

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

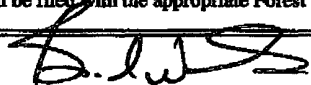
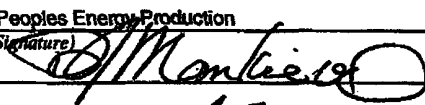
FORM APPROVED  
OMB No. 1004-0136  
Expires January 31, 2004

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		8. Lease Name and Well No. 10
3b. Phone No. (include area code) (713) 890-3651		9. API Well No. 20-048-33053
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 2610' FSL & 1550' FWL At proposed prod. zone same		10. Field and Pool, or Exploratory Blanco Mesaverde
14. Distance in miles and direction from nearest town or post office* approximately 18 miles northeast of Aztec, New Mexico		11. Sec., T., R., M., or Blk. and Survey or Area K Section 25, 32N, 9W
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1550'	16. No. of Acres in lease 2,264.04	12. County or Parish San Juan
17. Spacing Unit dedicated to this well 274.74 (W/2) 319.23	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 500'	13. State NM
19. Proposed Depth 6,250'	20. BLM/BIA Bond No. on file NMB000147	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,670' GR	22. Approximate date work will start* May 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:

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 	Name (Printed/Typed) Brad Walls	Date 4/28/05
Title Agent, Peoples Energy Production		
Approved by (Signature) 	Name (Printed/Typed) AFM	Date 5-12-05
Title 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 cleared by Wade Corder Consulting Archaeologist. Copies of the negative survey and monitoring report have been submitted directly to the FFO/BLM office.

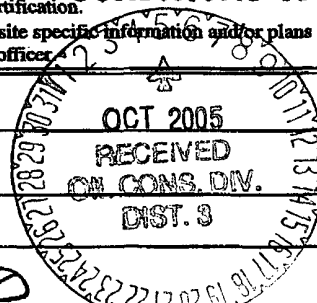
This APD is also serving as an application to obtain a pipeline right-of-way. A 626.80-foot pipeline tie would be required for this location.

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

DRILLING OPERATIONS AUTHORIZED ARE  
SUBJECT TO COMPLIANCE WITH ATTACHED  
"GENERAL REQUIREMENTS".

OPERATOR

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL



2005 MAY 2 PM 2 04  
RECEIVED  
070 FARMINGTON NM

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

DISTRICT II  
511 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  
Energy, 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 30-045-33053		*Pool Code 72319		*Pool Name BLANCO-MESA VERDE (PROVATED GAS)			
*Property Code 033362		*Property Name GARDNER				*Well Number 10	
*OGRID No. 225741		*Operator Name PEOPLES ENERGY PRODUCTION - TX, L.P.				*Elevation 6670	

<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
K	25	32 N	9 W		2610	SOUTH	1550	WEST	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

*Dedicated Acres 3.16	*Joint or Infill INFILL	*Consolidation Code	*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		N 88°56' W		5229.84'	
5261.52'				5239.74'	
		SECTION 25			
1550'					
N 2°10' E		2610'		N 0°49' E	
N 89°01'10" W		2677.15'		2679.20'	
		RECEIVED OIL CON. DIV. DIST. 3 OCT 2005			
		070 FARMINGTON NM			
		2005 MAY 2 PM 2 04			
17 OPERATOR CERTIFICATION					
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief					
Signature DERRINE SUMRALL					
Printed Name DERRINE SUMRALL					
Title PROD + REG COORD					
Date 5/18/05					
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.					
Date of Survey 10/2/04					
Signature and Seal of Professional Surveyor: LOUIS PENCE					
Certificate Number 16465					

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. <b>30-045-33053</b>	
5. Indicate Type of Lease FEDERAL <input checked="" type="checkbox"/> STATE <input type="checkbox"/> FEB <input type="checkbox"/>	
6. State Oil & Gas Lease No. Federal NMNM-0013642	
7. Lease Name or Unit Agreement Name Gardner	
8. Well Number	10
9. OGRID Number	225711
10. Pool name or Wildcat Blanco Mesaverde	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6,670' GR	
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type <u>reserve</u> Depth to Groundwater <u>&gt;100'</u> Distance from nearest fresh water well <u>&gt;1,000'</u> Distance from nearest surface water <u>&gt;1,000'</u>	
Pit Liner Thickness: 12 mil	Below-Grade Tank: Volume _____ bbls; Construction Material _____

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 60 feet northwest of the well head, in the northwest corner of the well pad

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 ☐.

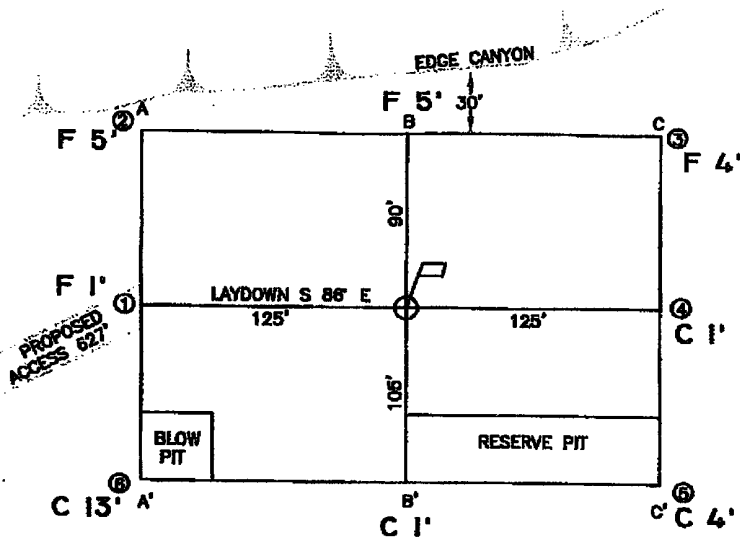
SIGNATURE Brad Walls TITLE Agent DATE 4-28-2005

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

For State Use Only

APPROVED BY: [Signature] DEPUTY OIL & GAS INSPECTOR, NM [Signature] DATE OCT 05 2005  
Conditions of Approval (if any):

Plat #1 Location Layout



ELEVATION A-A'

℄

6690				
6680				
6670				
6660				
6650				

B-B'

℄

6690				
6680				
6670				
6660				
6650				

C-C'

℄

6690				
6680				
6670				
6660				
6650				

LEASE: GARDNER #10

FOOTAGE: 2610' FSL, 1550' FWL

SEC. 25 TWN. 32 N RNG. 9 W N.M.P.M.

LATITUDE: 36°57'19.7" LONGITUDE: 107°44'06.4"

ELEVATION: 6670

**PEOPLES PRODUCTION RESOURCES**  
HOUSTON, TEXAS

SURVEYED: 10/2/04

REV. DATE:

APP. BY L.P.

DRAWN BY: T.G.

DATE DRAWN: 10/4/04

FILE NAME: 5253C02

**UNITED**  
**FIELD SERVICES INC.**

P.O. BOX 3851  
FARMINGTON, NM 87489  
OFFICE: (505) 334-0408

**Gardner #10 ==> EXPEDITED Right-of-Way!**  
Sec 25-T32N-R9W, 2610' FSL & 1550' FWL  
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	
Nacimiento	701	feet
Ojo	1,806	feet
Kirtland Shale	2,047	feet
Fruitland Coal	3,212	feet
Picture Cliff	3,562	feet
Lewis Shale	3,737	feet
Huerfanito Bentonite	4337	feet
Cliff House	5,207	feet
Menefee	5,612	feet
Point Lookout	5,887	feet
Mancos Shale	6,137	feet
TD	6,250	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 6,250 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 #10 ==> EXPEDITED Right-of-Way!**  
Sec 25-T32N-R9W, 2610' FSL & 1550' FWL  
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
Intermediat	7 inch	23.0#	J-55	STC	New
Production Casing	4 1/2 inch	10.5#	J-55	STC	New

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. *Cement Circ to surface*

7 inch Intermediate Casing - Surface to 3700 feet Lead cement of 320 sacks Class G + 3% D79 + 0.25 pps D29 + 0.2% D46 (11.7# lb/gal; 2.61 cf/sk; 15.71 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). *Cement circ to surface*

4-1/2 inch Production Casing - Surface to 6250'. Lead with 370 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 190 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). *Cement circ to surface*

**5. Mud Program:**

- 0 feet - 200 feet - Spud mud and water treated with gel lime.
- 200 feet - 3700 feet - Lime mud, water and polymer.
- 3700 feet - 6,250 feet - air, produced or fresh water, soap and polymer

**6. 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

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**Sec 25-T32N-R9W, 2610' FSL & 1550' FWL**  
**San Juan Co., New Mexico Lease NM-013 642**

**7. Expected Pressures -**

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

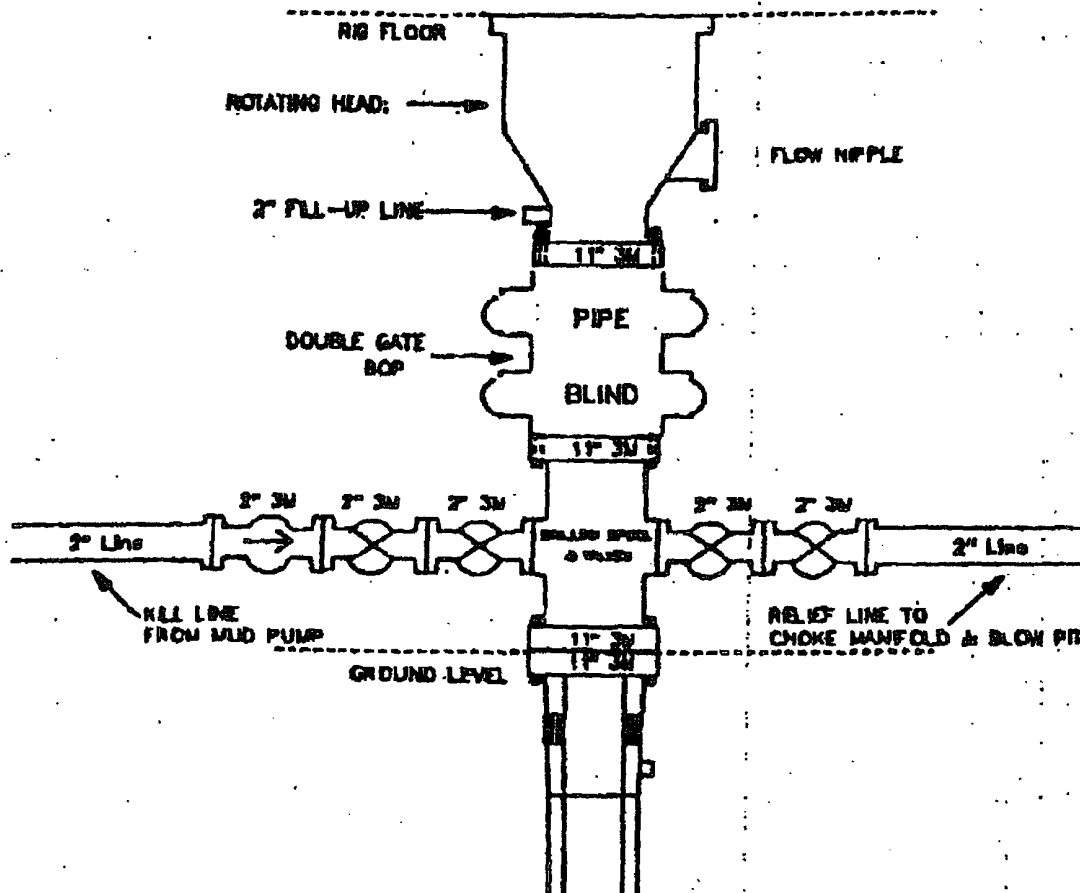
No abnormal pressures, temperature or poisonous gases anticipated.

**8. 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**

<b>Anticipated Spud Date:</b>	<b>May 15, 2005</b>
<b>Anticipated Completion Date:</b>	<b>June 1, 2005</b>

Key **FOUR CORNERS**  
P. O. BOX 1067  
8661 U.S. HWY. 64  
FARMINGTON, NEW MEXICO 87400  
TELEPHONE: (805) 326-3371  
FAX: (805) 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.

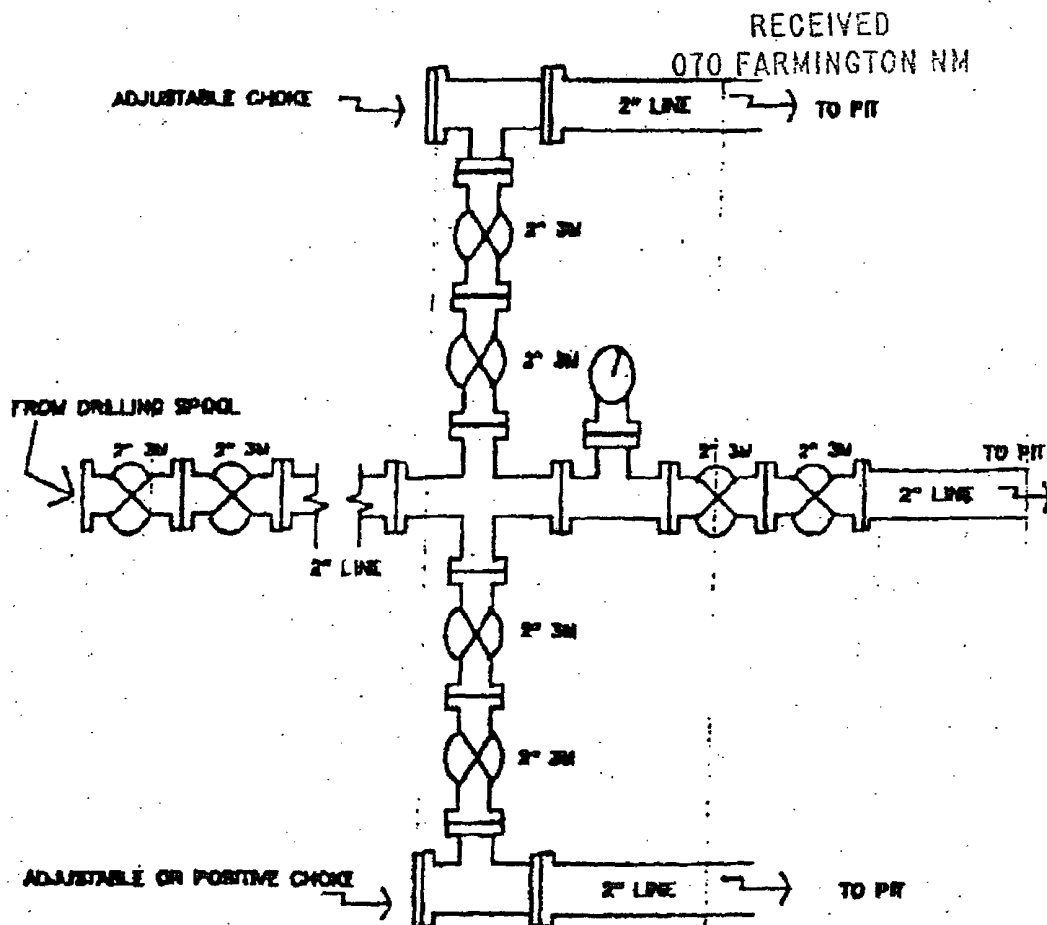
Note: A floor safety valve and upper kelly cock with handle will be available.

Exhibit "F-1"



Drilling Rig  
Choke Manifold Configuration  
3000 psi System

2005 MAY 6 AM 11 34



3000psi working pressure equipment with two chokes.