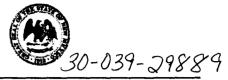
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -1220 South St. Francis Drive, Santa Fe, NM 87505



	······································	ADMINISTRATIVE APPLICATION CHECKLIST ANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS
	cation Acronym	WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE
-ppi	[NSL-Non-Sta [DHC-Dow [PC-Pc	idard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] whole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] of Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposaf] [IPI-Injection Pressure Increase] ified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]
[1]		PLICATION - Check Those Which Apply for [A]
	[A]	Location - Spacing Unit - Simultaneous Dedication NSL
		One Only for [B] or [C]
	[B]	PLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NSL NSP SD One Only for [B] or [C] Commingling - Storage - Measurement DHC CTB PLC PC OLS OLM
	[C]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery WFX PMX SWD IPI EOR PPR
	[D]	Other: Specify
[2]	NOTIFICAT [A]	ON REQUIRED TO: - Check Those Which Apply or Does Not Apply Working, Royalty or Overriding Royalty Interest Owners
	[B]	Offset Operators, Leaseholders or Surface Owner
	[C]	Application is One Which Requires Published Legal Notice
	[D]	Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
	[E]	For all of the above, Proof of Notification or Publication is Attached, and/or,
	[F]	Waivers are Attached
[3]		CURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE .TION INDICATED ABOVE.
	val is accurate a	FION: I hereby certify that the information submitted with this application for administrative ad complete to the best of my knowledge. I also understand that no action will be taken on this quired information and notifications are submitted to the Division.
\	Note	Statement must be completed by an individual with managerial and/or supervisory capacity.
	an Munde	- Dry Ucan Hlands- by attorney 10-25-06 Signature Date
		- Dry Ocean Mands-by Attorney 10-25-06 Signature Omundsdry@hollandhart. wm e-mail Address



Ocean Munds-Dry Associate omundsdry@hollandhart.com

October 25, 2006

HAND DELIVERY

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

Re: Application of Black Hills Gas Resources, Inc. for administrative approval of an unorthodox well location for its Jicarilla Apache 462-22 Well No. 722 (API No. 30-039-29889) in the Mancos formation, WC Basin Mancos Pool (Pool Code 97232) at a location 1975 feet from the North line and 2070 feet from the West line of Section 22, Township 30 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.

Dear Mr. Fesmire:

Black Hills Gas Resources, Inc. ("Black Hills") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4), of an unorthodox well location for its Jicarilla Apache 462-22 Well No. 722 in the Mancos formation, located 1975 feet from the North line and 2070 feet from the West line of Section 22 (Unit F), Township 30 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.

In 2006, this well was originally drilled to the Dakota formation, Basin Dakota Pool and a 320-acre N/2 spacing unit in Section 22 was dedicated to the well. After a meeting with Jicarilla Oil and Gas and the Bureau of Indian Affairs, Black Hills moved the proposed location of the well to 1975 feet from the North line and 2070 feet from the West line. Although the location was five feet too close to the south line of the spacing unit, the application for permit to drill was approved. The well has proven to be unproductive in the Dakota formation and Black Hills now seeks permission to re-enter and re-complete the well in the Mancos formation, WC Basin Mancos Pool. Black Hills has dedicated a standard 160-acre spacing unit consisting of the NW/4 of Section 22.

This well is located within the "Mallon/Jicarilla Consolidated Contract Area" which pursuant to Corrected Administrative Order NSL-4355, dated October 2002, authorizes unorthodox well locations in "any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation..."



Administrative Application October 25, 2006 Page 2

Using the existing wellbore made this completion in the Mancos formation more economically feasible and therefore is in the interest of the prevention of waste and the protection of correlative rights.

This location in the Mancos formation is unorthodox because it is governed by the Division's statewide rules that provide for wells on 160-acre spacing units to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. The proposed well location is unorthodox because it is only 570 feet from the eastern boundary and 665 feet from the southern boundary of the dedicated spacing unit.

Attached hereto as **Exhibit A** is the Form C-102 plat for the well that shows its surveyed location and the 160-acre spacing unit comprised of the NW/4 of Section 22. **Exhibit B** is a plat the shows the proposed unorthodox well location and offsetting spacing units and wells. This well encroaches on offsetting federal acreage to the south, east and southeast where Black Hills is the operator. All interest owners are common in the offsetting spacing units and therefore there are no affected parties to notify pursuant to Division rules.

Your attention to this application is appreciated.

ATTORNEY FOR BLACK HILLS GAS

RESOURCES, INC.

Enclosures

cc: Brenda Mustain (w/o attachments)

District I

1625 N. French Dr., Hobbs, NM 88246

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Rd., Azzec, NM 87410

Disprict IV

1226 S. 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 October 12, 2005

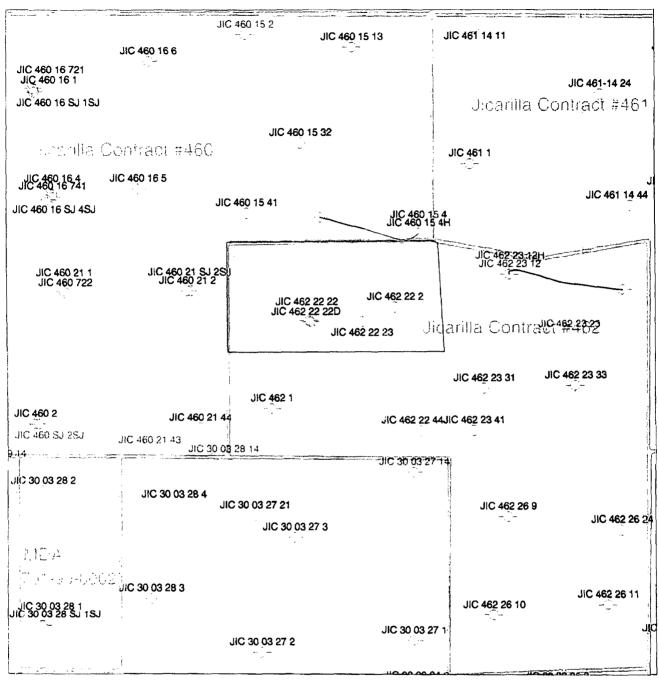
Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

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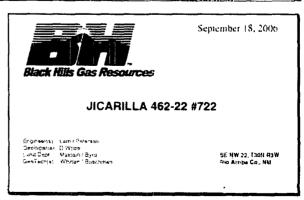


EXHIBIT B