



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 4, 2007

Black Hills Gas Resources, Inc.
c/o Ocean Munds-Dry
Holland & Hart LLP
P.O.Box 2208
Santa Fe, NM 87504

Administrative Order NSL-5543

Many Canyons 30-04-24 Well No. 34
API No. 30-039-30016
I-24-30N-4W
Rio Arriba County

Dear Ms. Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS06-34939423**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 14, 2006, on behalf of Black Hills Gas Resources, Inc. (Black Hills); and

(b) the Division's records pertinent to this request.

Black Hills has requested approval of an unorthodox Pictured Cliffs gas well location for its Many Canyons 30-04-24 Well No. 34 (API No. 30-039-30016). We understand that this well has been drilled as a horizontal gas well to be completed in the Pictured Cliffs formation, from an unorthodox surface location 2500 feet from the South line and 1100 feet from the East line (Unit I) of Section 24, Township 30 North, Range 4 West, N.M.P.M., in Rio Arriba County, New Mexico. The penetration point in the Picture Cliffs is 2472 feet from the South line and 1093 feet from the East line (Unit I) of Section 24, and the horizontal shaft is projected westward to a terminus or bottom-hole location 2500 feet from the South line and 660 feet from the west line (Unit L) of Section 24.

The S/2 of Section 24 will be dedicated to this well in order to form a standard 160-acre gas spacing unit and horizontal well project area (See Rule 111) in the East Blanco Pictured Cliffs Gas Pool (72400). This pool is governed by statewide Rule 104.C(3), which provides for 160-acres units, with wells located at least 660 feet from a unit outer boundary. Since the spacing unit constitutes the project area for this well, and the vertical shaft is located less than 660 feet from the northern boundary of the spacing unit, the producing interval is located outside the producing area, and the well is an unorthodox horizontal well pursuant to Rule 111.C(2)

Your application on behalf of Black Hills has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

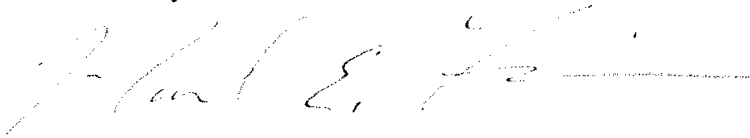
It is our understanding that Black Hills is seeking this location for topographical reasons.

It is also understood Black Hills owns 100% of the working interest in the N/2 of Section 24, towards which the proposed unorthodox location encroaches. Accordingly, no notice of this application is required.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mark E. Fesmire', is written over a horizontal line.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Aztec
United States Bureau of Land Management - Farmington