

COPY

Form Approved
(September 2001)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM-0013642
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Peoples Energy Production - TX, L.P.		7. If Unit or CA Agreement, Name and No. Gardner
3a. Address 909 Fannin, Suite 1300	3b. Phone No. (include area code) (713) 890-3651	8. Lease Name and Well No. 12
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 895' FSL & 1065' FEL At proposed prod. zone 1920' FSL & 2000' FWL		9. API Well No. 30-045-33630
14. Distance in miles and direction from nearest town or post office* approximately 18 miles northeast of Aztec, New Mexico		10. Field and Pool, or Exploratory Blanco Mesaverde
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drng. unit line, if any) 895'	16. No. of Acres in lease 2,264.04	11. Sec., T., R., M., or Bkt. and Survey or Area Section 26, 32N, 8W
17. Spacing Unit dedicated to this well 271.74 (S/2)	18. Distance from proposed* location to nearest well, drilling, completed, applied for, on this lease, ft. 55'	12. County or Parish San Juan
19. Proposed Depth 6,080'	20. BLM/BIA Bond No. on file NMB000147	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,544' GR	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".		

- Well plat certified by a registered surveyor
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPU shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other documents, information or plans as may be required by the authorized officer.

25. Signature 	Name (Printed/Typed) Brad Walls, Resource Production	Date 11/7/05
CONDITIONS OF APPROVAL		
Approved by (Signature) 	Name (Printed/Typed) AFM	Date 3/16/06
Title AFM	Office FFO	

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 FFO/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.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 13794 Exhibit No. 2
Submitted by:
PEOPLES ENERGY PRODUCTION - TEXAS L.P.
Hearing Date: October 26, 2006

OPERATOR

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. 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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name	
Property Code	Property Name GARDNER				Well Number 12
OGRM No	Operator Name PEOPLES ENERGY PRODUCTION				Elevation 6544

Surface Location

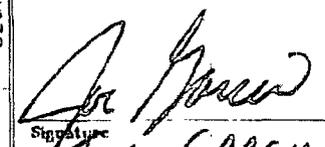
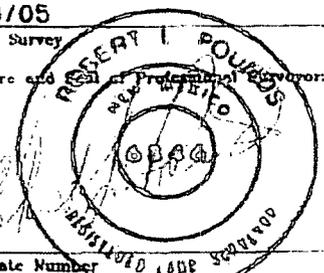
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	26	32 N	9 W		695	SOUTH	1665	EAST	SAN JUAN

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		1920	SOUTH	2600'	WEST	SAN JUAN

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WELL 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 2648.61' N 3°22'17" E S 68°26'31" W	2600' 1920' 695' 1665' 5357.62'	5252.28' 5261.52' N 2°10' E	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature JOE GARCIA Printed Name DRILLING/WO SPT. Title 11/28/05 Date
			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:  Certificate Number