

N.M. Oil Cons. DIV-Dist. 2
UNITED STATES Grand Avenue
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Alameda, NM 88210SUBMIT IN TRIPLICATE*
(Other instructions on
reverse side)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 17891

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 2160' FNL & 330' FEL, Section 29
At proposed prod. zone same

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

5 miles East Southeast of Malaga New Mexico

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

330

16. NO. OF ACRES IN LEASE

1400

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.

1st well

19. PROPOSED DEPTH

9200

20. ROTARY OR CABLE TOOLS

Rotary

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

2946' GL

22. APPROX. DATE WORK WILL START*

When approved

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
14-3/4	10-3/4	40.5	500	Sufficient to circ
9-7/8	7-5/8	26.4	2900	Sufficient to circ
6-3/4	4-1/2	11.6	9200	700 sk tie back

CARLSBAD CONTROLLED WATER BASIN

The operator proposes to drill to a depth sufficient to test the Delaware and Bone Springs for oil. Specific programs are outlined in the following attachments:

Drilling Program

Surface use and Operating Plan

Exhibit A - Road Map

Exhibit B - Existing well map

Exhibit C - Location and acreage dedication plat

Exhibit C-1 - Topo map

Exhibit D - Drilling and rig layout

Exhibit E - 3M BOP Equipment

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 blowout preventer program, if any.

24.

SIGNED

John Wright

TITLE

Sr. Eng Tech

DATE

09/28/05

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

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

S & T 99.5

APPROVED BY

/S/ Russell E. Sorensen

TITLE

ACTING
FIELD MANAGER

DATE

JUL 20 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.

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code SC371	Pool Name Pierre Crossing (BONE Springs)
Property Code	Property Name CEDAR CANYON "29" FEDERAL	Well Number 1
OGRID No. 017891	Operator Name POGO PRODUCING COMPANY	Elevation 2946

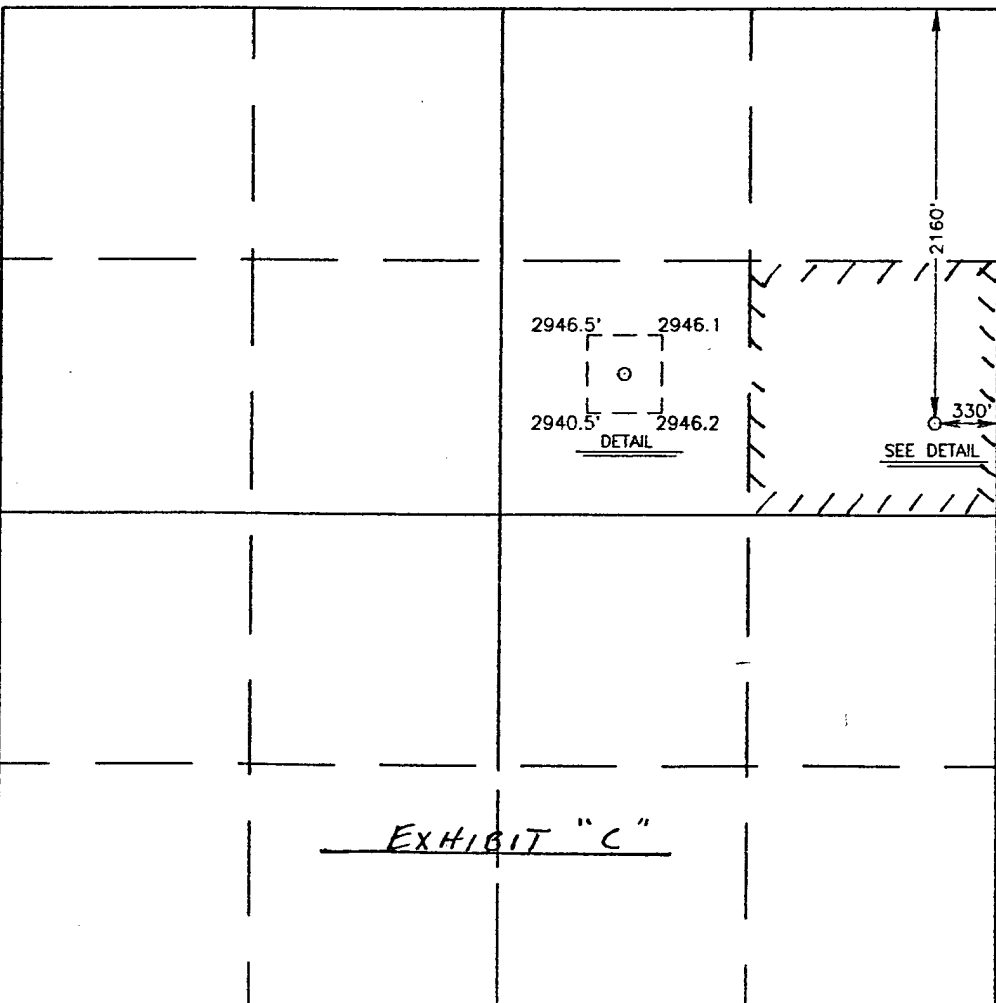
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	29	24 S	29 E		2160	NORTH	330	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>Signature <u><i>James M.C. Ritchie Jr.</i></u> Printed Name JAMES M.C. RITCHIE JR. Title AGENT Date OCT. 2, 1995</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>SEPTEMBER 25, 1995</p> <p>Date Surveyed SEP 25 1995 SJA Signature & Seal of Professional Surveyor <u><i>Ronald S. Eidson</i></u> W.O. Num. 95-1463 Certificate No. JOHN W. WEST 676 RONALD S. EIDSON 3239 RUFFENBERG EIDSON 12641</p>

DRILLING PROGRAM

Attached to Form 3160-3

Pogo Producing Company

Cedar Canyon "29" Federal No. 1
2160' FNL & 330' FEL
Unit Letter H, SE/NE
Section 29, T24S, R29E
Eddy County, New Mexico

1. Geologic Name of Surface Formation: Permian
2. Estimated Tops of Important Geologic Markers and
3. Estimated Depths of Fresh Water, Oil, and Gas:

<u>Formation</u>	<u>Depth</u>	<u>Fluid Content</u>
Permian	Surface	Fresh water at +250'
Rustler Anhydrite	500'	-----
Top of Salt	900'	-----
Base of Salt	2800'	-----
Lamar Lime	3250'	-----
Delaware Sands	3400'	-----
Bone Spring	7800'	Oil
Total Depth	9200'	

No other formations are expected to give up oil, gas, or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 10 3/4" casing at 500' into the Rustler anhydrite and circulating cement to surface. Potash will be protected by setting 7-5/8" intermediate casing at 2900' and circulating cement to surface. 4-1/2" production casing will be set at TD, and cement will be brought back to at least 2000', thus ensuring that all zones are adequately isolated. The pore pressure gradient is normal (+8.4 ppg) down through the Bone Springs. No abnormal pressures are anticipated.

4. Casing and Cementing Program

<u>Hole Size</u>	<u>Casing</u>		<u>Casing OD</u>	<u>Weight, Grade, Coupling, Cond.</u>
	<u>From</u>	<u>To</u>		
14 3/4"	0'	500'	10-3/4"	40.5# J-55 STC
9 7/8"	0'	2,900'	7-5/8"	26.40# K55 LTC
6 3/4"	0	TD	4-1/2"	11.60# J-55 & N-80 LTC

All used casing will be drifted and hydrostatically tested to at least 90% of new pipe rating.

Minimum Design Factors: Collapse 1.125, Burst 1.1, Tension 1.7

10-3/4" surface casing set at 500'

The surface casing will be set into the Rustler anhydrite to protect all fresh water formations.

Centralize the bottom 3 joints and every 4th joint to surface.

Cement to surface with 200 sx of Class C with 4% gel, 2% CaCl₂ (13.5 ppg, 1.74 ft³/sx) followed by 200 sx Class C with 2% CaCl₂ (14.8 ppg, 1.32 ft³/sx).

7-5/8" intermediate casing set at 2900'

The intermediate casing will be set within 100' of the top of the Delaware to isolate all salt stringers.

Centralize the bottom 3 joints.

Cement to surface with 500 sx of 35/65 Pozmix Class H with 6% gel, 5% salt, 1/4# FC (12.8 ppg, 1.94 ft³/sx) followed by 200 sx Class C with 1% CaCl₂ (15.6 ppg, 1.19 ft³/sx).

4-1/2" production casing set at TD'

Centralize every joint from TD to bottom of the intermediate casing.

Top of cement to be at 2000'

A 2-stage cement job will be required with a DV tool at +6000'.

Stage 1: 350 sx 50/50 Pozmix Class H with 2% gel, 5% salt, 1/4# FC (14.2 ppg, 1.34 ft³/sx).

Stage 2: 250 sx 50/50 Pozmix Class H with 2% gel, 5% salt, 1/4# FC (14.2 ppg, 1.34 ft³/sx) followed by 100 sx Class H (15.6 ppg, 1.19 ft³/sx).

5. Minimum Specifications for Pressure Control:

9 7/8" ~~12 1/4"~~ hole

(57)

The following BOP equipment will be nipped up on the 10-3/4" casing and used continuously until TD is reached for the 9 7/8" hole.

The blowout preventer equipment (BOP) shown in Exhibit E will consist of a 3000 psi WP double ram type preventer and a 3M annular (bag type) preventer with rotating head. Both BOP's will be hydraulically operated. At the drilling contractor's option, 5M BOP's may be substituted. H2S trim will not be required.

Before drilling out from under the 10-3/4" casing, all BOP's and accessory equipment will be tested to 1000 psi with the rig pump. Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets.

BLM method to calculate minimum BOP requirements:

$$(.052)(10 \text{ ppg})(2900') - (0.22 \text{ psi/ft})(2900') = 870 \text{ psi}$$

Minimum BOP requirements: 2M BOP stack and manifold system

6-3/4" hole

The following BOP equipment will be nipped up on the 7-5/8" casing and used continuously until TD is reached for the 6-3/4" hole.

The blowout preventer equipment (BOP) shown in Exhibit E will consist of a 3000 psi WP double ram type preventer and a 3M annular (bag type) preventer with rotating head. Both BOP's will be hydraulically operated. At the drilling contractor's option, 5M BOP's may be substituted. H2S trim will not be required.

Before drilling out from under the 8-5/8" intermediate casing, all BOP's and accessory equipment will be tested to 1000 psi with the rig pump. Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets.

BLM method to calculate minimum BOP requirements:

$$(.052)(8.4 \text{ ppg})(9200') - (0.22 \text{ psi/ft})(9200') = 1994 \text{ psi}$$

Minimum BOP requirements: 2M BOP stack and manifold system

6. Proposed Mud System:

The well will be drilled to TD with a combination of fresh water and 10# brine. The applicable depths and properties of this system are as follows:

Depth	Type	Weight (ppg)	Viscosity (sec)	Water Loss (cc)
0-500'	Fresh water	8.5	28	NC
500-2900'	Brine	10.0	29	NC
2900-TD	Fresh	8.5	28-32	16

Sufficient mud materials to maintain mud properties and meet minimum lost circulation requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

- a) A kelly cock will be kept in the string at all times.
- b) A full opening drill pipe stabbing valve (TIW/inside BOP) with proper drill pipe connections will be on the rig floor at all times.
- c) An electronic pit volume totalizer system will NOT be used.
The drilling fluids system will be visually monitored at all times.
- d) A mudlogging unit will be continuously monitoring drilling penetration rate and hydrocarbon shows from 2900' to TD.

8. Logging, Testing, and Coring Program:

- a) Drillstem tests will be run on the basis of drilling shows.
- b) The electric logging program will consist of:
 - 1) 6-3/4" hole - Gamma ray, dual induction log, compensated neutron and litho-density logs.
- c) No conventional cores are planned. Selected intervals may be sidewall cored based upon shows and openhole logs.
- d) Further testing procedures will be determined after the 4-1/2" production casing has been cemented at TD.

9. Abnormal Conditions, Pressures, Temperatures, and Potential Hazards:

No abnormal pressures, temperatures, or other potential hazard are anticipated.

No hydrogen sulfide or other hazardous gases or fluids have been encountered, reported, or are known to exist at this depth in this area. No major lost circulation zones have been reported in offsetting wells.

The maximum anticipated bottom hole pressure is approximately 3918 psi. (9200' x .433 psi/ft = 3956 psi.)

The maximum anticipated bottom hole temperature is 130 deg F.

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is November 31, 1995. Once commenced, the drilling operation should be complete in 15 days. If the well is productive, an additional 30 days will be required for completion, testing, and installation of permanent facilities.

SURFACE USE AND OPERATING PLAN

Attached to Form 3160-3

Pogo Producing Company

Cedar Canyon "29" Federal No. 1
2160' FNL & 330' FEL
Unit Letter H, SE/NE
Section 29, T24S, R29E
Eddy County, New Mexico

<u>Located:</u>	5 miles east southeast of Loving, New Mexico
<u>Federal Lease Number:</u>	NM-94651
<u>Lease Issued:</u>	12/01/72
<u>Acres in Lease:</u>	1400 acres
<u>Record Lessee:</u>	Pogo Producing Company
<u>Surface Ownership:</u>	Bureau of Land Management
<u>Grazing Permittee:</u>	Raymond McDonald P. O. Box 66 Loving, New Mexico 88265
<u>Pool:</u>	Wildcat (Bone Spring)
<u>Pool Rules:</u>	The 40 acre oil well spacing rules apply to this location being 330' to the nearest side boundary of 1/4-1/4 section line, nor closer than 330' to the nearest well capable of producing from the same formation.
<u>Exhibits:</u>	A. Road Map B. Existing Wells Map C. Well location and acreage dedication plat C-1. Topo Map D. Drilling rig layout diagram E. BOP equipment

1. Existing Roads:

- a) The well site and elevation plat for the proposed well is shown in Exhibit C. It was staked by John West Engineering, Hobbs, N.M.
- b) All roads to the location are shown on Exhibit B. The existing roads are illustrated in black and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the onsite inspection.
- c) Directions to Location: Go east of Malaga approximately 1 mile. Turn south and go approximately 3/4 mile to where road veers to the southeast. Follow road approximately 2.2 miles to where road splits. Take right split east southeast approximately 1.25 miles. Proposed location is 900' southwest of this point. Access road is shown on Exhibit "B" & "C-1".
- d) Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibit B shows the new access road to be constructed and is illustrated in green. The proposed access road as shown in Exhibit B has been centerline flagged by John West Engineering, Hobbs, N.M. The road will be constructed as follows:

- a) Length and Width: 900' of new access road will be constructed. The maximum width of the running surface will be 15'. See Exhibit B.
- b) Surfacing Material: Caliche material will be used to surface the proposed road. It will be watered, compacted, and graded. Caliche will be obtained from either the reserve pit or a borrow pit on the proposed location as described in Item 6 of the Surface Use and Operating Plan.
- c) Maximum Grade: An approximate grade of less than two percent will be encountered from the existing road to the proposed well pad.
- d) Turnouts: No turnouts are planned.

- e) Drainage Design: The new road will be crowned at the center to direct drainage to ditches on both sides of the roadway with turnout ditches to be constructed as required. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns. BLM may specify any additions or changes during the onsite inspections.
- f) Culverts: None required.
- g) Cuts and Fills: A slight amount of leveling will be required as the road crosses several small size sand dunes to the proposed well pad.
- h) Gates and Cattle Guards: A cattleguard will be installed, as a fence cut will be necessary.

3. Location of Existing Wells:

Exhibit No. B shows all existing wells within a one-mile radius of this well.

4. Location of Existing and/or Proposed Facilities:

- a) Pogo Producing Company does not operate a production facility on the Cedar Canyon "29" Federal lease.
- b) If the well is productive, contemplated facilities will be as follows:

A battery will be installed on location.
- c) An electric power line will be constructed as shown on Exhibit B.

5. Location and Type of Water Supply:

The well will be drilled with a combination of brine and fresh water mud system as outlined in the drilling program.

The water necessary for drilling operations will be purchased and trucked to the wellsite, or will be moved to the wellsite by way of a temporary pipeline laid on the ground alongside existing and proposed roads.

6. Source of Construction Materials:

Caliche needed for the road and well pad will be taken from the proposed reserve pit. An alternate plan will be to obtain caliche from a borrow pit located within the 400' x 400' archaeologically cleared tract at the proposed well site. If sufficient quality or quantity of caliche is not available, it will be transported to the proposed road and well site from an existing BLM approved caliche pit. The BLM will be notified and consulted if caliche must be obtained off location.

7. Method of Handling Waste Disposal:

- a) Drill cuttings will be disposed into the reserve pit.
- b) Drilling fluids will be contained in the reserve pit. The reserve pit will be an earthen pit, approximately 150' x 150' x 6' deep and fenced on three sides prior to drilling. The fourth side will be fenced immediately following rig removal. The reserve pit will be lined with plastic (5-7 mil thickness) to minimize loss of drilling fluids.
- c) Water produced from the well during completion may be disposed into the reserve pit or a steel tank (depending upon rates).

- d) Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
- e) Oil produced during testing will be stored in steel test tanks until sold.
- f) Trash, waste paper, garbage, and junk will be placed in a trash bin located on the drill site pad. It will be transported to an approved landfill for disposal within 30 days after completion of drilling and/or completion of operations. All waste material will be contained to prevent scattering by the wind.
- g) A portable chemical toilet will be provided on the location for human waste during the drilling and completion operations.

8. Ancillary Facilities:

No other facilities will be built as a result of the operations on this well.

9. Well Site Layout:

- a) Exhibit D shows the relative location and dimensions of the well pad, mud pits, reserve pit, location of the major rig components, and location of parking areas.
- b) Cut and fill requirements will be minor, but clearing and leveling of the well site will be necessary. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection.
- c) The reserve pit will be lined with a high quality plastic sheeting (5-7 mil thickness).
- d) The pad and pit area are staked and flagged.

10. Plans for Reclamation of the Surface:

- a) After completion of drilling and/or completion of operations, all equipment and other material not needed for operations will be removed. The pit area will be allowed to dry before reclamation. If the borrow pit is constructed, the cuttings in the reserve pit will be deep buried in the borrow pit, and the reserve pit and borrow pit will be broken out, filled, and leveled. The location will be cleaned of all trash and junk to leave the well site in an as aesthetically pleasing condition as possible.
- b) Three sides of the reserve pit will be fenced prior to and during drilling operations. The borrow pit will be fenced on all four sides after the location is built. At the time the rig is removed, the reserve pit will be fenced on the fourth side to prevent livestock or wildlife from being entrapped in the pits. The fencing will remain in place until the pits are cleaned up and leveled.
- c) After abandonment, all equipment, trash, and junk will be removed and the well site will be cleaned.
- d) Topsoil removed from the drill site will be used to recontour the pit area to the original natural level. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.

11. Other Information:

- a) Topography: The land surface in the area is undulating with small sand dunes. In the immediate area of the well site, the land slope is to the northwest.
- b) Soil: Top soil at the well site is loamy sand.
- c) Flora and Fauna: The vegetation cover is moderate. It includes range grasses, weeds, scrub oak bushes, and mesquite bushes. Wildlife in the area is that typical of a semi-arid desert land and includes coyotes, rabbits, rodents, reptiles, hawks, dove, quail, and other small birds.
- d) Ponds and Streams: The Pecos River is 2500 feet to the northeast of this location.
- e) Residences and Other Structures: There is an abandoned ranch house approximately 1.2 miles northeast of this location.
- f) Archaeological, Historical, or other Cultural Sites: None are known of in the area. An Archaeological survey has been conducted.

CEDAR CANYON "29" FEDERAL NO. 1
SURFACE USE AND OPERATING PLAN
PAGE 7 OF 7

g) Land Use: Grazing, oil and gas production, and wildlife habitat.

h) Surface Ownership: Bureau of Land Management

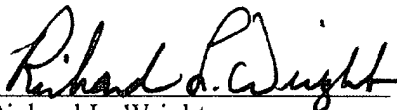
12. **Operator's Representative:**

Richard L. Wright
Division Operations Manager
P. O. Box 10340
Midland, TX 79702
(432) 685-8100

13. **Certification:**

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that the statements made in this plan are, to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Pogo Producing Company and its contractors and sub-contractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U. S. C. 1001 for the filling of false statement.

July 19, 2006
Date


Richard L. Wright
Division Operations Manager

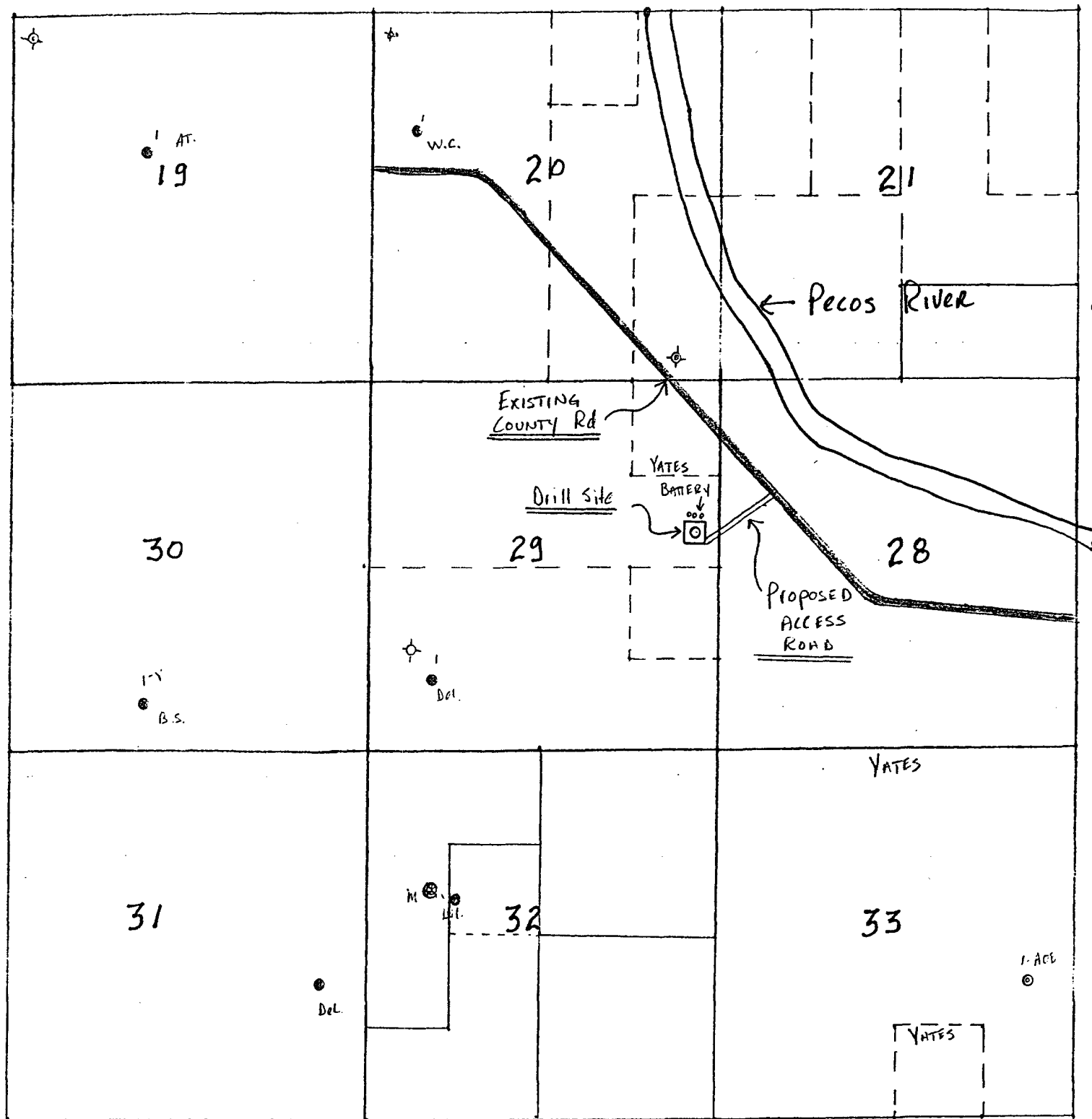
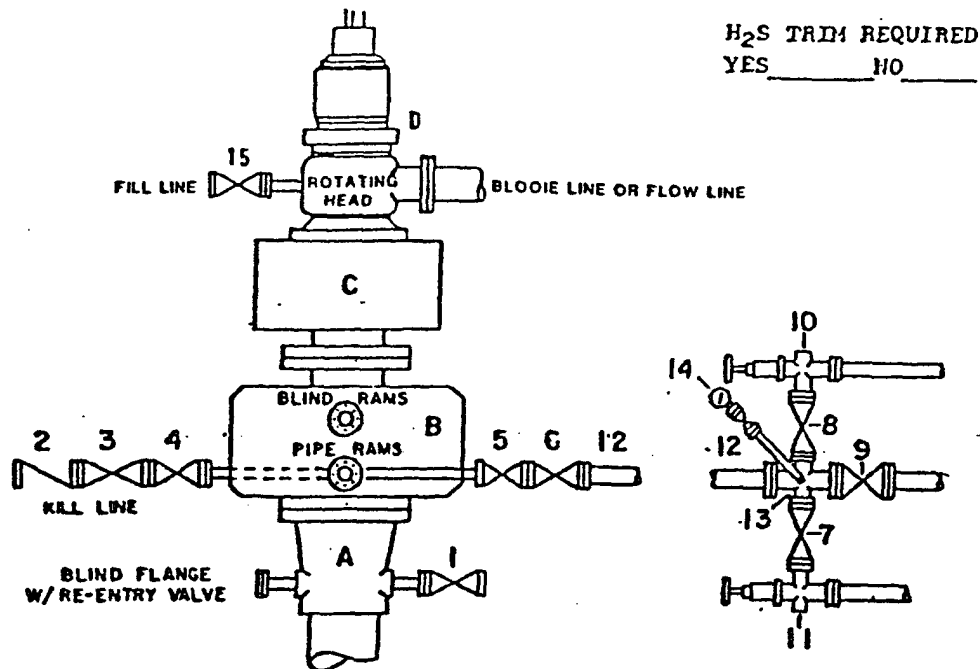


EXHIBIT "B"

DRILLING CONTROL **CONDITION III-B 3000 PSI WP**



H₂S TRIM REQUIRED
 YES _____ NO _____

DRILLING CONTROL

MATERIAL LIST - CONDITION III - B

- | | |
|------------|--|
| A | Wellhead |
| B | 3000# W.P. Dual ram type preventer, hydraulic operated with 1" steel, 3000# W.P. control lines (where substructure height is adequate, 2 - 3000# W.P. single ram preventers may be utilized with 3000# W.P. drilling spool with 2" minimum flanged outlet for kill line and 3" minimum flanged outlet for choke line. The drilling spool is to be installed below the single ram type preventers). |
| C | 3000# W.P. Annular Preventer with 1" steel, 3000# W.P. control lines. |
| D | Rotating Head with fill up outlet and extended Bloopie line. |
| 1,3,4,7,8, | 2" minimum 3000# W.P. flanged full opening steel gate valve, or Halliburton Lo Torc Plug valve. |
| 2 | 2" minimum 3000# W.P. back pressure valve. |
| 5,6,9 | 3" minimum 3000# W.P. flanged full opening steel gate valve, or Halliburton Lo Torc Plug valve. |
| 12 | 3" minimum Schedule 80, Grade B, seamless line pipe. |
| 13 | 2" minimum x 3" minimum 3000# W.P. flanged cross. |
| 10,11 | 2" minimum 3000# W.P. adjustable choke bodies. |
| 14 | Cameron Mud Gauge or equivalent (location optional in Choke line). |
| 15 | 2" minimum 3000# W.P. flanged or threaded full opening steel gate valve, or Halliburton Lo Torc Plug valve. |

SCALE:	DATE:	EST. NO.	DRG. NO.
DRAWN BY:			
CHECKED BY:			
APPROVED BY:			

EXHIBIT E

RECEIVED

OCT 19 10 58 AM '95

CARL
AREA

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Operators Name Pogo Producing Company
Street or Box P.O. Box 10340
City, State Midland, Texas
Zip Code 79702

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No. NM- 94651

Legal Description of Land: ^{SENE} ~~SW 1/4~~ of Sec. ²⁹ 27, T-24S, R-29E, Eddy Co. N.M.

Formation(s) (if applicable): Delaware/Bone Springs

Bond Coverage: (State if individual bonded or another's bond) Individual

BLM Bond file No. 0405

Authorized Signature:

Richard Wright

Title: Division Operations Supr.

Date: 10/16/95

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic. Mineral material extracted from within the boundary of the APD during construction of the well pad and reserve pits and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A temporary or emergency pit may be constructed immediately adjacent to the reserve pit as long as the pit remains within the APD boundary. Mineral material removed from this pit may be used for the construction of this well pad only and its immediate access road, as long as that portion of the access road the material is used on remains on-lease. Removal of any material from the APD boundary for use on other well locations or roads must first be purchased from BLM.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to processed by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Pogo Producing Company
Well Name & No. Cedar Canyon 29 Federal #1
Location: 2160' FNL, 330' FEL, Section 29, T. 24 S., R. 29 E., Eddy County, New Mexico
Lease: NM-94651

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

- A. Well spud
- B. Cementing casing: 10-3/4 inch 7-5/8 inch 4-1/2 inch
- C. BOP tests

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. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The 10-3/4 inch surface casing shall be set at approximately 500 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM 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. The minimum required fill of cement behind the 7-5/8 inch intermediate casing is to be circulated to the surface.

3. The minimum required fill of cement behind the 4-1/2 inch production casing is to be sufficient to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 10-3/4 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

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

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling

mud for testing is not permitted since it can mask small leaks.

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

10/4/05

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