Form 3160-5
(September 2001)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004

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.

2007 JUL -9 PM 2:28

SUBMIT IN TRIPLICATE - Other instructions on reverse side

RECEIVED
070 FARMINGTON NM

5. Lease Serial No.
MDA 701-98-0013, Tract 2

6. If Indian, Allottee or Tribe Name
Jicarilla Apache Tribe

7. If Unit or CA/Agreement, Name and/or No.

1. Type of Well
☐ Oil Well ☑ Gas Well ☐ Other

8. Well Name and No.
Jicarilla 29-02-27 #21

2. Name of Operator
Black Hills Gas Resources, Inc. Contact: Lynn H. Benally/Daniel Manus

9. API Well No.
30-039-29397

3a. Address
3200 N 1st Street/PO Box 249 Bloomfield, NM 87413

3b. Phone No. *(include area code)*
505-634-1111 ext 27, ext 28

10. Field and Pool, or Exploratory Area

4. Location of Well *(Footage, Sec., T, R., M., or Survey Description)*
Surface: 1,640' FNL 545' FWL SW/NW Sec 27 T29N R2W Unit E

11. County or Parish, State
Rio Arriba, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☑ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☑ Other Change ~~drill~~ casing
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

3. 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 recomplete 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 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 recompletion 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 initial APD to drill a Picture Cliffs (PC) well was approved on October 24, 2005. The well was given API number 30-039-29397. After evaluation of drilling data in the imediate area, BHGR has determined that this well is best drilled using 4 1/2 inch ~~drill~~ casing instead of 5 1/2 and will be changing the TD from 3300 to 2200 ft bgs. BHGR is submitting an updated drilling plan and and an updated surface casing design page.

Surface disturbance will not change from the initial APD, therefore the Surface Use Plan will not be updated or modified.

RCVD JUL 12'07
OIL CONS. DIV.
DIST. 3

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Lynn H. Benally

Title Regulatory Specialist

Signature

Date 7/9/2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by *(Signature)* TL Salyers

Name *(Printed/Typed)* TL Salyers

Title PE

Office FFO

Date 7/10/2007

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.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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 within its jurisdiction.

(Continued on next page)

NMOCD

Black Hills Gas Resources

Jicarilla 29-02-27 #21
Surface: 1,640' FNL 545' FWL (SW/NW)
Unit E Sec.27 T29N R2W
Rio Arriba County, New Mexico
Lease: MDA 701-98-0013, Tract 2

DRILLING PROGRAM
(Per Rule 320)

The Application for Permit to Drill (APD) was initiated under the NOS process as stated in Onshore Order No. 1 and supporting Bureau of Land Management (BLM) documents. This APD process includes an onsite meeting which was held on August 26, 2004 as determined by Bureau of Land Management (BLM), Bureau of Indian Affairs (BIA) and Jicarilla Oil & Gas Administration (JOGA), and at which time the specific concerns of Black Hills Gas Resources (BHGR) were discussed.

The initial APD was permitted and approved on October 24, 2005. A sundry was submitted and approved on March 28, 2007 to change the un-drilled Pictured Cliffs well to a San Jose well. This new plan addresses changing the casing program of the un-drilled well and TD.

SURFACE FORMATION – San Jose

GROUND ELEVATION – 7,218'

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

San Jose	Surface	Sandstone, shales & siltstones
Nacimiento	2,050'	Sandstone, shales & siltstones
TOTAL DEPTH	**2,200'**	**TD**

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

Nacimiento	2,050'	Gas

CASING PROGRAM

Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0-250' TVD	12-1/4"	7"	J-55 20# ST&C New	To surface (± 175 sxs ClassB) **
0' - TD	6-1/2"	4-1/2"	J-55 10.5# ~~LT&C~~ ST&C New	TD to surface (± 630 sxs lite or 65:35 poz and ± 270 sxs 50:50 poz) *

* Actual cement volume to be determined by caliper log.

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

0'	-	250'	Fresh water – M.W. 8.5 ppg, Vis 30-33
250'	-	TD'	Fresh water - 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 well site.

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

LOGGING, CORING, TESTING PROGRAM

A)	Logging:	DIL- CNL-FDC-GR - TD - BSC (GR to surface) Sonic (BSC to TD)
B)	Coring:	None
C)	Testing:	Possible DST – None anticipated. Drill stem tests may be run on shows of interest

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)	H_2S:	See attached H_2S plan in event H_2S is encountered.
D)	Estimated bottomhole pressure:	682 psi

ANTICIPATED START DATE

August 1, 2007

COMPLETION

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

Jicarilla 29-02-27 #21
Surface: 1,640' FNL 545' FWL (SW/NW)
Unit E Sec.27 T29N R2W
Rio Arriba County, New Mexico
Lease: MDA 701-98-0013, Tract 2

SURFACE CASING AND CENTRALIZER DESIGN

Proposed Total Depth:			2,200 '	
Proposed Depth of Surface Casing:			250 '	
Estimated Pressure Gradient:			0.31	psi/ft
Bottom Hole Pressure at			682 '	
0.31 psi/ft	x	2,200 '	=	682 psi
Hydrostatic Head of gas/oil mud:			0.22	psi/ft
0.22 psi/ft	x	2,200 '	=	484 psi

Maximum Design Surface Pressure

Bottom Hole Pressure	–	Hydrostatic Head	=	
(0.31 psi/ft x 2,200 ')	–	(0.22 psi/ft x 2,200 ')	=	
682 psi	–	484 psi	=	198 psi

Casing Strengths — 7 & 4 1/2 J-55 22#/10.5 ST&C

	Wt.	Tension (lbs)	Burst (psi)	Collapse (psi)
7"	20 #	234,000	3,740	~~1,980~~ 2270
4 1/2	~~11 #~~ 10.5 lb/ft	~~101,000~~ 132,000	~~4,380~~ 4790	~~3,310~~ 4010

Safety Factors

Tension (Dry): 1.8 Burst: 1.0 Collapse: 1.125

Tension (Dry): 20 # / ft x 250 ' = 5,000 #
Safety Factor = 234,000 / 5,000 = 46.80 ok

Burst: Safety Factor = 3,740 psi / 198 psi = 18.89 ok

Collapse: Hydrostatic = 0.052 x 9.0 ppg x 250 ' = 117 psi
Safety Factor = 2270 ~~1,980~~ psi / 117 psi = ~~16.92~~ 19.40 ok

Use 250 ' 7 & 4 1/2 J-55 22#/10.5 ST&C

Use 2,000 psi minimum casinghead and BOP's but will test to 1,000 psi

Centralizers

5 Total
1 near surface at 40'
2 -1 each at middle of bottom joint, second joint
2 -1 each at every other joint 40' spacing

Total centralized ± 200 ' (50 ' – 250 ')

Note that field experience indicates that additional centralizers greatly increase the chance of "sticking" the surface casing prior to reaching surface casing total depth.