



August 4, 2004

Frank Chavez
State of New Mexico
Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410

Gardner C Well No. 1A
Basin Fruitland Coal
API 30-045-32055
Sec 25 T-32N R-9W
San Juan County, New Mexico

Dear Mr. Chavez:

At this time, Peoples Energy Production requests an exception to State Rule 107 J. No. 2, Well Tubing Requirements for all gas wells equipped with casing larger in size than 3 1/2", for the Gardner C Well No. 1A.

Typically Fruitland Coal wells are cavitated and tubed. This well started producing open hole approximately 4.3 MM and rather than killing the well and running a liner and tubing, we would appreciate your granting us an exception to allow this well produce naturally.

This exception will be temporary as cavitation will be required in the future when water invades the wellbore and pressures drop. With this well being newly drilled, it is difficult to determine when cavitation will be required, but at that time we will, cavitate, run a 3 1/2" perforated liner and tubing in accordance with State Rule 107 J. No. 2.

A monthly report of production for this well will be forwarded to Charlie Perrin for review. We appreciate your taking the time to review our request. If you have any question or need any additional information, please feel free to give me a call at (713) 890-3651.

Sincerely,

A handwritten signature in black ink, appearing to read "Dianne Sumrall", written over a horizontal line.

Dianne Sumrall
Production & Regulatory Coordinator

ds
cc

909 Fannin St • Suite 1300 • Houston TX 77010 • (713) 890-3600 • fax (713) 890-3610

OK A handwritten signature in black ink, appearing to read "Charlie Perrin", written over the word "OK".