

Form 3160-3
(July 1992)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RESUBMITTAL

SUBMIT IN TRIPLICATE*
Other instructions on
reverse side)

I-00-09
FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☒

GAS
WELL ☐

OTHER

SINGLE
ZONE ☐

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

Pogo Producing Company

3. ADDRESS AND TELEPHONE NO.

P. O. Box 10340, Midland, TX 79702-7340 432-685-8100

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

At surface

1650' FSL & 660' FEL, Section 7

At proposed prod. zone

same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approximately 30 miles East of Carlsbad NM

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drg. unit line, if any)

660'

16. NO. OF ACRES IN LEASE

600

17. NO. OF ACRES ASSIGNED
TO THIS WELL

40

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

1320'

19. PROPOSED DEPTH

8400'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3528

22. APPROX. DATE WORK WILL START*

When approved

23.

PROPOSED CASING AND CEMENTING PROGRAM

CARLSBAD CONTROLLED WATER BASIN

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
25	conductor	NA	40	Cmt to surface w/ Redi-mix
17-1/2	13-3/8 H-40	48	975	800 sks - circ cmt to surface
11	8-5/8 J-55	32	4150	1200 sks - circ cmt to surface
7-7/8	5-1/2 J-55	17 & 15.5	8400	1750 sks - 3 stages circ

1. Drill 25" hole to 40'. Set 40' of 20" conductor pipe and cmt to surface w/ Redi-mix.
2. Drill 17-1/2" hole to 975'. Run & set 975' of 13-3/8" 48# H-40 ST&C csg. Cmt w/ 600 sks 65:35:6 Cl "C" POZ + 5% NaCl followed by 200 sks Cl "C" + 2% CaCl2. Circ cmt to surface.
3. Drill 11" hole to 4150'. Run & set 4150' of 8-5/8" 32# J-55 ST&C csg. Cmt w/ 1000 sks 65:35:6 Cl "C" POZ + 5% NaCl followed by 200 sks Cl "C" + 2% CaCl2. Circ cmt to surface.
4. Drill 7-7/8" hole to 8400'. Run & set 8400' of 5-1/2" casing as follows: 2400' of 5-1/2" 17# J-55 LT&C, 5000' of 5-1/2" 15.5# J-55 LT&C, 1000' of 5-1/2" 17# J-55 LT&C csg. Cmt in 3 stages w/ DV tools @ 5800' & 3700'. Cmt 1st stage w/ 650 sks Cl "H" cmt + add. Cmt 2nd stage w/ 600 sks Cl "C" cmt + 8# Gilsonite/sk cmt. Cmt 3rd stage w/ 400 sks 65:35:6 Cl "C" POZ followed by 100 sks Cl "C" + 1% CaCl2. Circ cmt to surface.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give a log of the proposed program, if any.

24.

SIGNED

Cathy Wright

TITLE

Sr. Eng Tech

DATE

06/02/06

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

If earthen pits are used in
association with the drilling of this
well, an OCD pit permit must be
obtained prior to pit construction.

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject
CONDITIONS OF APPROVAL, IF ANY:

/s/ Linda S.C. Rundell

APPROVED BY

TITLE

STATE DIRECTOR

DATE

JUL 19 2006

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001, makes 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.

Sell 99.5

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999

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

OIL CONSERVATION DIVISION

2040 South Pacheco
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 53818	Pool Name SAND DUNES-DELAWARE SOUTH™
Property Code	Property Name PALLADIUM "7" FEDERAL	Well Number 12
OGRID No. 17891	Operator Name POGO PRODUCING COMPANY	Elevation 3528'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	7	24 S	31 E		1650	SOUTH	660	EAST	EDDY

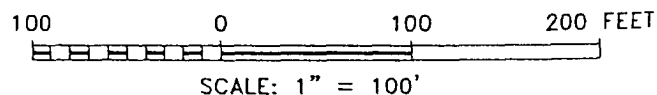
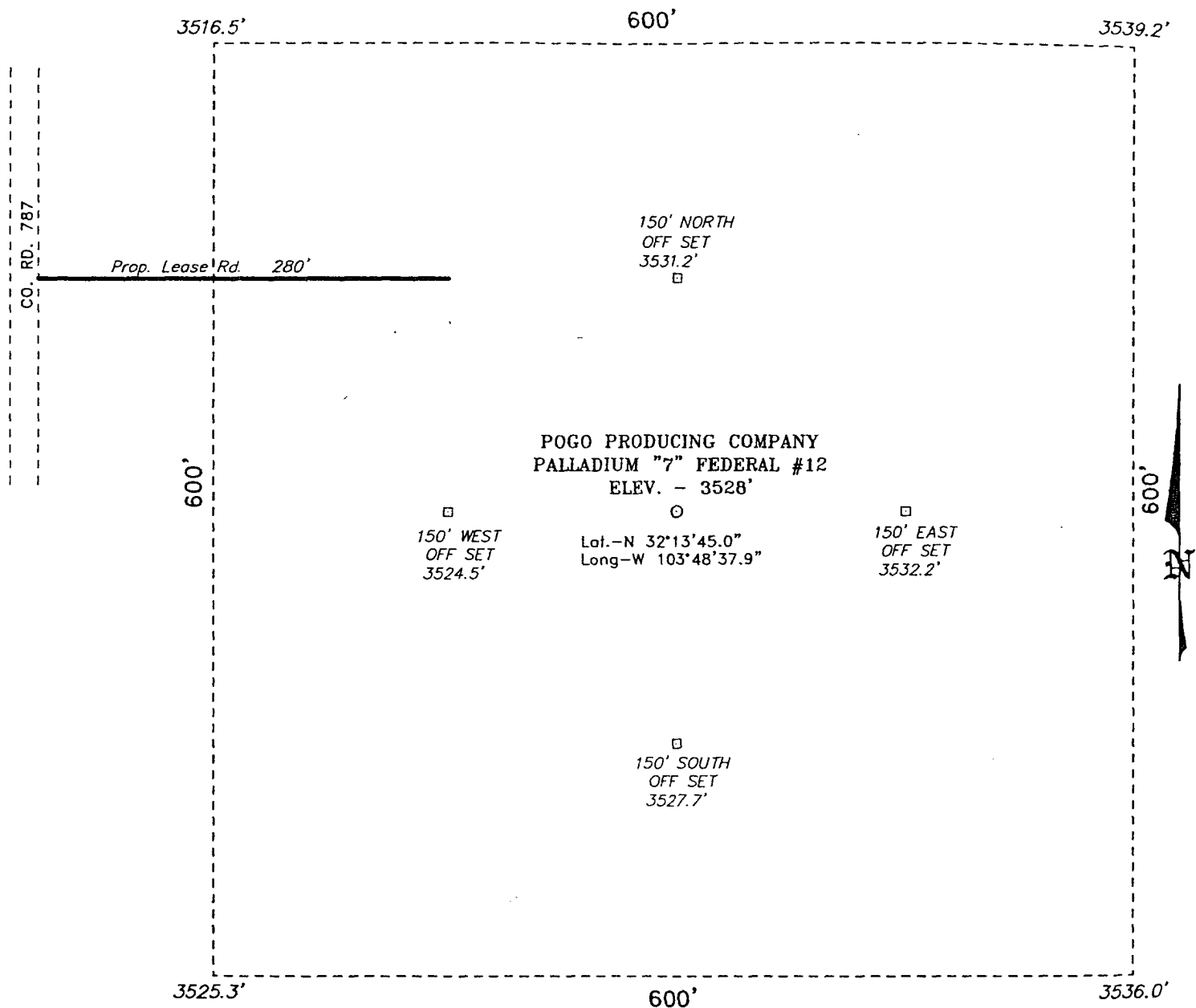
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

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>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Joe T. Janica</i> Signature</p> <p>Joe T. Janica Printed Name</p> <p>Agent Title</p> <p>02/21/05 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>FEBRUARY 16, 2005 Date Surveyed</p> <p><i>GARY L. JONES</i> Signature & Seal of Professional Surveyor</p> <p>W.O. No. 5129 Certificate No. 7977</p> <p>BASIN SURVEYS</p>

SECTION 7, TOWNSHIP 24 SOUTH, RANGE 31 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.



Directions to Location:

FROM THE JUNCTION OF STATE HWY 128 AND CO.
RD. 787, GO SOUTH ON 787 FOR 4.5 MILES TO
PROPOSED LEASE ROAD.

POGO PRODUCING CO.

REF: PALLADIUM "7" FEDERAL #12 / Well Pad Topo

THE PALLADIUM "7" FEDERAL No. 12 LOCATED 1650' FROM
THE SOUTH LINE AND 660' FROM THE EAST LINE OF
SECTION 7, TOWNSHIP 24 SOUTH, RANGE 31 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

W.O. Number: 5129

Drawn By: K. GOAD

Date: 02-18-2005

Disk: KJG CD#1 - 5129A.DWG

Survey Date: 02-16-2005

Sheet 1 of 1 Sheets

APPLICATION TO DRILL

POGO PRODUCING COMPANY
PALLADIUM "7" FEDERAL # 12
UNIT "I" SECTION 7
T24S-R31E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6 the following information on the above well is provided for your consideration.

1. Location of well: 1650' FSL & 660' FEL SECTION 7 T24S-R31E EDDY CO. NM

2. Ground Elevation above Sea Level: 3528' GR.

3. Geological age of surface formation: Quaternary Deposits:

4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium to remove solids from hole.

5. Proposed drilling depth: 8400'

6. Estimated tops of geological markers:

Basal Anhydrite	4020'	Manzanita	5340'
Delaware Lime	4240'	Brushy Canyon	6400'
Bell Canyon	4260'	Bone Spring	8070'
Cherry Canyon	5160'	TD	8400'

7. Possible mineral bearing formations:

Manzanita	Oil
Bone Spring	Oil

8. Casing Program:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
25"	0-40	20"	NA	NA	NA	Conductor
17½"	0-975'	13 3/8"	48#	8-R	ST&C	H-40
11"	0-4150'	8 5/8"	32#	8-R	ST&C	J-55
7 7/8"	0-8400'	5½"	17 & 15.5	8-R	LT&C	J-55

APPLICATION TO DRILL

POGO PRODUCING COMPANY
 PALLADIUM "7" FEDERAL # 12
 UNIT "I" SECTION 7
 T24S-R31E EDDY CO. NM

9. CEMENTING & CASING SETTING DEPTHS:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
13 3/8"	Surface	Set 975' of 13 3/8" 48# H-40 ST&C casing. Cement with 600 Sx. of 65/35/6 Class "C" POZ-Gel + 5% Salt, tail in with 200 Sx. of Class "C" cement + 2% CaCl, + 1/4# Flocele/Sx. circulate cement to surface.
8 5/8"	Intermediate	Set 4150' of 8 5/8" 32# J-55 ST&C casing. Cement with 1000 Sx. of 65/35/6 Class "C" POZ-Gel + 5% NaCl, tail in with 200 Sx. of Class "C" cement + 2% CaCl, circulate cement to surface.
5 1/2"	Production	Set 8400' of 5 1/2" casing as follows: 2400' of 5 1/2" 17# J-55 LT&C, 5000' of 5 1/2" 15.5# J-55 LT&C, 1000' of 5 1/2" 17# J-55 LT&C casing. Cement in 3 stages with DV Tools at 5800'± & 3700'±. Cement 1st stage with 650 Sx. of Class "H" Premium Plus cement + additives, cement 2nd stage with 600 Sx. of Class "C" cement + 8# Gilsonite/Sx., cement 3rd stage with 400 Sx. of 65/35/6 Class "C" POZ-Gel, tail in with 100 Sx. of Class "C" cement + 1% CaCl, circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 2000 PSI WP B.O.P. consisting of a stripper head instead of an annular preventor, blind rams, & pipe rams. This B.O.P. stack is being used because of substructure height limitations, this stack will be nipped up on the 8 5/8" at 4150'. Pressures encountered while drilling this well are not expected to exceed 1800 PSI. Pogo Producing Company requests permission for a 3rd party test of this B.O.P. arrangement after setting intermediate casing at 4150'±. The B.O.P. will be tested according to API specifications. Exhibit "E-1" shows a manually operated choke manifold, as no remote B.O.P. closing equipment will be necessary.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD
40-975'	8.4-8.7	29-34	NC	Fresh water use paper to control seepage.
975-4150'	10.1-10.3	29-36	NC	Brine water use paper to control seepage and use high viscosity sweeps to clean hole.
4150-8400'	8.4-8.7	29-38	NC*	Fresh water add Gel for high viscosity sweeps to clean hole.

* If water loss control is required to log, run casing or run DST's use a Dris-pac system.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, of unexpected kicks, In order to run logs, casing, and/or DST's the water loss and viscosity may have to be adjusted to meet these needs.

APPLICATION TO DRILL

POGO PRODUCING COMPANY
PALLADIUM "7" FEDERAL # 12
UNIT "I" SECTION 7
T24S-R31E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

- A. Open hole logs: Dual Induction, LDT, SNP Gamma Ray, Caliper from TD to the 8 5/8" casing shoe.
- B. Cased hole log: Gamma Ray, Neutron from 8 5/8" casing shoe back to surface.
- C. Mud logger to be rigged up on hole at 4150' and remain on hole to TD.
- D. No DST's, or cores are planned at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H²S in this area. If H²S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 1800 PSI, and Estimated BHT 145°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 25 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The Bone Spring formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialized as an oil well.

1. All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing areas.
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
2. H₂S Detection and Alarm Systems
 - A. H₂S detectors and audio alarm system to be located at bell nipple, end of bleed line (mud pit) and on derrick floor or doghouse.
3. Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
 - C. There should be a windsock at entrance to location.
4. Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well control equipment
 - A. See exhibit "E" & "E-1"
6. Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephoned will be available at most drilling foreman's trailer or living quarters.
7. Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If the location is near to a dwelling a closed DST will be performed.

8. Drilling contractor supervisor will be required to be familiar with the effects H_2S has on tubular goods and other mechanical equipment.
9. If H_2S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H_2S scavengers if necessary.

SURFACE USE PLAN

POGO PRODUCING COMPANY
PALLADIUM "7" FEDERAL # 12
UNIT "I" SECTION 7
T24S-R31E EDDY CO. NM

1. EXISTING ROADS & PROPOSED ROADS: Area maps; Exhibit "B" is a reproduction of a County General Hi-way Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.
 - A. Exhibit "A" shows the proposed well site as staked.
 - B. From Hobbs New Mexico take U.S. Hi-way 62-180 West toward Carlsbad New Mexico go approximately 40 miles to the WIPP road, turn Left on to the WIPP road go South 13 miles to CR-802, turn Right go go 4.2 miles to State Hi-way 128, turn Left go 2.4 miles to CR-787 (Twin Wells Road) turn Right go 4.7± miles turn Left go 400±' to location.
 - C. Exhibits "C & "F" shows the proposed roads flowlines and powerlines.
2. PLANNED ACCESS ROADS: Approximately 330' of new road will be constructed.
 - A. The access roads will be crowned and ditched to a 12' wide travel surface with a 40' Right-of-Way.
 - B. Gradient of all roads will be less than 5.00%.
 - C. If turn-outs are necessary they will be constructed.
 - D. If needed roads will be surfaced with a minimum of 4" of caliche. This material will be obtained from a local source.
 - E. Center-line for new roads will be flagged. Earth-work will be will be done as field conditions require.
 - F. Culverts will be placed in the access road if they are necessary. The roads will be constructed to utilize low water crossings for drainage as required by topography.
3. LOCATIONS OF EXISTING WELLS IN A ONE MILE RADIUS. EXHIBIT "A-1"
 - A. Water wells - One approximately .5 miles South of location.
 - B. Disposal wells -None known
 - C. Drilling wells -None known
 - D. Producing wells -As shown on Exhibit "A-1"
 - E. Abandoned wells -As shown on Exhibit "A-1"

SURFACE USE PLAN

POGO PRODUCING COMPANY
PALLADIUM "7" FEDERAL # 12
UNIT "I" SECTION 7
T24S-R31E EDDY CO. NM

4. If on completion this well is a producer the operator will lay pipelines and construct powerlines along existing road R-O-W's or other existing R-O-W's. Exhibit "C" shows proposed routes of roads, flowlines and powerlines.

5. LOCATION AND TYPE OF WATER SUPPLY:

Water will be purchased locally from a commercial source and trucked over the access roads or piped to location in flexible lines laid on top of the ground.

6. SOURCE OF CONSTRUCTION MATERIAL:

If possible construction material will be obtained from the excavation of drill site, if additional material is needed it will be obtained from a local source and transported over the access roads as shown on Exhibit "C".

7. METHODS OF HANDLING WASTE MATERIAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. All trash, junk and other waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed all contents will be removed and disposed of in a approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by the supplier, including broken sacks.
- D. Waste water from living quarters will be drained into holes with a minium of 10'. These holes will be covered during drilling and will be back filled when the well is completed. A Porto-John will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry enough to be broken out for furthred drying. If the drilling fluids do not evaporate in a reasonable time they will be hauled off by transports to a state approve disposal site. Later pips will be broken out to speed drying. Water produced during completion will be put in reserve pits. Oil and condensate produced will be put in storage tanks and sold.

8. ANCILLARY FACILITIES:

- A. No camps or air strips will be constructed on location.

SURFACE USE PLAN

POGO PRODUCING COMPANY
PALLADIUM "7" FEDERAL # 12
UNIT "I" SECTION 7
T24S-R31E EDDY CO. NM

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the proposed well site layout.
- B. This Exhibit shows the location of reserve pit, sump pits, and living facilities.
- C. Mud pits in the active circulating system will be steel pits and the reserve pits will be unlined unless subsurface conditions encountered during pit construction indicate that a plastic liner is required to contain lateral migration.
- D. If needed the reserve pits will be lined with polyethelene. The pit liner will be no less than 6 mils thick and the liner will be extended at least 3 feet over the top of the dikes and secured in place to keep edge of liner in place.
- E. The reserve pit will be fenced on three sides and fenced with four strands of barbed wire during drilling and completion phases. The 4th side will be fenced after drilling operations are complete and the drilling rig has moved out. If the well is a producer the mud pits will remain fenced in until the mud has dried up enough to break out the pits and reclaimed according to BLM requirements.

10. PLANS FOR RESTORATION OF SURFACE:

Rehabilitation of the location and reserve pits will be allowed to dry properly, fluids may be moved and disposed of in accordance with article 7-E as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any will be reshaped to the original configuration with provisions made to alleviate future erosion. In case of the well completed as a producer the drilling pad will be necessary to construct production facilities. After the area has been shaped and contoured top soil from the spoil pile will be placed over the disturbed area to the extent possible so that revegetation procedures can be accomplished to comply with the BLM specifications.

If the well is a dry hole the pad and road area will be contoured to match the existing terrain. Top soil will be spread to the extent possible and revegetation will be carried out according to the BLM specifications.

Should the well be a producer the previously noted procedures will apply to those areas which are not required for production facilities.

SURFACE USE PLAN

POGO PRODUCING COMPANY
PALLADIUM "7" FEDERAL # 12
UNIT "I" SECTION 7
T24S-R31E EDDY CO. NM

11. OTHER INFORMATION:

- A. Topography is relatively flat with little or no dip. Soil consists of shallow , silty clay loams with caliche caprock throughout. Vegetation consists of catclawacacia, mesquite, prickley pear, broom snake weed, creosote, Christmas tree cactus, and various other cactus.
- B. Surface is owned by the U.S. Department of Interior and is administered by the Bureau of Land Management. The surface is leased to ranchers for grazing of live stock.
- C. An archaeological survey will be conducted and the results will be filed with The Bureau of Land Management Carlsbad Field office in Carlsbad NM.
- D. There is a ranch dwelling approximately .8 of a mile South of location.

12. OPERATORS REPRESENTATIVE:

Before construction:

TIERRA EXPLORATION, INC.
P.O. BOX 2188
HOBBS, NEW MEXICO 88241
JOE T. JANICA
OFFICE PHONE 505-391-8503

During and after construction:

POGO PRODUCING COMPANY
P.O. BOX 10340
MIDLAND, TEXAS 79702-7340
RICHARD WRIGHT
OFFICE PHONE 915-685-8140

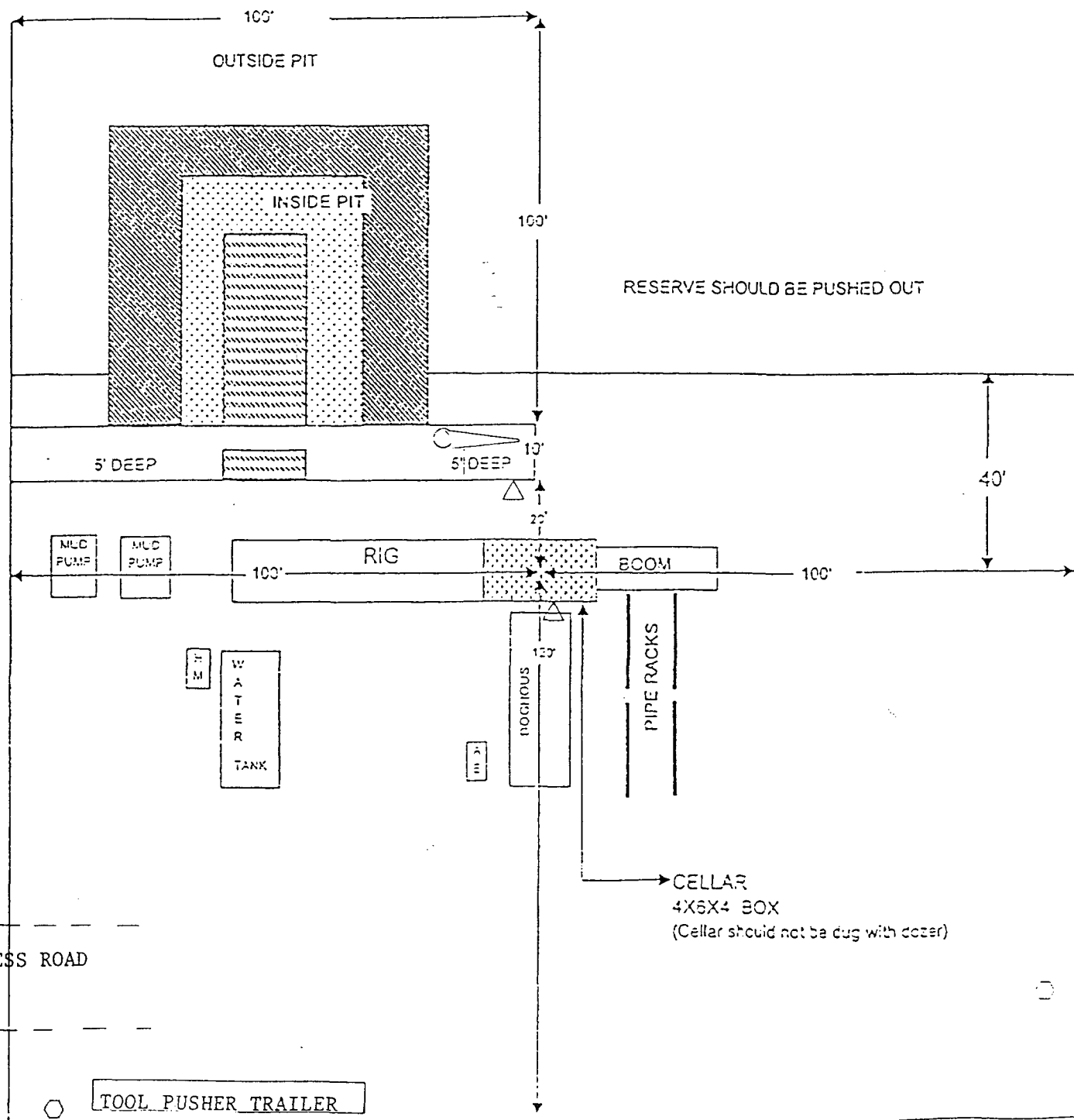
13. CERTIFICATION: I hereby certify that I or persons under my direct supervision have inspected the proposed drill site and access route, that I am familiar with the conditions which currently exist, that the statements made in this plan are to the best of my knowledge, are true and correct, and that the work associated with the operations proposed herein will be performed by POGO PRODUCING COMPANY it's contractors/subcontractors is in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

NAME : Joe T. Janica

DATE : 02/21/05

TITLE : Agent

FOR EARTH PITS



Cellar can be 4X4X4 if using a screw-on wellhead
Working Pits dug 5' below ground level

- Wind Direction Indicators
(wind sock or streamers)
- H2S Monitors
(alarms at bell nipple and shale shaker)
- Briefing Areas
- Remote BOP Closing Unit
- Sign and Condition Flags

Location Specs

EXHIBIT "D" RIG LAY OUT PLAT

POGO PRODUCING COMPANY
PALLADIUM "7" FEDERAL # 12
UNIT "I" SECTION 7
T24S-R31E EDDY CO. NM

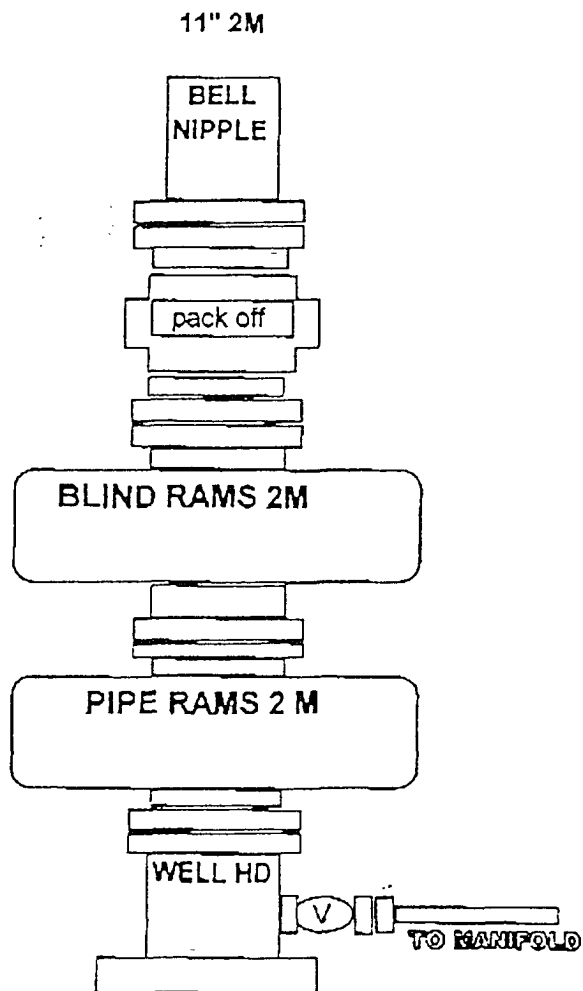


EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

POGO PRODUCING COMPANY
PALLADIUM "7" FEDERAL # 12
UNIT "I" SECTION 7
T24S-R31E EDDY CO. NM

CHOKE MANIFOLD

3000 PSI WP

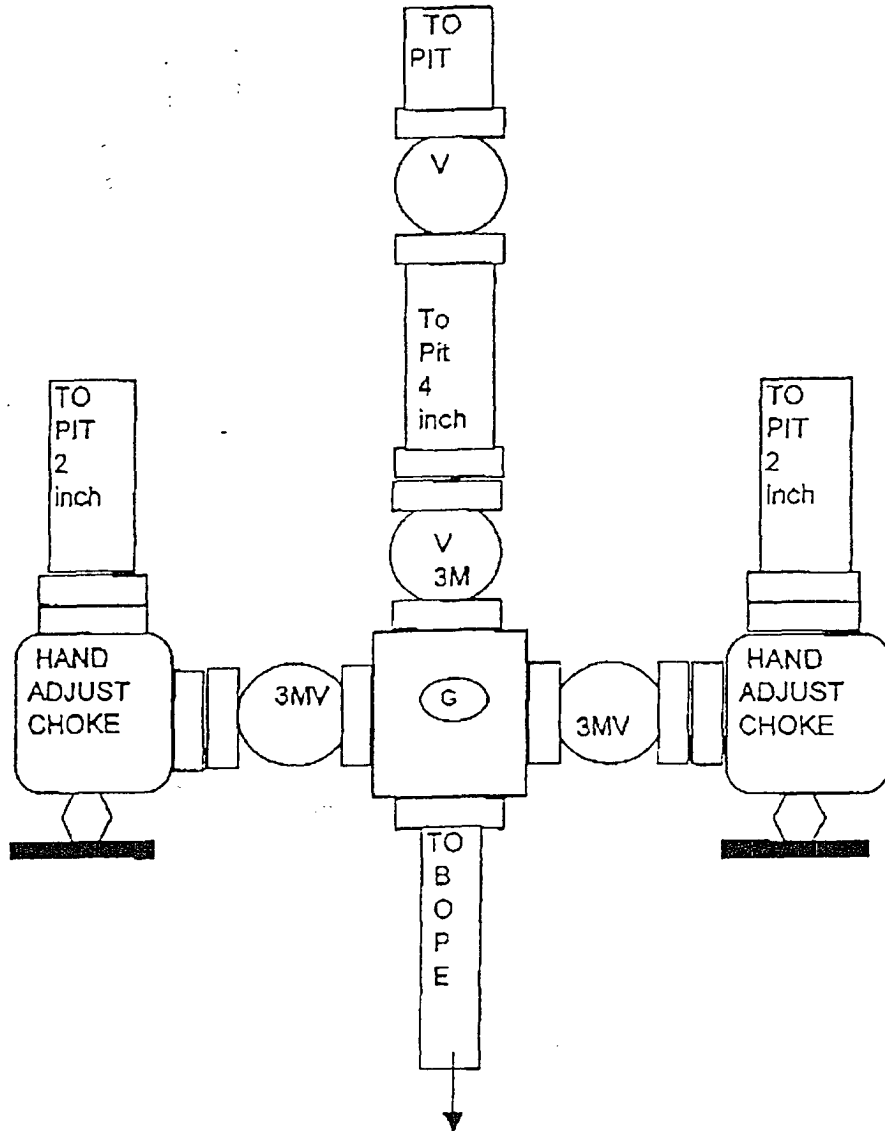


EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

POGO PRODUCING COMPANY
PALLADIUM "7" FEDERAL # 12
UNIT "I" SECTION 7
T24S-R31E EDDY CO. NM

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Pogo Producing Company Well No. 12 - Palladium 7 Federal

Location: 1650' FSL & 660' FEL sec. 7, T. 24 S., R. 31 E.

Lease: NM-57273

.....

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) Carlsbad Field Office is to be notified at (505) 361-2822 in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 inch

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

4. Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. 13-3/8 inch surface casing should be set at approximately 975 feet, below usable water and circulate cement to the surface. If cement does not circulate to the surface, the BLM Carlsbad Field Office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. Minimum required fill of cement behind the 8-5/8 inch intermediate casing set at approximately 4150 feet is sufficient to circulate to the surface.

3. Minimum required fill of cement behind the 5-1/2 inch production casing is sufficient to tie back 500 feet above the uppermost perforation in the pay zone.

III. PRESSURE CONTROL:

1. Before drilling below the 8-5/8 inch intermediate casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The BOPE shall be installed before drilling below the 8-5/8 inch intermediate casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The results of the test will be reported to the BLM Carlsbad Field Office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

B. Testing fluid must be water or an appropriate clear liquid suitable for subfreezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

C. Testing must be done in a safe workman like manner. Hard line connections shall be required.