

## THE JICARILLA APACHE NATION

P.O. BOX 507 • DULCE, NEW MEXICO • 87528-0507

### RESOLUTION OF THE LEGISLATIVE COUNCIL

#### OIL & GAS ADMINISTRATION

**Re: Application of Black Hills to increase the number of wells permitted to be drilled to and completed in the Pictured Cliffs Formation and In the Tertiary Formations.**

**Resolution No.: 2006-R-513-11**

**WHEREAS**, Black Hills Gas Resources, Inc. ("Black Hills") and the Jicarilla Apache Nation ("Nation") are parties to Oil and Gas Lease Contracts (No(s): 451, 452, 457, 458, 459, 460, 462, 464, MDA 701-98-0013, & MDA 701-90-0002) located on the Nation are as follows: Sections 4-9, 15-22, 26-35 T30N R3W; Section 32 T31N R3W; Sections 3-10 T29N R3W; and

**WHEREAS**, Black Hills filed an application with the New Mexico Oil Conservation Division (Docket No. 13816), to increase the number of wells permitted to be drilled to and completed in the Pictured Cliffs Formation and in the Tertiary Formations underlying the portion of the above described Oil and Gas Lease Contracts identified in the application in Docket No. 13816, a hearing on which is scheduled for November 30, 2006; and

**WHEREAS**, on November 27, 2006, Black Hills presented information to the Jicarilla Oil and Gas Administration as well as this Legislative Council in support of it's application to increase the well density from one horizontal Pictured Cliffs well per 320-acre unit to two horizontal Pictured Cliffs wells per 320-acre unit. Justification is that current spacing is not allowing for the full recovery of the gas in place. The project consists of 55 to 60 new horizontal wells with 88% of these to be placed on existing locations within the leasehold. Pursuant to the review of this information, it has been determined by the Legislative Council that the application of Black Hills will protect the correlative rights of the Nation, will result in a greater ultimate recovery of the natural gas resources from the subject Oil and Gas Lease Contracts with minimal additional surface disturbance, and will prevent waste. Accordingly, the Legislative Council adopts the following Resolution.

**NOW, THEREFORE, BE IT RESOLVED** by the Legislative Council that the Jicarilla Apache Nation does support the application of Black Hills to the New Mexico Oil Conservation Division in Docket No. 13816 for increased density in the Pictured Cliffs Formation and the Tertiary Formations in the portion of the above described Oil and Gas Lease Contracts.

**BE IT FURTHER RESOLVED**, in order to effectuate this Resolution, the Nation, acting by and through the Nation's President, should execute the attached letter addressed to the New Mexico Oil Conservation Division in support of Black Hills' increased density application; and

BEFORE THE OIL CONSERVATION DIVISION  
 Santa Fe, New Mexico  
 Case No. 13816 Exhibit No. 5  
 Submitted by:  
**BLACK HILLS EXPLORATION & PROD., INC.**  
 Hearing Date: November 30, 2006



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**BE IT FURTHER RESOLVED**, that the President of the Nation is authorized and directed to execute this Resolution on behalf of the Nation.

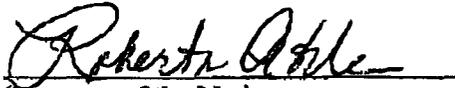


President

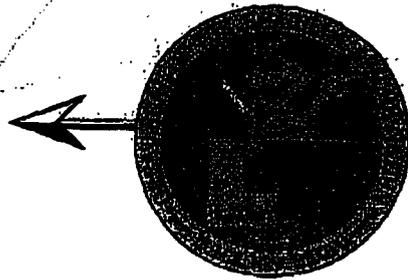
**CERTIFICATION**

The foregoing Resolution was enacted by the Legislative Council of the Jicarilla Apache Nation on the *28<sup>th</sup> day of November, 2006, by a vote of 6 for, 0 against, and 0 abstaining*, at a duly called meeting at which a quorum of the Legislative Council members were present.

ATTEST:



Secretary of the Nation

**The Jicarilla Apache Nation****EXECUTIVE OFFICES**

P.O. Box 507 • Dulce, New Mexico • 87528-0507 • (505) 754-3247

Jicarilla Apache Reservation  
February 11, 1892 1907

November 28, 2006

Mark E. Fesmire, P.E., Director  
Oil Conservation Division  
New Mexico Department of Energy  
Mineral and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Dear Mr. Fesmire;

The Jicarilla Apache Nation is adamant in terms of diligent development of the Nations oil and gas resources. In this light, the Jicarilla Apache Nation supports the proposal from Black Hills Corporation, through its subsidiary Black Hills Gas Resources Inc., for two horizontal Pictured Cliffs wells per 320-acre unit. Please refer to my earlier letter to your office dated November 22, 2006 concerning this matter.

Again, the Jicarilla Apache Nation recommends the Black Hills Corporation proposal to increase the density from one horizontal Pictured Cliffs well per 320-acre unit to two horizontal Pictured Cliffs wells per 320-acre unit. This action will permit Black Hills Corporation to maximize resource recovery.

Sincerely,

Levi Pesata, President  
Jicarilla Apache Nation

Lp/dv



**SPECIAL RULES AND REGULATIONS**  
**FOR THE**  
**JICARILLA APACHE TRIBAL LANDS-PRODUCTION AREA**

**RULE 1:** Each well completed or recompleted in the Jicarilla Apache Tribal Lands-Production Area shall be spaced, drilled, operated and produced in accordance with the Special Rules and Regulations hereinafter set forth.

**RULE 2:** Jicarilla Apache Tribal Lands - Production Area: There is established the "Jicarilla Apache Tribal Lands - Production Area" in the Pictured Cliffs formation, East Blanco-Pictured Cliffs Pool (72400), and the Tertiary Formation, Cabresto Canyon-Tertiary Pool (97037), consisting of the following described acreage in Rio Arriba County, New Mexico:

**TOWNSHIP 30 NORTH, RANGE 3 WEST, NMPM**

Sections 4 through 9:	All
Sections 15 through 22:	All
Sections 26 through 35:	All

**TOWNSHIP 31 NORTH, RANGE 3 WEST, NMPM**

Section 32:	S/2
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**TOWNSHIP 29 NORTH, RANGE 3 WEST, NMPM**

Sections 3 through 10:	All
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**RULE 3:** **ACREAGE AND WELL LOCATION REQUIREMENTS**

A. **Standard GPU (Gas Proration Unit):** A standard GPU in the Jicarilla Apache Tribal Lands – Production Area shall be 160 acres, more or less, comprising a quarter section of a single governmental section, being a legal subdivision of the United States Public Lands Survey.

B. **Well density:**

- (1) As many as two (2) wells may be drilled on a standard GPU, as follows:
  - (a) The INITIAL WELL on each GPU shall be located in accordance with the provisions of subsection C of this rule.
  - (b) An OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section not containing the initial well completed in the same formation.

- (c) no more than two Pictured Cliffs Formation and no more than two Tertiary formation wells shall be located within a quarter section.
- (2) The plat (Form C-102) accompanying the "Application for Permit to Drill ("APD") (Form C-101 or federal equivalent) for subsequent wells on a GPU shall have outlined the boundaries of the GPU and shall show the location (well name, footage location, API number) of all existing wells on the GPU completed in the same formation as the subsequent well plus the proposed new well.

**C. Well locations:**

- (1) Except as provided in subparagraph C.2 below, wells drilled on a GPU shall be located no closer than 660 feet to the outer boundary of the GPU and no closer than 10 feet to any interior quarter-quarter section line or subdivision inner boundary.
- (2) A well drilled or recompleted within the Jicarilla Apache Tribal Lands-Production Area is not subject to the 660 foot setback requirement to the outer boundary of the GPU, provided however:
  - (a) The well shall not be closer than 10 feet to any section, quarter section, or interior quarter- quarter section line or subdivision inner boundary; and
  - (b) the well shall not be closer than 660 feet to the outer boundary of the Jicarilla Apache Tribal Lands - Production Area.

**RULE 4: ADMINISTRATIVE EXCEPTIONS:**

A. The Division Director, in accordance with Division Rule 104, may administratively grant an exception to the well location requirements of subparagraph C.2 above upon application to the Division which includes notification by certified mail-return receipt requested to affected parties [see Division Rule 1207.A(2)].

**RULE 5:** Nothing in these rules shall limit the ability of an operator to drill or produce a directional well on a horizontal well project area pursuant to the provisions of Division Rule 111.A and C.