

DATE IN 12/14/06	SUSPENSE	ENGINEER BROOKS	LOGGED IN 12/15/06	TYPE NSL	APP NO. PTD50634939/73
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



Black Hills Dev
Apache 464-29#716
5542

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
[B] Offset Operators, Leaseholders or Surface Owner
[C] Application is One Which Requires Published Legal Notice
[D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
[E] For all of the above, Proof of Notification or Publication is Attached, and/or,
[F] Waivers are Attached

2006 DEC 14 PM 2 39

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Ocean Munds-Dry Ocean Munds-Dry Attorney 12-14-06
Print or Type Name Signature Title Date
omundsdry@hollandhart.com
e-mail Address

December 14, 2006

HAND DELIVERY

Mr. Mark Fesmire, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Black Hills Gas Resources, Inc. for administrative approval of an unorthodox well location for its Jicarilla Apache 464-29 Well No. 716 (API No. 30-039-29888) in the Gallup-Mancos formation, WC Basin Mancos Pool (Pool Code 97232) at a location 665 feet from the North line and 2400 feet from the West line of Section 29, Township 30 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.

Dear Mr. Fesmire:

Black Hills Gas Resources, Inc. ("Black Hills") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4), of an unorthodox well location for its Jicarilla Apache 464-29 Well No. 716 in the Gallup-Mancos formation, located 665 feet from the North line and 2400 feet from the West line of Section 29 (Unit C), Township 30 North, Range 3 West, N.M.P.M., Rio Arriba County, New Mexico.

This well was originally permitted as a Dakota well, in the Basin Dakota Pool and a 320-acre N/2 spacing unit in Section 29 was dedicated to the well. The well has proven to be unproductive in the Dakota formation and Black Hills now seeks permission to re-enter and re-complete the well in the Gallup-Mancos formation, WC Basin Mancos Pool. Black Hills has dedicated a standard 160-acre spacing unit consisting of the NW/4 of Section 29.

This well is located within the "Mallon/Jicarilla Consolidated Contract Area" which pursuant to Corrected Administrative Order NSL-4355, dated October 2002, authorizes unorthodox well locations in "any and all formations and/or pools developed on 160-acre spacing from the surface to the base of the Pictured Cliffs formation..."

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ↻

Using the existing wellbore makes this completion in the Mancos formation more economically feasible and therefore is in the interest of the prevention of waste and the protection of correlative rights.

This location in the Mancos formation is unorthodox because it is governed by the Division's statewide rules that provide for wells on 160-acre spacing units to be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located. The proposed well location is unorthodox because it is only 240 feet from the eastern boundary of the dedicated spacing unit.

Attached hereto as **Exhibit A** is the Form C-102 plat for the well that shows its surveyed location and the 160-acre spacing unit comprised of the NW/4 of Section 29. **Exhibit B** is a plat that shows the proposed unorthodox well location and offsetting spacing units. This well encroaches on offsetting federal acreage to the east where Black Hills is the operator. As indicated on Exhibit B, the working interest owners in both spacing units are Black Hills, Deep Gas, LLC and Energen Resources Corporation. All interest owners are common in the offsetting spacing unit and therefore there are no affected parties to notify pursuant to Division rules.

Your attention to this application is appreciated.

Sincerely,



Ocean Munds-Dry
ATTORNEY FOR BLACK HILLS GAS
RESOURCES, INC.

Enclosures

cc: Brenda Mustain (w/o attachments)

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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 & 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

RECEIVED
OCT 16 PM 3 12

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-29888		² Pool Code 97232		³ Pool Name WC Basin Mancos	
⁴ Property Code 22184		⁵ Property Name Jicarilla 464-29			⁶ Well Number 716
⁷ OGRID No. 013925		⁸ Operator Name Black Hills Gas Resources, Inc.			⁹ Elevation 7263' GL

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
C	29	30-N	3-W		665'	North	2400'	West	Rio Arriba

¹¹ Bottom Hole Location If Different From Surface

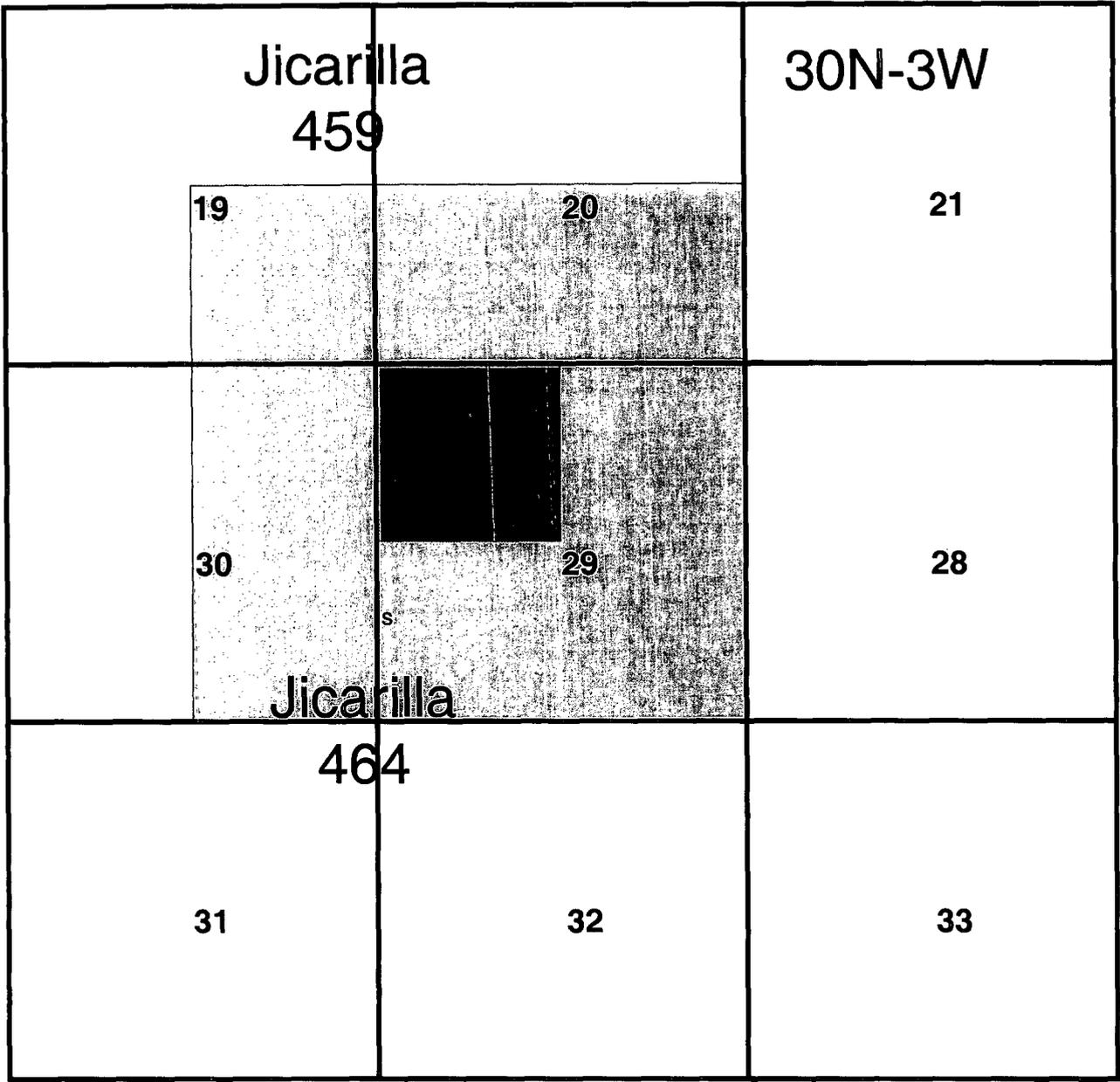
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 160 - NW/4	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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>¹⁷ OPERATOR CERTIFICATION</p> <p><i>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.</i></p> <p>Signature: <u>Mike Pippin</u> Date: <u>10-16-06</u></p> <p>Mike Pippin Printed Name</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>Date of Survey _____ Signature and Seal of Professional Surveyor: _____</p> <p>Certificate Number _____</p>

EXHIBIT A



Section 29: NW - BHGR - 26.351351%; Deep Gas, LLC -53.648649%; Energen - 20%

Section 19: S/2 - Deep ownership is similar to NW of Sec 29

Section 20: S/2 - Deep ownership is similar to NW of Sec 29

Section 29: E/2, SW - Deep ownership is similar to NW

Section 30: NE/4 - Deep ownership is similar to NW of Sec 29

Section 30: SE/4 - Deep ownership is BHGR - 80%; Energen 20%

Brooks, David K., EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
Sent: Tuesday, January 02, 2007 4:28 PM
To: Brooks, David K., EMNRD
Subject: RE: Black Hills NSL application - Jicarilla Apache 464-29 #716

Hi David - I see you are a historian in your spare time! Yes, the owners and percentages are not just "similar" but the same in the NW/4 29, NE/4 29 and SE/4 20.

Thanks and Happy New Year,
Ocean

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Tuesday, January 02, 2007 4:14 PM
To: Ocean Munds-Dry
Subject: Black Hills NSL application - Jicarilla Apache 464-29 #716

Dear Ocean

I would not have expected law and theology to have so much in common. One of the reasons, or so I have been told, why theologians acquired a reputation for hair splitting was because of a debate in the early history of Christianity (prior to its resolution at the Council of Nicaea) regarding whether the Son was of the same substance as the the Father, or of similar substance.

I have the same question about Exhibit B (ownership map) attached to the referenced application. Does the statement that ownership "is similar" mean that it is the same? Your letter states that "All interest owners are common in the offsetting spacing unit," which, coupled with the "is similar to" in the exhibit, falls slightly short of assuring me that each of the owners owns exactly the same percentage in the offsetting unit as in the subject unit (though I would probably have accepted that assurance as sufficient if the ambiguity in the exhibit had not caught my attention.

Please confirm that working interest ownership is common as to both owners and percentages between the NW/4 29, NE/4 29 and SE/4 20.

Thanks

David Brooks

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