



December 11, 2007

**VIA HAND DELIVERY**

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

*Case 14057*

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**Re: Application of Black Hills Gas Resources, Inc. for a non-standard proration unit, Rio Arriba County, New Mexico.**

Dear Mr. Fesmire:

Enclosed is the application of Black Hills Gas Resources, Inc. in the above-referenced case as well as a copy of a legal advertisement. Black Hills requests that this matter be placed on the docket for the January 10, 2008 Examiner hearings.

Sincerely yours,

*Ocean Munds-Dry*

Ocean Munds-Dry  
**ATTORNEY FOR  
BLACK HILLS GAS RESOURCES, INC.**

cc: Ms. Brenda Mustain

**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF BLACK HILLS GAS RESOURCES, INC.  
FOR A NON-STANDARD PRORATION UNIT,  
RIO ARRIBA COUNTY, NEW MEXICO**

CASE NO.: 140567

**APPLICATION**

BLACK HILLS GAS RESOURCES, INC., ("Black Hills") through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order creating a non-standard proration unit in Lot 10 of Section 6, the NE/4 and E/2 NW/4 of Section 7 and the N/2 of Section 8 of Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico and in support of its application states:

1. Black Hills is a working interest owner in Lot 10 of Section 6, the NE/4 and E/2 NW/4 of Section 7 and the N/2 of Section 8 of Township 30 North, Range 3 West and has the right to drill thereon.

2. Black Hills seeks an order combining these tracts to form a 583.43-acre proration unit in the East Blanco Pictured Cliffs Gas Pool.

3. Black Hills proposes to dedicate this non-standard proration unit to its Jicarilla 458-08 Well No. 13 to be drilled from a surface location 1000 feet from the North line and 2300 feet from the East line of Section 8 and a bottomhole location 200 feet from the North line and 700 feet from the West line of Section 7, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

4. Black Hills also proposes to incorporate four existing vertical wells in this non-standard unit:

a. The Jicarilla 458-8 Well No. 6 located 1050 feet from the North line and 1700 feet from the West line (Unit C) which is dedicated to a NW/4 spacing unit in said Section 8;

b. The Jicarilla 458 Well No. 8 located 2240 feet from the North line and 1410 feet from the West line (Unit F) of said Section 7 which is dedicated to a 133.39 acre spacing unit in Lot 10 of Section 6 and Lots 3 and 4 in Section 7 (approved by NSL-2530);

c. The Jicarilla 458 Well No. 3 located 1815 from the North line and 230 feet from the East line (Unit H) which is dedicated to a NE/4 spacing unit of Section 7 (approved by NSL-2377); and

d. The Jicarilla 458-8 Well No. 7 located 2270 feet from the North line and 795 feet from the East line (Unit H) which is dedicated to a NE/4 spacing unit of Section 8 (approved by NSL-3993).

5. This area is within the Jicarilla Apache Tribal Lands Production Area in which Black Hills is the Operator.

WHEREFORE, Black Hills Gas Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 10, 2008 and, after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

HOLLAND & HART LLP

By: 

WILLIAM F. CARR  
OCEAN MUNDS-DRY  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

**ATTORNEYS FOR BLACK HILLS GAS  
RESOURCES INC.**

CASE 14057

**Application of Black Hills Gas Resources, Inc. for a non-standard proration unit, Rio Arriba County, New Mexico.** Applicant in the above-styled cause seeks an order creating a non-standard 583.43-acre proration unit, East Blanco Pictured Cliffs Gas Pool, comprised of Lot 10 of Section 6, the NE/4 and the E/2 NW/4 of Section 7 and the N/2 of Section 8, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico. Black Hills proposes to dedicate this non-standard proration unit to its Jicarilla 458-08 Well No. 13 to be drilled from a surface location 1000 feet from the North line and 2300 feet from the East line of said Section 8 and a bottomhole location 200 feet from the North line and 700 feet from the West line of said Section 7. This non-standard proration unit is located approximately 15 miles northeast of Dulce, New Mexico.