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**THE PROPOSED WESTERN
PROPERTIES
MASTER DEVELOPMENT PLAN**

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INTRODUCTION

Black Hills Plateau Production, LLC, (“Black Hills”) is proposing a 2 to 5 year program of oil and gas development within its leases west of the Colorado River. The area consists of approximately 26,000 acres containing a mixture of public, split estate and private lands. Three separate areas are included in this master development plan’s proposal for development. Two oil and gas units are contained within the area: the Winter Flats Unit and the Homer Deep Unit. The third area consists of non-unitized leases directly to the west of the Colorado River, southwest of Debeque. The Western Properties Master Development Plan (WPMPD) is located west of the town of Debeque, Colorado. The majority of the collective area is within the boundaries of Mesa County with a few sections of Homer Deep Unit overlapping into Garfield County.

The proposal consists of constructing, drilling, completing and operating up to 107 proposed wells on 67 new well pads and 12 existing pads. This proposal also includes the pipelines, access roads, and compressor sites to support these proposed wells.

The Grand Junction Field Office of the Bureau of Land Management (BLM) administers the federal mineral estate in the Western Properties area. A few private leases are also contained within the subject area.

THE PROPOSED ACTION

The WPMDP describes the future development of the project area as it is currently planned. There are approximately 113 existing wells in the project area. 40 of these wells are operated by Black Hills. Some of these wells were drilled as early as 1978. Due to the interim of twenty-plus years between drilling, Black Hills perceives this area as an exploratory prospect. The rate of development would depend largely on factors such as advances in technology and economic-based factors such as the productivity of the wells, price of natural gas, and the cost of services. If the market sustains favorable conditions, Black Hills proposes to drill 12 wells in 2009, 22 in 2010, 18 in 2011, and the other 53 wells over the life of the project.

The WPMDP area encompasses roughly 26,000 acres of Federal and private surface and mineral ownership within portions of T8S R98W Sections 6-10, 13-24; T8S R98W Sections 11-14, 24; T9S R98W Sections 11-13, 24; T9S R99W Sections 7-11, 14-18; T9S R100W Sections 1-3, 10-14; T10S R97W Section 21, Sixth Principal Meridian. Approximately 25,000 acres are federal minerals; 1,000 acres are private minerals.

Development – Construction, Drilling and Completion

Construction

Black Hills will comply with all appropriate federal, state, county, municipal, and local permits, including all necessary environmental clearances and permits (Colorado Oil and Gas Conservation Commission, U.S. Army Corps of Engineers, Colorado Division of Wildlife, U.S. Fish & Wildlife, U.S. Forest Service, Colorado Department of

Transportation, Colorado Department of Health & Environment, County Health and Road Departments, municipalities, etc.) before commencing any work.

All construction, whether well pad or access road or pipeline, will be covered by a General Construction Permit for stormwater discharges from the Colorado Department of Public Health and Environment. The permit number for the Winter Flats Unit is COR-03D377. The permit number for the Homer Deep Unit is COR-03D439. The non-unitized, DeBeque area leases are covered under permit number COR-03C916. A stormwater management plan is currently in place for each of the permitted areas. The plans will be updated as necessary to include all new construction. Best Management Practices as required by the permits and plans will be in place before, during, and after construction until the location has reached final stabilization. All other requirements of the permits will be followed, such as the bi-weekly inspections and post-precipitation event inspections.

All trees removed during construction activities would be cut to a maximum stump height of 6 inches, bucked into 4-foot lengths, and either stacked off location or windrowed to serve as silt catchments. Pinyon pine trees would be chipped, buried or disposed to prevent the spread of the Pinyon Ips beetle. Rootballs would be buried, placed offsite, or scattered over the disturbed area as part of final reclamation. Other vegetation, such as sagebrush and other shrubs, may be scattered offsite or placed on well pad fills to help screen the pads. Cleared and grubbed juniper trees could be windrowed along toe of pad or road fill slopes, and placed over pad and pipeline disturbances. Where necessary, Black Hills will obtain a BLM woodcutting permit when removing trees.

Proposed Well Pads

The proposed well pads would be constructed from the native soil and rock materials present using a bulldozer, grader, front-end loader, or backhoe. The pad would be constructed by clearing vegetation, stripping and stockpiling topsoil, and leveling the pad area using cut-and-fill techniques. The tops of the cut banks and pad corners may be rounded to improve their appearance.

The working surface of the newly constructed pads would average 265 feet by 300 feet, and with cut and fill slopes, disturbance per pad would be approximately 3.5 acres (see Attachment A - Table 2). The target zone for the wells is a depth from approximately 7,500 to 9,000 feet. A large drilling rig is necessary to reach this depth, thereby dictating the need for a large pad. The construction of the 67 new pads and expansion of the 12 existing pads would result in an estimated 223 acres of new short-term surface disturbance. Following interim reclamation, a working area of about 0.5 acre would remain disturbed throughout the long-term production phase of the well. Total long-term disturbance is estimated at 46 acres, following interim reclamation.

Proposed Access Roads and Gathering Lines

To provide access to the proposed surface locations, the construction of approximately 14 miles of new roads is proposed. 7 miles of existing Jeep trails would be upgraded to comply with BLM's Gold Book Standards for roads. In addition, approximately 73.5

miles of existing roads will be maintained as necessary for the anticipated traffic flow. Black Hills also anticipates approximately 37 miles of new gathering lines to be constructed.

The proposed roads would be constructed to meet standards for the anticipated traffic flows and all-weather requirements. Road and gathering pipelines would be constructed within a 40 foot disturbance corridor, which would be reduced to a 20 feet finished road surface (see Attachment A - Table 2). Bulldozers, trackhoes, and/or road graders would first clear vegetation and topsoil. The road would then be constructed using standard equipment and techniques approved by the BLM, which could include ditching, draining, crowning, surfacing, sloping, and dipping the roadbed as necessary.

All proposed gathering lines would be constructed within or immediately adjacent to existing, upgraded, or proposed roads, generally along the uphill side of the road. Excavated topsoil would be windrowed separately from the underlying subsoil and stored along the road until the trench is backfilled. All pipelines would be buried to a minimum depth of four feet from surface to top of pipe. The pipeline trench would be excavated mechanically; pipe segments would then be welded together and tested, lowered into the trench, and covered with excavated material. Generally a mile of pipeline would be constructed in 4-7 days.

Each pipeline would be pressure tested with fresh water and/or nitrogen gas to locate any leaks. Fresh water would be acquired from one of three sources:

- Latham Ponds - Black Hills currently maintains a permit from West Divide Water Conservancy to acquire water from this source for operational purposes
- Colorado River intake located in Debeque, CO
- The McLish 8-1 well, located in T8S R98W Sect. 8 - Black Hills is currently proposing to convert this conventional gas well into a source water well

Water would be transported to the testing location by truck. Nitrogen to be used for testing would be obtained by a third-party contractor, such as Halliburton or BJ Services, who would then be on location to pump the nitrogen test. After testing, if fresh water was used, the water would either be disposed of at Danish Flats, an existing offsite evaporation pond facility near Cisco, UT, or it would be taken to a location Black Hills would be in the process of drilling. Nitrogen would be vented to the atmosphere if used instead of water.

Proposed Compressor Sites

Under the presumption of successful wells, Black Hills has also located potential compressor sites in the Homer Deep Unit and Winter Flats Unit where pipelines would tie in to the existing third-party Energy Transfer Company gathering system. There are 10 locations identified. The locations are delineated on Map-Mineral Leases and designated by the green dots. Initially, compressors will not be necessary, as the newly drilled wells will have enough pressure to overcome the internal pressure in the gathering system. As the wells deplete, it might become necessary to install compression to allow full reservoir production. At that time, Black Hills proposes to install screw compression. The rate of compression and well performance will dictate the amount of compression and horsepower required. Preliminary estimates indicate a need for no more than 5 sites of 3

acres per site, for a total of 15 acres of disturbance. Each site would contain 1 screw compressor, with an engine rated at 400HP, for a total of 2000HP. 10 locations have been selected to allow flexibility for placement of centralized compression, but Black Hills proposes only to construct and operate up to five. Sites will be determined as the field ages to allow for strategic compression. The individual well productivity will dictate which sites will be utilized for the most efficient placement of resources. For that reason Black Hills has identified more locations than will be utilized.

Drilling and Completion

Up to 107 vertically and directionally drilled wells would be developed as part of the proposed action. Attachment A - Table 1 provides surface and bottomhole locations for the proposed well pads and wells. The number of wells proposed for drilling in 2009 is 12. Production results from these wells would be used to plan the 2010 and 2011 drilling programs. Fewer wells may be drilled than are proposed because of geologic and market uncertainties.

Black Hills drilling operations would be conducted in compliance with all Federal Oil and Gas Onshore Orders, as well as all other applicable rules and regulations. Drilling would target gas production zones at approximately 7,500-9,000 feet deep.

Surface casing will be run to a minimum depth of 50 feet below any freshwater aquifers within one mile. The surface hole would be cased with steel casing and cemented in place entirely from ground level to the depth as determined in the individual APD. Prior to drilling below the surface casing, a Blowout Preventor (BOP) would be installed on the surface casing and both the BOP and the surface casing would be tested for pressure integrity. The BOP and related equipment would meet the minimum requirements of Onshore Oil and Gas Order No. 2, and the BLM would be notified in advance of all pressure tests.

After drilling the hole to its final depth, logging tools would be run into the well to evaluate the potential hydrocarbon resource. If the evaluation indicates adequate hydrocarbon resources are present and recoverable, steel production casing would be run and cemented into place in accordance with the well design as approved by the BLM and any applicable Conditions of Approval (COAs). The proposed casing and cementing program would be designed to protect and/or isolate all usable water zones, potentially productive zones, lost circulation zones, abnormally pressured zones, and any prospectively valuable deposits of minerals. BLM approval is required prior to the use of any isolating medium other than cement.

After production casing has been cemented in place, the drilling rig would be removed and a completion rig would be moved in. Well completion consists of running a Cement Bond Log to evaluate cement integrity and to correlate the cased hole logs to the open hole logs. The casing is then perforated across the hydrocarbon producing zones, and the formation is stimulated to enhance the production of oil and gas. The typical method used for stimulation consists of a hydraulic fracture treatment in which sand and non-toxic fluids are pumped into the producing formation with sufficient pressure to fracture the

rock formation. The sand serves as a proppant to keep the created fracture open, thereby allowing reservoir fluids to move more efficiently into the well bore.

Specific directional plans for each well will be included with its Application for a Permit to Drill. Downhole operations would be done with tools to facilitate proper direction and path of the well.

A well is anticipated to require approximately 20 days of drilling and 10 days to complete. Water necessary to drilling would be hauled to the site by truck. A small water truck, also known as a bobtail, can carry between 80 and 85 barrels per trip; a larger water transport truck can carry between 100 and 120 bbl per trip. Water volume used in drilling operations is dependent on the depth of the well and any losses that might occur during drilling. Black Hills anticipates an approximate average of 10-15 truck trips per day for the first week of drilling and 3-4 truck trips per day for the remaining weeks of drilling. Water for drilling would be acquired from one of three sources:

- Latham Ponds - Black Hills currently maintains a permit from West Divide Water Conservancy to acquire water from this source for operational purposes
- Colorado River – the intake located in Debeque, CO
- The McLish 8-1 well, located in T8S R98W Sect. 8 - Black Hills is currently proposing to convert this conventional gas well into a source water well

Production – Operation and Maintenance

Surface Facilities

Surface facilities at each well pad location would consist of wellheads, separator/dehydrator units, gas metering units, and above-ground condensate and produced water tanks with approximately 100 to 400 barrel capacities. Multi-well locations would share production equipment, whenever feasible, to minimize surface occupancy/disturbance. All production equipment with a chimney, vent or stack shall be fitted with a device that will prevent birds from entering the chimney, such as an excluder cone or equivalent.

Production facilities shall be located and arranged to facilitate safety and maximize interim reclamation opportunities, e.g. located at the access road end of the pad, with tanks in cut. As practical, access to production facilities should be provided by a teardrop-shaped road through the production area, so that the driving area may be clearly defined and limited and so that teardrop center may be revegetated. All production equipment would be painted to match the surrounding terrain and located to reasonably minimize long term surface disturbance and visual impact. BLM would select the colors for all facilities, including any metal containment berms placed around the tanks, at sites associated with Federal surface. In cases of split estates associated with federal minerals the surface equipment will be painted in accordance with BLM requirements unless the private surface owner requests differently.

Telemetry equipment would be used to remotely monitor wells. The use of telemetry would minimize traffic to and from the well locations in order to minimize impacts on

wildlife and plants. A pumper truck will be required to periodically visit the pads. The frequency of these visits will be based upon information gathered from the telemetry equipment.

Tank batteries would be placed within secondary containment to prevent offsite migration of accidentally spilled condensate or produced water. Secondary containment would consist of corrugated steel containment berms or earthen berms. Compaction and construction of earthen berms surrounding the tank batteries would be performed to prevent lateral movement of fluids through the utilized materials. Secondary containment would be sized to contain a minimum of 110 percent of the storage capacity of the largest tank within the berm. All loading lines would be placed inside the containment berm.

Access roads will be upgraded and maintained as necessary to prevent soil erosion and accommodate year-round traffic.

Black Hills shall regularly monitor and promptly control noxious weeds or other undesirable plant species as set forth in the joint BLM/Forest Service *Noxious and Invasive Weed Management Plan for Oil and Gas Operator*, dated March 2007. A Pesticide Use Proposal (PUP) must be approved by the BLM prior to the use of herbicides. Annual weed monitoring reports shall be submitted by December 1.

Produced water may be confined to the reserve pit for a period of 90 days after initial production. Produced water at well pads will be trucked offsite to Danish Flats, an approved commercial disposal facility located near Cisco, UT, or to Black Hills's proposed disposal well at existing well Hancock Gulch #1. Condensate will be transported to market by tanker trucks.

Workovers or Recompletion

Periodically the workover or recompletion of a well may be required to ensure that efficient production is maintained. Workovers can include repairs to the well bore equipment (casing, tubing, rods, or pump), the wellhead, or the production facilities. These repairs would usually be completed during daylight hours. The frequency of this type of work cannot be accurately projected because workovers vary from well to well.

Abandonment and Reclamation

Well Plugging and Abandonment

Dry/non-producing wells would be plugged, abandoned, and reclaimed within 90 days of well completion, weather permitting. Upon abandonment, each borehole would be plugged, capped, and its related surface equipment removed. Subsurface pipelines would be plugged at specific intervals. A Sundry Notice would be submitted by the operator to the BLM that describes the engineering, technical, and/or environmental aspects of final plugging and abandonment. This notice would describe final reclamation procedures and any mitigation measures associated with the final reclamation performed by the operator. The BLM and the Colorado Oil and Gas Conservation Commission (COGCC) standards

for plugging would be followed. A configuration diagram, a summary of plugging procedures, and a job summary with techniques used to plug the wellbore (e.g., cementation) would be included in the Sundry Notice.

Reclamation

All surface disturbances would be recontoured and revegetated in accordance with an approved reclamation plan, including control of noxious weeds. One of Black Hills's goals is to accomplish as much reclamation as possible during the life of the well, even on those pads that will need to retain a larger production area during the life of the well.

Black Hills would restore the well locations and access roads to approximately their original contours. During reclamation of these sites, fill material would be pushed into cuts and over the backslope. No depressions would be left that would trap water or form ponds. Upon completion of backfilling, leveling, and recontouring, the stockpiled topsoil would be evenly spread over the reclaimed area(s). All disturbed surfaces would be reseeded with a seed mixture approved or recommended by either BLM or the private surface owner. All seeding would be conducted after September 1 and prior to ground frost. Spring seeding would be conducted after the frost leaves to the ground but no later than May 15. If the seeding is unsuccessful, Black Hills may be required to make subsequent seedings.

Revegetation would be considered successful when the following objectives are met:

- Immediate short term: Establishment of desirable perennial vegetation by the end of the second growing season, capable of renewing itself.
- Acceptable establishment: Acceptable level of desirable vegetation by the end of the fifth growing season.
- Long-term establishment: Level of revegetation approximates the original predisturbed condition, in terms of canopy cover and species composition.

Interim Reclamation

After completion activities, Black Hills would reduce the size of the well pad. Any areas unnecessary to operation shall be reshaped to blend with natural topography to the extent possible. Interim reclamation would be accomplished by grading, leveling, spreading topsoil, and seeding, as recommended by the BLM or private surface owner. Interim Reclamation would reduce the disturbed area at each pad to approximately 0.5 acres per wellhead after well development. If interim revegetation is unsuccessful, additional prep and reseeding shall be completed annually until standards are met. Requirements for reseeding of unsuccessful temporary seeding will be considered on a case-by-case basis.

Interim reclamation work would include:

- Removing all debris, materials, and trash unnecessary to production operations
- Reshaping of all areas unnecessary to operation to blend with natural topography to the extent possible
- Reseeding with seed mixes and techniques specified by the BLM

Final Reclamation

If the well is abandoned or a dry hole, reclamation is to be final. Final reclamation work would include:

- All equipment, facilities and trash shall be removed from the location.
- Each borehole shall be plugged, capped and its related surface equipment removed.
- Subsurface pipelines shall be purged and plugged at specific intervals.
- After the well is plugged and abandoned, the site shall be reclaimed as soon as possible. Earthwork and seeding must be completed within one year from the date of plugging and abandonment.
- Dry hole marker shall be sub-surface, to prevent raptor predation upon small game, including sage grouse.

Attachment A

Tables

Table 1 - Surface and Bottomhole Locations

Lease	Proposed Wells	T	R	Surface Location		Bottomhole Location		Year to Be Drilled
				Q	S	Q	S	
COC-012733A	Homer Deep Unit 9-31	8S	98W	NWNE	9	-	-	2009
COC-012737	Homer Deep Unit 14-32	8S	98W	NENE	14	NWNE	14	2009
COC-012737	Homer Deep Unit 14-43	8S	98W	NESE	14	-	-	2009
COC-012735	Homer Deep Unit 16-43	8S	98W	NESE	16	-	-	2009
COC-012735	Homer Deep Unit 22-23	8S	98W	NESW	22	-	-	2009
COC-012737	Homer Deep Unit 23-41	8S	98W	NENE	23	-	-	2009
COC-012737	Homer Deep Unit 24-32	8S	98W	SWNE	24	-	-	2009
COC-012649B	Winter Flats 15-43-99	9S	99W	NESE	15	-	-	2009
COC-012657	Winter Flats 11-12-100	9S	100W	SWNW	11	-	-	2009
COC-012657A	Winter Flats 12-12-100	9S	100W	SWNW	12	-	-	2009
COC-012657A	Winter Flats 12-33-100	9S	100W	NWSE	12	-	-	2009
COC-012657A	Winter Flats 14-23-100	9S	100W	NWNE	14	NESW	14	2009
COC-012736	Homer Deep Unit 7-41	8S	98W	NENE	7	-	-	2010
PRIVATE	Homer Deep Unit 10-13	8S	98W	NESW	10	NWSW	10	2010
PRIVATE	Homer Deep Unit 10-43	8S	98W	NESE	10	-	-	2010
COC-012735	Homer Deep Unit 15-12	8S	98W	SWNW	15	-	-	2010
COC-012735	Homer Deep Unit 15-43	8S	98W	NWSE	15	NESE	15	2010
COC-012735	Homer Deep Unit 16-24	8S	98W	SESW	16	-	-	2010
COC-012735	Homer Deep Unit 22-11	8S	98W	NWNW	22	-	-	2010
COC-012735	Homer Deep Unit 22-43	8S	98W	NESE	22	-	-	2010
COC-012737	Homer Deep Unit 23-21	8S	98W	SWNW	23	SENE	23	2010
COC-052419	Shire Gulch 19-4	9S	97W	SESW	19	-	-	2010
COC-046161	Wagon Track 11-21	9S	98W	NENW	11	NWNW	11	2010
COC-046161	Wagon Track 11-23	9S	98W	NWSW	11	-	-	2010
COC-055607	Wagon Track 24-31	9S	98W	NWNE	24	-	-	2010
COC-012649A	Winter Flats 14-21-99	9S	99W	NENW	14	-	-	2010
COC-012649B	Winter Flats 15-12-99	9S	99W	NENW	15	SWNW	15	2010
COC-012651	Winter Flats 17-21-99	9S	99W	NENW	17	-	-	2010
COC-012657	Winter Flats 18-23-99	9S	99W	NESW	18	-	-	2010
COC-012656A	Winter Flats 2-34-100	9S	100W	SWSE	2	-	-	2010
PRIVATE	Winter Flats 3-34-100	9S	100W	SWSE	3	-	-	2010
COC-012661A	Winter Flats 10-31-100	9S	100W	SWSE	3	NWNE	10	2010
COC-012657	Winter Flats 13-21-100	9S	100W	NENW	13	-	-	2010
COC-012657A	Winter Flats 14-11-100	9S	100W	NWNW	14	-	-	2010

Lease	Proposed Wells	T	R	Surface Location		Bottomhole Location		Year to Be Drilled
				Q	S	Q	S	
COC-012733A	Homer Deep Unit 9-11	8S	98W	NWNW	9	-	-	2011
COC-012733A	Homer Deep Unit 10-11	8S	98W	NWNW	10	-	-	2011
COC-012737	Homer Deep Unit 14-24	8S	98W	SESW	14	-	-	2011
COC-012735	Homer Deep Unit 16-41	8S	98W	SENE	16	NENE	16	2011
COC-012735	Homer Deep Unit 21-12	8S	98W	SWNW	21	-	-	2011
COC-012735	Homer Deep Unit 21-44	8S	98W	SESE	21	-	-	2011
COC-012735	Homer Deep Unit 22-41	8S	98W	NESE	22	NENE	22	2011
COC-012737	Homer Deep Unit 23-24	8S	98W	SWNW	23	SESW	23	2011
COC-012737	Homer Deep Unit 24-22	8S	98W	SENW	24	-	-	2011
PRIVATE	Homer Deep Unit 14-13-99	8S	99W	NWSW	14	-	-	2011
COC-017356	Shire Gulch Federal 1-30	9S	97W	SESW	19	SENW	19	2011
COC-018825	Shire Gulch 6-21	10S	97W	NWNW	6	-	-	2011
COC-011356	Winter Flats 11-32-99	9S	99W	SWNE	11	-	-	2011
COC-012649B	Winter Flats 15-23-99	9S	99W	NWSW	15	-	-	2011
COC-012661A	Winter Flats 10-33-100	9S	100W	NWSE	10	-	-	2011
COC-012657	Winter Flats 13-13-100	9S	100W	NWSW	13	-	-	2011
COC-012657	Winter Flats 13-43-100	9S	100W	NESE	13	-	-	2011
PRIVATE	Winter Flats 14-44-100	9S	100W	SESE	14	-	-	2011
COC-012733A	Homer Deep Non-Unit 6-24	8S	98W	SESW	6	-	-	2012-2013
COC-067159	Homer Deep Unit 7-22	8S	98W	SESW	6	SENW	7	2012-2013
COC-067159	Homer Deep Unit 7-24	8S	98W	SESW	7	-	-	2012-2013
COC-012736	Homer Deep Unit 7-33	8S	98W	NWSE	7	-	-	2012-2013
COC-012736	Homer Deep Unit 7-44	8S	98W	SESE	7	-	-	2012-2013
PRIVATE	Homer Deep Unit 8-21	8S	98W	NENW	8	-	-	2012-2013
COC-012736	Homer Deep Unit 8-23	8S	98W	SWNE	8	NESW	8	2012-2013
COC-014176	Homer Deep Unit 8-32	8S	98W	SENE	8	-	-	2012-2013
COC-012736	Homer Deep Unit 8-44	8S	98W	SWNE	9	SESE	8	2012-2013
COC-012733A	Homer Deep Unit 9-23	8S	98W	NWNE	9	NESW	9	2012-2013
COC-012733A	Homer Deep Unit 9-33	8S	98W	NWNE	9	NWSE	9	2012-2013
COC-012737	Homer Deep Unit 13-11	8S	98W	NWNW	13	NENW	13	2012-2013
COC-012737	Homer Deep Unit 13-23	8S	98W	NESW	13	-	-	2012-2013
COC-012737	Homer Deep Unit 13-42	8S	98W	SENE	13	-	-	2012-2013
COC-012737	Homer Deep Unit 13-43	8S	98W	NESE	13	-	-	2012-2013
COC-052682	Homer Deep Unit 15-32	8S	98W	NWNW	14	SWNE	15	2012-2013
COC-012735	Homer Deep Unit 16-22	8S	98W	SESE	17	SWNW	16	2012-2013
COC-012736	Homer Deep Unit 17-13	8S	98W	NWSW	17	-	-	2012-2013
COC-067159	Homer Deep Unit 17-22	8S	98W	NWSW	17	SWNW	17	2012-2013
COC-067159	Homer Deep Unit 17-42	8S	98W	SESE	17	SENE	17	2012-2013
COC-012736	Homer Deep Unit 17-44	8S	98W	SESE	17	-	-	2012-2013
COC-067159	Homer Deep Unit 18-11	8S	98W	SESW	7	NWNW	18	2012-2013
COC-012736	Homer Deep Unit 18-24	8S	98W	NWSE	18	NWSW	18	2012-2013
COC-067159	Homer Deep Unit 18-31	8S	98W	NWNE	18	-	-	2012-2013
COC-012736	Homer Deep Unit 18-33	8S	98W	NWSE	18	-	-	2012-2013

Lease	Proposed Wells	T	R	Surface Location		Bottomhole Location		Year to Be Drilled
				Q	S	Q	S	
COC-012736	Homer Deep Unit 19-11	8S	98W	NWNW	19	-	-	2012-2013
COC-012736	Homer Deep Unit 19-23	8S	98W	NESW	19	-	-	2012-2013
COC-012736	Homer Deep Unit 19-42	8S	98W	SENE	19	-	-	2012-2013
COC-012736	Homer Deep Unit 19-44	8S	98W	NESW	19	SESE	19	2012-2013
COC-012736	Homer Deep Unit 20-21	8S	98W	NENW	20	-	-	2012-2013
COC-012736	Homer Deep Unit 20-23	8S	98W	NENW	20	NESW	20	2012-2013
COC-012736	Homer Deep Unit 20-32	8S	98W	NENE	20	SWNE	20	2012-2013
COC-012736	Homer Deep Unit 20-44	8S	98W	NENE	20	SESE	20	2012-2013
COC-012735	Homer Deep Unit 21-23	8S	98W	SWNW	21	NESW	21	2012-2013
COC-012737	Homer Deep Unit 23-43	8S	98W	NENE	23	NESE	23	2012-2013
COC-012737	Homer Deep Unit 24-24	8S	98W	SWSW	24	-	-	2012-2013
COC-012737	Homer Deep Unit 24-33	8S	98W	NWSE	24	NWSE	24	2012-2013
COC-012647	Homer Deep Unit 11-12-99	8S	99W	SENE	11	-	-	2012-2013
COC-012647	Homer Deep Unit 11-14-99	8S	99W	SWSW	11	-	-	2012-2013
COC-012647	Homer Deep Unit 11-31-99	8S	99W	SWNE	11	NWNE	11	2012-2013
COC-012647	Homer Deep Unit 11-34-99	8S	99W	SWNE	11	-	-	2012-2013
COC-012747	Homer Deep Unit 12-12-99	8S	99W	NWSW	12	SWNW	12	2012-2013
COC-052686	Homer Deep Unit 12-13-99	8S	99W	NWSW	12	-	-	2012-2013
COC-012747	Homer Deep Unit 12-32-99	8S	99W	NWSW	12	SWNE	12	2012-2013
COC-011355	Homer Deep Unit 12-44-99	8S	99W	NENE	13	SESE	12	2012-2013
COC-052686	Homer Deep Unit 13-23-99	8S	99W	NENE	13	NWSW	13	2012-2013
COC-052686	Homer Deep Unit 13-41-99	8S	99W	NENE	13	-	-	2012-2013
COC-012747	Homer Deep Unit 13-44-99	8S	99W	SWNE	24	SESE	13	2012-2013
COC-012747	Homer Deep Unit 14-21-99	8S	99W	NWSW	14	NENW	14	2012-2013
COC-012747	Homer Deep Unit 14-33-99	8S	99W	SENE	14	NWSE	14	2012-2013
COC-052686	Homer Deep Unit 14-42-99	8S	99W	SENE	14	-	-	2012-2013
COC-012747	Homer Deep Unit 24-11-99	8S	99W	SWNE	24	NWNW	24	2012-2013
COC-012747	Homer Deep Unit 24-24-99	8S	99W	SESW	24	-	-	2012-2013
COC-012747	Homer Deep Unit 24-32-99	8S	99W	SWNE	24	-	-	2012-2013
COC-012747	Homer Deep Unit 24-44-99	8S	99W	SWNE	24	SESE	24	2012-2013

Table 2 – Surface Disturbance

Existing or Proposed Pad	Proposed Wells	Short-Term Pad Disturbance (acres)	Length of Associated Road and Pipeline		Short-Term Road and Pipeline Disturbance		Total Short-Term Disturbance (acres)	Long-Term Pad Disturbance (acres)	Long-Term Road Disturbance (acres)	Total Long-Term Disturbance (acres)
			Road (ft)	Pipeline (ft)	Road (acres)	Pipeline (acres)				
Proposed	Homer Deep Non-Unit 6-24	4	995	2185	0.69	0.50	5.19	1.00	0.46	1.46
	Homer Deep Unit 7-22									
Proposed	Homer Deep Unit 7-24	4	1,875	20	1.29	0.00	5.30	1.00	0.86	1.86
	Homer Deep Unit 18-11									
Existing Maralex SSR 10-7	Homer Deep Unit 7-33	3.5	0	480	0.00	0.11	3.61	1.00	0.00	1.00
Proposed	Homer Deep Unit 7-44	3.5	2200	4985	1.52	1.14	6.16	0.50	1.01	1.51
Proposed	Homer Deep Unit 7-41	3.5	200	200	0.14	0.05	3.68	0.50	0.09	0.59
Proposed	Homer Deep Unit 8-21	3.5	1,480	1,480	1.02	0.34	4.86	0.50	0.68	1.18
Proposed	Homer Deep Unit 8-32	3.5	855	855	0.59	0.20	4.29	0.50	0.39	0.89
Existing BH McLish 8-1	Homer Deep Unit 8-23	3.5	0	0	0.00	0.00	3.50	1.00	0.00	1.00
	Homer Deep Unit 8-44									
Proposed	Homer Deep Unit 9-11	3.5	150	150	0.10	0.03	3.64	0.50	0.07	0.57
Proposed	Homer Deep Unit 9-23	4.5	150	150	0.10	0.03	4.64	1.50	0.07	1.57
	Homer Deep Unit 9-31									
	Homer Deep Unit 9-33									
Proposed	Homer Deep Unit 10-43	3.5	150	150	0.10	0.03	3.64	0.50	0.07	0.57
Proposed	Homer Deep Unit 10-11	3.5	300	300	0.21	0.07	3.78	0.50	0.14	0.64
Proposed	Homer Deep Unit 10-13	3.5	255	255	0.18	0.06	3.73	0.50	0.12	0.62
Proposed	Homer Deep Unit 13-23	3.5	2910	2910	2.00	0.67	6.17	0.50	1.34	1.84
Existing Maralex SSR 4-13	Homer Deep Unit 13-11	3.5	0	100	0.00	0.02	3.52	0.50	0.00	0.50
Proposed	Homer Deep Unit 13-43	3.5	495	2900	0.34	0.67	4.51	0.50	0.23	0.73
Proposed	Homer Deep Unit 13-42	3.5	300	3990	0.21	0.92	4.62	0.50	0.14	0.64

Existing or Proposed Pad	Proposed Wells	Short-Term Pad Disturbance (acres)	Length of Associated Road and Pipeline		Short-Term Road and Pipeline Disturbance		Total Short-Term Disturbance (acres)	Long-Term Pad Disturbance (acres)	Long-Term Road Disturbance (acres)	Total Long-Term Disturbance (acres)
			Road (ft)	Pipeline (ft)	Road (acres)	Pipeline (acres)				
Existing BH Hancock Gulch 4-14	Homer Deep Unit 15-32	3.75	0	0	0.00	0.00	3.75	1.00	0.00	1.00
Proposed	Homer Deep Unit 14-43	3.5	50	3725	0.03	0.86	4.39	0.50	0.02	0.52
Proposed	Homer Deep Unit 14-32	2.22	650	3000	0.45	0.69	3.36	0.49	0.30	0.79
Proposed	Homer Deep Unit 14-24	3.5	2920	2920	2.01	0.67	6.18	0.50	1.34	1.84
Existing Maralex SSR 10-15	Homer Deep Unit 15-43	3.77	350	350	0.24	0.08	4.09	0.96	0.16	1.12
Proposed	Homer Deep Unit 15-12	3.5	260	260	0.18	0.06	3.74	0.50	0.12	0.62
Proposed	Homer Deep Unit 16-43	3.5	675	675	0.46	0.15	4.12	0.50	0.31	0.81
Proposed	Homer Deep Unit 16-24	3.5	75	2245	0.05	0.52	4.07	0.50	0.03	0.53
Proposed	Homer Deep Unit 16-41	3.5	520	520	0.36	0.12	3.98	0.50	0.24	0.74
Existing Maralex SSR 9-17	Homer Deep Unit 17-44	4.5	0	2412	0.00	0.55	5.05	1.50	0.00	1.50
	Homer Deep Unit 16-22									
	Homer Deep Unit 17-42									
Proposed	Homer Deep Unit 17-13	3.5	470	2,240	0.32	0.51	4.34	1.00	0.22	0.72
	Homer Deep Unit 17-22	3.5								
Proposed	Homer Deep Unit 18-31	3.5	200	2,650	0.14	0.61	4.25	0.50	0.09	0.59
Proposed	Homer Deep Unit 18-33	4	685	4920	0.47	1.13	5.60	1.00	0.31	1.31
	Homer Deep Unit 18-24									
Proposed	Homer Deep Unit 19-11	3.5	8520	10775	5.87	2.47	11.84	0.50	3.91	4.41
Proposed	Homer Deep Unit 19-42	3.5	50	5750	0.03	1.32	4.85	0.50	0.02	0.52
Proposed	Homer Deep Unit 19-23	4	92	3290	0.06	0.76	4.82	1.00	0.04	1.04
	Homer Deep Unit 19-44									
Proposed	Homer Deep Unit 20-32	4	175	1555	0.12	0.36	4.48	1.00	0.08	1.08
	Homer Deep Unit 20-44									
Existing Maralex SSR 3-20	Homer Deep Unit 20-21	4	0	3710	0.00	0.85	4.85	1.50	0.00	1.50
	Homer Deep Unit 20-23									
Proposed	Homer Deep Unit 21-44	3.5	265	2050	0.18	0.47	4.15	0.50	0.12	0.62

Existing or Proposed Pad	Proposed Wells	Short-Term Pad Disturbance (acres)	Length of Associated Road and Pipeline		Short-Term Road and Pipeline Disturbance		Total Short-Term Disturbance (acres)	Long-Term Pad Disturbance (acres)	Long-Term Road Disturbance (acres)	Total Long-Term Disturbance (acres)
			Road (ft)	Pipeline (ft)	Road (acres)	Pipeline (acres)				
Existing Maralex SSR 5-21	Homer Deep Unit 21-12	4	0	5270	0.00	1.21	5.21	1.00	0.00	1.00
	Homer Deep Unit 21-23									
Proposed	Homer Deep Unit 22-23	3.5	50	5930	0.03	1.36	4.90	0.50	0.02	0.52
Existing Maralex SSR 9-22	Homer Deep Unit 22-43	4.18	0	2590	0.00	0.59	4.77	1.20	0.00	1.20
	Homer Deep Unit 22-41									
Proposed	Homer Deep Unit 22-11	3.5	4280	4280	2.95	0.98	7.43	0.50	1.97	2.47
Proposed	Homer Deep Unit 23-41	3.5	995	4275	0.69	0.98	5.17	0.50	0.46	0.96
	Homer Deep Unit 23-43							0.50		
Existing Maralex SSR 5-23	Homer Deep Unit 23-21	3.96	0	1555	0.00	0.36	4.32	1.06	0.00	1.06
	Homer Deep Unit 23-24									
Existing Maralex SSR 7-24	Homer Deep Unit 24-32	3.35	0	4300	0.00	0.99	4.34	2.70	0.00	2.70
Proposed	Homer Deep Unit 24-22	3.5	300	300	0.21	0.07	3.78	0.50	0.14	0.64
Proposed	Homer Deep Unit 24-24	3.5	2,490	2,490	1.71	0.57	5.79	0.50	1.14	1.64
Proposed	Homer Deep Unit 24-33	3.5	2,190	2,190	1.51	0.50	5.51	0.50	1.01	1.51
Proposed	Homer Deep Unit 11-12-99	3.5	1900	4600	1.31	1.06	5.86	0.50	0.87	1.37
Proposed	Homer Deep Unit 11-14-99	3.5	50	1765	0.03	0.41	3.94	0.50	0.02	0.52
Proposed	Homer Deep Unit 11-34-99	4	995	5470	0.69	1.26	5.94	1.00	0.46	1.46
	Homer Deep Unit 11-31-99									
Proposed	Homer Deep Unit 12-13-99	4.5	256	1995	0.18	0.46	5.13	1.50	0.12	1.62
	Homer Deep Unit 12-12-99									
	Homer Deep Unit 12-32-99									
Proposed	Homer Deep Unit 13-41-99	4.5	220	220	0.15	0.05	4.70	1.50	0.10	1.60
	Homer Deep Unit 12-44-99									
	Homer Deep Unit 13-23-99									
Proposed	Homer Deep Unit 14-42-99	4	250	250	0.17	0.06	4.23	1.00	0.11	1.11
	Homer Deep Unit 14-33-99									

Existing or Proposed Pad	Proposed Wells	Short-Term Pad Disturbance (acres)	Length of Associated Road and Pipeline		Short-Term Road and Pipeline Disturbance		Total Short-Term Disturbance (acres)	Long-Term Pad Disturbance (acres)	Long-Term Road Disturbance (acres)	Total Long-Term Disturbance (acres)
			Road (ft)	Pipeline (ft)	Road (acres)	Pipeline (acres)				
Proposed	Homer Deep Unit 14-13-99	4	184	6196	0.13	1.42	5.55	1.00	0.08	1.08
	Homer Deep Unit 14-21-99									
Proposed	Homer Deep Unit 24-24-99	3.5	900	4200	0.62	0.96	5.08	0.50	0.41	0.91
Proposed	Homer Deep Unit 24-44-99	5	915	2645	0.63	0.61	6.24	0.50	0.42	0.92
	Homer Deep Unit 13-44-99									
	Homer Deep Unit 24-11-99									
	Homer Deep Unit 24-32-99									
Proposed	Shire Gulch 6-21	3.5	0	1475	0.00	0.34	3.84	0.50	0.00	0.50
Proposed	Shire Gulch 19-4	4	600	5150	0.41	1.18	5.60	1.00	0.28	1.28
	Shire Gulch Federal 1-30									
Proposed	Wagon Track 11-23	3.5	150	150	0.10	0.03	3.64	0.50	0.07	0.57
Proposed	Wagon Track 11-21	3.5	50	50	0.03	0.01	3.55	0.50	0.02	0.52
Proposed	Wagon Track 24-31	2	655	970	0.45	0.22	2.67	0.72	0.30	1.02
Proposed	Winter Flats 11-32-99	3.5	650	650	0.45	0.15	4.10	0.50	0.30	0.80
Proposed	Winter Flats 14-21-99	3.5	400	400	0.28	0.09	3.87	0.50	0.18	0.68
Proposed	Winter Flats 15-12-99	3.5	100	100	0.07	0.02	3.59	0.50	0.05	0.55
Proposed	Winter Flats 15-43-99	3.44	920	2,140	0.63	0.49	4.56	0.49	0.42	0.91
Proposed	Winter Flats 15-23-99	3.5	4,000	10,000	2.75	2.30	8.55	0.50	1.84	2.34
Proposed	Winter Flats 17-21-99	3.34	150	5,100	0.10	1.17	4.61	0.46	0.07	0.53
Proposed	Winter Flats 18-23-99	3.5	1,070	2,960	0.74	0.68	4.92	0.50	0.49	0.99
Proposed	Winter Flats 2-34-100	3.5	300	4,000	0.21	0.92	4.62	0.50	0.14	0.64
Proposed	Winter Flats 11-12-100	3.38	230	1,500	0.16	0.34	3.88	0.54	0.11	0.65
Proposed	Winter Flats 13-21-100	3.5	1,430	3,970	0.98	0.91	5.40	0.50	0.66	1.16
Proposed	Winter Flats 13-43-100	3.5	1,828	2,026	1.26	0.47	5.22	0.50	0.84	1.34

Existing or Proposed Pad	Proposed Wells	Short-Term Pad Disturbance (acres)	Length of Associated Road and Pipeline		Short-Term Road and Pipeline Disturbance		Total Short-Term Disturbance (acres)	Long-Term Pad Disturbance (acres)	Long-Term Road Disturbance (acres)	Total Long-Term Disturbance (acres)
			Road (ft)	Pipeline (ft)	Road (acres)	Pipeline (acres)				
Proposed	Winter Flats 13-13-100	3.5	1,930	1,930	1.33	0.44	5.27	0.50	0.89	1.39
Proposed	Winter Flats 12-33-100	3.44	95	130	0.07	0.03	3.54	0.57	0.04	0.61
Proposed	Winter Flats 12-12-100	3.35	1,440	1,485	0.99	0.34	4.68	0.44	0.66	1.10
Existing Winter Flats 1-14-100	Winter Flats 14-23-100	1.78	0	0	0.00	0.00	1.78	0.98	0.00	0.98
Proposed	Winter Flats 14-11-100	3.55	1,185	1,245	0.82	0.29	4.65	0.62	0.54	1.16
Proposed	Winter Flats 10-33-100	3.5	2,590	2,590	1.78	0.59	5.88	0.50	1.19	1.69
Proposed	Winter Flats 3-34-100	4	200	4754	0.14	1.09	5.23	1.00	0.09	1.09
	Winter Flats 10-31-100									
Proposed	Winter Flats 14-44-100	3.5	2,190	10,434	1.51	2.40	7.40	0.50	1.01	1.51
Proposed	Shire Gulch 6-21	3.5	0	1,475	0	0.34	3.84	0.50	0.00	0.50

Black Lettering - Wells that have been staked

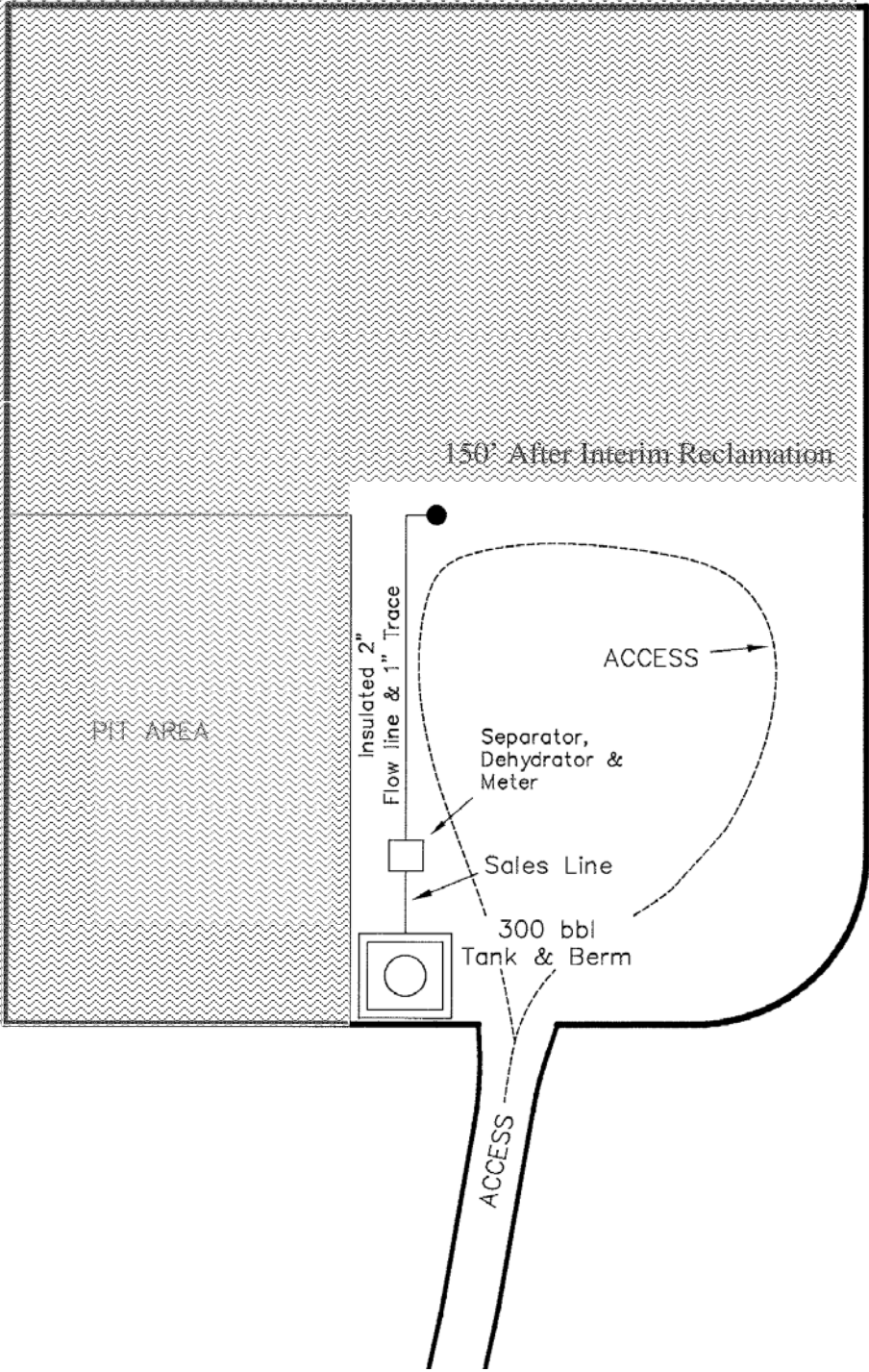
Blue Lettering- Wells that are not staked-disturbance was estimated

All pipeline estimates are under the assumption that the existing Maralex lines are unusable for Black Hills's wells.

Attachment B
Well Pad Layout Diagram
BLACK HILLS PLATEAU PRODUCTION, LLC
TYPICAL PRODUCTION LAYOUT FOR A ONE WELL PAD

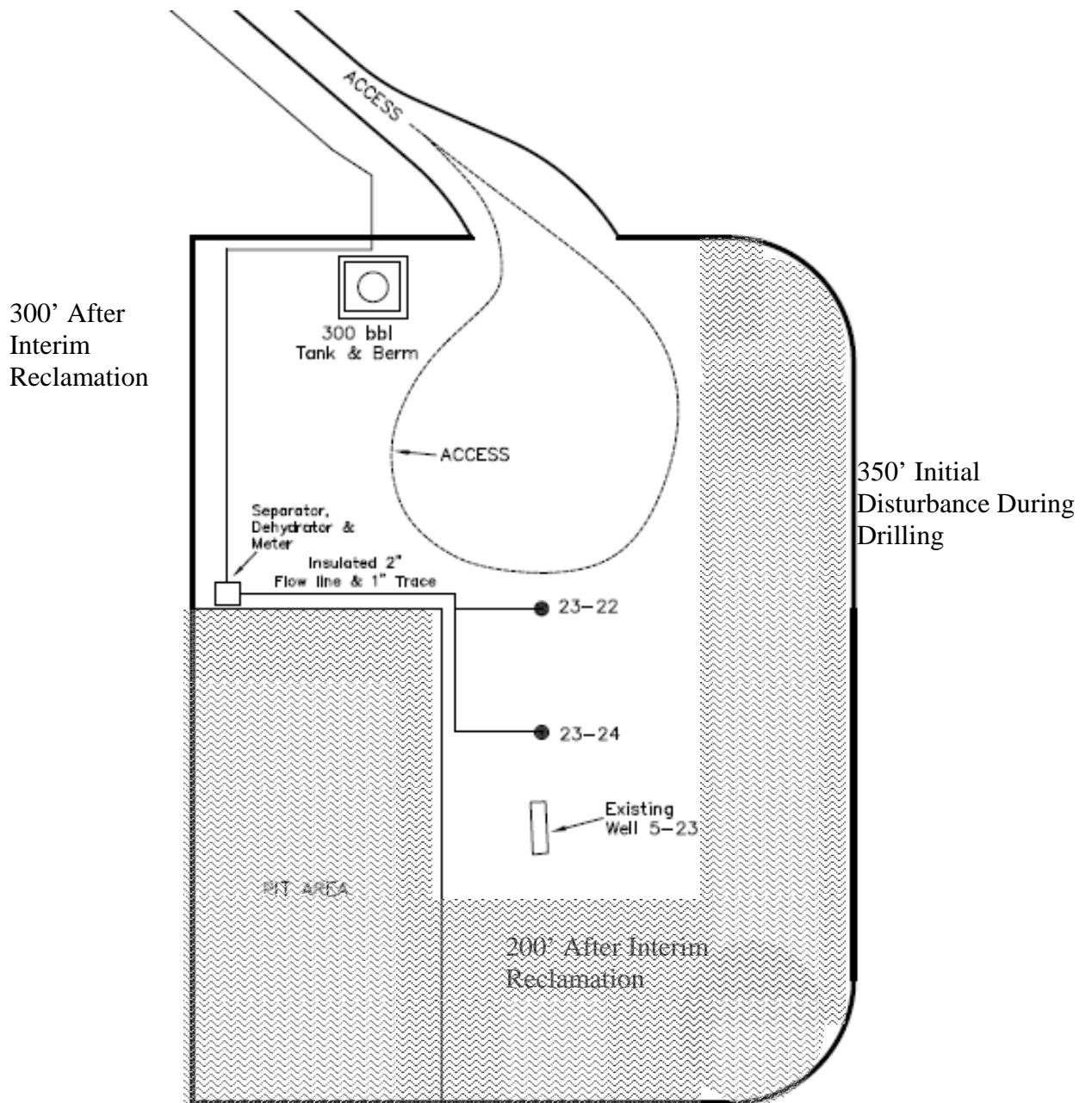
265' Initial Disturbance During Drilling

300' Initial Disturbance During Drilling



140' After Interim Reclamation

BLACK HILLS PLATEAU PRODUCTION, LLC
TYPICAL PRODUCTION LAYOUT FOR A MULTI-WELL PAD



265' Initial Disturbance During Drilling

Attachment C
Maps

Appendix A

13-Point Surface Use Plan
Submitted by Black Hills Plateau Production, LLC

1. Existing Roads

- A. Existing roads in the Project Area are shown on the attached topographic maps for the proposed Western Properties area development (scale: 1 inch = 2,000 ft).
- B. The Project Area can be accessed from DeBeque, Colorado.
- C. No widening of the existing roads is generally anticipated. If a road to a specific location will need to be widened, it will be delineated in the APD.
- D. Existing roads will be maintained in conditions equal to or better than those existing prior to the commencement of operations. Maintenance of the roads used to access the drill site locations will continue until abandonment and reclamation of the wells. Two-track roads will not be flat bladed. Excessive rutting or other surface disturbance will be avoided. Operations will be suspended temporarily during adverse weather conditions if excessive rutting begins to occur.

2. Proposed Access Routes

- A. Proposed access roads are shown on the Mineral Lease Map.
- B. Width maximum – 40 feet overall right-of-way with a 20-foot road running surface.
- C. The road will be constructed to meet the standards of the anticipated traffic flow and all weather requirements.
- D. Maximum grades will not exceed BLM standards.
- E. In an effort to minimize disturbance, equipment and vehicles will be confined to travel these corridors.
- F. The proposed access routes have been sited to avoid areas of steep terrain and soils susceptible to increased erosion from the proposed action.
- G. Flagging material, pin flags, painted wooden survey lath, or other directional markers specified by the BLM will be temporarily placed along the proposed access routes to serve as guides to the locations. Directional markers will be removed as soon as they are no longer needed.
- H. Specific needs for the construction of cuts or fills and drainage structures, such as culverts, water bars, or drainage dips for the proposed access routes will be verified during the on-site review of the MDP sites.
- I. Gates, cattle guards, or fence cuts – none required unless specified during the onsite inspection.
- J. Dust will be controlled on the roads and locations during construction and drilling by approved periodic dust mitigation measures.

3. **Location of Existing Wells**

Please refer to Mineral Lease Map.

4. **Location of Existing and/or Proposed Facilities**

- A. Proposed locations of gas gathering lines, water disposal lines, are shown on the topographic map for the proposed Western Properties area development (scale: 1 inch = 2,000 ft).
- B. See Attachment B for a general production facilities layout diagram
- C. Production facilities shall be located and arranged to facilitate safety and maximize interim reclamation opportunities, e.g. located at the access road end of the pad, with tanks in cut. As practical, access to production facilities should be provided by a teardrop-shaped road through the production area, so that the driving area may be clearly defined and limited and so that teardrop center may be revegetated.
- D. Surface equipment will be painted a flat, non-reflective color as determined by the BLM.
- E. Should drilling result in established commercial production the following will be shown:
 - 1. Proposed location and attendant lines, by flagging, if off well pad.
 - 2. Dimensions of facilities.
 - 3. Construction methods and materials.
 - 4. Protective measures and devices to protect livestock and wildlife.
 - 5. All buried pipelines will be buried to a depth of 4 feet and should be co-located with roads.
 - 6. Construction width, on average, of the right-of-way/pipeline route shall be restricted to 40 feet of disturbance.
 - 7. Pipeline location warning signs will be installed within 90 days after construction is complete.
 - 8. Pipeline right-of-way grant will be requested on the site-specific APD if needed. ROW requests will be for 40 feet for construction of working surface during construction. After construction is complete 20 feet is to be rehabilitated leaving a 20 foot working surface. In the event production is established the wells will be tied-in to existing pipelines as shown in Mineral Lease Map.
 - 9. The area used to contain the proposed production facilities will be built using native materials. If these materials are not acceptable, arrangements will be made to acquire appropriate materials from private sources. Approval from BLM will be sought before using non-native materials.
 - 10. A berm will be constructed completely around any production facilities which contain fluids (i.e. production tanks, produced water tanks, etc.) These dikes will be constructed of compacted subsoil, be impervious, hold

110% of the capacity of the largest tank and be independent of the back cut.

5. **Location and Types of Water Supply**

- A. Water to be used for the drilling of these wells will be hauled by truck over the roads described in Mineral Lease Map from the nearest water supply. Water volume used in drilling operation is dependent on the depth of the well and any losses that might occur during drilling.
- B. One nearby water source is Latham Ponds, under which Black Hills currently possesses existing permits by the West Divide Water Conservancy.
- C. A second source of water would be from Black Hills's proposed source water well located in T8S, R98W, Sect. 8 from the well previously known as the McLish 8-1.
- D. If a location other than these two would be utilized to obtain water, the change would be listed on the site-specific APD.

6. **Construction Materials**

- A. All construction material for these location sites and access roads shall be borrowed material accumulated during the construction of the location sites and access roads. No additional construction material from other sources is anticipated at this time. If in the future it is required, the appropriate actions will be taken to acquire it from private sources.
- B. All trees on the locations, access roads, and proposed pipeline routes shall be disposed of by one of the following methods:
 - 1. Trees shall be cut with a maximum stump height of six inches (6") and cut to 4-foot lengths and stacked off location. Trees will not be dozed off the location or access road, except on private surface where trees may be dozed. Trees may also be dozed on pipeline routes and then pulled back onto right-of-way as part of final reclamation.
 - 2. Limbs may be scattered off location, access road, or along the pipeline, but not dozed off.
 - 3. Rootballs shall be buried or placed off location, access road, or pipeline route to be scattered back over the disturbed area as part of the final reclamation.

7. **Methods of Handling Waste**

- A. Produced water will be disposed by either trucking to Danish Flats, an approved commercial disposal facility located near Cisco, UT, or to Black Hills's proposed disposal well at existing well Hancock Gulch #1.
- B. Garbage – garbage, trash, and other waste materials will be collected in a portable, self-contained and fully-enclosed trash cage during drilling and completion operations. Upon completion of operations (or as needed) the

accumulated trash will be disposed of at an authorized sanitary landfill. No trash will be burned on location or placed in the reserve pit.

- C. Sewage – self-contained, chemical toilets will be provided for human waste disposal. Upon completion of operations, or as needed, the toilet holding tanks will be pumped and the contents thereof disposed of in the nearest, approved sewage disposal facility.
- D. Cuttings – drill cuttings will be buried in the reserve pit once it has dried.
- E. The reserve pit shall be constructed in a manner which minimizes the accumulation of surface precipitation runoff into the pit and maintains a 2-foot freeboard between the maximum fluid level and the lowest point of containment. In the event that reserve pit fluids threaten to rise higher than the required 2-foot freeboard, immediate notification shall be provided to the BLM and concurrent steps taken to remove or minimize the further introduction of additional fluids until alternative containment methods can be approved.
- F. Escape ramps designed to allow all animals to escape the lined pit shall be installed every 50 feet along the pit slope and at each corner.
- G. The reserve pit will be lined with a minimum of a 16 mil liner.
- H. Prior to the commencement of drilling operations, the reserve pit will be fenced on three (3) sides according to the following minimum standards:
 - I. Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.
 - J. Standard steel, wood, or pipe posts shall be used between the corner braces. The maximum distance between any two (2) posts shall be no greater than sixteen (16) feet.
 - K. All wire shall be stretched using a stretching device before it is attached to the corner posts.
 - L. The fourth side of the reserve pit will be fenced immediately upon removal of the drilling rig and the fencing will be maintained until the pit is backfilled.
 - M. Immediately after the removal of the drilling rig, all debris and other waste materials not contained in the trash cage will be cleaned up and removed from the well location. No adverse materials will be left on the location. Any open pits will be maintained until such time as the pits are backfilled.
 - N. Any hydrocarbons on the pit will be removed from the pit within 24 hours of introduction.
- O. Hazardous Materials Management
 - 1. Project-related activities involving hazardous materials will be conducted in a manner that minimizes potential environmental impacts. A file will be maintained containing current Material Safety Data Sheets (MSDA) for all chemicals, compounds, and/or substances that are used in the course of construction, drilling, completion, production and reclamation operations.
 - 2. Hazardous substance, as defined by Comprehensive Environmental Response Compensation Liability Act (CERCLA), will not be used in the construction or drilling operations associated with these wells. Commercial preparations, which may contain hazardous substances, may be used in production operations and will be transported within the Project Area. Any materials containing hazardous substances will be handled in

an appropriate manner to minimize the potential for leaks and spills to the environment. Resource Conservation and Recycling Act (RCRA) hazardous wastes will not be generated by well-drilling operations. Only RCRA exempt working pit contents will be buried onsite.

3. Spills of oil, gas, or any other potentially hazardous substance will be reported immediately to the BLM, and other responsible parties. Spills will be mitigated immediately; appropriate measures for cleanup implemented and spilled material removed to an approved disposal site.

8. **Ancillary Facilities**

No ancillary facilities are currently anticipated for the development of this area. If facilities are deemed necessary to drilling operations at a later date, they will be submitted to the Authorized Officer via a sundry notice (Form 3160-5) for approval prior to commencing operations for that location.

9. **Well Site Layout**

- A. The attached location plat specifies the drill site layout as staked. Cross sections will be drafted to visualize the planned cuts and fills across the location and will be submitted with the individual APDs. An average minimum of six (6) inches of topsoil will be stripped from the location (including the areas of cut, fill, and/or subsoil storage) and stockpiled for future reclamation of the well site.
- B. A production schematic showing an average proposed production facility layout is attached. See Attachment B.
- C. Operator will notify the Authorized Officer at least forty-eight (48) hours prior to construction of the well pad and/or related facilities.

10. **Plans for Reclamation of the Surface**

- A. BLM will be contacted at least twenty-four (24) hours prior to commencement of any reclamation operations.
- B. Producing Locations
 1. Immediately upon well completion, the well location and surrounding area(s) will be cleared of all debris, materials, trash, and junk not required for production.
 2. Immediately upon well completion, any hydrocarbons in the pit shall be removed in accordance with 43CFR 3162.7-1.
 3. Before any dirt work to restore the location takes place, the reserve pit will be completely dry and all cans, barrels, pipe, etc., will be removed.
 4. Other waste and spoil materials will be disposed of immediately upon completion of drilling and workover activities.
 5. The reserve pit and that portion of the location and access road not needed for production facility/operations will be reclaimed within ninety (90) days from the date of well completion, weather permitting.

6. If the well is a producer, Black Hills will upgrade and maintain access roads as necessary to prevent soil erosion, and accommodate year-round traffic. Areas unnecessary to operations will have areas reshaped. Topsoil will be redistributed and disked. All areas outside the work area will be reseeded according to the Bureau of Land Management recommendations for seed mixture.
- C. Interim Reclamation work would include:
- a. Removing all debris, materials, and trash unnecessary to production operations
 - b. Reshaping of all areas unnecessary to operation to blend with natural topography to the extent possible
 - c. Reseeding with seed mixes and techniques specified by the BLM
- D. Dry Hole/Abandoned and Plugged Locations
1. On lands administered by the BLM, abandoned well sites, roads or other disturbed areas will be restored to near their original condition. This procedure will include ensuring revegetation of the disturbed areas to the specification of the BLM at the time of abandonment.
 2. All disturbed surfaces will be recontoured to the approximate natural contours and reseeded according to BLM specifications. Reclamation of the well pad and access road will be performed as soon as practical after final abandonment and reseeded operations will be performed in the fall or spring following completion of reclamation operations.
 3. During reclamation of the site, fill material will be pushed into cuts and up over the backslope. No depressions will be left that will trap water or form ponds. Topsoil will be distributed evenly over the location and seeded according to the recommended seed mixture. The access road and location shall be ripped or disked prior to seeding. Perennial vegetation must be established. Additional work shall be required in case of seeding failures, etc.
 4. Seedbed will be prepared by disking then roller packing following the natural contours. Seed will be drilled on contours at a depth no greater than one-half (1/2) inch. In areas that cannot be drilled, seed will be broadcast at double the seeding rate and harrowed into soil. Certified seed will be used whenever available.
 5. Fall seeding will be completed after September 1, and prior to prolonged ground frost. Spring seeding will be completed after the frost has left the ground and prior to May 15th.
 6. Upon completion of backfilling, leveling, and recontouring the stockpiled topsoil will be evenly spread over the reclaimed area(s). Prior to reseeded, all disturbed surfaces will be scarified and left with a rough surface. No depressions will be left that would trap water and form ponds. All disturbed surfaces will be reseeded with a seed mixture to be recommended by the BLM.

11. Surface Ownership

Surface ownership is either Fee or Federal and will be noted on the individual APD. In the case of privately-owned surface, Black Hills will certify to BLM that a Surface Use Agreement has been reached with the owner prior to construction. If an Agreement cannot be reached, Black Hills will comply with laws or regulations governing the Federal right of re-entry to the surface (43 CFR 3814).

12. **Other Information**

- A. A Class III Cultural Resource Inventory of the proposed drill sites, access roads, and other facilities on Federal lands will be conducted and a report filed with the Bureau of Land Management - Grand Junction Field Office.
- B. Black Hills will be responsible for informing all persons in the area who are associated with the Project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites or for collection of artifacts. If archaeological, historical or vertebrate fossil materials are discovered during the course of any construction activities, Black Hills will suspend all operations that further disturb such materials and immediately contact the appropriate BLM office. Operations in the area of discovery will not resume until written authorization to proceed has been issued by the BLM Authorized Officer.
- C. An Environmental Assessment will be prepared by a third party contractor to analyze the full effects of the proposed development.
- D. Black Hills shall regularly monitor and promptly control noxious weeds or other undesirable plant species as set forth in the joint BLM/Forest Service Noxious and Invasive Weed Management Plan for Oil and Gas Operator, dated March 2007. A Pesticide Use Proposal (PUP) must be approved by the BLM prior to the use of herbicides. Annual weed monitoring reports shall be submitted by December 1.

Operator's Representative and Certification

Representative

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Field Representative

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Field Superintendent
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2388 Leland Avenue
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970-257-0205 (Fax)

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Executed this ____ day of _____, 2009.

Name _____

Tim Hopkins
Vice President and General Manager
350 Indiana St., Suite 400, Golden, CO 80401
720-210-1300 (phone)

Appendix B

9-Point Drilling Plan
Submitted by Black Hills Plateau Production, LLC

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations, Onshore Oil and Gas Orders No. 1 and No. 2, and the approved Plan of Operations. The Operator is fully responsible for the actions of its subcontractors. A copy of the Conditions of Approval will be furnished to the field representatives to ensure compliance.

Black Hills Plateau Production, LLC, will be operating under its BLM Bond # COB000132.

1. Estimated Tops of Important Geologic Markers

- A. Formations and depths will be submitted with the site specific APD.

2. Estimated Depths of Anticipated Water, Oil, Gas, or Mineral Formations

- A. The proposed casing and cementing program has been designed to protect and/or isolate all usable water zones, potentially productive zones, lost circulation zones, abnormally pressured zones, and any prospectively valuable deposits of minerals. Any isolating medium other than cement shall receive approval prior to use.
- B. The surface casing shall be cemented back to surface either during the primary cement job or by remedial cementing.

3. Operator's Minimum Specifications for Pressure Control

- A. Please reference enclosed 3M BOP Diagram
- B. The blowout preventor assembly shall consist of one blind ram preventor, one pipe ram preventor, and an annular preventor. All will be hydraulically operated. The BOP pipe and blind rams will be hydraulically tested to 100% of working pressure (if isolated from the surface casing with a test plug) or to 70% (2,065 psig) of the internal yield of the surface casing after nipping up. The annular preventor will be tested to yield of the surface casing after nipping up. The annular preventor will be tested to 50% of its' working pressure for 10 minutes or until provisions for the test are met. The pipe rams and blind rams will be function tested on each trip out of the hole, but not more than once per day. All such checks will be noted on the daily Tour Sheets.
- C. Accessories to the BOPE include an upper and lower Kelly cock, a sub on the floor with a full opening valve to be stabbed into the drill string when the kelly is not in the drill string; a drill pipe float (except for lost circulation conditions), and a choke manifold with a pressure rating equivalent to the BOP stack. An accumulator with a minimum of 1.5 times the volume of fluid necessary to close all BOP equipment will be part of the BOP system.
- D. Remove controls capable of both opening and closing all preventors will be readily accessible to the driller. A manual locking device (i.e. hand wheels) or automatic locking devices shall be installed as part of the system. The BOP will

be kept in good mechanical working order. Checks and inspections will be recorded on daily Tour Sheets.

- E. Primary BOP actuating control will be located either in the doghouse or on the rig floor.
- F. Sufficient mud volume and weight material will be maintained on location to overcome any flows.

4. Proposed Casing Program

Casing	Depth	Hole Size	Size	Weight	Grade
Conductor	0-40'	20"	16"	65#	H-40
Surface	Surface to 500' - 4,000'		9 5/8"	36 #/ft	K-55
Parasite	Surface to 1,500'	N/A	1.5"	2.76 #/ft	J-55
Production	Surface to 7,000' – 9,000'	7 7/8"	5 1/2"	17#/ft	L-80

- A. The proposed casing setting depths will vary depending on well location and drilling conditions. The depths listed in the table give the approximate anticipated setting depth.
- B. The casings proposed in the table are typical casings; should a different casing be required, it will be listed in the site-specific APD.
- C. All casing will be new or reconditioned and tested to meet or exceed API standards.

PARASITE STRING

Due to lost circulation issues within the exploratory wells recently drilled in the area, a 1.5" parasite string will probably be utilized on the 9-5/8" surface casing. This string will allow the injection of compressed air into the wellbore at a depth of ± 1,500' MD. This string will be banded to the 9-5/8" and ran in hole with casing. During drilling of the production hole (7-7/8" hole size), this will effectively reduce the equivalent circulating density from 9.1 ppg to ± 6.0 ppg while drilling the production this portion of the well.

5. Proposed Cementing Program

A prototypical cementing program is as follows. Site specific programs will be included with each APD.

A. Conductor Casing

- Conductor Casing will be cemented to surface with redi-mix cement.

B. Surface Casing

Cement to surface as follows:

- 60 bbl fresh water spacer / 20 bbl pre-flush
- Lead: 720 sx of Standard Cement with 2% bentonite, 0.125 lb/sx Poly-E-Flake and 1% CaCl₂. Cement to be mixed at 12.3 lb/gal with 13.75 gal/sx water and have a yield of 1.36 ft³/sx. Calculated fill is 600’.
- Tail: 350 sx of Rockies Lite with ¼ lb/sx Poly-E-Flake. Cement to be mixed at 12.8 lb/gal with 11.78 gal/sx water and have a yield of 2.13 ft³/sx. Calculated fill is 3,300’.
- Cement volumes to cover from 3,900 feet to surface with 50% excess cement in a 16” x 9-5/8” hole size.
- If cement is not circulated to surface, a top job using Class “G” with 2% CaCl₂ will be used to top out to surface.

C. Production Casing

- 20 bbl 2% KCL water spacer followed by a 30 bbl reactive spacer (Super Flush 100 mixed at 11.7 lb/gal)
- 1st stage: 240 sx of 50/50 Poz Premium with 1% Bentonite, 0.5% Halad-R9, 5 lb/sx Gilsonite, 0.25 lb/sx Kwik Seal, 0.2% Super CBL and 0.2% CFR-3. Cement to be mixed at 13.1 lb/gal with 6.92 gal/sx water and have a yield of 1.50 ft³/sx.
- Cement volumes to cover 1,500 ft with 35% excess. Estimated TOC is 7,600’.
- DV-Tool to be placed +/- 50 feet into the Mancos Shale. Estimated DV-Tool placement of +/- 4,500’ MD.
- 20 bbl 2% KCL water spacer followed by a 30 bbl reactive spacer (Super Flush 100 mixed at 11.7 lb/gal).
- 2nd stage: 225 sx of 50/50 Poz Premium with 1% Bentonite, 0.5% Halad-R9, 5 lb/sx Gilsonite, 0.25 lb/sx Kwik Seal, 0.2% Super CBL and 0.2% CFR-3. Cement to be mixed at 13.1 lb/gal with 6.92 gal/sx water and have a yield of 1.50 ft³/sx. Calculated fill is 1,400 ft.
- Cement volumes to cover from DV-Tool to 3,100 ft (1,400 ft of cement coverage) with 35% excess in a 7-7/8” x 5-1/2” hole size.

All waiting on cement (WOC) times will be adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drill out.

6. Proposed Mud Program

The following is a typical mud program. Site specific mud programs will be attached with the APD.

The well will be drilled to TD with a combination of fresh water and 3% KCL - polymer mud system. The applicable depths and properties of this system are as follows:

<u>Depth</u>	<u>Type</u>	<u>Weight</u> (ppg)	<u>Viscosity</u> (sec)	<u>Water loss</u> (cc)
0 – 3,900'	FW	± 8.4	NC	NC
3,900' - TD	3% KCL	± 9.0-9.2	35-60	8-10

3,900' – TD Air will be pumped down a 1.5” coiled tubing parasite string. Effective circulating densities are estimated to be approximately 6.0 ppg while drilling.

Sufficient mud materials to maintain mud properties, to control lost circulation and to contain “kick” will be available at well site.

7. Testing, Logging, and Core Programs

Cores: None

DST's: None

Surveys: MWD surveys during build and drop portions of well plan. Single shot surveys every 500' throughout the remainder of drilling operations. See attached well plan.

Mud Logger: Base of surface casing (BSC) to TD.

Logging Program: DIL-SP-GR; TD to BSC, GR to surface.
CNL-FDC, GR and Caliper; TD to BSC.
GR-CCL-CBL-VDL will be run from PBTD to 500' above indicated TOC during completion.

8. Anticipated Abnormal Pressures or Temperatures

No abnormal pressures or temperatures are anticipated. No H₂S gas is anticipated.

Typically maximum bottom hole pressure equals approximately 3000 psi based on a pressure gradient of 0.35 in the Dakota / Cedar Mountain interval at TD. Maximum anticipated surface pressure equals approximately 1,118 psig (BHP minus the pressure of a partially evacuated hole at 0.22 psi/ft). If any well has a different anticipated pressure, it will be listed in the site specific APD.

9. Anticipated Starting Date and Duration

- A. Dirt Work Start Up: Upon Approval of Site-Specific APDs
- B. Spud: As soon as rig is available

C. Duration:

1. Drilling: 20 days
2. Completion: 10 days

Black Hills Plateau Production
BOPE Diagram
3000 psi WP

