

August 31, 2006

Mike Stogner  
State of New Mexico  
Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, New Mexico 87504

Re: Non Standard Well Location  
& Well Density  
Blanco-Mesaverde  
Gardner No. 12  
Sec 26, T32N, R9W  
San Juan County, New Mexico

Dear Mr. Stogner:

Per our conversation last week, Peoples Energy Production respectfully requests an exception to Order No. R-10987-A(1) with regard to infill well spacing. Our Gardner No. 12 well, drilled as a directional well, did not TD as permitted. The as drilled BHL is located at a distance of 187' from the unit line, see enclosed plat. The field rules for the Blanco-Mesaverde require a distance of 660' from any unit line and 10' from any interior quarter-quarter section line.

The missed BHL was due to a miscommunication between our office and our field personnel. The coordinates sent to the rig did not match the original drilling plan coordinates. We are investigating further what facilitated this miscommunication.

The top of the Mesaverde was penetrated at a measured depth of 5275', and according to the directional survey puts it at approximately 258' from the West unit line. Our anticipated perforations will be at a measured depth of 5284' to 6102'.

I have enclosed a C-102 Form indicating the location of all Mesaverde well within Section 26. Also enclosed is a lease map outlining the entire MMS Lease No. NMNM013642, which this well was drilled on. It also indicates each drilled Mesaverde wells with a green spot.

In reviewing the field rules further, the Gardner No. 12 well was drilled into a quarter section already containing two wells completed in the Mesaverde. The Gardner 05A located in the

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Case No. 13794 Exhibit No. 5

Submitted by:

PEOPLES ENERGY PRODUCTION – TEXAS L.P.

Hearing Date: October 26, 2006

SW/4 of the SE/4 of Sec 26 and the newly drilled Gardner No. 14 TD'd in the NE/4 of the SE/4 of Sec 26.

**Top of Mesaverde = 5275' MD per Paul Babcock:**

**Proposed Gardner #12 perforations are as follows:**

**Cliff House:                    5,284 - 5,290 - 5,296 - 5,321 - 5,328 - 5,338 - 5,380 - 5,400 - 5,415**

**Menefee :                        5,661 - 5,681 - 5,748 - 5,756 - 5,760 - 5,764 - 5,769**

**Lower Point Lookout:    6,004 - 6,010 - 6,022 - 6,023 - 6,024 - 6,025 - 6,026 - 6,027 -  
6,028 - 6,035 - 6,102**

**The well location is 1273' north and 717' west from the surface location at the top of the Mesaverde.**

**The surface location is 695' FSL & 1665' FEL therefore:**

**At the top of the Mesaverde the well is located at 1968 FSL & 2382' FEL.**

**Let me know if there is anything else you require.**

COPY

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, 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 & Natural Resources

Form C-102  
Revised June 10, 2003

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

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number		<sup>2</sup> Pool Code 72319		<sup>3</sup> Pool Name Blanco - Mesaverde	
<sup>4</sup> Property Code 033362		<sup>5</sup> Property Name Gardner			<sup>6</sup> Well Number A11
<sup>7</sup> OGRID No. 225711		<sup>8</sup> Operator Name Peoples Energy Production - TX, L.P.			<sup>9</sup> Elevation 6537

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South line	Feet from the	East/West line	County
	26	32N	9W						San Juan

<sup>11</sup> 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
	26	32N	9W						San Juan

<sup>12</sup> Dedicated Acres 320	<sup>13</sup> Joint or Infill Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No. R-10987-A(1)
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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

	<p><sup>16</sup> OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p>Signature: <i>Dianne Sumrall</i></p> <p>Printed Name: Dianne Sumrall Prod &amp; Reg Supervisor</p> <p>Title and E-mail Address:</p> <p>Date: 8/28/06</p>
	<p><sup>18</sup> SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>Date of Survey:</p> <p>Signature and Seal of Professional Surveyer:</p> <p>Certificate Number:</p>

NOT TO SCALE