

RCVD OCT30'06
OIL CONS. DIV.
DIST. 3

DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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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

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication

☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] 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] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ 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] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Ocean Munds Dry Ocean Munds Dry Attorney 10-25-06
Print or Type Name Signature Title Date
omundsdry@hollandhart.com
e-mail Address



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

29971
Re: Application of Black Hills Gas Resources, Inc. for administrative approval of an unorthodox well location for its Many Canyons 30-04-12 Well No. 44H (API No. ~~30-039-29889~~) in the Mancos formation, WC Basin Mancos Pool (Pool Code 97232) at a surface location 755 feet from the South line and 885 feet from the East line and a bottomhole location 721 feet from the West line and 438 feet from the South line of Section 12, Township 30 North, Range 4 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 Many Canyons 30-04-12 Well No. 44H, which is located at a surface location 755 feet from the South line and 885 feet from the East line and an unorthodox bottomhole location 721 feet from the West line and 438 feet from the South line of Section 12 (Unit M), Township 30 North, Range 4 West, N.M.P.M., Rio Arriba County, New Mexico.

This location in the Mancos formation is unorthodox because it is governed by the Division's statewide rules that provide for wells on 320-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 well location is unorthodox because it is only 438 feet from the southern boundary of the dedicated spacing unit. Black Hills applied for a standard bottomhole location of 775 feet from the South line and 660 feet from the West line. However, as the attached directional survey shows, the bottomhole location is 438 feet from the South line and 721 feet from the West line of said Section 12.

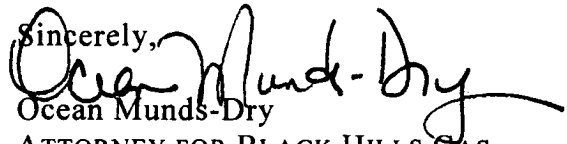
Attached hereto as **Exhibit A** is the Form C-102 plat for the well that shows its survey location and the 320-acre spacing unit comprised of the S/2 of Section 12. **Exhibit B** is a plat that shows the unorthodox well location and offsetting spacing units and wells.



Exhibit C is a copy of the directional survey on file with the Division confirming the bottomhole location.

This well encroaches on offsetting acreage to the south in Section 13 where Black Hills is the operator. **Exhibit D** is a plat of the showing the subject spacing unit and the offsetting spacing unit in Section 13. All mineral, royalty and working interest owners are common in the offsetting spacing unit except for Questar Exploration and Production Company who holds a 40% working interest in the offsetting spacing unit in Section 13. **Exhibit E** is a waiver letter from Questar approving the unorthodox location of the subject well. Therefore, there are no affected parties who should be notified of this application in accordance with Division rules.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry
ATTORNEY FOR BLACK HILLS GAS
RESOURCES

Enclosures

cc: Brenda Mustain (w/o attachments)

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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-29971		*Pool Name East Blanco / Pictured Cliffs
*Property Code 35770	*Property Name MANY CANYONS 30-04-12	*Well Number 44H
*OGRID No. 013925	*Operator Name BLACK HILLS GAS RESOURCES	*Elevation 6970

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
P	12	30-N	4-W		755	SOUTH	885	EAST	RIO ARriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	12	30-N	4-W		775	SOUTH	660	WEST	RIO ARRIBA

¹² Dedicated Acres 320 See Attached	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

16		LOT 1	
		LOT 2	
LOT 4		FD. 3 1/4" B.L.M. 1953 B.C.	
LOT 5		LOT 3	
H.E.S. 292 B.H.L.		FD. 3 1/4" B.L.M. 1953 B.C.	
LOT 6		LOT 7	
LAT. 36°49'15.5" N. (NAD 83) LONG. 107°12'00.9" W. (NAD 83)		N 00-30-37 E 2641.20' (M)	
FD. 3 1/4" B.L.M. 1953 B.C.		H.E.S. 291 N 89-53-31 W 5246.65' (M)	
		885'	
		755'	

17 OPERATOR CERTIFICATION

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

Kathy L. Schneebeck
Signature

Kathy L. Schneebeck
Printed Name

Permit Agent for Black Hills
Title

June 15, 2006
Date

18 SURVEYOR CERTIFICATION

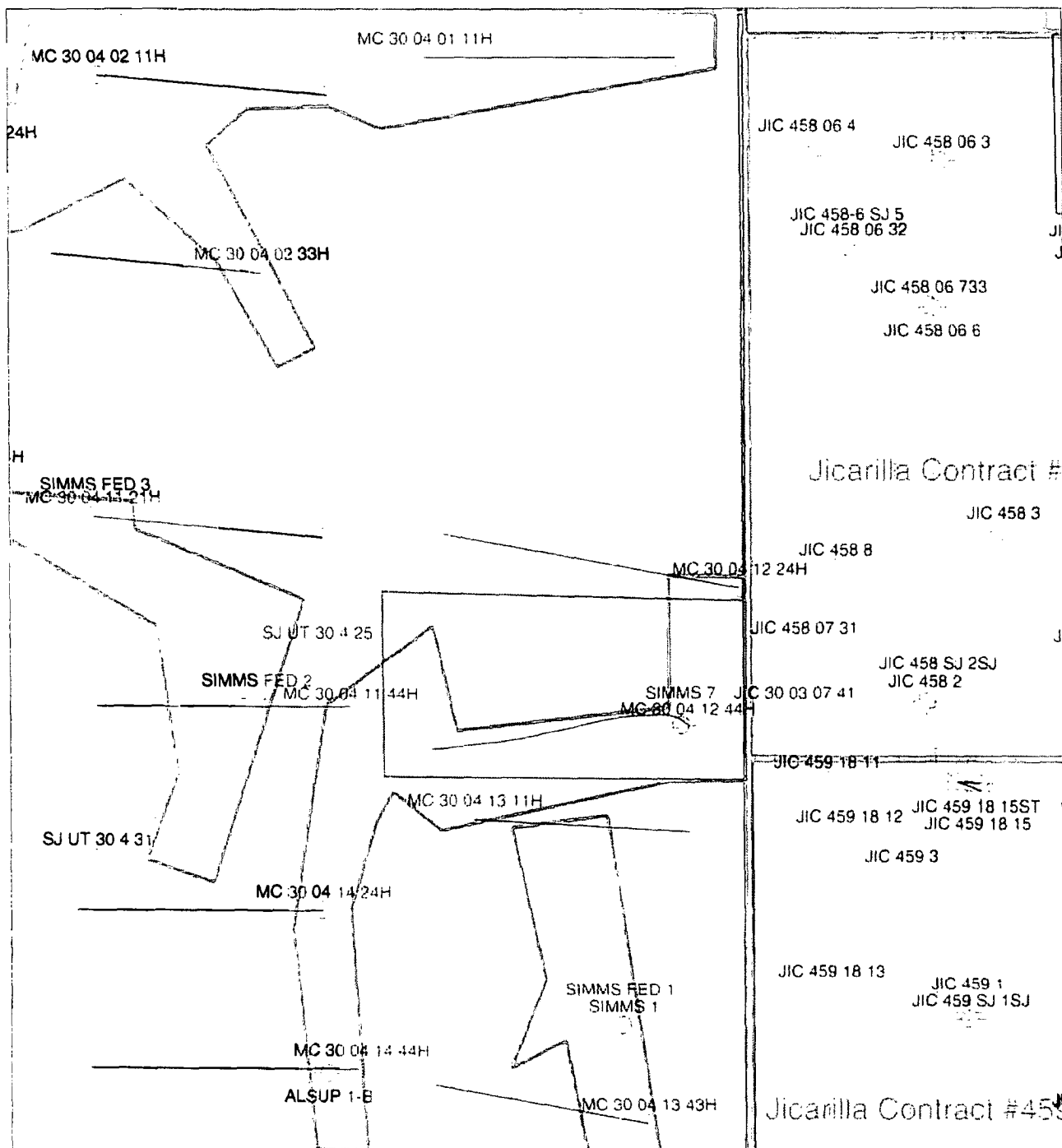
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

MAY 14 2006
Date

John P. Vukonic
Signature

NEW MEXICO
REGISTERED PROFESSIONAL SURVEYOR
14831

Certificate Number



September 18, 2006

Many Canyons 30-04-12 #44H

Engineered: John Peterson
Geological: G. White
Land Clerk: Michael B. Bink
Drafted: William J. Buschman

9E 9E 12, 130N R4W
Rio Arriba Co., NM

EXHIBIT B

30-034-29971

1724-B Townshurst Dr, Houston, Tx 77043
(713) 827-8302
www.nevisenergy.com

Job Number: 61191

Company: Black Hills E&P

Lease/Well: Many Canyons 30-04-12 #4445

Location: Rio Arriba Co., NM

Rig Name: □

RKB: □

G.L. or M.S.L.: □

State/Country: NM/USA

Declination: 10.20586

Grid: -0.36

File name: N:\BLACKH-1\2006\61191M-1\30041244.SVY

Date/Time: 28-Aug-06 / 08:52

Curve Name: Actual

Surface 755/S 888/E
Horiz. origin: 780/S 909/E
Horiz. Term: 455/S 1359/W

WINSERVE SURVEY CALCULATIONS

Minimum Curvature Method

Vertical Section Plane 284.57

Vertical Section Referenced to Wellhead

Rectangular Coordinates Referenced to Wellhead

Md 3803
TVd 3749
md 2 6817
TVd 2 3693

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	Vertical Section FT	N-S FT	E-W FT	CLOSURE Distance FT	Direction Deg	Dogleg Severity Deg/100
Tie-In									
3629.00	1.07	53.30	3628.50	-15.92	-41.10	19.90	45.66	154.16	.00
First Nevis MWD Survey									
3657.00	6.90	312.60	3656.43	-15.02	-39.80	18.87	44.05	154.64	25.63
3667.00	12.20	311.70	3666.29	-13.90	-38.69	17.64	42.52	155.49	53.02
3677.00	17.50	306.50	3675.95	-12.06	-37.09	15.64	40.26	157.14	54.60
3688.00	23.50	309.00	3686.25	-9.26	-34.73	12.60	36.94	160.05	55.11
3719.00	40.40	313.90	3712.47	1.78	-23.79	.47	23.80	178.87	55.11
3750.00	57.00	312.10	3732.85	17.22	-8.00	-16.53	18.37	244.18	53.72
3781.00	74.20	311.90	3745.61	36.24	10.82	-37.44	38.97	286.12	55.49
3803.00	88.10	311.30	3748.99	51.03	25.21	-53.65	59.28	295.17	63.24
3815.00	94.30	309.30	3748.74	59.40	32.97	-62.80	70.93	297.70	54.28
3846.00	102.30	300.30	3744.26	82.76	50.46	-87.93	101.38	299.85	38.60
3877.00	105.00	295.60	3736.94	107.90	64.58	-114.52	131.48	299.42	17.11
3908.00	105.80	291.00	3728.70	134.10	76.40	-141.96	161.22	298.29	14.54
3940.00	102.00	287.20	3721.01	162.35	86.55	-171.31	191.93	296.81	16.55
3971.00	97.00	286.50	3715.90	190.63	95.41	-200.56	222.10	295.44	16.28
4003.00	92.90	284.70	3713.14	220.38	103.98	-231.26	253.56	294.21	13.98
4034.00	91.00	279.80	3712.08	249.89	110.55	-261.53	283.93	292.92	16.94
4070.00	88.40	275.30	3712.27	284.96	115.28	-297.20	318.78	291.20	14.44
4101.00	87.60	274.50	3713.35	315.44	117.93	-328.07	348.62	289.77	3.65
4133.00	86.50	274.20	3715.00	346.93	120.35	-359.93	379.52	288.49	3.56
4164.00	88.60	270.40	3716.33	377.61	121.59	-390.87	409.35	287.28	13.99

HOLD C104 FOR NSL

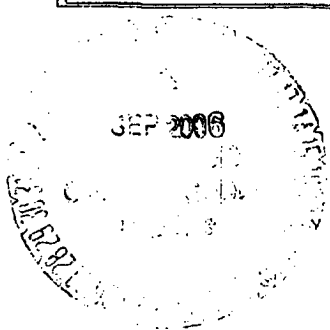
By

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	Vertical Section FT	N-S FT	E-W FT	CLOSURE		Dogleg Severity Deg/100
							Distance FT	Direction Deg	
4196.00	89.10	270.30	3716.97	409.44	121.79	-422.86	440.05	286.07	1.59
4227.00	88.70	270.40	3717.56	440.28	121.98	-453.86	469.96	285.04	1.33
4258.00	89.70	268.00	3718.00	471.17	121.55	-484.85	499.85	284.07	8.39
4289.00	89.60	268.30	3718.19	502.11	120.55	-515.83	529.73	283.15	1.02
4321.00	90.20	267.10	3718.24	534.06	119.26	-547.81	560.64	282.28	4.19
4352.00	89.70	266.80	3718.27	565.04	117.61	-578.76	590.59	281.49	1.88
4383.00	90.10	267.30	3718.32	596.01	116.02	-609.72	620.66	280.77	2.07
4415.00	90.00	267.00	3718.29	627.97	114.43	-641.68	651.80	280.11	.99
4446.00	91.10	266.00	3718.00	658.95	112.53	-672.62	681.97	279.50	4.80
4477.00	91.00	265.40	3717.43	689.94	110.21	-703.53	712.11	278.90	1.96
4509.00	91.10	265.40	3716.84	721.93	107.64	-735.42	743.26	278.33	.31
4536.00	91.30	266.00	3716.28	748.92	105.62	-762.34	769.62	277.89	2.34
4567.00	91.00	264.70	3715.65	779.91	103.11	-793.23	799.90	277.41	4.30
4599.00	91.10	264.70	3715.07	811.91	100.15	-825.09	831.14	276.92	.31
4630.00	90.90	264.40	3714.53	842.90	97.21	-855.94	861.44	276.48	1.16
4662.00	90.90	262.90	3714.02	874.89	93.67	-887.74	892.67	276.02	4.69
4702.00	91.00	262.90	3713.36	914.87	88.73	-927.43	931.66	275.46	.25
4723.00	91.10	262.40	3712.98	935.86	86.04	-948.25	952.15	275.18	2.43
4754.00	91.10	262.00	3712.38	966.82	81.83	-978.96	982.37	274.78	1.29
4786.00	91.40	261.60	3711.68	998.78	77.27	-1010.63	1013.58	274.37	1.56
4817.00	91.90	261.30	3710.79	1029.72	72.66	-1041.27	1043.80	273.99	1.88
4848.00	89.30	260.30	3710.47	1060.65	67.71	-1071.86	1074.00	273.61	8.99
4880.00	89.90	260.70	3710.69	1092.57	62.43	-1103.42	1105.19	273.24	2.25
4911.00	89.90	259.80	3710.74	1123.48	57.18	-1133.98	1135.42	272.89	2.90
4942.00	90.30	260.00	3710.69	1154.37	51.74	-1164.50	1165.64	272.54	1.44
4972.00	90.20	259.00	3710.56	1184.26	46.27	-1193.99	1194.89	272.22	3.35
5003.00	90.10	258.60	3710.48	1215.10	40.25	-1224.40	1225.06	271.88	1.33
5035.00	90.20	258.00	3710.39	1246.91	33.76	-1255.74	1256.19	271.54	1.90
5066.00	90.10	257.20	3710.31	1277.68	27.11	-1286.01	1286.30	271.21	2.60
5097.00	90.10	257.20	3710.26	1308.42	20.24	-1316.24	1316.40	270.88	.00
5129.00	90.20	256.80	3710.17	1340.14	13.04	-1347.42	1347.49	270.55	1.29
5160.00	89.90	254.60	3710.15	1370.77	5.38	-1377.46	1377.47	270.22	7.16
5192.00	90.30	253.50	3710.09	1402.23	-3.41	-1408.23	1408.23	269.86	3.66
5223.00	90.00	255.40	3710.01	1432.75	-11.72	-1438.09	1438.14	269.53	6.20
5254.00	89.80	255.40	3710.06	1463.35	-19.53	-1468.09	1468.22	269.24	.65
5286.00	88.40	257.20	3710.57	1495.01	-27.11	-1499.17	1499.42	268.96	7.13
5316.00	88.30	257.30	3711.43	1524.76	-33.73	-1528.42	1528.79	268.74	.47
5348.00	88.20	257.00	3712.41	1556.47	-40.84	-1559.61	1560.14	268.50	.99
5379.00	88.10	256.60	3713.41	1587.17	-47.92	-1589.77	1590.49	268.27	1.33
5410.00	88.10	257.60	3714.44	1617.89	-54.84	-1619.97	1620.90	268.06	3.22
5442.00	88.40	257.80	3715.41	1649.65	-61.65	-1651.22	1652.37	267.86	1.13
5473.00	88.50	257.70	3716.25	1680.42	-68.22	-1681.51	1682.89	267.68	.46
5484.00	88.50	258.00	3716.54	1691.34	-70.54	-1692.26	1693.73	267.61	2.73
5516.00	88.00	257.20	3717.52	1723.09	-77.41	-1723.49	1725.23	267.43	2.95
5547.00	87.90	257.30	3718.63	1753.81	-84.24	-1753.71	1755.73	267.25	.46

30-039-29971

Measured Depth FT	Incl Angle Deg	Drift Direction Deg	True Vertical Depth	Vertical Section FT	CLOSURE				Dogleg Severity Deg/100
					N-S FT	E-W FT	Distance FT	Direction Deg	
5578.00	89.70	258.50	3719.28	1784.60	-90.74	-1784.01	1786.32	267.09	6.98
5610.00	90.00	258.70	3719.36	1816.42	-97.07	-1815.38	1817.98	266.94	1.13
5641.00	90.20	258.70	3719.31	1847.26	-103.14	-1845.78	1848.66	266.80	.65
5672.00	90.70	258.40	3719.06	1878.09	-109.29	-1876.16	1879.34	266.67	1.88
5703.00	91.20	258.20	3718.55	1908.90	-115.58	-1906.52	1910.02	266.53	1.74
5735.00	90.80	257.70	3717.99	1940.68	-122.26	-1937.81	1941.66	266.39	2.00
5766.00	89.10	258.00	3718.02	1971.46	-128.78	-1968.11	1972.32	266.26	5.57
5829.00	89.10	258.00	3719.01	2034.04	-141.88	-2029.73	2034.68	266.00	.00
5860.00	89.10	257.40	3719.49	2064.82	-148.48	-2060.01	2065.35	265.88	1.94
5891.00	88.90	257.70	3720.03	2095.58	-155.17	-2090.28	2096.03	265.75	1.16
5922.00	88.60	257.70	3720.71	2126.35	-161.77	-2120.56	2126.72	265.64	.97
5954.00	89.90	258.50	3721.13	2158.14	-168.37	-2151.87	2158.44	265.53	4.77
5986.00	90.50	258.50	3721.02	2189.96	-174.75	-2183.22	2190.21	265.42	1.87
6017.00	90.60	258.50	3720.72	2220.79	-180.93	-2213.60	2220.98	265.33	.32
6048.00	90.20	258.20	3720.50	2251.60	-187.18	-2243.96	2251.75	265.23	1.61
6080.00	90.10	258.30	3720.42	2283.41	-193.70	-2275.29	2283.52	265.13	.44
6111.00	90.00	258.40	3720.39	2314.23	-199.96	-2305.65	2314.31	265.04	.46
6142.00	92.10	259.30	3719.83	2345.06	-205.95	-2336.06	2345.12	264.96	7.37
6174.00	92.90	259.60	3718.43	2376.91	-211.81	-2367.49	2376.94	264.89	2.67
6205.00	93.20	259.70	3716.78	2407.75	-217.37	-2397.94	2407.77	264.82	1.02
6237.00	93.40	259.30	3714.94	2439.57	-223.19	-2429.35	2439.58	264.75	1.40
6268.00	93.50	259.00	3713.07	2470.38	-229.02	-2459.74	2470.38	264.68	1.02
6299.00	92.50	259.30	3711.45	2501.19	-234.84	-2490.15	2501.20	264.61	3.37
6330.00	92.90	259.40	3709.99	2532.03	-240.57	-2520.58	2532.03	264.55	1.33
6362.00	93.10	260.60	3708.31	2563.89	-246.12	-2552.05	2563.89	264.49	3.80
6393.00	93.30	260.80	3706.58	2594.77	-251.12	-2582.59	2594.77	264.45	.91
6424.00	91.00	262.40	3705.42	2625.70	-255.64	-2613.24	2625.71	264.41	9.04
6456.00	90.70	262.10	3704.95	2657.67	-259.96	-2644.94	2657.68	264.39	1.33
6487.00	90.00	263.80	3704.76	2688.66	-263.76	-2675.70	2688.67	264.37	5.93
6518.00	90.00	263.60	3704.76	2719.65	-267.16	-2706.52	2719.67	264.36	.65
6550.00	90.80	263.80	3704.53	2751.65	-270.67	-2738.32	2751.67	264.35	2.58
6582.00	91.60	264.20	3703.86	2783.64	-274.02	-2770.14	2783.66	264.35	2.79
6644.00	93.00	264.30	3701.38	2845.59	-280.23	-2831.78	2845.61	264.35	2.26
6706.00	93.70	263.20	3697.75	2907.47	-286.96	-2893.30	2907.50	264.34	2.10
6737.00	92.10	263.60	3696.18	2938.43	-290.52	-2924.06	2938.45	264.33	5.32

Last Nevis MWD Survey									
6769.00	91.90	263.30	3695.07	2970.40	-294.17	-2955.83	2970.43	264.32	1.13
Projection to TD									
6817.00	92.00	263.20	3693.43	3018.36	-299.81	-3003.47	3018.39	264.30	.29



MC 30-4-12#44
PC HORIZ
P 12 30-4
SURF: 755 FS - 885 FE
-300 -3003
455 FS 5247
Bottom -
HOLE - 1359 FW

Black Hills Gas Resources

A Black Hills Corporation Enterprise

350 Indiana Street, Suite 400 Golden, CO 80401

Jim Bob Byrd
Land Consultant

Bus: (303) 204-1258
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September 26, 2006

Questar Exploration and Production Company
1050 17th St., Suite 500
Denver, Colorado 80265
Attention: Cory Miller

RE: Waiver/Request for Unorthodox Location Approval
Many Canyons 30-04-12 #44H
T30N, R4W, Sec. 24: S/2
Rio Arriba County, New Mexico

Dear Mr. Miller,

Black Hills Gas Resources, Inc. ("BHGR") has recently drilled and completed the captioned well within the spacing unit comprised of the S/2 of Section 12, Township 30 North, Range 4 West, NMPM, Rio Arriba County, New Mexico. The well was spud from a surface location 755 feet from the south line and 885 feet from the east line of said Section 12 to a bottom hole location 721 feet from the west line and 438 feet from the south line of the section. Based on the rules and regulations of the New Mexico Oil Conservation Division, a portion of this wellbore is situated within the 660 foot setback from the section line as dictated for a S/2 spacing unit. Accordingly, BHGR is providing this notice to Questar as required by the NMOCD pursuant to Section 19.15.3.104.F(4) of the NMOCD Rules regarding unorthodox locations. BHGR is making application to the NMOCD for approval to produce the subject well, and respectfully requests that Questar (1) indicate its approval for BHGR to produce said well as currently drilled and completed, and (2) waive the twenty (20) day notice period as provided by rule 19.15.3.104F(4) for filing any objection to the NMOCD administrative approval of the unorthodox wellbore location.

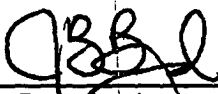
Attached please find a copy of the completed approved Application for Permit to Drill the captioned well filed with the Bureau of Land Management and the

EXHIBIT E

NMOCD, including the Forms C-101 and C-102 which indicate the proposed spacing unit for said well. Should you have technical questions or require additional information with regard to the subject well, please contact Brenda Mustain at 720-210-1313 or via email at bmustain@bhep.com. Thank you for your assistance and cooperation in this matter.

Yours very truly,

BLACK HILLS GAS RESOURCES, LLC



Jim Bob Byrd
Land Consultant

Rule 19.15.3.104 waiver granted this 10 day of OCTOBER, 2006.

Questar Exploration and Production Company



J. Matting