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Farmington Field Office
Bureau of Land Management

Form 3160- 5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004- 0137
Expires: July 31,2010

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.

SUBMIT IN TRIPLICATE *- Other Instructions on page 2.*

5. Lease Serial No.
Contract 464

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 464-29 #716

2. Name of Operator
Black Hills Gas Resources

9. API Well No.
30-*039-29888

3a. Address
3200 N 1st Street Bloomfield, NM 87413

3b. Phone No. *(include area code)*
(505) 634-1111

10. Field and Pool, or Exploratory Area
Basin Mancos

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
665' FNL & 2400 FWL NE/NW (Unit C) Section 29 T30N R3W

11. County or Parish, State
Rio Arriba County, New Mexico

12. CHECK APPROPRIATE BOX(S) 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
	☐ Altering Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Subsequent Report	☐ Casing Repair	☐ New Construction	☐ Recomplete	☐ Other
	☐ Change Plans	☑ Plug and abandon	☐ Temporarily Abandon	
☐ Final Abandonment Notice	☐ Convert to Injection	☑ Plug back	☐ Water Disposal	

KR

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 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 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 recompletion 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.)

Due to the current uncemented perforated liner in Jicarilla 464-29 #716, BHGR has determined that the well cannot be used as a microseismic monitoring well under existing conditions. Therefore, BHGR plans to plug back the existing wellbore per the attached plug back procedure dated December 1, 2010. After the plug back is completed, BHGR plans to sidetrack and complete the well for use as a microseismic monitoring well. A separate Notice of Intent and supporting documents will be filed in the near future for the sidetrack project.

H_2S POTENTIAL EXIST

Notify NMOCD 24 hrs prior to beginning operations

SEE ATTACHED FOR CONDITIONS OF APPROVAL

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

Daniel Manus | Title **Regulatory Technician**

Signature Daniel Manus | Date December 3, 2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by | Title RE | Date DEC 07 2010

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 FFO

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)

OPERATOR
NMOCD

PLUGBACK PROCEDURE

December 1, 2010

Jicarilla 464-29 #716
WC Basin Mancos
665' FNL & 2400' FWL, Section 29, T30N, R3W, Rio Arriba County, New Mexico
API 30-039-29888/ Lat: _____ N Long: _____ W

Note: All cement volumes use 100% excess outside pipe and 50' excess inside unless otherwise noted. The stabilizing wellbore fluid will be 8.3 ppg, sufficient to balance all exposed formation pressures. All cement will be Class B, mixed at 15.6 ppg with a 1.18 cf/sx yield.

Surface Csg: 9 5/8, 36# at 330'. TOC at surface.
Intermediate Csg: 7", 23#, N-80 at 6649'. TOC at 660' (CBL).
Prod Liner: 4 ½", 10.5#, J-55 from 6542' to 8136'.
Production liner was not cemented.
PBTD: 8052'. Fill at 8015'.
Tubing: 215 jts 2 3/8" tbg, SN, muleshoe. EOT 6807'.
Perfs: 8032 - 7609' overall and 6892 - 6660' overall

Proposed Work: Run gyro survey. Set cmt plugs to plug back for proposed re-entry.
Proposed Re-entry: whipstock set at +/-5500', cut window in 7" csg. Drill sidetrack hole.

PLUGBACK PROCEDURE:

1. This project requires the Operator to obtain an approved NMOCD C-144 CLEZ Closed-Loop System Permit for the use of an A-Plus steel tank to handle waste fluids circulated from the well and cement wash up.

2. Install and test location rig anchors. Comply with all NMOCD, BLM, and Operator safety regulations. MOL and RU daylight pulling unit. Conduct safety meeting for all personnel on location. Record casing, tubing and bradenhead pressures. NU relief line and blow down well. Kill well with water as necessary and at least pump tubing capacity of water down the tubing. ND wellhead and NU BOP. Function test BOP.

3. Rods: Yes _____, No __X__, Unknown _____;
   Tubing: Yes __X__, No _____, Unknown _____, Size 2.375", Length 6807';
   Packer: Yes _____, No __X__, Unknown _____, Type _____.

   PU 1220' additional tubing. Lower & tag bottom. TOH with tubing.

4. RU electric wireline and Scientific Drilling. Run gyro survey from PBTD to surface. RD.

5. **Plug #1 (Lower Mancos perforations cmt plug 8015' – 7559'):** mix and spot 95 sxs Class B cement (170% excess, long plug) from 8015' to 7559' to fill the lower Mancos perforations 8032-7609'. PUH to 6000' and reverse circulate casing clean. Squeeze up to 25 sxs into the

perforations, pressure up to maximum 600 PSI. TOH with tubing and WOC. TIH and tag cement minimum at 7559' (50' above top perforation). PUH.

6. **Plug #2 (Upper Mancos perforations cmt plug 6950' to 6492'):** mix and spot 85 sxs Class B cement (50% excess in 4 1/2" liner, 150' excess in 7" csg, long plug) from 6950' to 6492' to fill the upper Mancos perforations 6892-6660' and cover 50' above the 4.5" liner top at 6542'. PUH to 6000' and reverse circulate casing clean. Squeeze up to 20 sxs cement into the perforations, pressure up to maximum 600 PSI. TOH with tubing and WOC. TIH and tag cement minimum at 6492' (50' above 4.5" liner top at 6542'). PUH. *Pressure test casing to 800 PSI. If casing does not test then notify Black Hills engineer to discuss how to proceed with plugback.*

7. **Plug #3 (Mesaverde top, 5809' – 5709'):** Spot 29 sxs Class B cement inside casing to cover the Mesaverde top.

8. **If casing tests then POH and LD tubing. ND BOPs. NU WH. RDMOL.**

9. **If casing does not test and the decision is made to Plug and Abandon the well then continue to Plug #6.**

P&A PROCEDURE:

Revised C.H.s 3854

10. **Plug #4 (Fruitland, Kirtland and Ojo Alamo tops, ~~3768~~' – 3231'):** Spot ~~109~~ sxs Class B cement inside casing to cover through the Ojo Alamo top. PUH.

2151 2051'

11. **Plug #5 (Nacimiento top, ~~2404~~' – ~~2004~~'):** Spot 29 sxs Class B cement inside casing to cover the Nacimiento top. TOH and LD tubing.

12. **Plug #6 (9.625" casing shoe and surface, 380 - Surface)**: Perforate 3 squeeze holes at 380'. Establish circulation out bradenhead with water and circulate the BH annulus clean. RIH with tubing to 380', Mix and pump 125 sxs Class B cement from 3800' to surface, circulate good cement out casing and bradenhead. TOH and LD tubing. SI well and WOC.

13. ND BOP and cut off wellhead below surface casing flange. Install P&A marker with cement to comply with regulations. RD, MOL and cut off anchors. Restore location per BLM stipulations.

Black Hills Gas Resources, Inc.

Jicarilla 464-29 #716

CURRENT WELLBORE DIAGRAM

API # 30-039-29888

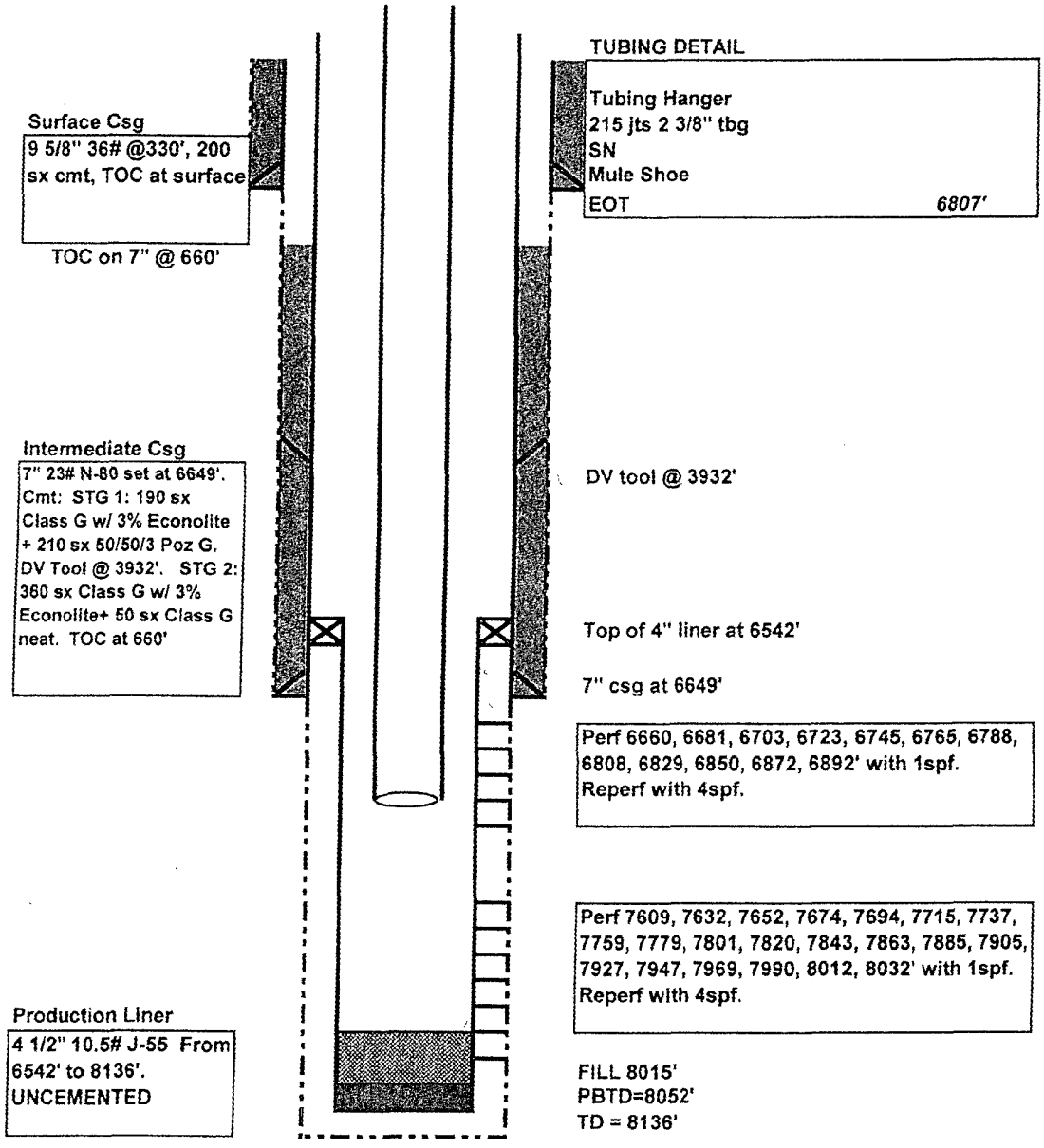
UNIT C NE NW, Sec 29 T30N, R03W Rio Arriba, NM

Spud Date 11-24-2006

11/19/2010

Elev. GL= 7263'

Elev. KB= 7276 '



Black Hills Gas Resources, Inc.

Jicarilla 464-29 #716

PROPOSED WELLBORE DIAGRAM

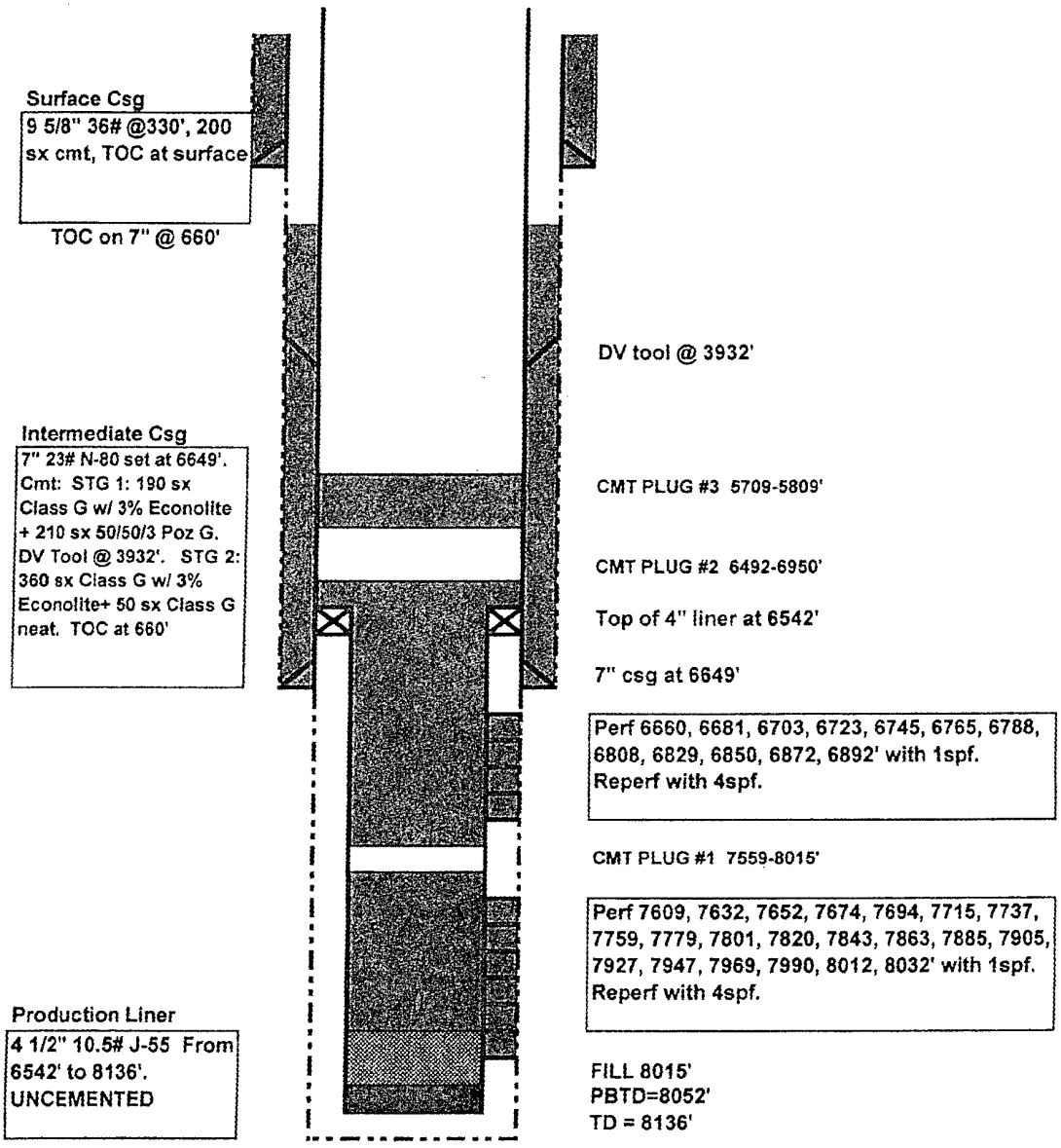
API # 30-039-29888

UNIT C NE NW, Sec 29 T30N, R03W Rio Arriba, NM

Spud Date 11-24-2006

12/1/2010

Elev. GL= 7263'
Elev. KB= 7276 '



BLM CONDITIONS OF APPROVAL

The following surface rehabilitation Conditions of Approval must be complied with as applicable, before this well can be approved for final abandonment (see 43 CFR 3162.3-4). **Surface rehabilitation work shall be completed within one year of the actual plugging date. Notification for completion of this work can be submitted with a Sundry Notice.**

1. All fences, production equipment, purchaser's equipment, concrete slabs, deadman (anchors), flowlines, risers, debris and trash must be removed from the location.

2. Production pits will be closed according to the Unlined Surface Impoundment Closure Guidelines, as approved in the Environmental Assessment of December 1993. Any oil stained soils may be remediated on-site according to these guidelines or disposed of in an approved disposal facility.

3. The well pad will be shaped to the natural terrain and left as rough as possible. All compacted areas and areas devoid of vegetation shall be ripped to a minimum of 12" before seeding.

4. Access roads will be shaped to conform to the natural terrain and left as rough as possible to detour vehicular travel. Access will be ripped to a minimum of 12" in depth and waterbarred prior to seeding. All erosion problems created by the development must be corrected prior to acceptance of release. Waterbars should be spaced as shown below:

% Slopes	Spacing Interval
Less than 20%	200'
2 to 5%	150'
6 to 9%	100'
10 to 15%	50'
Greater than 15%	30'

All water bars should divert to the downhill side of the road.

5. All disturbed areas will be seeded with the prescribed certified seed mix (reseeding may be required).

6. Notify Surfacing Managing Agency seven (7) days prior to seeding so that they may be present for that option.

7. The period of liability under the bond of record will not be terminated until the lease is inspected and the surface rehabilitation approved.

Other SMA's may vary slightly in their restoration requirements. It is your responsibility, as the operator, to obtain surface restoration requirements from other SMA's. We need to be provided with a copy of these requirements. Any problems concerning stipulations received from other SMA's should be brought to us.

On private land, we should be provided with a letter from the fee owner stating that the surface restoration is satisfactory.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
FARMINGTON DISTRICT OFFICE
1235 LA PLATA HIGHWAY
FARMINGTON, NEW MEXICO 87401

Attachment to notice of
Intention to Abandon:

Re: Permanent Abandonment
Well: 716 Jicarilla 464-29

CONDITIONS OF APPROVAL

1. Plugging operations authorized are subject to the attached "General Requirements for Permanent Abandonment of Wells on Federal and Indian Lease."

2. Farmington Office is to be notified at least 24 hours before the plugging operations commence (505) 599-8907.

3. The following modifications to your plugging program are to be made:

a) Place the Pictured Cliffs/Fruitland/Kirtland/Ojo Alamo plug from 3854' – 3231'.

b) Place the Nacimiento plug from 2151' – 2051'.

c) You are required to have H2S monitoring equipment and personnel on location during plugging operations.

You are also required to place cement excesses per 4.2 and 4.4 of the attached General Requirements.

Office Hours: 7:45 a.m. to 4:30 p.m.

GENERAL REQUIREMENTS FOR PERMANENT ABANDONMENT OF WELLS ON FEDERAL AND INDIAN LEASES FARMINGTON FIELD OFFICE

1.0 The approved plugging plans may contain variances from the following minimum general requirements.

1.1 Modification of the approved plugging procedure is allowed only with the prior approval of the Authorized Officer, Farmington Field Office.

1.2 Requirements may be added to address specific well conditions.

2.0 Materials used must be accurately measured. (densimeter/scales)

3.0 A tank or lined pit must be used for containment of any fluids from the wellbore during plugging operations and all pits are to be fenced with woven wire. These pits will be fenced on three sides and once the rig leaves location, the fourth side will be fenced.

3.1 Pits are not to be used for disposal of any hydrocarbons. If hydrocarbons are present in the pit, the fluids must be removed prior to filling in.

4.0 All cement plugs are to be placed through a work string. Cement may be bull-headed down the casing with prior approval. Cement caps on top of bridge plugs or cement retainers may be placed by dump bailer.

4.1 The cement shall be as specified in the approved plugging plan.

4.2 All cement plugs placed inside casing shall have sufficient volume to fill a minimum of 100' of the casing, or annular void(s) between casings, plus an excess volume sufficient to provide for 50 linear feet of fill above the plug.

4.3 Surface plugs may be no less than 50' in length.

4.4 All cement plugs placed to fill annular void(s) between casing and the formation shall be of sufficient volume to fill a minimum of 100' of the annular space plus 100% excess, calculated using the bit size, or 100' of annular capacity, determined from a caliper log, plus an excess volume sufficient to provide for 50 linear feet of fill above the plug.

4.5 All cement plugs placed to fill an open hole shall be of sufficient volume to fill a minimum of 100' of hole, as calculated from a caliper log, plus an excess volume sufficient to provide for 50 linear feet of fill above the plug. In the absence of a caliper log, an excess of 100% shall be required.

4.6 A cement bond log or other accepted cement evaluation tool is required to be run if one had not been previously run or cement circulated to surface during the original casing cementing job or subsequent cementing jobs.