



POGO PRODUCING COMPANY

June 18, 2004

ConocoPhillips Company
Attn: Ms. Linda Hicks
P.O. Box 2197
Houston, Texas 77252-2197

VIA FACSIMILE (832) 486-2674
AND REGULAR U.S. MAIL

Re: BRINNINSTOOL PROSPECT
Lea County, New Mexico
WELL PROPOSAL
E½ Section 30
T-23-S, R-33-E, N.M.P.M.
Pogo Lease № L2367

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER **5**

Ladies and Gentlemen:

Pogo Producing Company ("Pogo") is interested in establishing a working interest unit consisting of the captioned lands for the drilling of a 15,700' Morrow test to be located 1,980' FSL and 660' FEL of Section 30, T-23-S, R-33-E, N.M.P.M., Lea County, New Mexico, and having a well unit consisting of the E½ of said Section 30 for proration unit purposes. It is anticipated that this well will cost approximately \$2,247,000 to casing point and another \$437,128 to complete, for a total estimated cost of \$2,684,128 (see Pogo's attached Authority for Expenditure № 530222 dated June 15, 2004).

According to our information, ConocoPhillips Company and Tom Brown, Inc., own all (i.e., 50% each) of the leasehold/working interest in and to the NE¼, N½SE¼ and SW¼SE¼ of Section 30 referred to in the caption, as to depths between the top of the Cherry Canyon formation and 17,899' subsurface (ConocoPhillips owns all of such interest as to all other depths thereunder) Pogo owns all (i.e., 100%) of the leasehold/working interest in the SE¼SE¼ of said Section 30 and has reached an agreement with Tom Brown, Inc., regarding its support of Pogo's proposal set forth below.

As you may recall, by letter dated October 27, 2003, Pogo expressed interest in drilling a 15,700' Morrow test in the W½ Section 29, T-23-S, R-33-E, N.M.P.M., and requested that ConocoPhillips support same by participating in a working interest unit consisting of the W½ of Sections 29 and 32, and the E½ of Sections 30 and 31, T-23-S, R-33-E, N.M.P.M. Pogo has since reached an agreement with the other leasehold owners in such proposed working interest unit but, as of this date, has been unable to secure any support for such well and working interest unit from ConocoPhillips.

With the above in mind, Pogo hereby proposes that it and ConocoPhillips Company and Tom Brown, Inc., establish a well unit consisting of their respective leasehold/working interests in the captioned lands. The working (i.e., cost-bearing) interest, as to the pertinent depths, resulting from the establishment of this unit for each of such parties would be as follows:

| OWNER | WORKING INTEREST % |
|---|--------------------|
| Pogo Producing Company | 12.50 |
| ConocoPhillips Company | 43.75 |
| Tom Brown Inc. / Pogo Producing Company | 43.75 |
| TOTAL | 100.00 |

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ConocoPhillips Company
June 18, 2004
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Any such working interest unit would, of course, be subject to all of the aforesaid parties entering into a mutually acceptable Operating Agreement wherein Pogo is designated Operator. If, however, such a well unit is not acceptable to ConocoPhillips, it is requested that it support the drilling of such well by way of a farmout (preferably to the aforesaid working interest unit) or a term assignment, the terms of which can be discussed if and when the situation arises.

Your prompt consideration and response to the foregoing proposal will be appreciated. Should you have any questions regarding this matter, please call me at (432) 685-8121.

Yours very truly,

POGO PRODUCING COMPANY



R. Scott McDaniel
District Landman

RSM/dkr

Attachment

POGO PRODUCING COMPANY
 AUTHORITY FOR EXPENDITURE FOR \$2,684,128
 GROSS AFE - DETAILED

PAGE: 1

AFE#: 530222 DC FOXGLOVE 30 FEDERAL #1
 WELL: 7564 FOXGLOVE 30 FEDERAL #1
 PROSPECT: BRINNINSTOOL PROSPECT
 FIELD: WILDCAT - C/O
 COUNTY/PARISH: LEA
 STATE: NM

OPERATOR: POGO PRODUCING COMPANY
 AFE TYPE: EXPLORATORY DRILLING
 DATE: 06/15/04
 WELL TYPE:
 FORMATION: MORROW
 TOTAL DEPTH: 15,900'

ADDITIONAL COMMENTS: LOCATION OF THE SUBJECT WELL IS 1980' FNL & 660'
 FWL, SECTION 30, T23S, R33E, LEA COUNTY, NM.

| DESCRIPTION | ESTIMATED DRYHOLE | ESTIMATED COMPLETION | TOTAL |
|--|----------------------|-------------------------|-----------|
| IDC EXPLORATORY DRILLING | | | |
| 725.471 IDC MOBILIZATION/DEMOB | 40,000 | | 40,000 |
| 725.472 IDC ROAD, LOC. PITS & KEYWAYS | 40,000 | | 40,000 |
| 725.473 IDC CEMENTING & CEMENTING SVS. | 80,000 | | 80,000 |
| 725.474 IDC MUD LOGGING | 39,000 | | 39,000 |
| 725.475 IDC MUD MATERIALS & CHEMICALS | 175,000 | | 175,000 |
| 725.478 IDC LOGGING & SIDEWALL CORING | 45,000 | | 45,000 |
| 725.482 IDC FORMATION TESTING | 10,000 | | 10,000 |
| 725.488 IDC TOOLS & EQUIPMENT RENTAL | 230,000 | | 230,000 |
| 725.490 IDC DRILLING DAY RATE | 680,000 | | 680,000 |
| 725.491 IDC FLOAT EQUIPMENT | 17,000 | | 17,000 |
| 725.492 IDC BITS, CORE BARRELS, ETC. | 125,000 | | 125,000 |
| 725.494 IDC OTHER SPECIAL WELL SERV. | 30,000 | | 30,000 |
| 725.501 IDC COMPANY LABOR | 45,500 | | 45,500 |
| 725.510 IDC CONTRACT SERVICES & EQUIP. | 20,000 | | 20,000 |
| 725.528 IDC COMMUNICATION SERVICES | 1,500 | | 1,500 |
| 725.539 IDC FUEL & POWER | 65,000 | | 65,000 |
| 725.545 IDC AUTO & TRUCK EXPENSE | 15,000 | | 15,000 |
| 725.599 IDC MISCELLANEOUS | 248,700 | | 248,700 |
| TOTAL IDC EXPLORATORY DRILLING | 1,906,700 | | 1,906,700 |
| ICC EXPLORATORY COMPLETION | | | |
| 726.472 ICC ROAD, LOC, PITS & KEYWAYS | | 2,500 | 2,500 |
| 726.473 ICC CEMENTING & CEMENTING SVS. | | 7,500 | 7,500 |
| 726.475 ICC MUD MATERIALS & CHEMICALS | | 5,000 | 5,000 |
| 726.478 ICC LOGGING & SIDEWALL CORING | | 2,500 | 2,500 |
| 726.479 ICC PERFORATING | | 10,000 | 10,000 |
| 726.480 ICC STIMULATION TREATMENT | | 10,000 | 10,000 |
| 726.484 ICC TESTING TUBULAR GOODS | | 3,500 | 3,500 |
| 726.488 ICC TOOL & EQUIPMENT RENTAL | | 5,000 | 5,000 |
| 726.490 ICC COMPLETION RIG | | 17,000 | 17,000 |
| 726.491 ICC FLOAT EQUIPMENT | | 2,500 | 2,500 |
| 726.492 ICC BITS, CORE BARRELS, ETC. | | 350 | 350 |
| 726.494 ICC OTHER SPECIAL WELL SERVICE | | 10,000 | 10,000 |
| 726.501 ICC COMPANY LABOR | | 6,500 | 6,500 |
| 726.510 ICC CONTRACT SERVICES & EQUIP. | | 25,000 | 25,000 |
| 726.545 ICC AUTO & TRUCK | | 2,500 | 2,500 |
| 726.599 ICC MISCELLANEOUS COST & CONT. | | 16,478 | 16,478 |
| TOTAL ICC EXPLORATORY COMPLETION | | 126,328 | 126,328 |
| ICC PRODUCTION FACILITIES | | | |
| 745.472 ICC ROAD, LOC, PITS & KEYWAYS | | 1,000 | 1,000 |
| 745.510 ICC CONTRACT SERVICES & EQUIP. | | 15,000 | 15,000 |
| 745.545 ICC AUTO & TRUCK EXPENSE | | 1,000 | 1,000 |
| 745.566 ICC WELDING SERVICES | | 7,500 | 7,500 |
| 745.567 ICC INSTAL ELECT/PNEU SYSTEM | | 5,000 | 5,000 |
| 745.568 ICC PAINTING SERVICES | | 1,500 | 1,500 |
| 745.599 ICC MISC. COSTS & CONTINGEN. | | 1,500 | 1,500 |
| TOTAL ICC PRODUCTION FACILITIES | | 32,500 | 32,500 |
| *** TOTAL INTANGIBLES | 1,906,700 | 158,828 | 2,065,528 |
| EXPLORATORY LEASE & WELL | | | |
| 727.441 LWE SURFACE CASING 850' 13-3/8" | 25,500 | | 25,500 |

POGO PRODUCING COMPANY
 AUTHORITY FOR EXPENDITURE FOR \$2,684,128
 GROSS AFE - DETAILED

PAGE: 2

| | |
|---|---|
| AFE#: 530222 DC FOXGLOVE 30 FEDERAL #1 WELL: 7564 FOXGLOVE 30 FEDERAL #1 PROSPECT: BRINNINSTOOL PROSPECT FIELD: WILDCAT - C/O COUNTY/PARISH: LEA STATE: NM | OPERATOR: POGO PRODUCING COMPANY AFE TYPE: EXPLORATORY DRILLING DATE: 06/15/04 WELL TYPE: FORMATION: MORROW TOTAL DEPTH: 15,900' |
|---|---|

ADDITIONAL COMMENTS: LOCATION OF THE SUBJECT WELL IS 1980' FNL & 660' FWL, SECTION 30, T23S, R33E, LEA COUNTY, NM.

| DESCRIPTION | ESTIMATED DRYHOLE | ESTIMATED COMPLETION | TOTAL |
|--|-------------------|----------------------|-----------|
| 727.442 LWE CONDUCTOR PIPE | 6,500 | | 6,500 |
| 727.443 LWE INTERMEDIATE CASING 5700' 9-5/8" & 12,700' 7" | 302,300 | | 302,300 |
| 727.445 LWE CASINGHEAD | 5,000 | 5,000 | 10,000 |
| 727.446 LWE XMAS TREE | | 18,000 | 18,000 |
| 727.447 LWE COMPLETION EQUIPMENT | | 5,000 | 5,000 |
| 727.448 LWE RETRIEVABLE PACKER | | 5,000 | 5,000 |
| 727.449 LWE TUBING | | 85,000 | 85,000 |
| 727.460 PRODUCTION LINER 3400' 5" | | 40,800 | 40,800 |
| 727.469 LWE OTHER MATERIALS & EQUIP. | 1,000 | 1,500 | 2,500 |
| TOTAL EXPLORATORY LEASE & WELL | 340,300 | 160,300 | 500,600 |
| LWE PRODUCTION FACILITIES | | | |
| 746.153 LWE MISC. VALVES & FITTINGS | | 15,000 | 15,000 |
| 746.456 LWE FIELD LINES | | 5,000 | 5,000 |
| 746.457 LWE TANK, STAIR, WALK & MISC. | | 20,000 | 20,000 |
| 746.458 LWE SEPARATORS & FITTINGS | | 2,800 | 2,800 |
| 746.459 LWE HEATERS, TREATERS & CONN. | | 35,000 | 35,000 |
| 746.460 LWE POWER & CIRC. PUMP W/ACC | | 1,200 | 1,200 |
| 746.463 LWE METERS | | 4,000 | 4,000 |
| 746.469 LWE OTHER MATERIALS & EQUIP. | | 35,000 | 35,000 |
| TOTAL LWE PRODUCTION FACILITIES | | 118,000 | 118,000 |
| *** TOTAL TANGIBLES | 340,300 | 278,300 | 618,600 |
| *** TOTAL ESTIMATED COST - GROSS | 2,247,000 | 437,128 | 2,684,128 |

APPROVAL: _____
 RICHARD L. WRIGHT

DATE: JUNE 15, 2004

AUTHORIZATION: _____
 JERRY A. COOPER

DATE: JUNE 15, 2004

PARTICIPANT: _____

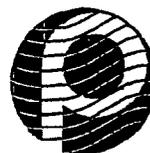
INTEREST: _____

BY: _____
 NAME: _____
 TITLE: _____
 DATE: _____

*** TX REPORT ***

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POGO PRODUCING COMPANY

FACSIMILE COVER LETTER

Please deliver the following page(s) to:

NAME: Linda H. Hicks
COMPANY: ConocoPhillips Company
FAX №: (832) 486-2674
FROM: R. Scott McDaniel
PAGES: 5 (Including Cover Letter)
DATE: June 18, 2004

If you do not receive all of the pages, please call Debbie Roberts at (432) 685-8125.

PLEASE DELIVER UPON RECEIPT.

RE: BRINNINSTOOL PROSPECT
Lea County, New Mexico
WELL PROPOSAL
E½ Section 30
T-23-S, R-33-E, N.M.P.M.
Pogo Lease № L2367