

DATE IN 9/15/08	SUSPENSE	ENGINEER Brooks	LOGGED IN 9/16/08	TYPE NSD	APP NO. PKURO826034798
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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 Resources
INC

Sicaria 458-05#24

ADMINISTRATIVE APPLICATION CHECKLIST

1928

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 _____

2008 SEP 15 PM 4 20
 RECEIVED

[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.

Ocean Munds-Dry
Print or Type Name

Ocean Munds-Dry
Signature

Attorney
Title

9-15-08
Date

omundsdry@hollandhart.com
e-mail Address



September 15, 2008

VIA HAND-DELIVERY

Mark 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 a 233-acre non-standard spacing unit and project area for its Jicarilla 458-5 Well No. 2H in the SW/4 and the W/2 SE/4 of Section 5, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

Dear Mr. Fesmire:

Black Hills Gas Resources, Inc. ("Black Hills"), pursuant to the provisions of Division Rule 104 hereby seeks administrative approval of a 240-acre non-standard spacing unit and project area for its Jicarilla 485-5 Well No. 2H in the SW/4 and the W/2 SE/4 of Section 5, Township 30 North, Range 3 West, NMPM, Rio Arriba County, New Mexico.

Black Hills seeks approval of this 233-acre non-standard spacing unit in order to reflect the actual project and producing areas for this well. Black Hills has also filed on this date an application for a non-standard spacing unit consisting of the E/2 SE/4 of Section 5 to be dedicated to the Jicarilla 457-04 Well No 144.

Division Rule 111 defines a "project area" as "an area designated on Form C-102 that is enclosed by the outer boundaries of a spacing unit, a combination of complete spacing units...." Allowables for project areas are established by "the number of standard spacing units (or approved non-standard spacing units) that are developed or traversed by the producing interval of the directional wellbore." Since Black Hills seeks to form a project area that consists of the W/2 SE/4 and the SW/4, it must first seek approval of the non-standard spacing unit.

Rule 104 provides that the Division Director may grant administrative approval to non-standard spacing units when the unit "consists of quarter-quarter sections or lots joined



by a common side; and..." the unit "lies wholly within: a single quarter section if the well is completed in a pool or formation for which 40, 80, or 160 acres is the standard spacing unit size...." Black Hills drilled the Jicarilla 458-05 Well No. 2H in the Pictured Cliffs formation, East Blanco Pictured Cliffs Pool (72400). This acreage is located within the boundaries of the Jicarilla Apache Tribal Lands Production Area. Pursuant to the Special Pool Rules and regulations for the Jicarilla Apache Tribal Lands, a standard spacing unit is 160 acres. See Rule 2, Order No. R-12707.

Attached as **Exhibit A** is the C-102 showing the subject spacing unit. Black Hills is the operator of the Jicarilla Apache Tribal Lands Production Area and accordingly of the adjoining spacing units. Black Hills is the only working interest owner in the offsetting spacing units. Accordingly, no notice is required.

Your attention to this application is appreciated.

Very truly yours,

A handwritten signature in black ink that reads "Ocean Munds-Dry". The signature is written in a cursive, flowing style.

Ocean Munds-Dry
Attorney for Black Hills Gas Resources, Inc.

cc: Janet Whitmore

DISTRICT I
1625 N. French Dr., Hobbs, N.M. 88240

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

DISTRICT III
1000 Rio Brazos 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

¹ API Number 30-039-25781	² Pool Code 72400	³ Pool Name EAST BLANCO PICTURED CLIFFS
⁴ Property Code 24240	⁵ Property Name JICARILLA 458-05	
⁷ GRID No. 013925	⁸ Operator Name BLACK HILLS GAS RESOURCES	⁶ Well Number 2H
		⁹ Elevation 7150'

¹⁰Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	5	30-N	3-W		1850	SOUTH	790	WEST	RIO ARRIBA

¹¹Bottom 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
O	5	30-N	3-W		989	SOUTH	1890	EAST	RIO ARRIBA

¹² Dedicated Acres 233	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

