

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

SUNDY 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 - Other Instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

SEP 19 2007

2. Name of Operator

Black Hills Gas Resources

Bureau of Land Management
Farmington Field Office

3a. Address

3200 N 1st Street PO Box 249 Bloomfield, NM 87413

3b. Phone No. (include area code)

505-634-1111 ext 27

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Surface: 1,960' FSL 1,915' FEL NW/SE Unit J Sec26 T29W R4W

Bottom Hole: 670' FSL 670' FEL SE/SE Unit P Sec26 T29N R4W

5. - Lease Serial No. -
NMNM 18325

6. If Indian, Allottee, or Tribe Name

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

8. Well Name and No.

Many Canyons 29-04-26 #133

9. API Well No.

30-039-29988

10. Field and Pool, or Exploratory Area

Choza Mesa/Pictured Cliffs

11. County or Parish, State

Rio Arriba, New Mexico

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

☐ Acidize

☐ Altering Casing

☐ Casing Repair

☒ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and abandon

☐ Plug back

☐ Production (Start/ Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-off

☐ Well Integrity

☐ Other

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 recompleat horizontally, give subsurface locations and measured and true vertical depths or pertinent markers and sands. Attach the Bond under which the work will 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 recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notice shall be filed only after all requirements, including reclamantion, have been completed, and the operator has determined that the site is ready for final inspection.)

A sundry was approved on March 27, 2007 to convert the undrilled well to a dual lateral completion. The well was given API # 30-039-29988. After evaluation of data the previous drilling plan will be updated. BHGR therefore is submitting an updated drilling plan, NEVIS plan, and a new C-102 BHGR requests that if tests of the tertiary and PC formations are favorable that we will complete these formations and submit comingle applications.

The surface location will remain the same but the new bottom hole is 670' FSL 670' FEL SE/SE Unit P Sec 26 T29N, R4W.

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

- This approval replaces all previously issued authorizations

14. I hereby certify that the foregoing is true and correct.

Name (Printed/ Typed)

Lynn Benally

Title

Regulatory Specialist

Signature

Date

9/19/2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

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.

Office

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 any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

CONDITIONS OF APPROVAL
Adhere to previously issued stipulations.

NMOC

HOLD ON FOR

directional survey
as drilled C-102
C-102 for W29N 4W26; Testing

Certificate Number



Black Hills Gas Resources

Black Hills Gas Resources (BHGR)

Many Canyons 29-04-26 #133

Surface Location: 1960' FSL 1915' FEL (NW/SE)

Bottom Hole Location: 670' FSL 670' FEL (SE/SE)

Sec.26 T29N R4W

Rio Arriba County, New Mexico

NMNM 18325

DRILLING PROGRAM

(Per Rule 320)

This 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 November 28, 2005 as determined by Bureau of Land Management (BLM) and Carson National Forest Service, at which time the specific concerns of Black Hills Gas Resources (BHGR) were discussed.

This well was originally permitted and approved as a vertical PC well on 8/15/2006. A sundry with a new drilling plan changing the un-drilled well to a dual horizontal PC well was approved on 12/12/2006. This revised drilling plan based on recent drilling data will modify the drilling angle.

SURFACE FORMATION – San Jose

GROUND ELEVATION – 7,396'

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

San Jose	Surface	Sandstone, shales & siltstones
Nacimiento	2,197'	Sandstone, shales & siltstones
Ojo Alamo	3,658'	Sandstone, shales & siltstones
Kirtland	3,804'	Sandstone, shales & siltstones
Fruitland	3,923'	Sandstone, shales & siltstones
Pictured Cliffs	4,145'	Sandstone, shales & siltstones
Lwr Pic Cliffs	4,533'	Sandstone, shales & siltstones

TOTAL DEPTH	4,279'	TVD
	1,793'	Vertical Length of Bore

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

Tertiary		
San Jose	surface	Gas
Nacimiento	2,197'	Gas
Ojo Alamo	3,658'	Gas
Fruitland	3,923'	Gas
Pictured Cliffs	4,145'	Gas
Lwr Pic Cliffs	4,533'	Gas

HORIZONTAL DRILLING PROGRAM

Kick Off Point is estimated to be $\pm 3782'$ TVD

CASING PROGRAM

Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0'–275'	12-1/4"	9-5/8"	36# J-55	To surface (± 175 sxs Standard cement containing 2% CaCl_2 and 0.25lb/sx LCM)
275'–4590'	8-3/4"	7"	23# J-55 LT&C	TD to surface (Lead: ± 300 sxs lite standard cement. Tail: 400 sxs 50:50 poz containing 0.25 lb/sx LCM)
4590'–5849'	6-1/8"	Open hole**	Open hole	

* Actual cement volume to be determined by caliper log.

** If hole instability is encountered, a 4 1/2", 10.5#, J-55 uncemented liner may be run in the 6 1/8" open hole section

Yields:

Surface: Standard cement yield = 1.2 ft³/sx (mixed at 15.6 lb/gal)

Production: Lite Standard Cement yield: = 1.59 ft³/sx (mixed at 13.4 lb/gal)
50:50 poz yield = 1.27 ft³/sx (mixed at 14.15 lb/gal)

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 conditions. 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'	-	275'	Fresh water – M.W. 8.5 ppg, Vis 30-33
275'	-	TD'	Clean Faze - 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) H₂S: See attached H₂S plan in event H₂S is encountered.
- D) Estimated bottomhole pressure: 1,395 psi

ANTICIPATED START DATE

October 8, 2007

COMPLETION

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

Job Number: 71xxx
Company: Black Hills Gas Resources
Lease/Well: Many Canyons 29-04-26 #133
Location: Rio Arriba County, NM

