

DATE IN 9/17/07	SUSPENSE	ENGINEER D. BROOKS	LOGGED IN 9/18/07	TYPE NSL	APP NO. PTDS0726136006
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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 Gas*  
*Mary Commins*  
*30-04-12# 12H*  
*5690*

**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

[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.

<u>William F. Carr</u> Print or Type Name	<u><i>William F. Carr</i></u> Signature	<u>ATTORNEY</u> Title	<u>9/17/07</u> Date
			<u>wcarr@hollandhart.com</u> e-mail Address

RECEIVED  
 2007 SEP 17 AM 9 49

September 17, 2007

**HAND-DELIVERED**

Mark E. Fesmire, P.E.  
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 bottomhole location for its Many Canyons 30-04-12 Well No. 12H which it has drilled as a horizontal wellbore in the East Blanco-Pictured Cliffs Pool in Section 12, Township 30 North, Range 4 West, N.M.P.M. from an unorthodox surface location 2535 feet from the North line and 135 feet from the East line, intersecting the Pictured Cliffs formation at an unorthodox bottomhole location 704 feet from the East line and 2465 feet from the North line, and to a terminus at a standard location 1980 feet from the North line and 660 feet from the West line of said Section 12, 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) adopted on August 12, 1999, of an unorthodox bottomhole well location for its Many Canyons 30-04-12 Well No. 12H. This well is located in Section 12, Township 30 North, Range 4 West, NMPM, and has been drilled to test the Pictured Cliffs formation, East Blanco-Pictured Cliffs Pool, from an unorthodox surface location 2535 feet from the North line and 135 feet from the East line, intersecting the Pictured Cliffs formation at an unorthodox bottomhole location 704 feet from the East line and 2465 feet from the North line, and to a terminus at a standard location 1980 feet from the North line and 660 feet from the West line of said Section 12, Rio Arriba County, New Mexico. The approved Project Area for this horizontal well contains two 160-acre Pictured Cliffs spacing units and is comprised of the N/2 of Section 12.

This location is unorthodox because the Pictured Cliffs formation under this acreage is governed by the Division's statewide rules which provide for wells on 160-acre spacing units to be located no closer than 660 feet to the outer boundary of the quarter-quarter section on which the well is located.



The surface location was selected because it is more expedient to drill from fee than federal lands. There was a limited amount of surface to work with and the BLM and NMOCD notified Black Hills that its originally proposed location was too close to the offsetting Jicarilla reservation. The BLM, OCD and Black Hills agreed to drill from the subject surface location and case the hole from the surface to a point 704 feet from the East line of Section 12. While everyone was focused on the surface issues, we failed to notice the setback from the southern boundary of the dedicated project area. The horizontal portion of the wellbore intersects the Pictured Cliffs formation at a point 2465 feet from the north line which is only 175 feet from the southern boundary of the project area for the well and is therefore 485 feet closer than allowed by Division rules.

**Exhibit A** is a copy of the original approved Form C-102 for the well.

**Exhibit B** is a plat which shows the subject area and the 320-acre spacing unit/project area comprised of the N/2 of Section 12. The project area is comprised of a single federal lease in which Energen Resources Inc. and Black Hills own the working interest. Black Hills is the operator and the only working interest owner in the offsetting tract to the south of this unorthodox location. Accordingly, there are no affected persons to whom notice of this application must be provided pursuant to Division Rule 1210.A(2). Enclosed in is a proposed administrative order of the Division granting this application. This draft order is also being transmitted to the Division by e-mail.

Your attention to this application is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr".

William F. Carr

Attorney for Black Hills Gas Resources, Inc.

Enclosures

French Dr., Hobbs, N.M. 88240

DISTRICT II  
1301 W. Grand Ave., Artesia, N.M. 88210

DISTRICT III  
1000 Ebo Branch 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

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-29968		*Pool Code 72400		*Pool Name E. BLANCO / PICTURED CLIFFS	
*Property Code 35770		*Property Name MANY CANYONS 30-04-12			*Well Number 24H
*OGED No. 013925		*Operator Name BLACK HILLS GAS RESOURCES			*Elevation 7028'

10 Surface Location

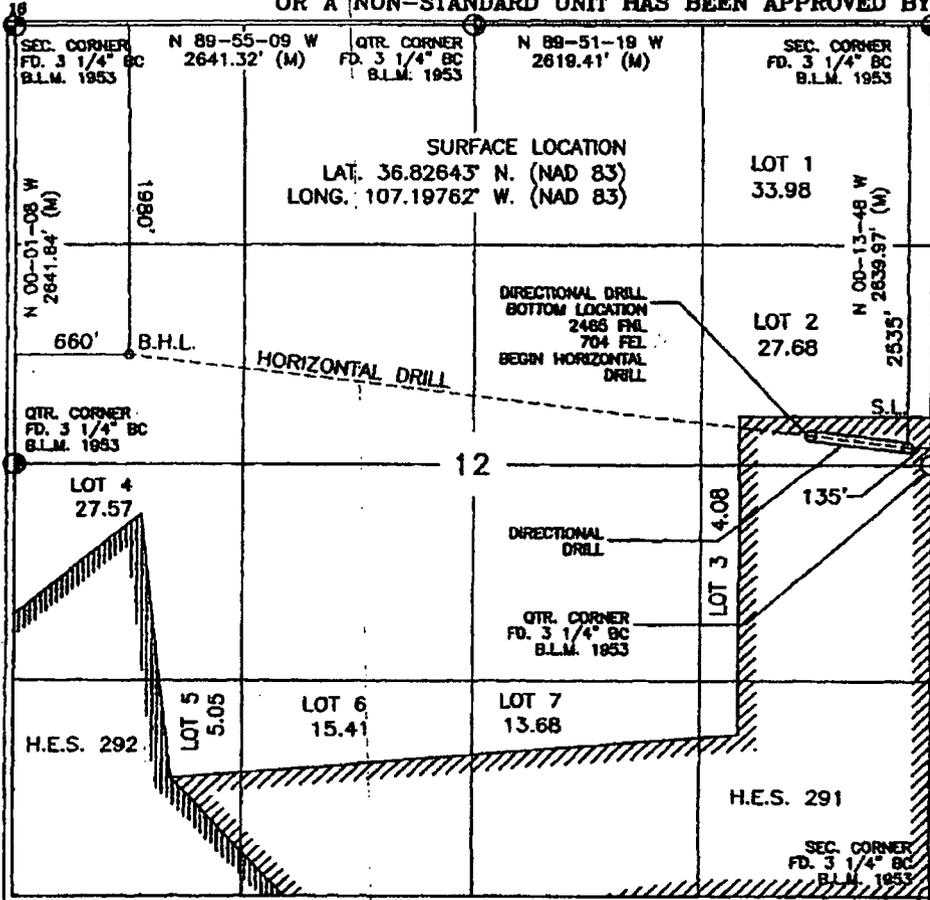
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	12	30-N	4-W		2535	NORTH	135	EAST	RIO ARRIBA

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
E	12	30-N	4-W		1980	NORTH	660	WEST	RIO ARRIBA

*Dedicated Acres 3.20 - N/2	*Joint or Infill	*Consolidation Code	*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



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 undisclosed 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.

*Daniel Manus* 9-05-06  
Signature Date  
Daniel Manus  
Printed Name

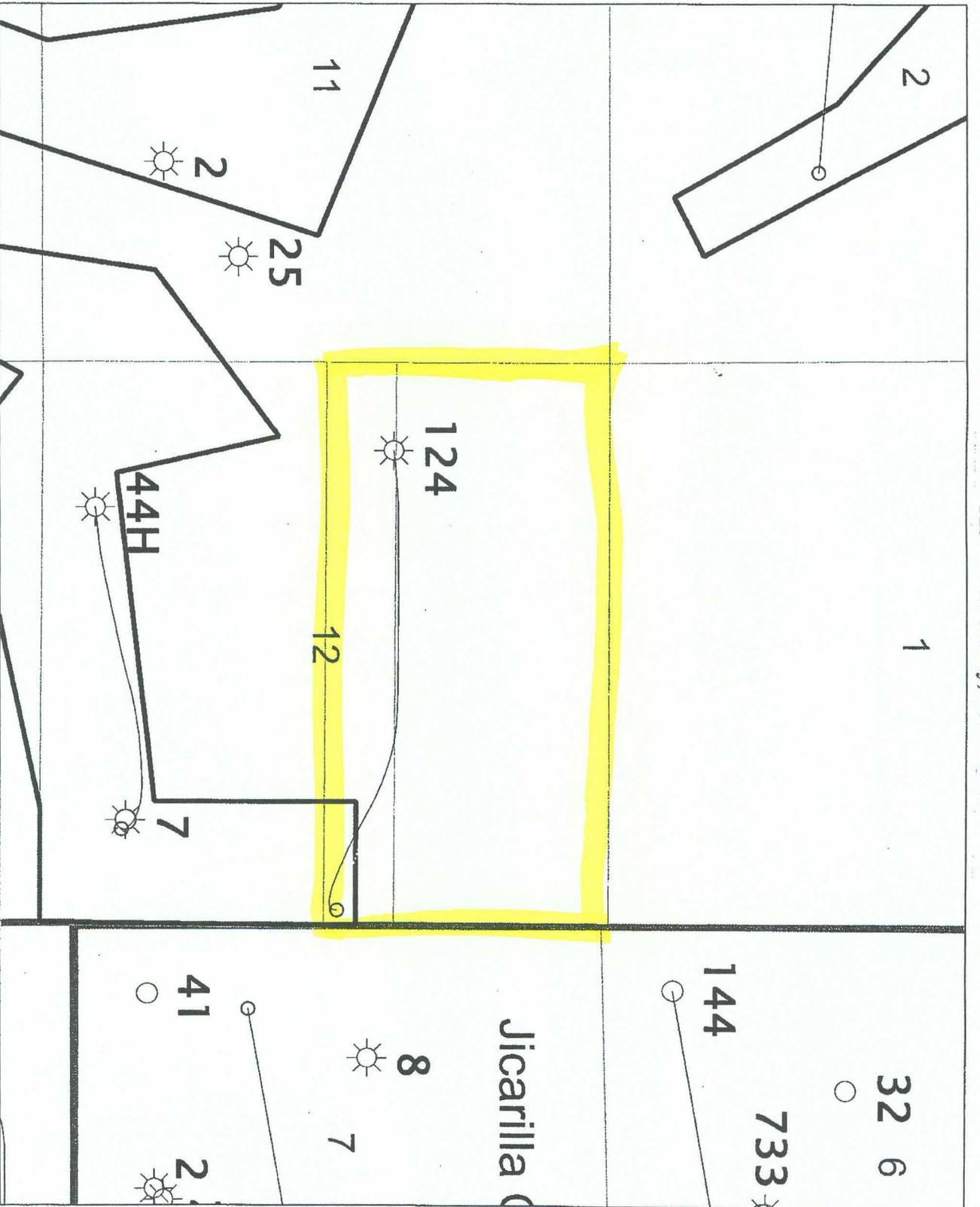
18 SURVEYOR CERTIFICATION

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.

AUGUST 30, 2005  
Date of Survey  
3801 A. RUSH  
NEW MEXICO  
8894  
REGISTERED PROFESSIONAL SURVEYOR  
CERTIFICATE NUMBER

HOLD C104 FOR Directional Survey +  
& NSL BH survey

Township 30 North, Range 4 West, NMPPM  
Rio Arriba County, New Mexico



DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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WILLIAM F. CARR  
 Print or Type Name

*William F. Carr*  
 Signature

ATTORNEY  
 Title

9/17/07  
 Date

wcarr@hollandhart.com  
 e-mail Address

RECEIVED  
 2007 SEP 17 AM 9:49

September 17, 2007

**HAND-DELIVERED**

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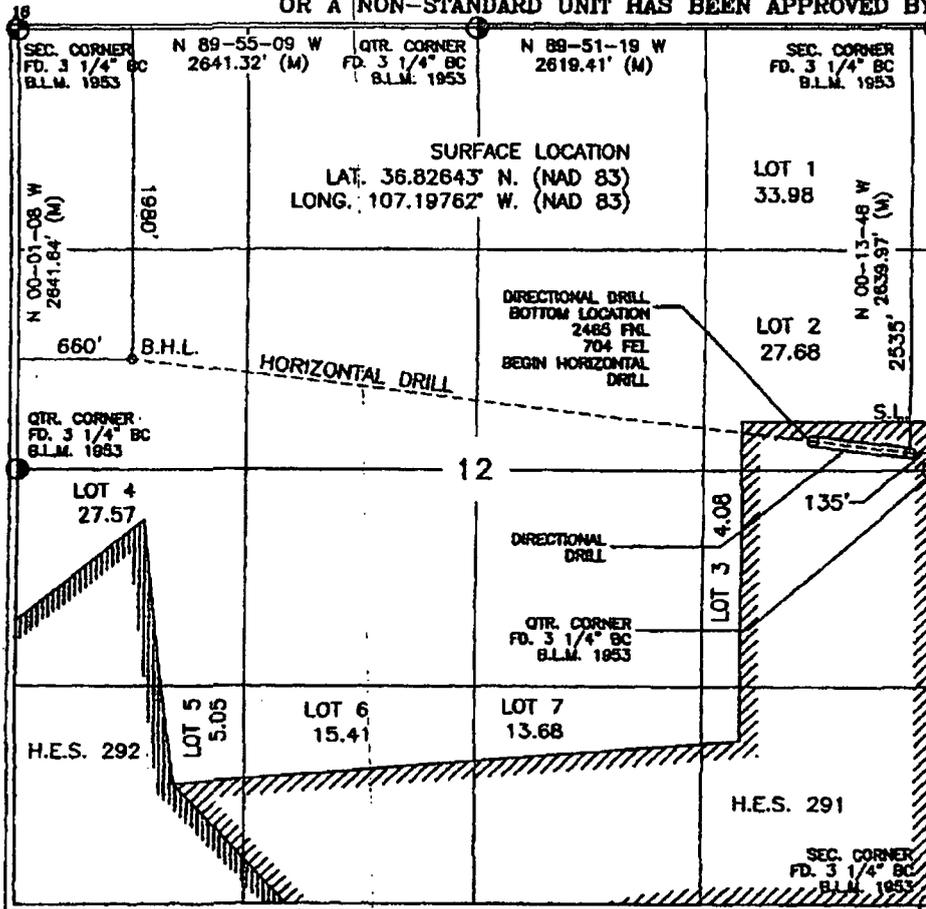
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*Dedicated Acres 320 - N/2	*Joint or Infill	*Consolidation Code	*Order No.
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*Daniel Manus* 9-25-06  
Signature Date

Daniel Manus  
Printed Name

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AUGUST 30, 2006  
Date of Survey

NEW MEXICO  
8894  
Professional Surveyor

3807 A. RUSH  
REGISTERED PROFESSIONAL LAND SURVEYOR

Certificate Number

HOLD C104 FOR directional survey +  
& NSL BH survey

Township 30 North, Range 4 West, NMPM  
Rio Arriba County, New Mexico

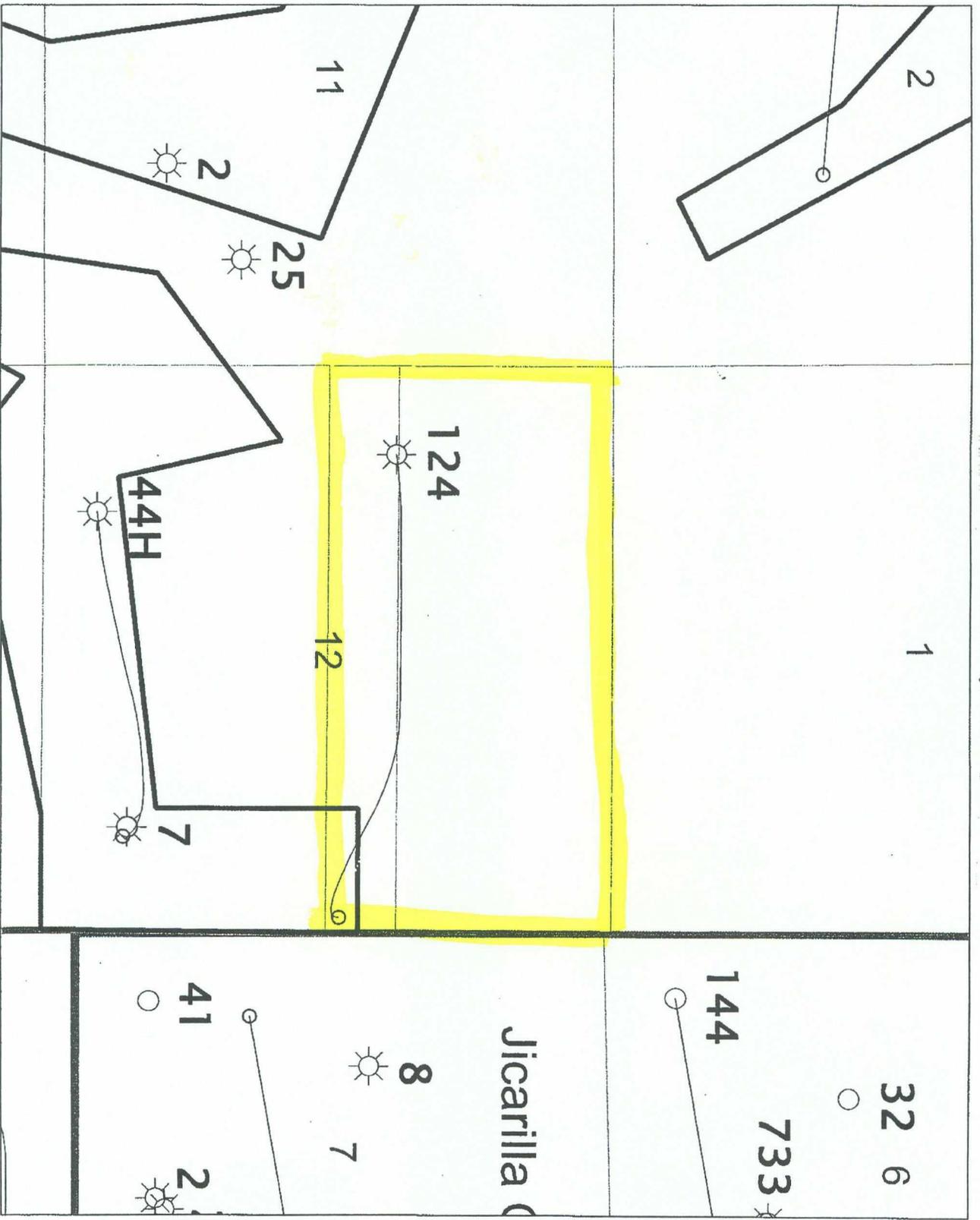


EXHIBIT B

**Well File Search - Select API Number to View**

Please select the API Number you wish to view from the list below by clicking the radio button next to the API Number. Then click the "Continue" button to see the thumbnails for the API you selected.

The search results are broken out by groups of 25 on each page. Switching pages can be done by clicking the "Next 25" or "Previous 25" links.

4 Records Found

Displaying Screen 1 of 1

- | <b>API Number</b>  | <b>ULSTR</b> | <b>Footages</b>     |
|--|--------------|---------------------|
| <input type="radio"/> 3003924645                             | P -12-30N-4W | 790 FSL & 790 FEL   |
| <b>Well Name &amp; Number:</b> SIMMS COM No. 007             |              |                     |
| <b>Operator:</b> BLACK HILLS GAS RESOURCES, INC.             |              |                     |
| <input type="radio"/> 3003925296                             | H -12-30N-4W | 1645 FNL & 1045 FEL |
| <b>Well Name &amp; Number:</b> SIMMS COMM No. 009            |              |                     |
| <b>Operator:</b> ROBERT L BAYLESS                            |              |                     |
| <input type="radio"/> 3003929968                             | H -12-30N-4W | 2535 FNL & 135 FEL  |
| <b>Well Name &amp; Number:</b> MANY CANYONS 30 04 12 No. 124 |              |                     |
| <b>Operator:</b> BLACK HILLS GAS RESOURCES, INC.             |              |                     |
| <input type="radio"/> 3003929971                             | P -12-30N-4W | 755 FSL & 885 FEL   |
| <b>Well Name &amp; Number:</b> MANY CANYONS 30-04-12 No. 044 |              |                     |
| <b>Operator:</b> BLACK HILLS GAS RESOURCES, INC.             |              |                     |

4 Records Found

Displaying Screen 1 of 1