

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other

☒ Single Zone ☒ Multiple Zone

2. Name of Operator

Black Hills Gas Resources

3a. Address

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

3b. Phone No. (include area code)

505-634-1111 ext 27

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface 1805' FNL 665' FWL SW/NW

At proposed prod. zone

14. Distance in miles and direction from nearest town or post office*

20 miles Southwest of Dulce, New Mexico

15. Distance from proposed*

location to nearest
property or lease line, ft.

(Also to nearest drig. unit line, if any) Approx. 665 feet

16. No. of Acres in lease

Approx. 1999.99 ac

17. Spacing Unit dedicated to this well

320 acre N2

18. Distance from proposed location*

to nearest well, drilling, completed,
applied for, on this lease, ft.

50 feet (Twin loc)

19. Proposed Depth

8769 feet bgs

20. BLM/BIA Bond No. on file

BIA-mmSP0267675

NMB000290

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

7167' GR

22. Approximate date work will start*

5/1/2007

23. Estimated duration

45-60 days drig & compl

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.

2. A Drilling Plan.

3. A Surface Use Plan (if the location is on National Forest System Lands, the
SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see
Item 20 above).

5. Operator certification.

6. Such other site specific information and/or plans as may be required by the
authorized officer.

25. Signature

[Signature]

Name (Printed/Typed)

Lynn H. Benally

Date

1-22-2007

Title

Regulatory Specialist/Black Hills Gas Resources

Approved by (Signature)

[Signature]

Name (Printed/Typed)

Office

FFO

Date

11/15/07

Title

Application approval 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.

Conditions of approval, if any, are attached.

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.

*(Instructions on reverse)

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

RCVD NOV 16 '07
OIL CONS. DIV.
DIST. 3



H₂S POTENTIAL EXIST

NMOCD

CONFIDENTIAL

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

NOV 20 2007

AV

This action is subject to technical and
procedural review pursuant to 43 CFR 3165.3
and appeal pursuant to 43 CFR 3165.4

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 October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

2007 JAN 22 PM 1 11

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-30171	² Pool Code 71599	³ Pool Name 070 FARMINGTON Basin Dakota
⁴ Property Code 22183	⁵ Property Name JICARILLA 460-16	⁶ Well Number 721
⁷ GRID No. 013925	⁸ Operator Name BLACK HILLS GAS RESOURCES	⁹ Elevation 7167

¹⁰ Surface Location

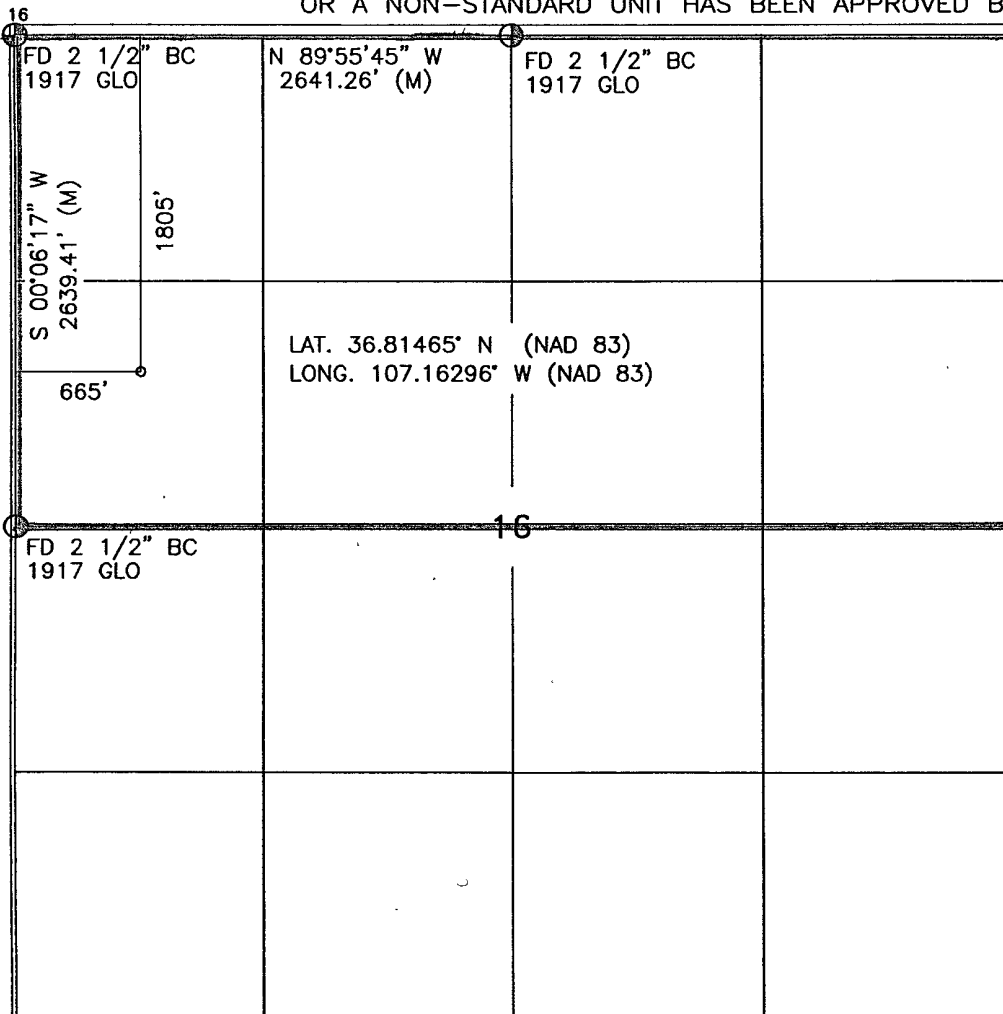
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	16	30-N	3-W		1805	NORTH	665	WEST	RIO ARRIBA

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

¹² Dedicated Acres N/2 - 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

[Signature] 1-23-2007

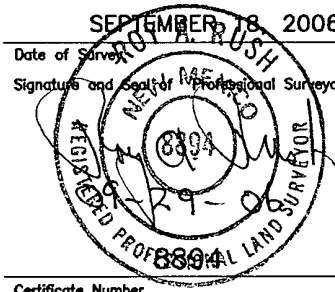
Signature Date
Lynn H. Benally
Printed Name

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.

SEPTEMBER 18, 2006

Date of Survey
Signature and Seal of Professional Surveyor:



Certificate Number

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

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

WELL API NO.	30-039- 30171
5. Indicate Type of Lease	STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.	
7. Lease Name or Unit Agreement Name	Tract 460
8. Well Number	Jicarilla 460-16 #721
9. OGRID Number	013925
10. Pool name or Wildcat	Basin Dakota

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other:

2. Name of Operator
Black Hills Gas Resources, Inc.

3. Address of Operator
P.O. Box 249 Bloomfield, NM 87413

4. Well Location
Unit Letter: E : 1,805 feet from the North line and 665 feet from the West line
Section: 16 Township 30N Range 3W NMPM County: Rio Arriba

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
7,167'

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type: Drilling Pit Depth to Groundwater: 580 Distance from nearest fresh water well >1000 Distance from nearest surface water >200

Pit Liner Thickness: 15 mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: Pit Registration ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Drilling Pit Registration

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Daniel R. Manus TITLE: Regulatory Technician DATE 1/22/2007

Type or print name: Daniel R. Manus E-mail address: dmanus@bhep.com Telephone No. (505) 634-1111 ext. 28

For State Use Only

APPROVED BY: [Signature] TITLE _____

Deputy Oil & Gas Inspector,
District #3 DATE NOV 20 2007

Conditions of Approval (if any): Vulnerable area: pits must be closed according to Rule 50, F.I.



Black Hills Gas Resources

Jicarilla 460-16 #721

1805' FSL 665' FWL (SW/NW)

Sec.16 T30N R3W

Rio Arriba County, New Mexico

Lease: Contract 460

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 NOS process includes an onsite meeting which was held on October 26, 2006 as determined by Bureau of Indian Affairs (BIA) and Jicarilla Oil & Gas Administration (JOGA) and at which time the specific concerns of Black Hills Gas Resources (BHGR), BIA, and JOGA were discussed.

SURFACE FORMATION – San Jose

GROUND ELEVATION – 7,167'

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

San Jose	Surface	Sandstone, shales & siltstones
Nacimiento	2,016'	Sandstone, shales & siltstones
Ojo Alamo	3,216'	Sandstone, shales & siltstones
Fruitland Coal	3,617'	Sandstone, shales & siltstones
Pictured Cliffs	3,731'	Sandstone, shales & siltstones
Lewis	3,839'	Sandstone, shales & siltstones
Cliffhouse	5,740'	Sandstone, shales & siltstones
Point Lookout	6,136'	Sandstone, shales & siltstones
Mancos	6,657'	Sandstone, shales & siltstones
Gallup	7,486'	Sandstone, shales & siltstones
Dakota	8,384'	Sandstone
Morrison	8,669'	Sandstone

TOTAL DEPTH 8,769'

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

Ojo Alamo	3,216'	Gas, water, sand
Pictured Cliffs	3,731'	Gas, water, sand
Lewis	3,839'	Gas, water, sand, shale
Cliffhouse	5,740'	Gas, water, sand, shale
Point Lookout	6,126'	Gas, water, sand, shale
Mancos	6,657'	Gas, water, sand, shale
Gallup	7,486'	Gas, oil, water, sand, shale
Dakota	8,384'	Gas, water, sand, shale
Morrison	8,669'	

CASING PROGRAM

Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0'-275'	12-1/4"	9 5/8"	J-55 36# ST&C	+/-140 sxs Standard Type II cement
0'-6710"	8-3/4"	7"	N_80 23# LT&C	+/- 410 sxs lite or 65:35 poz and +/- 300 sxs 50:50 poz
6710'-TD	6-1/4"	4-1/2"	J-55 10.5# LT&C	Uncemented Retrievable Liner

* 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'	-	275'	Fresh water – M.W. 8.5 ppg, Vis 30-33
275'	-	6710'	Klean Faze- Low solids non-dispersed
			M.W. 8.5 – 9.2 ppg
			Vis – 28 – 50 sec
			W.L. 15cc or less
6710'	-	TD	Air & N2 unit – Deliver ± 1800 SCFM (Air) @ 1700 psi & 35 gpm fluid.. Drill with compressed nitrogen.

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

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: 2718 psi

ANTICIPATED START DATE

May 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#/ft tubing will be run for a flowing string. A Sundry Notice will be submitted with a revised completion program if warranted.



Black Hills Gas Resources

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 (H_2S).
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H_2S 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 H_2S on metal components. If high tensile tubular 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 H_2S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H_2S zone (within 3 days or 500 feet) and weekly H_2S and well control drills for all personnel in each crew. The initial training sessions shall include a review of the site specific H_2S 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. H_2S safety equipment and Systems

Note: All H_2S safety equipment and systems (if necessary) will be installed, tested, and operational when drilling reaches a depth of 500 feet above the three days prior to penetrating the first zone containing or reasonably expected to contain H_2S .

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

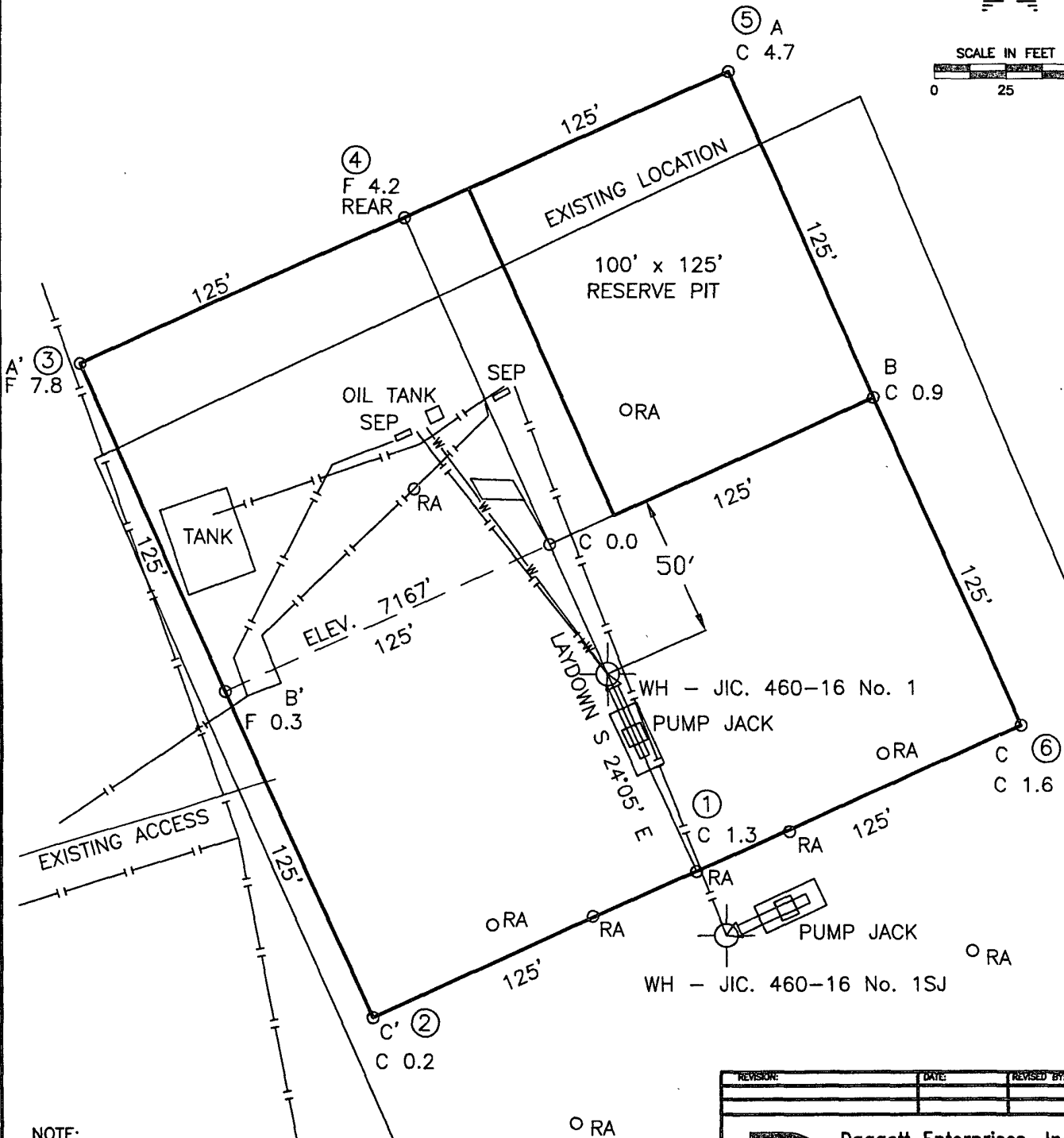
1. Mark II Surniveair 30-minute units located in the doghouse and at briefing areas, as indicated on will site diagram.
- C. H₂S detection and monitoring equipment:
1. Two portable H₂S monitors positioned on location for best coverage and response. These units have warning lights and aquilbesirens when H₂S levels of 10ppm.
- D. Visual warning systems:
1. Wind direction indicators shall be visible in 360° on the location.
 2. Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be highly visible with lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used when appropriate.
- E. Mud program:
1. The mud programs 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 preventers, drilling spool, 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.

WELL PAD DIAGRAM


COMPANY: BLACK HILLS GAS RESOURCES
 LEASE: JICARILLA 460-16 No. 721
 FOOTAGE: 1805 FNL 665 FWL
 SEC.: 16 TWN: 30-N RNG: 3-W NMPM
 ELEVATION: 7167'



SCALE IN FEET
 0 25 50



NOTE:
 DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR
 UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO
 ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO
 EXCAVATION OR CONSTRUCTION.

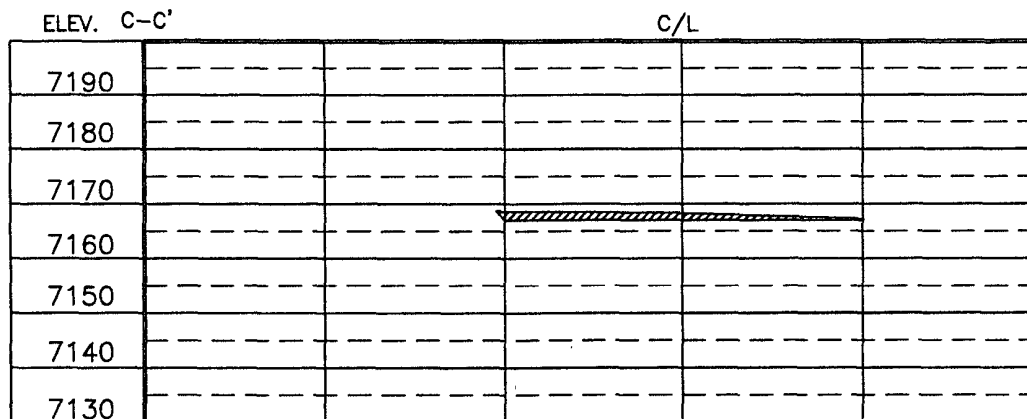
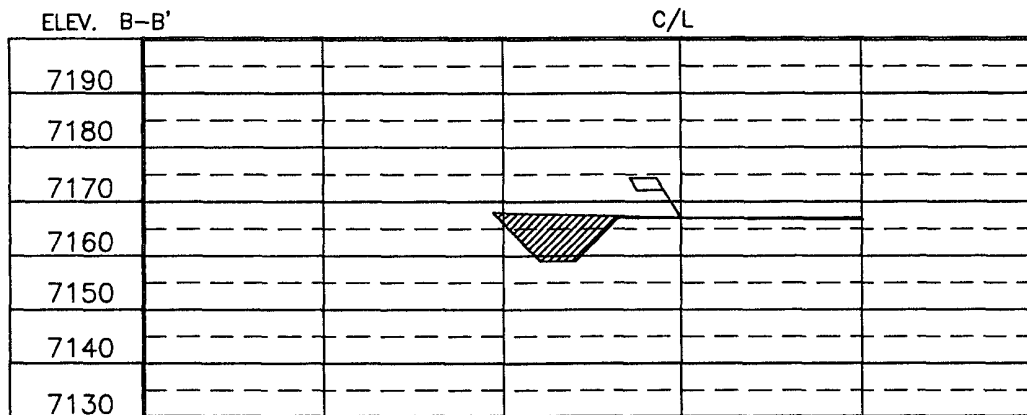
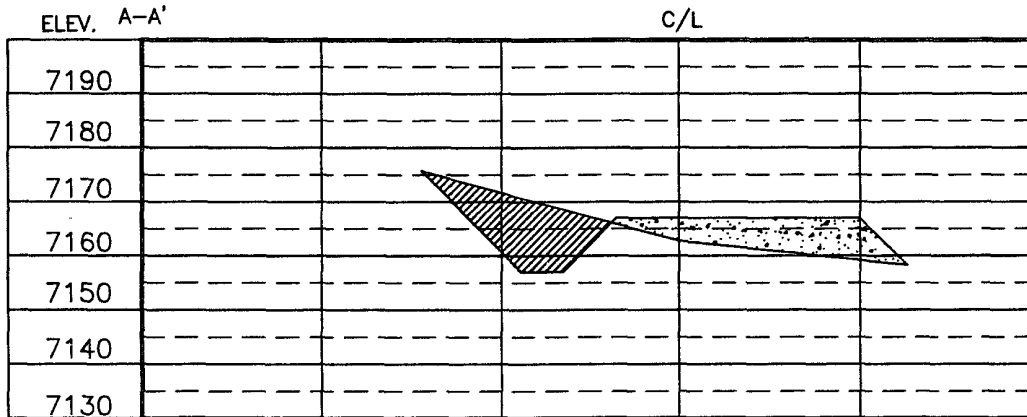
REVISION:	DATE:	REVISED BY:
 Daggett Enterprises, Inc. Surveying and Oil Field Services P. O. Box 15068 • Farmington, NM 87401 Phone (505) 326-1772 • Fax (505) 326-6019 NEW MEXICO L.S. 14831		
DRAWN BY: A.G.	CADD FILE: MN519PLB	
ROW#: MN519	DATE: 09/28/06	

WELL PAD CROSS-SECTIONAL DIAGRAM

COMPANY: BLACK HILLS GAS RESOURCES
 LEASE: JICARILLA 460-16 No. 721
 FOOTAGE: 1805 FNL, 665 FWL
 SEC.: 16, TWN: 30-N, RNG: 3-W, NMPM
 ELEVATION: 7167'

NOTE:

DAGGETT ENTERPRISES, INC. IS NOT LIABLE FOR UNDERGROUND UTILITIES OR PIPELINES. NEW MEXICO ONE CALL TO BE NOTIFIED 48 HOURS PRIOR TO EXCAVATION OR CONSTRUCTION.



REF. DWG. MNS19PLB WELL PAD DIAGRAM

REVISION	DATE	REVISION BY

Daggett Enterprises, Inc.
 Surveying and Oil Field Services
 P. O. Box 15068 • Farmington, NM 87401
 Phone (505) 326-1772 • Fax (505) 326-6019
 NEW MEXICO L.S. 8894
 DRAWN BY: A.G.
 ROWE MNS19 DATE: 09/28/06

2-M SYSTEM

Black Hills Gas Resources, Inc.

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

