Black Hills Exploration and Production

Jaques Ute 34-14
Surface Location: 2124' FNL 1677' FEL (SW/NE)
Bottom Hole Location: 739' FNL 669' FEL (NE/NE)
Sec.34 T33N R8W
La Plata County, Colorado
Lease: 14-20-151-49

SURFACE USE PLAN

WELL LOCATION AND INTRODUCTION:
The surveyed location is 2124' FNL 1677' FEL (SW/NE) of Sec. 34 T33N R8W. The well site was surveyed and staked by Daggett Enterprises, Inc.

This Application for Permit to Drill (APD) was initiated under the NOS process as stated in Onshore Order No. 1 and supporting Bureau of Land Management (BLM) documents. This NOS process includes an onsite meeting which was held on December 7, 2006 as determined by the Southern Ute Indian Tribe, Department of Energy (SUIT), and at which time the specific concerns of Black Hills Exploration and Production (BHEP) and SUIT were discussed.

The initial on-site meeting for the original location was held during 1999 or 2000, at this time the site was called the Jaques Ute #34-7, and the APD was approved September 6, 2000. BHEP is proposing to drill the Jaques Ute 34-14 as a twin directional well co-located on the existing Jaques Ute #34-7 location.

1) EXISTING ROADS:
   - A) The well site for the proposed well and access roads to the location are shown on the attached maps/plat. The existing roads will be utilized during drilling and production operations, upgrade of the existing roads prior to drilling will not be necessary.
   - B) ***Directions to location: From the junction of CO State Hwy 172 and the La Plata County Road 318 approximately ½ mile south of Ignacio, Co. From this junction, travel west on CR 318 for 5.0 miles to M.P. 10 opposite CR 311, Turn left (south) and travel 1.4 miles to the top of Herrera Hill, turn left (east) and travel 2.3 miles. Turn left (north) and travel 0.1 miles to the Ute #34-3 existing well location. Turn right (east) 0.4 miles to the Jaques 34-7 location.***
   - C) Routine grading and maintenance of existing roads will be conducted as necessary to maintain the roads.

2) PLANNED ACCESS ROADS (See attached map)
   - A) The current road leading to the existing location will be utilized.
   - B) Water turnouts and water bars/wing ditches will be maintained as necessary.
   - C) No fence cuts, gates and/or cattleguards will be necessary.
   - D) Surfacing material if necessary will consist of native soil and potentially sandstone material.

3) LOCATION OF EXISTING WELLS

Within a 1-mile radius:

Proposed	See Table 1
Drilling	See Table 1
Abandoned	See Table 1
Disposal injection	See Table 1
Shut-In	See Table 1
Producing	See Table 1

4) NEW PRODUCTION FACILITIES PROPOSED

A) If the twin well proves to be successful, necessary production facilities and tanks will be installed on the drilling pad. The new well will also be tied into the existing piping on location using a 4" poly gas pipeline; the maximum anticipated working pressure is 200 psi.

B) Production equipment will be painted light reflective colors to limit evaporation and waste of liquid hydrocarbons. All above ground permanent structures will be painted Munsell Color Juniper Green, based on BLM guidelines.

5) LOCATION OF WATER SUPPLY

It is planned to drill the proposed well with water obtained from private or commercial sources which will be transported to the location. No water wells will be drilled on the location.

6) SOURCE OF CONSTRUCTION MATERIALS

No additional earth materials are expected to be hauled in for construction purposes.

7) WASTE DISPOSAL

A) Drill cuttings not retained for evaluation purposes will be disposed of in the lined reserve pit, measuring approximately 100' x 125' x 8'.

B) A portable chemical toilet will be provided for onsite personnel during the drilling and completion operations.

C) Garbage and trash produced during drilling or completion operations will be contained in a portable trash basket and hauled to an approved disposal facilities. No toxic waste or hazardous chemicals will be produced by this operation.

D) After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. The cuttings and pit will be completely fenced and flagged and kept closed until it has dried. As weather permits, the unused portion of the well site will be leveled and reseeded as per BLM specifications and or recommendations from the Jaques family. Only that part of the pad required for production facilities will be kept in use.

8) ANCILLARY FACILITIES

No ancillary facilities will be necessary.

9) WELLSITE LAYOUT

A) No cut and fill is anticipated, location will be leveled, weeds if any removed and existing surface equipment removed.

B) See attached plat for the planned orientation for the production layout.

C) The reserve pit will be lined with a synthetic liner.

10) SURFACE PREPARATION

A) Upon completion of the proposed operations, if the well is to be abandoned, the pit area, after being allowed to dry, will be broken out and leveled and contoured to as nearly the original topography as possible.

B) The disturbed area will be revegetated as recommended by the BLM and or the Jaques family.

C) All small flare pits or lined water pits will be fenced while in use, and dried and reclaimed upon completion or abandonment of well.

11) PIPELINES AND FLOWLINES

Black Hills Exploration and Production proposes to tie into the existing gas gathering system pipeline as shown on the attached plat.

12) GENERAL INFORMATION

A) Project area- The Project Area is located near Trail Canyon and Pump Canyon in the Mesa Mountains. The topography in the project vicinity is hilly with elevations ranging from approximately 7,200 to 7,400 feet.

B) Topographic and geologic features – Underlying geology is comprised of Quaternary age and older alluvium and surficial deposits and sandstone-dominated formations of all ages (U.S. Geological Survey [USGS 2004]).

C) Soil characteristics – Soils in the Project Area consist primarily of Durango cobbly loam. These very deep, well-drained soils are found on mesas, hills, and ridges in areas with 3 to 20 percent slopes. They are formed in fine-textured slope alluvium derived from Pliocene alluvium. Other soils include the Zyme-Rock outcrop complex, which consists of shallow, well-drained soils on 12 to 65 percent slopes; and Witt loam, which consists of very deep, well-drained, moderately permeable soils on 3 to 8 percent slopes (USDA 2006).

D) Flora consists of: The Project Area primarily consists of disturbed lands. Pinyon-Juniper Woodland and Gambel Oak-Mixed Montane Shrubland vegetative cover types dominate the area surrounding the proposed well. Gambel oak (*Quercus gambelii*) is common in areas surrounding the well pad and transitions into pinyon (*Pinus edulis*)-juniper (*Juniperus osteosperma*). Other cover types include areas of Ponderosa Pine Woodland and Sagebrush Shrubland. Descriptions of each cover type are adapted from the Southwest Regional Gap (SWReGAP) Analysis Project (USGS 2004) and the Colorado Gap Analysis Program (COGAP) (Thompson et al. 1996). Descriptions include a list of species typically found in these habitats; however, not all of these species were observed during surveys.

E) Fauna – Assume deer, Elk, coyotes, rabbits, raptors, and rodents.

F) Concurrent surface use – Non Agricultural Lands.

G) Mineral Lessor: Black Hills Exploration and Production

H) Surface Owner: Danny and Barbara Jaques
Drillsite: Danny and Barbara Jaques
Access: Southern Ute Indian Tribe/Private Surface

I) Proximity of water, occupied dwellings or other features – The Project Area is located in the Upper San Juan watershed (Hydrologic Unit 14080101). The Animas River is located approximately 9 miles to the west and the Los Pinos River approximately 5 miles to the east. The small drainages in the Mesa Mountains eventually flow into these rivers.

J) A previous and current archeological report was done Michael A. Frost, Environmental Service Inc. of Bayfield, Colorado.

13) LESSEE'S OR OPERATOR'S REPRESENTATIVE:

Operator
Black Hills Exploration and Production
350 Indiana St., Suite 400
Golden, CO 80401
Main Phone 720.210.1300
Fax 720.210.1301
Doran Newlin – Operations Manger
Direct Phone 303.568.5983

Field Office
P.O. Box 249
Bloomfield, NM 87413
Main Phone 505.634.1111
Fax 505.634.1116
** Daniel Manus – Regulatory Technician
Direct Phone 505.634.1111 ext 28

** Contact for any questions or comments regarding this permit.

14) CERTIFICATION:

Black Hills Exploration and Production (BHEP) are responsible under the terms and conditions of the lease to conduct lease operations in conjunction with the application. Bond coverage pursuant to 43 CFR 3104 for lease activities is being provided by BHEP under their nationwide bond, BLM Bond NMB000230 and the BIA Bond 190-010-577

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road; that I am familiar with the conditions which presently exist; that the statements made in this plan area, to the best of my knowledge, are true and correct; and that the work associated with the operations proposed herein will be performed by BHEP and its contractors and sub-contractors in conformity with this plan and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date

Jessica Donahue
Regulatory Technician/Black Hills Exploration and Production