a unit outer boundary. This location is less than 660 feet from the western project area boundary.

Your applications have been duly filed under the provisions of Division Rules 15.13, 15.11.B and 4.12.A(2) and (3).

It is our understanding that you are seeking this non-standard location and unit for engineering reasons, in order to enable optimal drainage of reserves in this project area. It is further understood notice of this application to offsetting operators or owners, or to operators or owners in portions of the half section not included in the proposed project area, 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.

Pursuant to the authority conferred by Division Rule 15.11.B(2), the above-described non-standard unit application is hereby approved

These approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9.

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

Sincerely,



Daniel Sanchez
Acting Director

DS/db

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