



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



October 21, 2008

Ms. Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSP-1927

Re: Black Hills Gas Resources, Inc.
Jicarilla 457-04 Well No. 144
API No. 30-039-30100
E/2 SE/4 of Section 5-30N-3W
Rio Arriba County

Dear Ms. Munds-Dry:

Reference is made to the following:

- (a) your application (**administrative application reference No. pKVR08-26035953**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on September 15, 2008, on behalf of Black Hills Gas Resources, Inc. (Black Hills); and
- (b) the Division's records pertinent to Black Hills' request.

Black Hills has requested approval of a non-standard 80-acre gas spacing unit in the Jicarilla Tribal Lands Production Area of the East Blanco-Pictured Cliffs Gas Pool (72400), consisting of the E/2 SE/4 of Section 5, Township 30 North, Range 3 West, NMPM, in Rio Arriba County, New Mexico. Spacing for gas wells in this pool is governed by the Special Rules and Regulations for the Jicarilla Apache Tribal Lands Production Area, as established by Order R-12707, effective January 30, 2007, which provide that a standard spacing unit for a gas well shall consist of 160 acres, comprising an entire governmental quarter section. The proposed non-standard gas spacing unit will be dedicated to Black Hills' Jicarilla 457-04 Well No. 144 (API No. 30-039-30100), a horizontal gas well with a surface location, 775 feet from the South line and 545 feet from the East line (Unit P) of Section 4, Township 30 North, Range 3 West, NMPM in Rio Arriba County, New Mexico, and a terminus, or bottom-hole location 1150 feet from the South line and 1200 feet from the East line (Unit P) of Section 5 of the same Township and



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Range. Black Hills will form a project area (Division Rule 111) for this well consisting of the subject unit and the SW/4 and SE/4 of Section 4.

Your application on behalf of Black Hills has been duly filed under the provisions of Division Rules 104.D(2) and 1210.A(3).

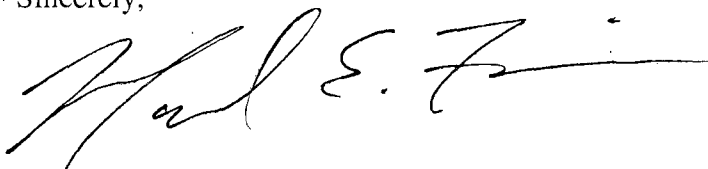
We understand that you are seeking establishment of this non-standard unit because extension of the horizontal Jicarilla 458-05 Well No. 2H into the subject unit from the west proved not feasible, and accordingly the inclusion of the subject unit in the project area for the Jicarilla 457-04 Well No. 144 is necessary to produce reserves underlying this unit, thereby preventing waste.

No tract in this quarter section is excluded from the proposed unit. It is our understanding that Black Hills owns 100% of the working interest in all offsetting units. Accordingly no notice of this application is necessary

Pursuant to the authority granted me under the provisions of Rule 104.D(2)(b), the above-described non-standard 80-acre East Blanco-Pictured Cliffs gas spacing unit 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 black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

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