

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill, or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE		5. LEASE SERIAL NO. Contract 462	
1. TYPE OF WELL Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other: _____		6. IF INDIAN, ALLOTTEE OR TRIBE NAME Jicarilla Apache Nation	
2. NAME OF OPERATOR Black Hills Gas Resources, Inc.		7. IF UNIT OR CA, AGREEMENT DESIGNATION -	
3. ADDRESS AND TELEPHONE NO. PO Box 249 Bloomfield NM 87413 CONTACT: Lynn Benally PHONE: 505.634.1111 Ext. 27 Fax: 505.634.1116		8. WELL NAME AND NO. Jicarilla 462-23 12	
4. LOCATION OF WELL (Footage, T, R, M, or Survey Description) 505' FNL 1,740' FWL Sec. 23 T 30N R 3W		9. API WELL NO. 30-039-29322	
10. FIELD AND POOL, OR EXPLORATORY AREA East Blanco / Pictured Cliffs		11. COUNTY OR PARISH, STATE Rio Arriba New Mexico	
12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA			
TYPE OF SUBMISSION		TYPE OF ACTION	
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (start/resume)
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Reclamation
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input checked="" type="checkbox"/> Recomplete
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal
13. Describe Proposed or completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with the BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection. The location was permitted for Black Hills Gas Resources, Inc. (Black Hills) with an Application for Permit to Drill (APD) submitted to the Bureau of Land Management (BLM) in Farmington, New Mexico, and the New Mexico Oil Conservation Division (NMOCD) on July 28, 2004. This APD was given API# 30-039-29322 and approved by the BLM on March 21, 2005. Black Hills proposed to re-enter and horizontally drill this location with a southeast lateral bore. End of lateral bore is anticipated to be 1,000' FNL and 660' FEL (NE/4 NE/4) of Section 23 T30N R3W. Please find: Revised Drilling Program, BOP Diagram, Hydrogen Sulfide Drilling Operations Plan and Horizontal Drilling Plan. Please send a copy of all correspondence to Banko Petroleum Management Inc. at 385 Inverness Parkway, Suite 420, Englewood, CO 80112-5849. Please contact David Banko or Kathy Schneebeck at 303-820-4480, or at david@banko1.com or kathys@banko1.com, respectively, if you have any questions. Thank you.			
14. I hereby certify that the foregoing is true and correct			
Name (Printed/Typed) Kathy L. Schneebeck - 303-820-4480		Title: Permit Agent for Black Hills Gas Resources, Inc.	
Signature <i>Kathy L. Schneebeck</i>		Date: July 19, 2005	
THIS SPACE FOR FEDERAL OR STATE OFFICE USE.			
Approved by <i>[Signature]</i>		Title Petr. Eng.	
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.		Date 8/8/05	

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter

NMOCD

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

DISTRICT II
1301 W. Grand Ave., Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
1220 South St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102

Revised June 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

2005 JUL 20 8 10 11

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-29322	*Pool Code 72400	*Pool Name East Blanco; Pictured Cliffs
*Property Code 24245	*Property Name JICARILLA 462-23	*Well Number 12
*OGRID No. 013925	*Operator Name Black Hills Gas Resources, Inc.	*Elevation 7233

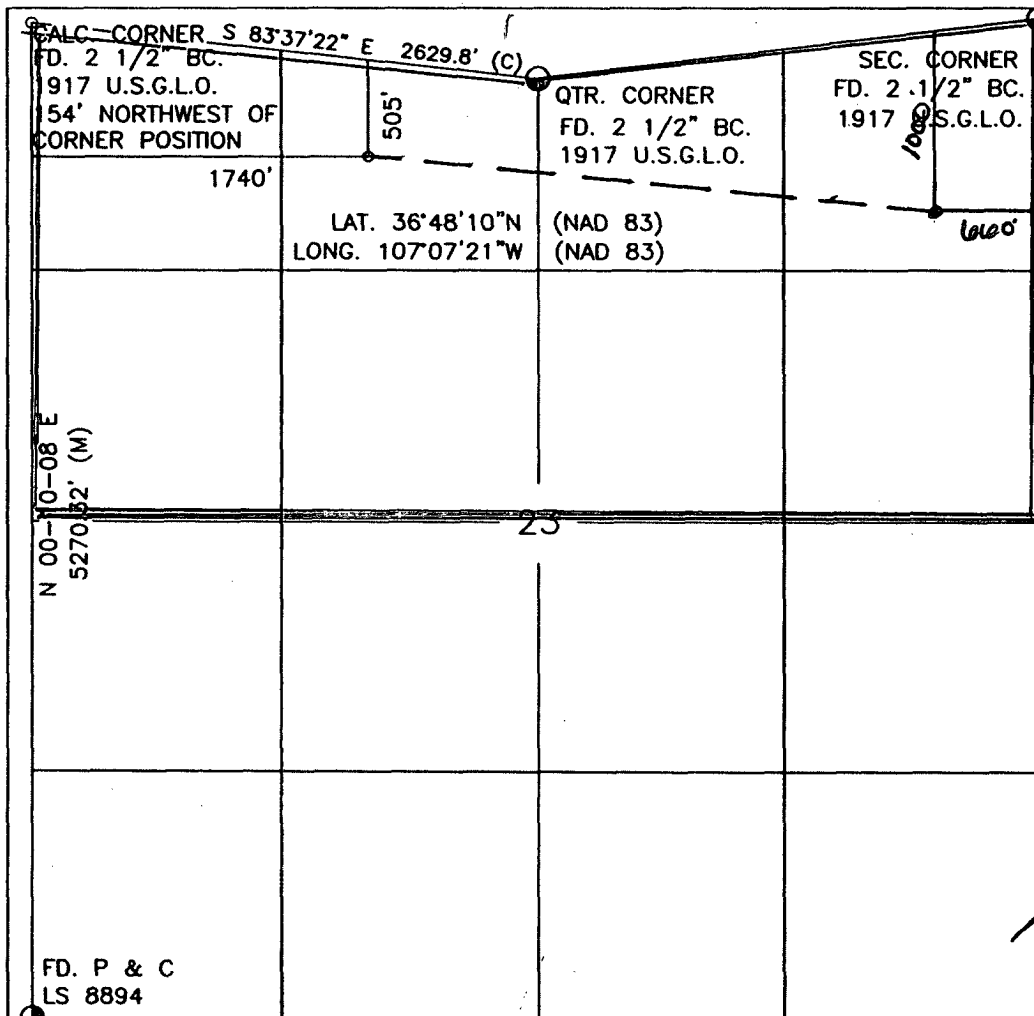
10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	23	30-N	3-W		505	NORTH	1740	WEST	RIO ARriba

11 Bottom Hole Location If Different From Surface

UL or lot no. A	Section 23	Township 30N	Range 3W	Lot Idn	Feet from the 1000	North/South line N	Feet from the 1660	East/West line E	County
Dedicated Acres 320			Joint or Infill		Consolidation Code		Order No.		

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Kathy Schneebek
Signature

Kathy L. Schneebek
Printed Name

Permit Agent for Black Hills Gas Resources, Inc.
Title

July 19, 2005
Date

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

JOHN A. VUKONICH
NEW MEXICO
14831
REGISTERED PROFESSIONAL SURVEYOR

14831
Certificate Number

Black Hills Gas Resources, Inc.
Jicarilla 462-23 12
API #30-039-29322
Surface: 505' FNL 1,740' FWL (NE/4 NW/4)
End of Horizontal Hole: 1,000' FNL 660' FEL (NE/4 NE/4)
T30N R3W Sec. 23
Rio Arriba County, New Mexico
Lease: Contract 462

DRILLING PROGRAM

This Sundry Notice is submitted per CFR 3162.3-2. The existing well pad and reserve pit will be utilized "as is."

This is a horizontal entry into and a deepening of the existing well Jicarilla 462-23 12 to the Pictured Cliffs Formation. See also the attached Horizontal Re-completion Plan.

SURFACE FORMATION – San Jose. Surface water protection plan: Surface casing will be cemented to surface.

GROUND ELEVATION – 7,233' GL

ESTIMATED FORMATION TOPS (Water, oil, gas and/or other mineral-bearing formations).

All Depths are True Vertical Depth (TVD)

San Jose	Surface	Sandstone, shales and siltstones
Nacimiento	1,977'	Sandstone, shales and siltstones
Ojo Alamo	3,185'	Sandstone, shales and siltstones
Fruitland	3,611'	Sandstone, shales and siltstones
Pictured Cliffs	3,700'	Sandstone, shales and siltstones
Lewis	3,808'	Sandstone, shales and siltstones

TOTAL DEPTH 3,659.37' TVD (end of horizontal hole) 2,922.27' TVD (anticipated horizontal section)
6,642.69' MD

Estimated depths of anticipated fresh water, oil, or gas:

Tertiary

San Jose	surface	Gas
Nacimiento	1,977'	Gas
Ojo Alamo	3,185'	Gas
Fruitland	3,611'	Gas
Pictured Cliffs	3,700'	Gas

RE-ENTRY – HORIZONTAL DRILLING PROGRAM

- A) A 2,000-psi WP double-gated BOP will be installed on the tubing head with blind rams on bottom and pipe rams on top controlled by an accumulator placed within easy access to drill and other crew members.
- B) No annular preventor will be placed above BOP stack.
- C) Retrievable whipstock to be set at $\pm 3,676'$.
- D) Window to be milled out of 5-1/2" csg at $\pm 3,662' - 3,676'$.

- E) Kick-off Point is estimated to be at 3,668' depending on collar locations to be located by CBL-CCL log which will be run prior to beginning drilling operations.

CASING PROGRAM

True Vertical Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0' – 254'	12-1/4"	8-5/8"	K-55 24# ST&C	To surface (previously set)
0' – 3,805'	7-7/8"	5-1/2"	K-55 15.5# LT&C	To surface (previously set)
3,668' – 6,643' (MD)	4-3/4"	Open hole	None	None

All fresh water and prospectively valuable minerals encountered during drilling will be recorded by depth and protected.

PRESSURE CONTROL

BOPs and choke manifold will be installed and pressure tested before drilling out under surface casing (subsequent pressure test will be performed whenever pressure seals are broken), and then will be checked daily as to mechanical operating condition. BOP's will be pressure tested at least once every 30 days. Ram type preventors and related pressure control equipment will be pressure tested to 1,000 psi. Annular type preventor will be pressure tested to 50% of the rated working pressure, not to exceed 1,000 psi. All casing strings will be pressure tested to 0.22 psi/ft. or 1,000 psi, whichever is greater, not to exceed 70% of internal yield.

BOP to be either double gate rams or an annular preventor as per Onshore Order No. 2.

Statement on Accumulator System and Location of Hydraulic Controls

The drilling rig has not yet been selected for this well. Selection will take place after approval of this application. Manual and/or hydraulic controls will be in compliance with Onshore Order No. 2 for 2M systems.

A remote accumulator will be used. Pressures, capacities, location of remote hydraulic and manual controls will be identified at the time of the BLM supervised BOP test.

MUD PROGRAM

3,668' - 6,643' MD Low solids non-dispersed
 M.W. 8.5 – 9.2 ppg
 Vis – 28 – 50 sec
 W.L. 15cc or less

Sufficient mud materials to maintain mud properties, control lost circulation and to contain "kick" will be available at wellsite.

AUXILIARY EQUIPMENT

- A) A Kelly cock will be kept in the drill string at all times
- B) Inside BOP or stab-in valve (available on rig floor)
- C) Mud monitoring will be visually observed
- D) Testing: None anticipated.

LOGGING, CORING, TESTING PROGRAM

- A) Logging: CBL-CCL log will be run prior to beginning squeeze work.
- B) Coring: None
- C) Testing: None

ABNORMAL CONDITIONS

- A) Pressures: No abnormal conditions are anticipated
Bottom hole pressure gradient – 0.31 psi/ft
- B) Temperatures: No abnormal conditions are anticipated
- C) H₂S: See H₂S Plan if H₂S is encountered.
- D) Estimated bottomhole pressure: 1,134 psi

ANTICIPATED START DATE

August 15, 2005

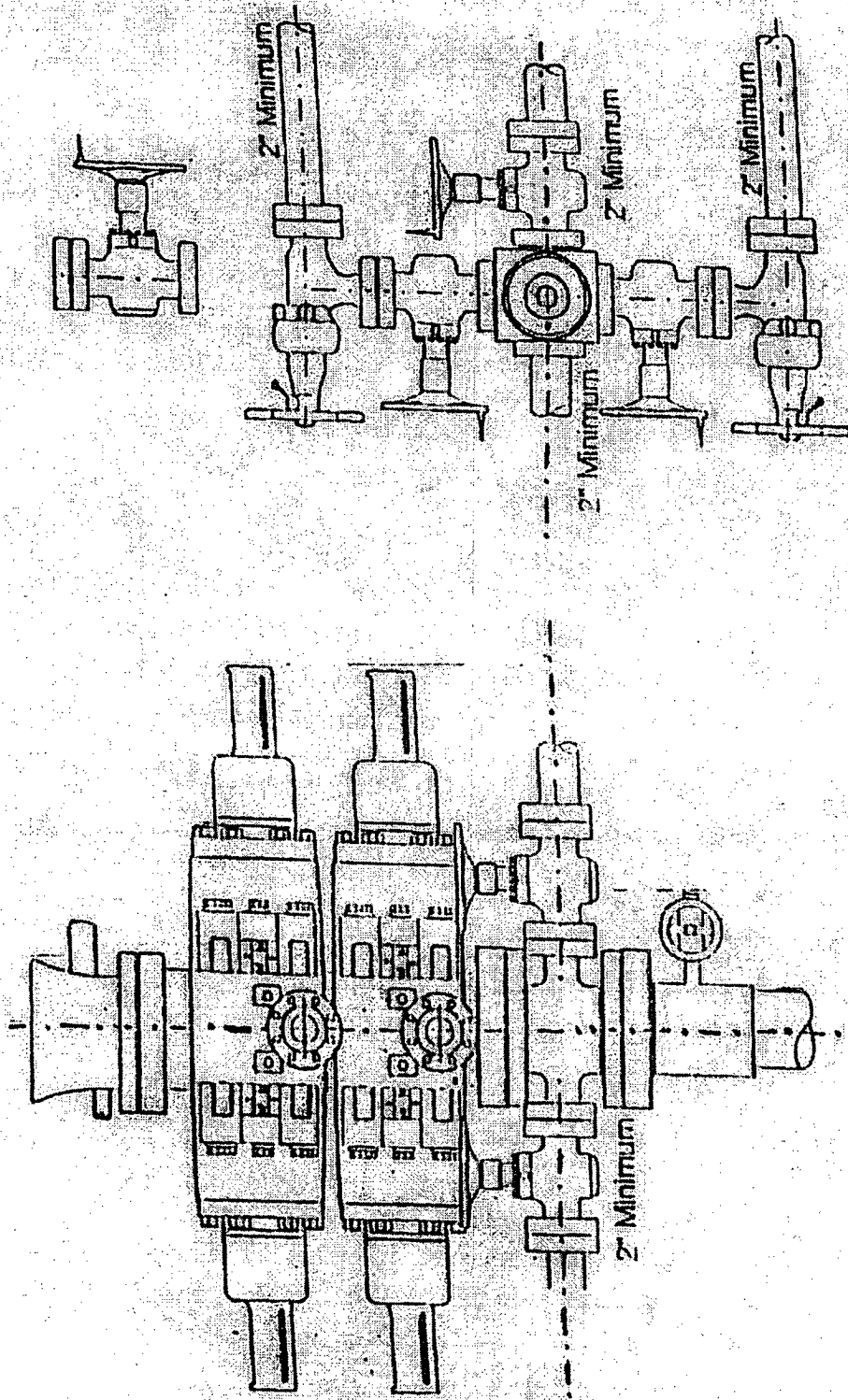
COMPLETION

The location pad is of sufficient size to accommodate all completion activities and equipment. A string of 2-3/8" J-55 4.7#/ft tubing will be run for a flowing string. A Sundry Notice will be submitted with a revised completion program if warranted.

2-M SYSTEM

Black Hills Gas Resources, Inc.

ANNULAR PREVENTOR MAY BE SUBSTITUTED FOR DOUBLE GATE PREVENTORS
BOP PRESSURE TEST TO 1,000 PSI



Hydrogen Sulfide Drilling Operations Plan

I. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H₂S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H₂S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H₂S Safety Equipment and Systems

Note: All H₂S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above or three days prior to penetrating the first zone containing or reasonably expected to contain H₂S.

A. Well control equipment:

1. Choke manifold with a minimum of one remote choke.
2. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.

B. Protective equipment for essential personnel:

1. Mark II Surviveair 30-minute units located in the doghouse and at briefing areas, as indicated on well site diagram.

C. H₂S detection and monitoring equipment:

1. Two portable H₂S monitors positioned on location for best coverage and response. These units have warning lights and audible sirens when H₂S levels of 10 ppm are reached.

D. Visual warning systems:

1. Wind direction indicators as shown on well site diagram.
2. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate. See example attached.

E. Mud program:

1. The mud program has been designed to minimize the volume of H₂S circulated to the surface. Proper mud weight, safe drilling practices, and the use of H₂S scavengers will minimize hazards when penetrating H₂S bearing zones.

F. Metallurgy:

1. All drill strings, casings, tubing, wellhead, blowout preventors, drilling spools, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.
2. All elastomers used for packing and seals shall be H₂S trim.

G. Communication:

1. Cellular telephone communications in company vehicles.

H. Well testing:

1. Drill stem testing will be performed with a minimum number of personnel in the immediate vicinity which are necessary to safely and adequately conduct the test. The drill stem testing will be conducted during daylight hours and formation fluids will not be flowed to the surface. All drill stem testing operations conducted in an H₂S environment will use the closed chamber method of testing.

Black Hills Gas Resources

Jicarilla 462-23 #12

API No. 3003929322

505' FNL & 1740' FWL (NENW) Unit C

Section 23 T30N - R03W

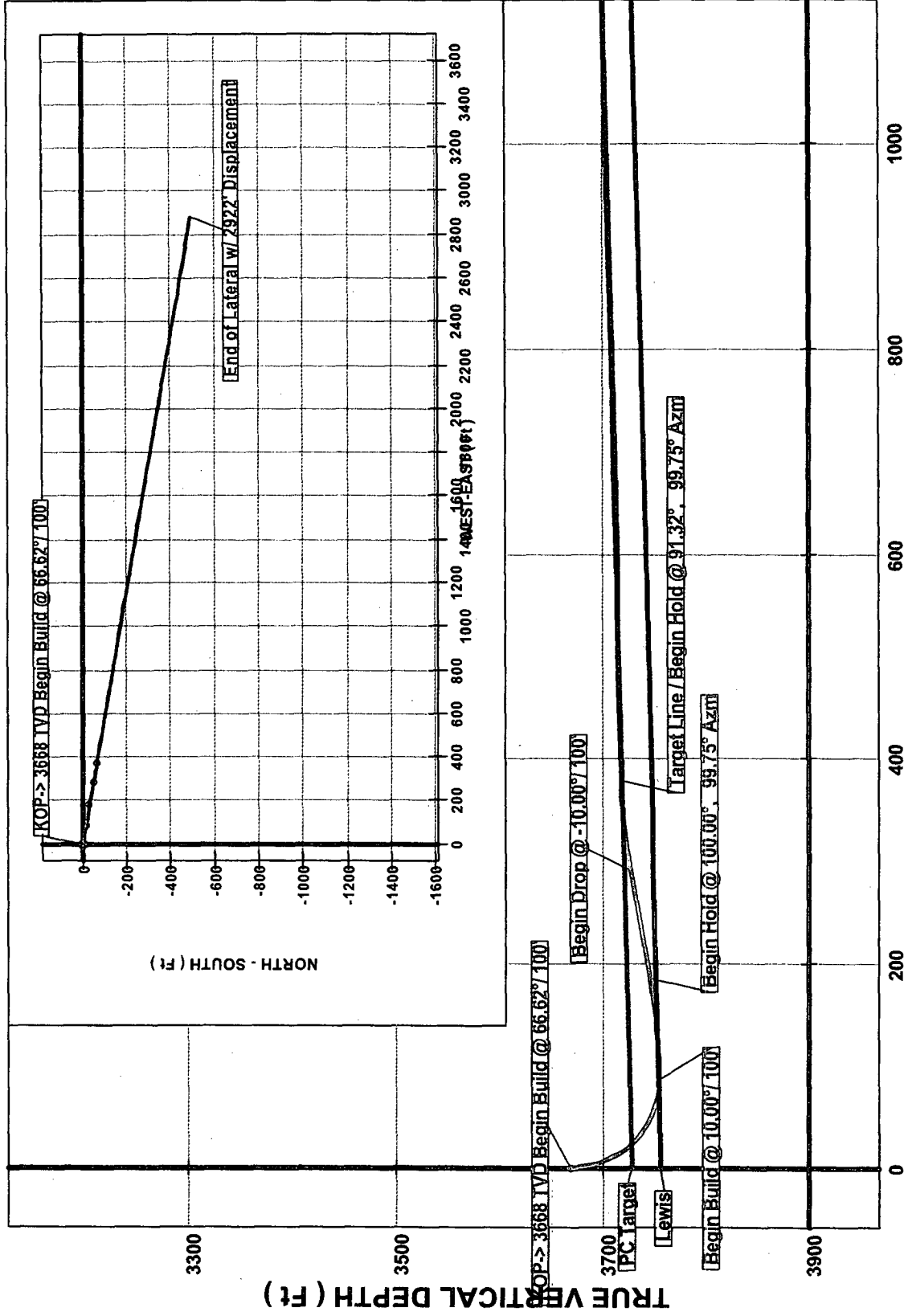
East Blanco Field, Rio Arriba County, New Mexico

Top of Coal:	3616
Bottom of Coal:	3656
KOP:	3668
At Well - (NENW) SEC 23 T30N - R03W	
Top of PC:	3663
PC Target Line:	3728
Bottom of PC:	3756
Top of Lewis:	3756
At BHL - (NENE) SEC 23 T30N - R03W	
Proposed BHL:	1000 FNL & 660 FEL
Azimuth	99.75
Top of PC:	3638
PC Target Line:	3660

Ground Elevation:	7233'
KB Elevation:	7246' (13' KB)
Surface Casing:	8-5/8" 24# K-55 ST&C @ 254'
Production Casing:	5-1/2" 15.5# K-55 LT&C @ 3805'
Plugback TD:	3790'
Perfs:	San Jose:
Perfs:	Nacimiento:
Perfs:	Ojo Alamo:
Perfs:	Pictured Cliffs:
Completion:	No completion

Note: CBL-CCL log will be run prior to beginning drilling operations. Window for kick-off will be cut from 3662 - 3676. KOP is estimated to be at 3668' depending on collar locations.

Job Number: 205-zzz
 Company: BHEP / Mallon Oil
 Lease/Well: Jicarilla 462-23 # 12
 Location: Rio Arriba Co., NM



VERTICAL SECTION (Ft) @ 99.75°