


RECEIVED

AUG 21 2009

RCUD SEP 17 '09
OIL CONS. DIV.
DIST. 3
FORM APPROVED
OMB NO. 1004-0137
Expires: March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR Bureau of Land Management
BUREAU OF LAND MANAGEMENT Farmington Field Office
APPLICATION FOR PERMIT TO DRILL OR REENTER

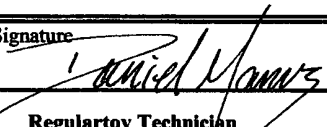
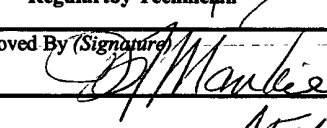
1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. Contract 457
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name Jicarilla Apache
2. Name of Operator Black Hills Gas Resources, Inc.		7. If Unit or CA Agreement, Name and No.
3a. Address 3200 N 1st Street / P.O. Box 249 Bloomfield, NM 87413		8. Lease Name and Well No. Jicarilla 457-09 #144H
3b. Phone No. (include area code) (505) 634-1111 Extension 28		9. API Well No. 30039 30806
4. Location of well (Report location clearly and in accordance with any State requirements. *) At surface 1,100 FSL & 1,195 FEL SE/4 SE/4 Unit P At proposed prod. zone 70' FNL & 590' FWL NW/4 NW4 Unit D		10. Field and Pool, or Exploratory Cabresto Canyon Teritiary
14. Distance in miles and direction from the nearest town or post office* Approximately 17 miles southwest of Dulce, NM		11. Sec., T., R., M., or Blk. And Survey or Area P Sec. 09 T30N R3W
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) Approx. 1,100'	16. No. of acres in lease Approx. 2,560 acres	17. Spacing Unit dedicated to this well 160 Acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 50'	19. Proposed Depth Approx. 3,300' TVD	20. BLM/ BIA Bond No. on file BIA - MMSP0267675
21. Elevations (Show whether DF, RT, GR, etc.) 7,244' GR  H2S POTENTIAL EXIST	22. Approximate date work will start* Aug-09	23. Estimated duration 45-60 Days drill + completion
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).

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

4. Bond to cover the operations unless covered by 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 official.

25. Signature 	Name (Printed/ Typed) Daniel Manus	Date August 21, 2009
Title Regulatory Technician		
Approved By (Signature) 	Name (Printed/ Typed) Daniel Manus	Date 9/15/09
Title AFM	Office FEO	

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 cc operations thereon.

Conditions of approval, if any, are attached. **HOLD C104 FOR Change in status to Jicarilla 457-9-SJ #2 if lateral penetrate U.L.D.**

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 page 2)

NOTIFY AZTEC OGD 24 HRS.
PRIOR TO CASING & CEMENT
NMOC

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

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

Hold C104
for Directional Survey
and "As Drilled" plat

SEP 24 2009

RECEIVED

DISTRICT I
1825 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
AUG 21 2009 Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Bureau of Land Management
Farmington Field Office
State Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-30804		*Pool Code 97037	*Pool Name CABRESTO CANYON TERTIARY
*Property Code 23335	*Property Name JICARILLA 457-09		*Well Number 144H
*OGRD No. 013925	*Operator Name BLACK HILLS GAS RESOURCES		*Elevation 7244'

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	9	30-N	3-W		1100	SOUTH	1195	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
D	9	30-N	3-W	4	70	NORTH	590	WEST	RIO ARRIBA

*Dedicated Acres N/2-305.03 SE/4-160.00 466.33	*Joint or Infill	*Consolidation Code	*Order No. R-12707 R-12868-C
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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

<p>590' BHL 70'</p> <p>LOT 4 36.03 AC.</p> <p>CLOSING CORNER FD. 2 1/2" BC. 1917 G.L.O.</p> <p>N 00°01'40" E 2505.38' (C)</p> <p>CALC'D. CORNER</p>		<p>N 89°56'15" W 5282.08' (C)</p> <p>LOT 3 36.09 AC.</p>		<p>LOT 2 36.27 AC.</p>		<p>LOT 1 36.64 AC.</p> <p>CALC'D. CORNER SET P&C L.S. #8894</p>	
<p>SURFACE: LAT: 36.82263° N. (NAD 83) LONG: 107.15130° W. (NAD 83) LAT: 36°49'21.44" N. (NAD 27) LONG: 107°09'02.51" W. (NAD 27)</p> <p>PRELIMINARY B.H.L. B.H.L. FOOTAGES ARE APPROXIMATE AND PROVIDED BY B.H.G.R. CLIENT</p> <p>FD. 2 1/2" BC. 1917 G.L.O.</p> <p>N 89°55'57" W 2641.23' (M)</p>		<p>BOTTOM HOLE: LAT: 36.81981° N. (NAD 83) LONG: 107.16324° W. (NAD 83) LAT: 36°49'11.30" N. (NAD 27) LONG: 107°09'45.51" W. (NAD 27)</p>		<p>1195'</p> <p>N 00°00'04" E 5145.25' (C)</p>		<p>1100'</p> <p>FD. 2 1/2" BC. 1917 G.L.O.</p> <p>N 89°57'38" W 2643.26' (M)</p>	

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: Daniel Manus Date: _____
Printed Name: Daniel Manus

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.

DATE OF SURVEY: MAY 2009
Signature and Seal of Professional Surveyor: [Signature]
CERTIFICATE NUMBER: 8894



Black Hills Gas Resources

Jicarilla 457-09 #144

Surface Location: 1,100' FSL 1,195' FEL (SE/SE) Unit P Sec.9 T30N R3W
 Bottom Hole Location: 70' FNL 590' FWL (NW/NW) Lot 4 Sec.9 T30N R3W
 Rio Arriba County, New Mexico
 Lease: Contract 457

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 May 13, 2009 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.

This well is a new horizontal well to be drilled into the Ojo Alamo formation. Attached is the horizontal drilling plan.

SURFACE FORMATION – San Jose

GROUND ELEVATION – 7,244'

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

San Jose	Surface	Sandstone, shales & siltstones
Nacimiento	2,123'	Sandstone, shales & siltstones
Ojo Alamo	3,208'	Sandstone, shales & siltstones

TOTAL DEPTH	3,217'	TVD
	8,086'	TMD

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

San Jose	Surface	Gas, water, sand
Ojo Alamo	3,208'	Gas, water, sand

HORIZONTAL DRILLING PROGRAM

Kick Off Point is estimated to be \pm 2,244' TVD

CASING PROGRAM

Depth	Hole Diameter	Casing Diameter	Casing Weight and Grade	Cement
0' - 275' MVD 0' - 275' TVD	12-1/4"	9 5/8"	J-55 36# ST&C	+/-240 sxs Standard Type II cement
0' - 3,861' MVD 0' - 3,213' TVD	8-3/4"	7"	N_80 23# LT&C	+/- 210 sxs lite or 65:35 poz and +/- 200 sxs 50:50 poz
3,861' MVD - 8,086' MVD 3,213' TVD - 3,217' TVD	6-1/4"	Open Hole	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 1/4" open hole section.

Yields:

Surface: Class G cement yield: = 1.18 ft³/sx (mixed at 15.6 lb/gal)
 7" Int. Production: Lite Premium Cement yield: =2.89 ft³/sx (mixed at 11.4 lb/gal)
 50:50 poz yield: = 1.44ft³/sx (mixed at 13 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 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 1,500 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. Pressure, 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: ~~2,507 psi~~ 1100 psi at 3217' TVD (TD)

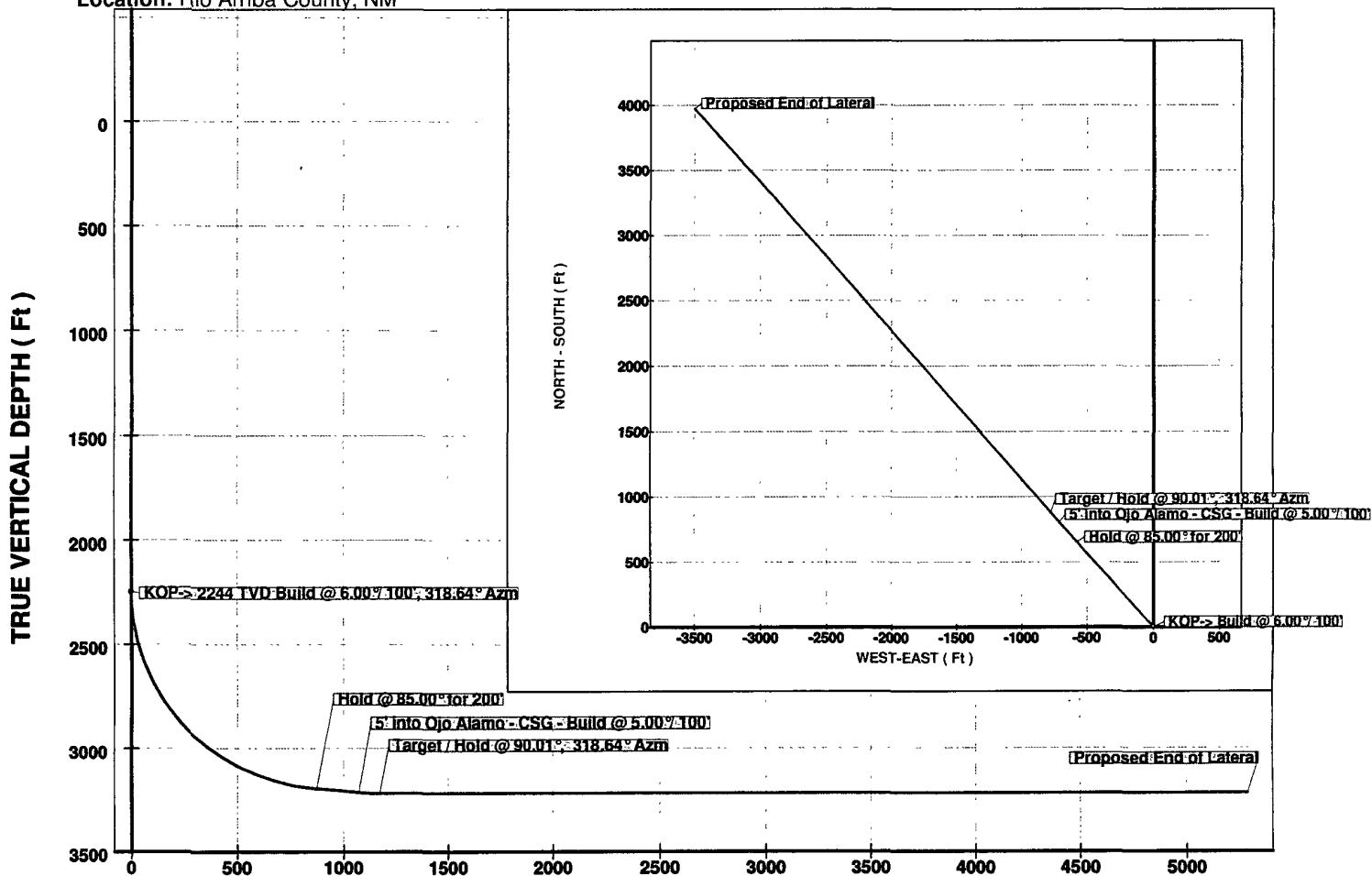
ANTICIPATED START DATE

August 15, 2009

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.

Job Number: 091xxxx
 Company: Black Hills Gas Resources
 Lease/Well: Jicarilla 457-09 #144
 Location: Rio Arriba County, NM





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 lesting 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.

2-M SYSTEM

Black Hills Gas Resources, Inc.

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

