

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

5. Lease Serial No.
26 NMNM-0013642

6. If Indian, Allottee or Tribe Name

17. If Unit or CA Agreement, Name and No.

Gardner

8. Lease Name and Well No.

12

9. API Well No.

30-045-33630

10. Field and Pool, or Exploratory

Blanco Mesaverde

11. Sec., T., R., M., or Blk. and Survey or Area

0 Section 26, 32N, 9W

12. County or Parish

San Juan

13. State

NM

1a. Type of Work: ☒ DRILL

☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other

☒ Single Zone ☐ Multiple Zone

2. Name of Operator

Peoples Energy Production - TX, L.P.

3a. Address

909 Fannin, Suite 1300

3b. Phone No. (include area code)

(713) 890-3651

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface 695' FSL & 1665' FEL Lot 15

At proposed prod. zone 1920' FSL & 2600' FWL Lot 11

14. Distance in miles and direction from nearest town or post office*

approximately 18 miles northeast of Aztec, New Mexico

15. Distance from proposed*

location to nearest property or lease line, ft.

(Also to nearest drig. unit line, if any) 695'

16. No. of Acres in lease

2,264.04

17. Spacing Unit dedicated to this well

271.74 (S/2)

322.84

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.

55'

19. Proposed Depth

6,060'

20. BLM/BIA Bond No. on file

NMB000147

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

6,544' GR

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

22. Approximate date work will start*

September 1, 2005

23. Estimated duration

1 month

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form: DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

1. Well plat certified by a registered surveyor.

2. A Drilling Plan.

3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).

5. Operator certification.

6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature

B. L. W.

Name (Printed/Typed)

Brad Walls, Resource Production

Date

11/7/05

Title

Agent, Peoples Energy Production

Approved by (Signature)

[Signature]

Name (Printed/Typed)

Office

FFO

Date

3/16/06

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

Peoples Energy Production Company, LLC, proposes to drill a well to develop the Blanco Mesaverde formation at the above described location in accordance with the attached drilling and surface use plans.

The surface is under jurisdiction of the Bureau of Land Management, Farmington Field Office.

This location has been culturally inventoried by Aztec Archaeological Consultants. Copies of their report have been submitted to BLM.

This location is proposed to be constructed on a location containing the existing Gardner #5A and C#5A wells.

This APD is also serving as an application to obtain a pipeline right-of-way. A 112.0-foot pipeline tie would be required for this location.

HOLD C124 FOR Directional Survey



NMOCD

DISTRICT I
P.O. Box 1980, Hobbs, N.M. 88241-1980

DISTRICT II
811 South First, Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87504-2088

State of New Mexico
E. J. Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back

Submit to Appropriate District Office

State Lease - 4 Copies
Fee Lease - 3 Copies

RECEIVED

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-33630	² Pool Code 72319	³ Pool Name Blanco Mesaverde
⁴ Property Code 33362	⁵ Property Name GARDNER	⁶ Well Number 12
⁷ GRID No. 225711	⁸ Operator Name PEOPLES ENERGY PRODUCTION	⁹ Elevation 6544

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	26	32 N	9 W	15	695	SOUTH	1665	EAST	SAN JUAN

¹¹ Bottom 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
K	26	32 N	9 W	11	1920	SOUTH	2600'	WEST	SAN JUAN

¹² Dedicated Acres 322.24 1/2	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

16 S 88°37' W 2648.55' N 3°17' E	SECTION 26	5252.28' 5261.52'	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <i>[Signature]</i> Printed Name: JOE GARCIA Title: DRILLING/WO SPT. Date: 11/28/05
2648.61' N 3°22'17" E	2600'	1920'	18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. 3/8/05 Date of Survey Signature and Seal of Professional Surveyor: <i>[Signature]</i> Certificate Number: 6886 REGISTERED LAND SURVEYOR
S 88°26'31" W	1665'	695'	5357.62'

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. <u>30-045-33630</u>	
5. Indicate Type of Lease FEDERAL <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEE <input type="checkbox"/>	
6. State Oil & Gas Lease No. Federal NMNM-0013642	
7. Lease Name or Unit Agreement Name Gardner	
8. Well Number	12
9. OGRID Number	225711
10. Pool name or Wildcat Blanco Mesaverde	

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type reserve Depth to Groundwater >100' Distance from nearest fresh water well >1,000' Distance from nearest surface water >200'

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume bbls; Construction Material

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
Peoples Energy Production Company

3. Address of Operator
909 Fannin, Suite 1300 Houston, TX 77010

4. Well Location

Unit Letter O: 695 feet from the south line and 1665 feet from the east line

Section 26 Township 32N Range 9W NMPM County San Juan

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6,544' GR

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Reserve pit to be constructed in accordance with NMOCD Interim Pit and Below-grade Tank Guidelines

Reserve pit to be located approximately 90 feet north of the well head.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

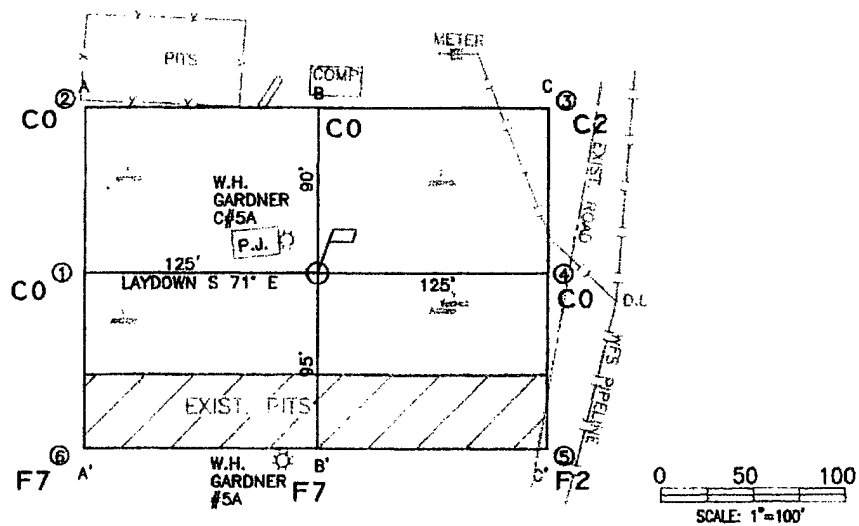
SIGNATURE Brad Walls TITLE Agent DATE 11-07-2005

Type or print name Brad Walls E-mail address: bwwalls@resourceproduction.com Telephone No. (505) 325-7927

For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. IV DATE MAR 20 2006
Conditions of Approval (if any):

PLAT #1



ELEVATION A-A'

6560				
6550				
6540				
6530				
6520				

B-B'

6560				
6550				
6540				
6530				
6520				

C-C'

6560				
6550				
6540				
6530				
6520				

LEASE: GARDNER #12

FOOTAGE: 695' FSL, 1665' FEL

SEC. 26 TWN. 32 N RNG. 9 W N.M.P.M.

LATITUDE: 36°57'00.6" LONGITUDE: 107°44'46.9"

ELEVATION: 6544

PEOPLES ENERGY PRODUCTION
HOUSTON, TEXAS

SURVEYED: 3/8/05

REV. DATE:

APP. BY R.P.

DRAWN BY: T.G.

DATE DRAWN: 3/11/05

FILE NAME: 5256C01

UNITED
FIELD SERVICES INC.

P.O. BOX 3651
FARMINGTON, NM 87499
OFFICE: (505) 334-0408

Gardner #12 ==> EXPEDITED Right-of-Way!
Sec 26-T32N-R9W, 695' FSL & 1665' FEL
San Juan Co., New Mexico, Lease NM-013 642

Drilling Program:

1. Geological name of surface formation -

Estimated tops of important geological markers:

San Jose	Surface	
Kirtland Shale	2,047	feet
Fruitland Coal	3,031	feet
Picture Cliff	3,416	feet
Lewis Shale	3,576	feet
Huerfanito Bentonite	4,156	feet
Cliff House	5,026	feet
Menefee	5,431	feet
Point Lookout	5,706	feet
Mancos Shale	5,956	feet
TD	6,060	feet

2. Estimated depths at which oil, gas, water and mineral bearing formation will be found:

Fresh Water	0 feet to 200 feet
Salt Water	201 feet to 3,100 feet
Oil and Gas	3,101 feet to 6,500 feet

3. Pressure Control Equipment:

- a. 10-inch 900 series or 3,000 PSI test double gate hydraulic with 4-1/2" pipe rams and 10-inch series 900 hydril above 10-inch series casinghead and cross spool with flanged outlets. See BOP diagram at **Exhibit F** for drawing of choke lines, kill lines and choke manifold. Procedures will include waiting on cement 12 hours, nipple up blowout preventer (BOP) assembly and test to 70% of yield of casing or 3,000 psi maximum. The production casinghead pressure rating will be 3,000 psi.
- b. Type of BOP rams: Blind rams and pipe rams are used as shown on the BOP diagram at Exhibit F. Occasionally, the position of the rams is reversed depending on the drilling contractor's methods.
- c. The choke manifold and header will have 2-inch choke outlets, a 2-inch straight through the line with 2-inch adjustable chokes installed. The inlet line will be a 2-inch line. All of the above are rated at 3,000 psi working pressure (WP).
The choke manifold and header system will have manual control valves; no hydraulic valves will be installed.
Casing testing procedure - Surface casing will be tested at 750 psi with 1,000 psi maximum after cementing in place and before drilling out of shoe. Intermediate and production casing will be tested to 3,000 psi after cementing in place and after drilling to the required depth.
- d. Hydraulic controls to close the BOPs are located on the rig floor; the hydraulic remote control is located in the bottom doghouse. There will be no manual controls on the BOP.

Gardner #12 ==> EXPEDITED Right-of-Way!

Sec 26-T32N-R9W, 695' FSL & 1665' FEL

San Juan Co., New Mexico, Lease NM-013 642

e. BOP testing procedures and frequency:

1. Hydrill (3,000 WP) will be tested to 70% of yield of casing or 3,000 psi maximum.
2. Double ram BOPs will be tested to 70% of yield of casing or 3,000 psi Maximum.
3. BOPs will be tested upon installation, after casing is run and on each bit trip.

f. Casinghead connections will be 2-inch; these outlets will usually be bull plugged during drilling operations. No pumping through these connections is allowed except in emergency to keep from wearing out the head,

g. The drilling spool will be a series 900 3,000 psi WP with a 2-inch kill line and a 2-inch outlet.

4. Proposed Casing Program:

Surface Casing	9 5/8 inch	36.0#	J-55	STC	New
Intermediate	7 inch	23.0#	J-55	STC	New
Production Casing	4 1/2 inch	10.5#	J-55	STC	New

Hole size
12.25" ~~8~~ in.
8.75"
6.25"

Proposed setting depth, amount and type of cement including additives:

9-5/8 inch Surface Casing - Surface to 200 feet - Cement with 120 sx Class G + 2% S001 + 0.25 pps D29 (15.8 lb/gal; 1.18 cf/sk; 5.22 gal/sk) Volume: 150 scf. 100% Excess.

7 inch Intermediate Casing - Surface to 3756' MD Lead cement of 325 sx Class G + 3% D79 + 0.25 pps D29 + 0.2% D46 (11.7# lb/gal; 2.61 cf/sk; 15.75 gal/sk), Tail cement of 100 sx 50/50 Poz Class G + 2% D20 + 0.25 pps D29 + 5 pps D24 + 0.15% D65 + 2% S1 + 0.2% D46 (13.5# lb/gal; 1.28 cf/sk; 5.23 gal/sk).

4-1/2 inch Production Casing - Surface to 6755' MD. Lead with 245 sx 35/65 Poz Class G + 0.25 pps D29 + 5 pps D24 + 0.5% D112 + 0.15% D65 + 6% D20 + 0.1% D46 (12.7# lb/gal; 1.71 cf/sk; 8.36 gal/sk). Tail with 365 sx 50/50 Poz Class G + 2.5% D20 + 0.25 pps D29 + 5 pps D24 + 0.1% D65 + 0.3% D167 + 0.1% D800 + 0.1% D46 (13.5# lb/gal; 1.27 cf/sk; 5.23 gal/sk).

5. Directional Program:

See Attached Directional Profile

6. Mud Program:

0 feet - 200 feet - Spud mud and water treated with gel lime.

200 feet - 3756 feet MD - Lime mud, water and polymer.

3756 feet - 6,755 feet MD - air, produced or fresh water, soap and polymer

7. Testing, Logging and Coring Program:

No drill stem tests or cores will be taken.

Logging: Intermediate Casing - CBL Log will only be ran if cement doesn't circulate to surface.

Production Casing - First Run - Gamma Ray - Casing Collar Locator -
Cement Bond Log.

Second Run - Gamma Ray - Gas Spectrum Log; or Gamma Ray-DEL, Density Neutron Porosity Caliper

Gardner #12 ==> EXPEDITED Right-of-Way!
Sec 26-T32N-R9W, 695' FSL & 1665' FEL
San Juan Co., New Mexico, Lease NM-013 642

8. Expected Pressures -

Fruitland Fm.-	600 - 700 psia
Pictured Cliffs Fm.-	800 - 1000 psia
Mesaverde Fm.-	800 - 1000 psia
Bottom Hole	800-1000 psia

No abnormal pressures, temperature or poisonous gases anticipated.

9. Drilling Tools: 20 4-3/4 inch Drill Collars with 3-1/2 inch IF Connections 3-1/2 inch Drill Pipe with 3-1/2 IF Connections

Anticipated Spud Date: April 1, 2006

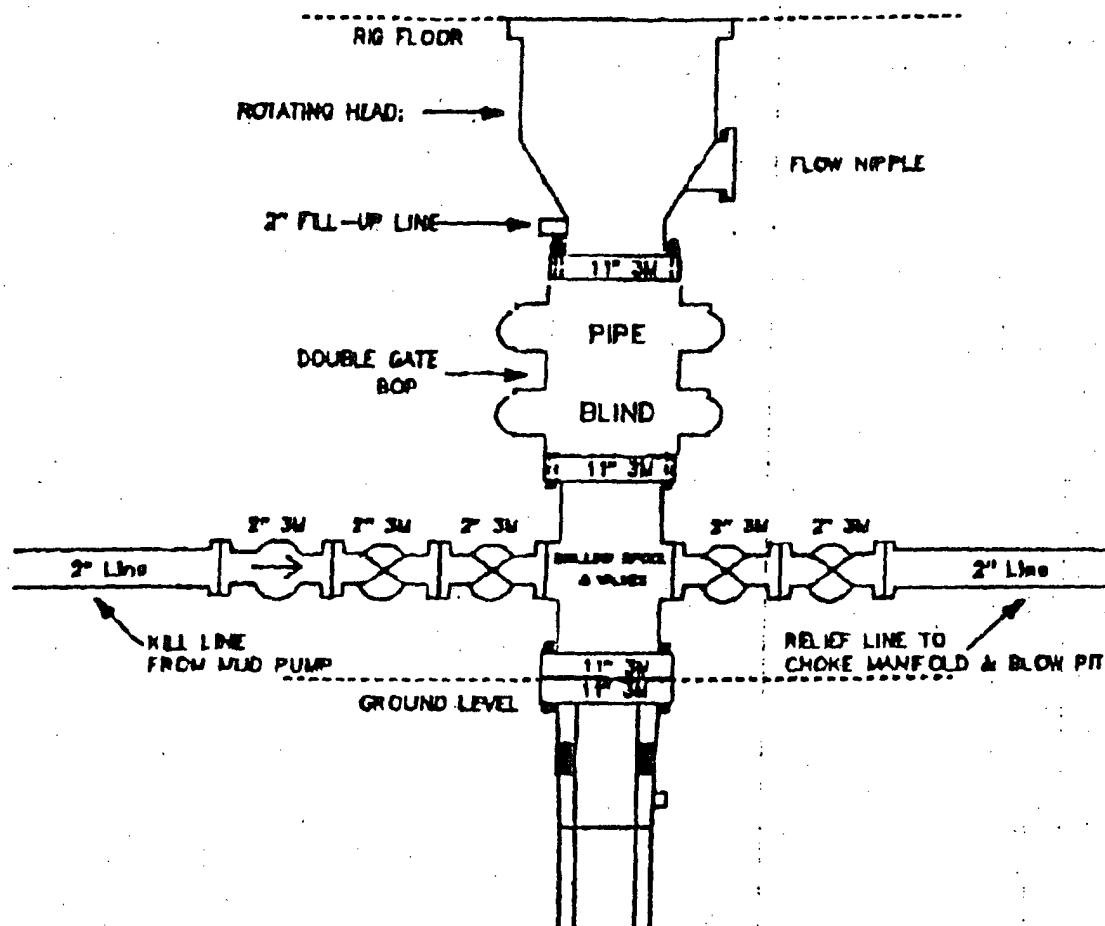
Anticipated Completion Date: May 1, 2006

Key FOUR CORNERS

P. O. BOX 1067
5851 U.S. HWY. 84
FARMINGTON, NEW MEXICO 87499

TELEPHONE: (806) 326-3371
FAX: (806) 326-3370

**Drilling Rig
3000 psi System**



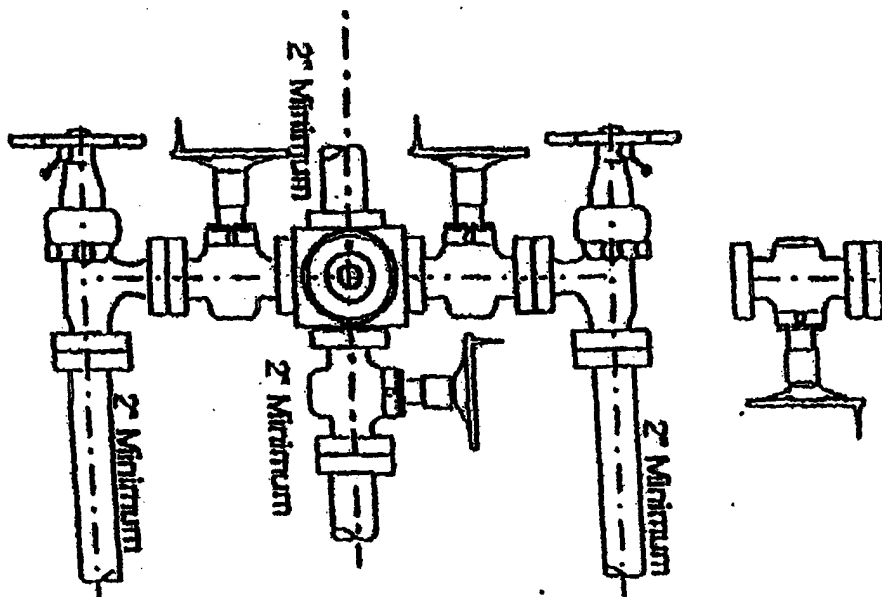
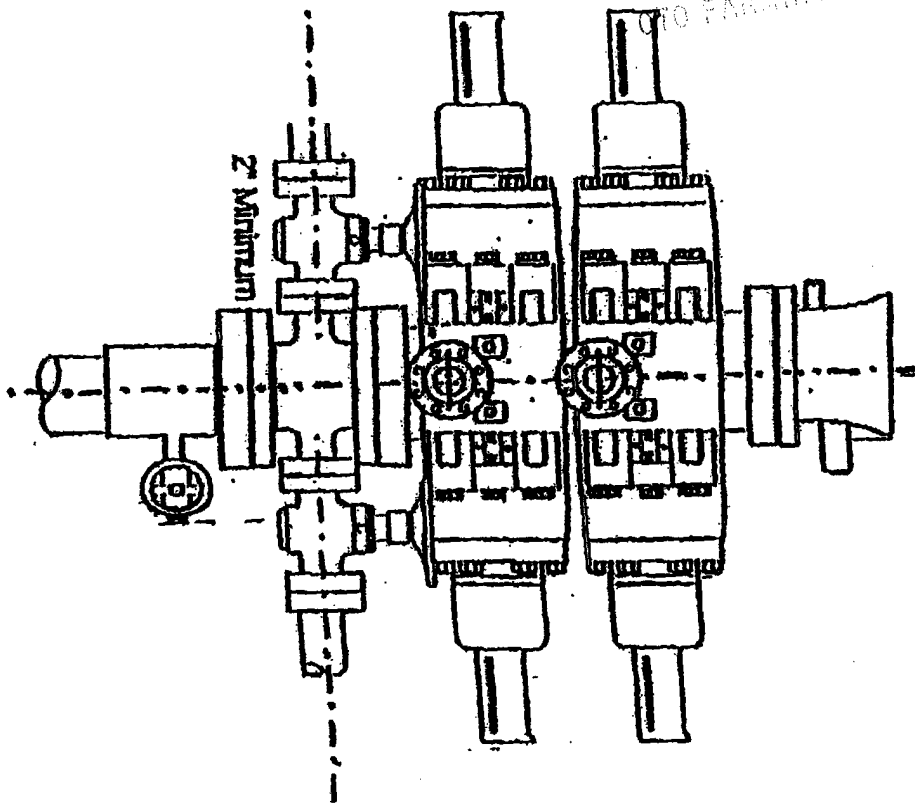
11" Bore (10" Nominal), 3000psi working pressure minimum double gate BOP to be equipped with blind and pipe rams. A rotating head on the top of the rams. All BOP equipment is 3000psi working pressure.

Note: A floor safety valve and upper kelly cock with handle will be available.

Exhibit "F-1"

2006 MAR 10 AM 7 27
RECEIVED
FARMINGTON NM

2-M SYSTEM



Blow Out Preventer (BOP) Exhibit #1

WELL Gardner 12			FIELD San Juan County, New Mexico NAD 83			STRUCTURE % Resource Production		
Magnetic Parameters Model: IGRF 2005 Dip: 58.133° Mag Dec: +12.136°			Date: April 08, 2005 FS: 48310.8 nT			Surface Location Lat: N30 42 36.034 Lon: W116 28 58.284		
			Northings: 0.00 BUS Eastings: 0.00 BUS			NAD83 New Mexico State Planes, Western Zone, US Feet Grid Conv: -4.44258187" Scale Fact: 1.0084238578		
						Miscellaneous Plot: Gardner 12 Srv: Gardner 12 TVD Ref: (0.00 ft above) Srvy Date: April 15, 2005		

