



Case 13816

November 22, 2006

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

Dear Mr. Fesmire:

Black Hills Corporation, through its subsidiary Black Hills Gas Resources, Inc., has been operating on the Jicarilla Apache Reservation for the last several years and proven to be prudent in its drilling program with very productive results. The Jicarilla Apache Nation does not have any reservations regarding Black Hills Corporations' request for the two horizontal Pictured Cliffs wells per 320-acre unit and supports their proposal. The proposal of the horizontal wells identify that the location in most cases in each 320 acre unit could be drilled from existing well pad using existing roads and existing gas and water gathering infrastructure, thereby having minimal impact on the surface of the reservation.

We recommend that the Black Hills Corporation be given the consideration for approval to their proposal to increase the density from one horizontal Pictured Cliffs well per 320-acre unit to two horizontal Pictured Cliffs wells per 320-acre unit. The approval of the permit will allow Black Hills Corporation to timely drill their horizontal wells that will increase production for 2007 and a greater ultimate recovery of the future gas resources from the existing leasehold.

Sincerely,

President Levi Pesata
Jicarilla Apache Nation

cc: Ms. Brenda J. Mustain, CPLTA, Black Hills Gas Resources, Inc.
Ms. Mary Enjady, Acting Director, Oil & Gas Administration
Mr. Todd Osmera, Acting Director, Oil & Gas Administration
Mr. David Wong, Executive Director, Revenue & Taxation

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13816 Exhibit No. 4
Submitted by:
BLACK HILLS EXPLORATION & PROD., INC.
Hearing Date: November 30, 2006

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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401



IN REPLY REFER TO:
Case No. 13770

November 28, 2006

Mark Fesmire
New Mexico Oil Conservation Division
1220 S. St. Frances Drive
Santa Fe, New Mexico 87505

Dear Mr. Fesmire:

Reference is made to Case No. 13816, whereby Black Hill Exploration and Production (Black Hills) is seeking approval for the creation of a Jicarilla Apache Tribal Lands Production Area. The area is comprised of the following tribal lands:

Township 30 North, Range 3 West:

Section 4 through 9 (All)
Section 15 through 22 (All)
Section 26 through 35 ((All)

Township 31 North, Range 3 West:

Section 32 (S/2)

Township 29 North, Range 3 West:

Section 3 through 10 (All)

Black Hills proposes the adoption of special rules on the above described lands which would authorize the drilling of up to two(2) wells on each 160 acre spacing unit (net 80 acre infill) for the East Blanco Pictured Cliffs and the Cabresto Canyon Tertiary Pools.

We recently reviewed the technical aspects of this case with representatives of Black Hills and found that their proposal generally has merit but lacks supporting documentation from wells drilled under original pilot project issued to Mallon Oil Company (Mallon) under Order R-11858. The BLM views the current Black Hills proposal as an additional phase of the original Mallon project. Project results should help further assess Pictured Cliffs and Tertiary sand development opportunities using horizontal drilling technology from existing well pads and would allow Black Hills to garner additional complex fracture geology and reservoir data and determine optimal well spacing.

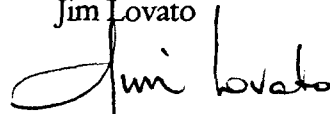
Pursuant to the Memorandum of Understanding between the BLM and the OCD, we support Black Hills project contingent upon the following:

- 1) That the project duration should be allowed no more than three (3) years to determine critical reservoir characteristics, commercial feasibility and optimal well spacing.

- 2) Black Hills should present a report on the results of the project to both the BLM and OCD on an annual basis with a final report and conclusions submitted within 60 days of project completion.

If you have any questions regarding the above, contact me at (505) 599-6367.

Jim Lovato

A handwritten signature in black ink that reads "Jim Lovato". The signature is stylized, with a large, sweeping initial "J" and "L".

Senior Technical Advisor,
Petroleum Engineer

CC: Black Hills Exploration & Production
Jicarilla Apache Tribe
Bureau of Indian Affairs: Dulce, NM