

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL ☒ DEEPEN ☐ R-111-POTASH

b. TYPE OF WELL

OIL WELL ☒GAS WELL ☐SINGLE ZONE ☒MULTIPLE ZONE ☐

2. NAME OF OPERATOR

POGO PRODUCING COMPANY

(RICHARD WRIGHT 432-685-8140)

3. ADDRESS AND TELEPHONE NO.

P.O. BOX 10340 MIDLAND, TEXAS 79702-7340 (432-685-8100)

4. LOCATION OF WELL (Report location clearly according to any State requirements.)

At surface

660' FEL & 460' FSL SECTION 34 T23S-R29E EDDY CO. NM

At proposed prod. zone

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

Approximately 15 miles Southeast of Carlsbad, New Mexico

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

640

17. NO. OF ACRES ASSIGNED
TO THIS WELL

160

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

NA

19. PROPOSED DEPTH

TVD-7750'

20. ROTARY OR CABLE TOOLS

ROTARY

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

3097' GR.

Carlsbad Controlled Water Basin

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
26"	Conductor	NA	40'	Cement to surface W/Redi-mix.
17 1/2"	H-40 13 3/8"	48#	550'	750 Sx. Circulate cement
12 1/2"	J-55 9 5/8"	36#	3000'	1000 Sx. " "
8 1/2"-7 7/8"	N-80 5 1/2"	17#	MD-11,660'	1000 Sx. Premium Plus cement to 2900' FS

CIRCULATE CEMENT

1. Drill 26" hole to 40'. Set 40' of 20" conductor pipe and cement to surface with Redi-mix.
2. Drill 17 1/2" hole to 550'. Run and set 550' of 13 3/8" 48# H-40 ST&C casing. Cement with 550 Sx. of 65/35/6 Class "C" POZ/GEL, tail in with 200 Sx. of Class "C" cement + 1/2# Flocele/Sx, + 2% CaCl, circulate cement to surface.
3. Drill 12 1/2" hole to 3000'. Run and set 3000' of 9 5/8" 36# J-55 ST&C casing. Cement with 800 Sx. of Class "C" 65/35/6 POZ/GEL, + 5% Salt, tail in with 200 Sx. of Class "C" cement + 2% CaCl, circulate cement to surface.
4. Drill 8 1/2" hole through curve at 8123'± MD change bits to 7 7/8" and drill to TD of 11,660' MD. Run and set 11,660' of 5 1/2" 17# N-80 LT&C casing. Cement with 1000 Sx. of Premium Plus cement + additives, mix at 15.7#/Gal, estimated top of cement 2900' From surface.

BOND NATIONWIDE WYB-000238

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and depth of well. If proposal is to drill or deepen, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout prevention procedure.

24.

SIGNED

Joe T. Janice

TITLE Agent

DATE 07/14/06

(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 which would enable the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL IF ANY:

APPROVED BY

Gene J. Janice

Acting

TITLE

STATE DIRECTOR

DATE

8/2/06

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

Se 15
29.5

DISTRICT I

1825 N. French Dr., Hobbs, NM 88240

DISTRICT II

4301 W. Grand Avenue, 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 Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505Form C-102
Revised October 12, 2005Submit 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
		BONE SPRING
Property Code	Property Name	Well Number
	CYPRESS "34" FEDERAL	1
OGRID No.	Operator Name	Elevation
017891	POGO PRODUCING COMPANY	3097'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	34	23 S	29 E		460	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
M	34	23 S	29 E		660	SOUTH	660	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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

	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. <i>Joe T. Janica</i> Signature Date 07/14/06 Joe T. Janica Printed Name Agent
	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. JUNE 20, 2006 Date Surveyed Signature & Seal of Professional Surveyor 7977 Certificate No. 6799 PROFESSIONAL SURVEYOR BASIN SURVEYS



IN REPLY REFER TO:

NM-86024
3160 (52200)

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
New Mexico State Office
1474 Rodeo Rd.
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.nm.blm.gov



August 2, 2006

CERTIFIED--RETURN RECEIPT REQUESTED
7005 3110 00004 2412 1986

Pogo Producing Company
P. O. Box 10340
Midland, TX 79702-7340

Re: NM-86024
Cypress 34 Federal #1
460'S. & 660'E., sec. 34, T. 23 S., R. 29 E.
Eddy County, New Mexico

Gentlemen:

I have approved your application at the well location requested. A copy of the approved application with stipulations is enclosed. Please contact our Carlsbad Field Office at (505) 234-5972, should you have any questions, or if we can be of any additional help.

Sincerely,

FOR Linda S.C. Rundell
State Director

1 Enclosure

CYPRESS 54 FED #1

MITCHELL ENGINEERING PROGRAMS

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LONG'S METHOD OF SURVEY COMPUTATION**OBLIQUE CIRCULAR ARC INTERPOLATION**

0	MD OF INTERPOLATION DEPTH, (feet)
#N/A	TVD COORDINATE OF THE DEPTH (feet)
#N/A	N/S COORDINATE OF DEPTH (feet)
#N/A	E/W COORDINATE OF DEPTH (feet)

0 DISTANCE BETWEEN STATION A AND STATION B

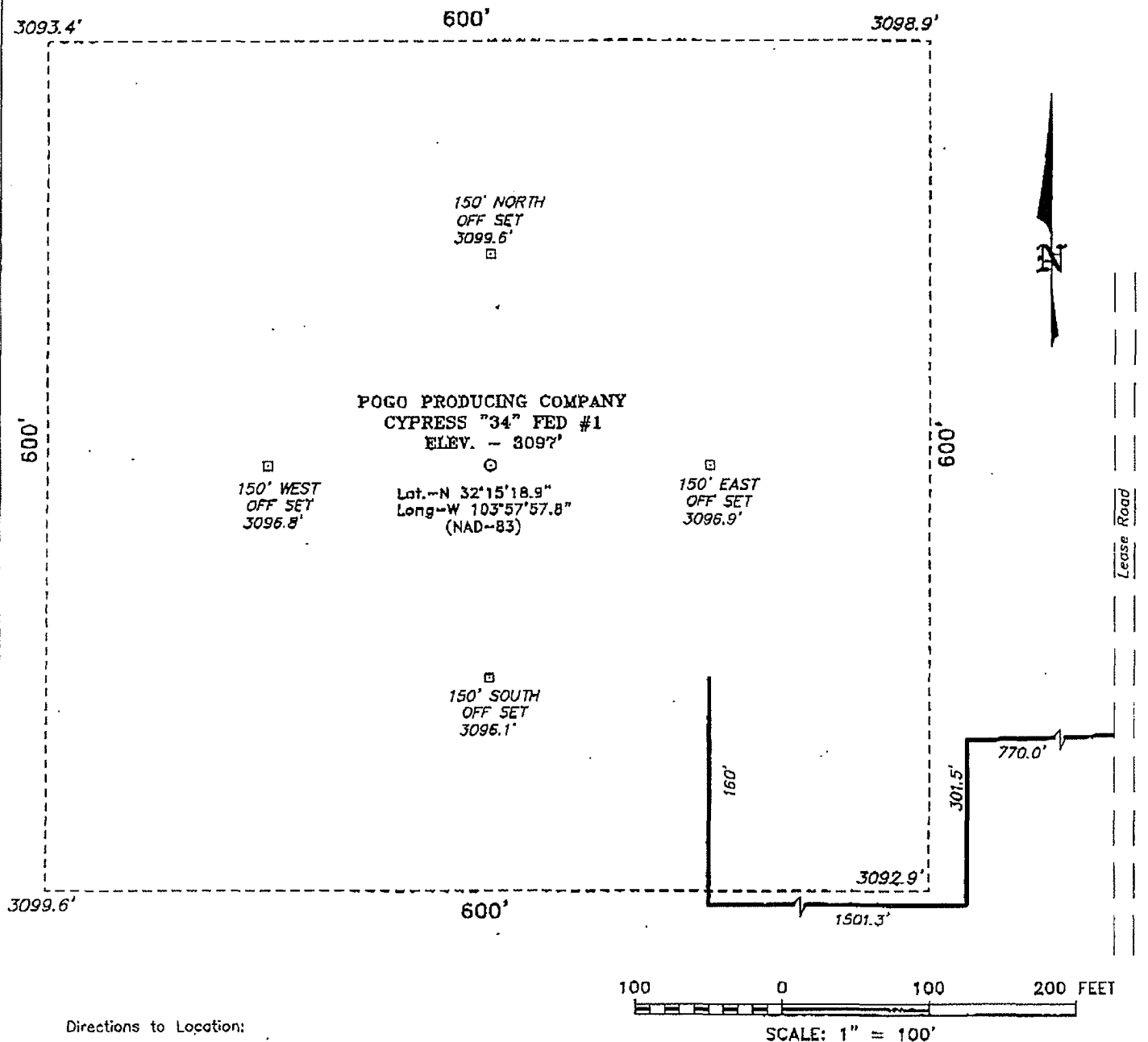
DISTANCE TABLE

STATION A	STATION B
0.00	ft
Calculator =	

TABLE OF SURVEY STATIONS

STA #	ΔMO ft	INCL deg	AZIM deg	MD ft	TVD ft	N/S ft	E/W ft	DLS deg/100FT
1	TRIP POINT =>	0	0	7423.00	7423.00	0.00	0.00	.
2	100	12	276.34	7523.00	7522.27	1.15	-10.37	12.00
3	100	24	276.34	7623.00	7617.20	4.58	-41.03	12.00
4	100	36	276.34	7723.00	7703.68	10.07	-90.63	12.00
5	100	48	276.34	7823.00	7777.83	17.45	-157.01	12.00
6	100	60	276.34	7923.00	7836.50	26.38	-237.27	12.00
7	100	72	276.34	8023.00	7877.10	36.43	-327.90	12.00
8	100	84	276.34	8123.00	7897.85	47.21	-424.94	12.00
9	50	91	276.34	8173.00	7900.03	52.73	-474.58	14.00
10	100	91	276.34	8273.00	7898.28	63.77	-573.93	0.00
11	100	91	276.34	8373.00	7898.54	74.81	-673.90	0.00
12	100	91	276.34	8473.00	7894.79	85.85	-772.68	0.00
13	100	91	276.34	8573.00	7893.05	96.89	-872.05	0.00
14	100	91	276.34	8673.00	7891.30	107.83	-971.42	0.00
15	100	91	276.34	8773.00	7889.56	118.87	-1070.80	0.00
16	100	91	276.34	8873.00	7887.81	130.01	-1170.17	0.00
17	100	91	276.34	8973.00	7886.07	141.08	-1269.54	0.00
18	100	91	276.34	9073.00	7884.32	152.10	-1368.92	0.00
19	100	91	276.34	9173.00	7882.58	163.14	-1468.29	0.00
20	100	91	276.34	9273.00	7880.83	174.18	-1567.66	0.00
21	100	91	276.34	9373.00	7879.09	185.22	-1667.04	0.00
22	100	91	276.34	9473.00	7877.34	196.28	-1766.41	0.00
23	100	91	276.34	9573.00	7875.60	207.30	-1865.78	0.00
24	100	91	276.34	9673.00	7873.85	218.34	-1965.15	0.00
25	100	91	276.34	9773.00	7872.10	229.39	-2064.53	0.00
26	100	91	276.34	9873.00	7870.36	240.43	-2163.80	0.00
27	100	91	276.34	9973.00	7868.61	251.47	-2263.26	0.00
28	100	91	276.34	10073.00	7866.87	262.51	-2362.65	0.00
29	100	91	276.34	10173.00	7865.12	273.55	-2462.02	0.00
30	100	91	276.34	10273.00	7863.36	284.59	-2561.40	0.00
31	100	91	276.34	10373.00	7861.63	295.63	-2660.77	0.00
32	100	91	276.34	10473.00	7859.89	306.67	-2760.14	0.00
33	100	91	276.34	10573.00	7858.14	317.71	-2859.52	0.00
34	100	91	276.34	10673.00	7856.40	328.76	-2958.89	0.00
35	10	91	276.34	10683.00	7856.22	329.86	-2968.83	0.00
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**SECTION 34, TOWNSHIP 23 SOUTH, RANGE 29 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.**



Directions to Location:

FROM THE JUNCTION OF CO. RD. 745 (HARROUN)
AND CO. RD. 788 (DOG TOWN), GO NORTHEAST FOR
1.3 MILES TO LEASE ROAD; THENCE NORTHEAST FOR
2.1; THENCE NORTH 1.5 MILE; THENCE 0.2 MILE
EAST; THENCE 0.2 NORTH; THENCE 0.6 MILE EAST;
THENCE NORTH FOR 200 FEET TO THE DEVON HB2
STATE #2 THENCE 0.5 NORTH TO PROPOSED LEASE
ROAD.

POGO PRODUCING CO.

REF: CYPRESS "34" FED #1 / Well Pad Topo

THE CYPRESS "34" FED NO. 1 LOCATED 460' FROM
THE SOUTH LINE AND 660' FROM THE EAST LINE OF
SECTION 34, TOWNSHIP 23 SOUTH, RANGE 29 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

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

W.O. Number: 6795

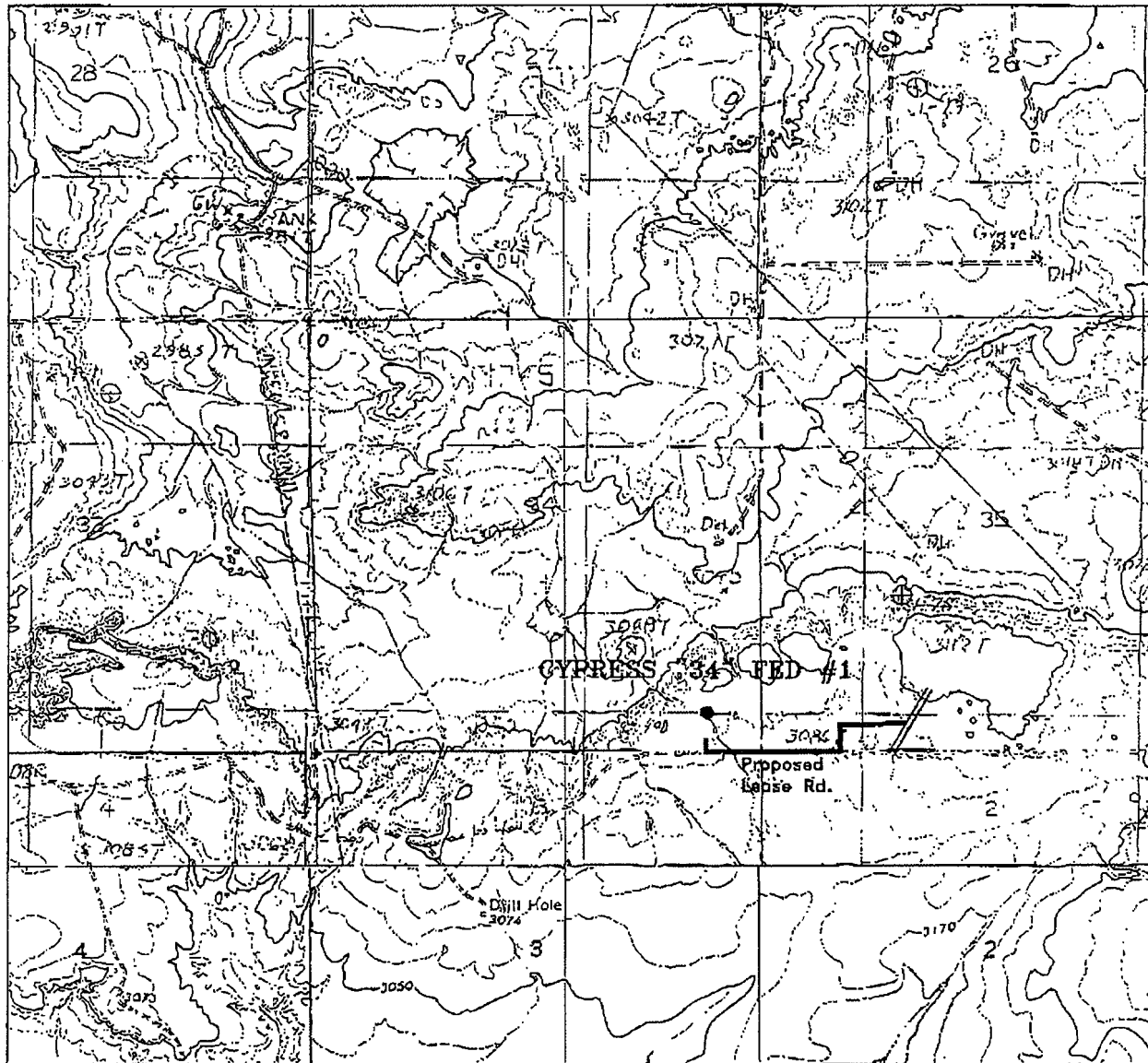
Drawn By: J. SMALL

Date: 06-20-2006

Disk: JMS 6795W

Survey Date: 06-20-2006

Sheet 1 of 1 Sheets



CYPRESS "34" FED #1

Located at 460' FSL and 660' FWL
 Section 34, Township 23 South, Range 29 East,
 N.M.P.M., Eddy County, New Mexico.

basin
surveys
 focused on excellence
 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (505) 393-7316 - Office
 (505) 392-3074 - Fax
 basinsurveys.com

W.O. Number: JMS 6795W

Survey Date: 06-20-2006

Scale: 1" = 2000'

Date: 06-22-2006

POGO
PRODUCING
COMPANY

APPLICATION TO DRILL

POGO PRODUCING COMPANY
 CYPRESS "34" FEDERAL # 1
 UNIT "P" SECTION 34
 T23S-R29E 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: 460' FSL & 660' FEL SECTION 34 T23S-R29E EDDY CO. NM
2. Elevation above Sea Level: 3097' GR.
3. Geologic name of surface formation: Quaternary Aeolian Deposits.
4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium for solids removal from hole.
5. Proposed drilling depth: TVD-7750' MD-11,660'
6. Estimated tops of geological markers:

Salado Salt	600'	Brushy Canyon	5250'
Basal Anhydrite	2950'	Bone Spring	6900'
Delaware Sand	3150'	1st Bone Spring Sd.	7710'
Cherry Canyon	4000'	TD	8300' (TVD)
7. Possible mineral bearing formations:

Delaware	Oil
Bone Spring	Oil
8. Casing program:

Hole size	Interval	OD of casing	Weight	Thread	Collar	Grade
26"	0-40'	20"	NA	NA	NA	Conductor
17½"	0-550'	13 3/8"	48#	8-R	ST&C	H-40
12½"	0-3000'	9 5/8"	36#	8-R	ST&C	J-55
8½"/7 7/8"	0-11,660'MD	5½"	17#	8-R	LT&C	N-80

APPLICATION TO DRILL

POGO PRODUCING COMPANY
 CYPRESS "34" FEDERAL # 1
 UNIT "P" SECTION 34
 T23S-R29E EDDY CO. NM

9. CEMENTING & SETTING DEPTH:

20"	Conductor	Set 40' of 20" conductor and cement to surface with Redi-mix.
13 3/8"	Surface	Set 550' of 13 3/8" 48# H-40 ST&C casing. Cement with 550 Sx. of 65/35/6 Class "C" POZ/GEL, tail in with 200 Sx. of Class "C" cement + 2% CaCl ₂ + 1/2# Flocele/Sx. Circulate cement to surface.
9 5/8"	Intermediate	Set 3000' of 9 5/8" 36# J-55 ST&C casing. Cement with 800 Sx. of 65/35/6 Class "C" + 5% Salt, tail in with 200 Sx. of Class "C" cement + 2% CaCl circulate cement.
5 1/2"	Production	Set 11,660' of 5 1/2" 17# N-80 LT&C casing. Cement with 1000 Sx. of Premium Plus cement + additives, mix at 15.7PPG, estimate top of cement 2900' from surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 Series 3000 PSI working pressure B.O.P. consisting of an annular bag type preventor, middle blind rams, and bottom pipe rams. The B.O.P. will be nipped up on the 9 5/8" casing and tested to API specifications. The B.O.P. will be operated at least once in each 24 hour period and the blind rams will be operated when the drill pipe is out of hole on trips. Full opening stabbing valve and upper kelly cock will be utilized. Exhibit "E-1" shows a hydraulically operated closing unit and a 2" 3000 PSI choke manifold with dual adjustable chokes. No abnormal pressures or temperatures are expected in this well.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WL.	VISC.	FLUID LOSS	TYPE SYSTEM
40-550'	8.4-8.7	29-32	NC	Fresh water use paper to control seepage.
550-3000'	10.0-10.2	29-38	NC	Brine water use paper to control seepage, and high viscosity sweeps to clean hole.
3000-11,660'	9.6-10.0	29-40	NC*	Cut brine use high viscosity sweeps to clean hole If water loss is required use a Dris-Pac/Polymer base mud system.

* Water loss may have to be controlled in order to run logs, DST's, and casing.

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

APPLICATION TO DRILL

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL # 1
UNIT "P" SECTION 34
T23S-R29E EDDY CO. NM

12. LOGGING, CORING, & TESTING PROGRAM:

- A. Open hole logs: Dual Induction, SNP, LDT, MSFL, Gamma Ray, Caliper from 8200' back to the 9 5/8" casing shoe.
- B. Cased hole logs: Run Gamma Ray. Neutron logs from 9 5/8" casing show back to surface.
- C. Rig up Mud logger on hole at 3000' and keep on hole to TD.
- D. No cores or DST's 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 3800 PSI, and Estimated BHT 185°.

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 30 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.

13-A

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

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 blooie 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"
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 telephones 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 location is near any dwelling a closed D.S.T. will be performed.

13-A

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

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
CYPRESS "34" FEDERAL # 1
UNIT "P" SECTION 34
T23S-R29E 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 42± miles to WIPP Road, turn Left go 13 miles to CR 802 turn Right go 3.7± miles to State Hi-way 128, turn Right go 6± miles to Rawhide Road (CR-793) turn Left go 3.9± miles, turn Left go .3miles, turn Right go .9± miles , turn Left go .3 miles, turn Right follow lease road 2.8± miles, turn Right (West) go 2 miles, bear Left go Northwest go 1.3± miles to well # 2, bear Right go Northeast go .45 miles, turn Left go .5 miles to location.

C. Exhibit "C" shows the proposed routes of new road, flowlines, and powerline.

2. PLANNED ACCESS ROADS: Approximately .5 miles 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 - None known

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
CYPRESS "34" FEDERAL # 1
UNIT "P" SECTION 34
T23S-R29E 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 minimum 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 further drying. If the drilling fluids do not evaporate in a reasonable time they will be hauled off by transports to a state approved disposal site. Later pits 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
CYPRESS "34" FEDERAL # 1
UNIT "P" SECTION 34
T23S-R29E 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
CYPRESS "34" FEDERAL # 1
UNIT "P" SECTION 34
T23S-R29E EDDY CO. NM

11. OTHER INFORMATION:

- A. Topography consists of low lying sand dunes with a slight dip to the West. The deep sandy soil supports shinny oak, native grasses, and salt lakes lie approximately 1.5 miles North of location.
- B. The surface is owned by The U.S. Department of Interior and is administered by The Bureau of Land Management. The surface is used for the grazing of livestock and the production of Oil & Gas.
- C. An archaeological survey has been performed and the report is on file with The Bureau of Land Management in their Carlsbad Field office.
- D. There are no dwellings in the near vicinity of this location.

12. OPERATORS REPRESENTATIVES:Before construction:

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

During and after construction:

POGO PRODUCING COMPANY
P.O. BOX 10340
MIDLAND, TEXAS 79702-7340
OFFICE Ph. 915-685-8100
Mr. RICHARD WRIGHT 915-685-8140

13. CERTIFICATION: I hereby certify that I, or persons under my direct supervision have inspected the proposed drill site and access roads, and that I am familiar with the conditions which currently exist, 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 it's contractors/subcontractors is in compformity 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 report.

NAME : Joe T. JanicaDATE : 07/14/06TITLE : Agent

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL # 1
UNIT "P" SECTION 34
T23S-R29E EDDY CO. NM

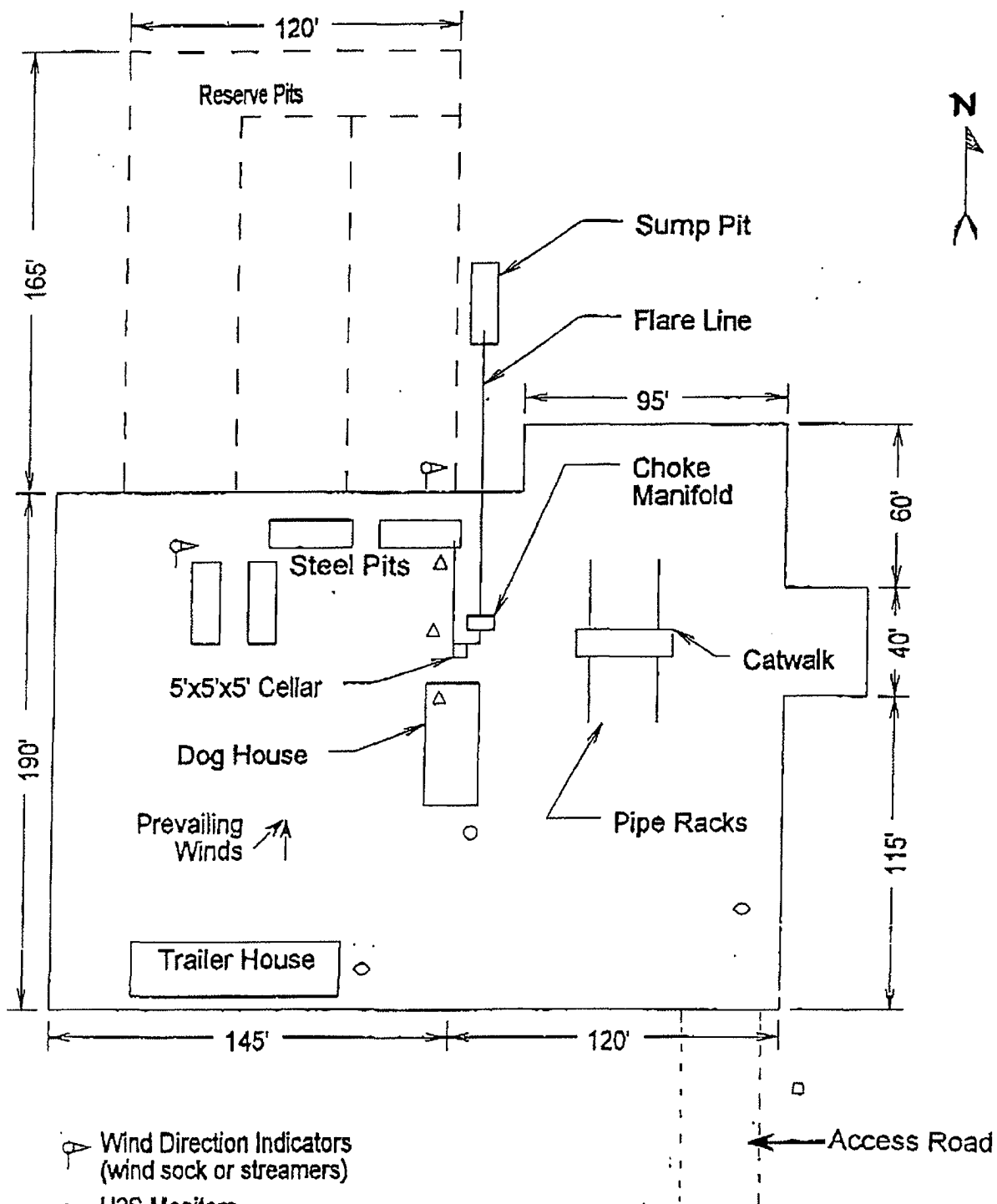
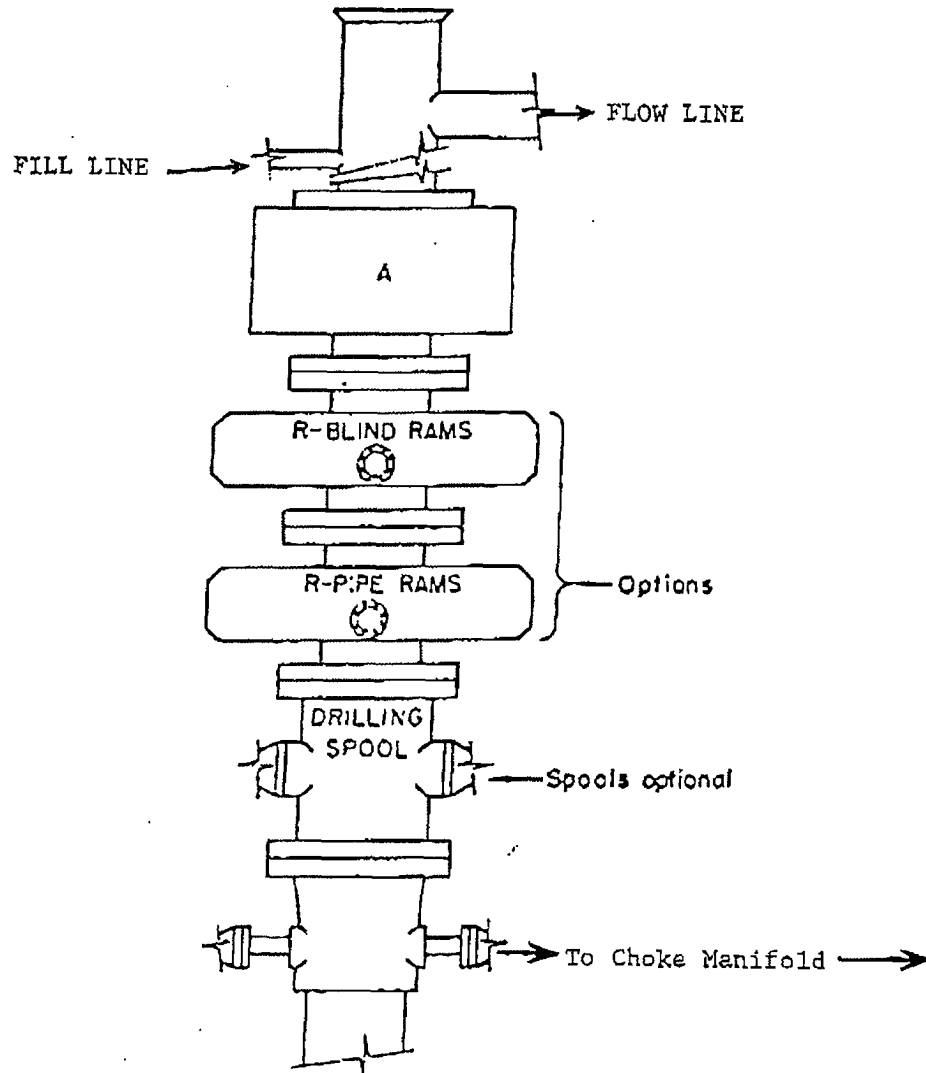


EXHIBIT "D"
RIG LAY OUT PLAT

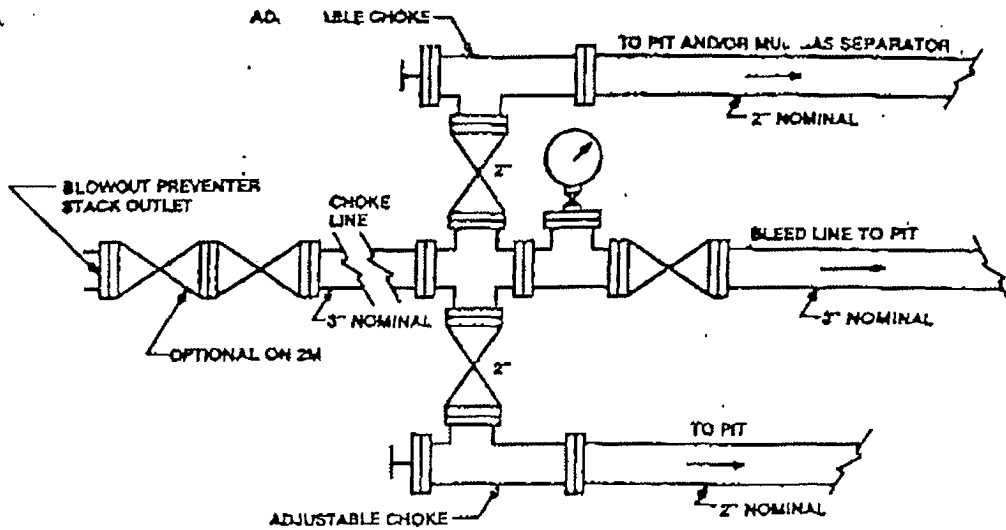
POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL # 1
UNIT "P" SECTION 34
T23S-R29E EDDY CO. NM

**ARRANGEMENT SRRA**

900 Series
3000 PSI WP

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

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL # 1
UNIT "P" SECTION 34
T23S-R29E EDDY CO. NM



Typical choke manifold assembly for 3M WP system

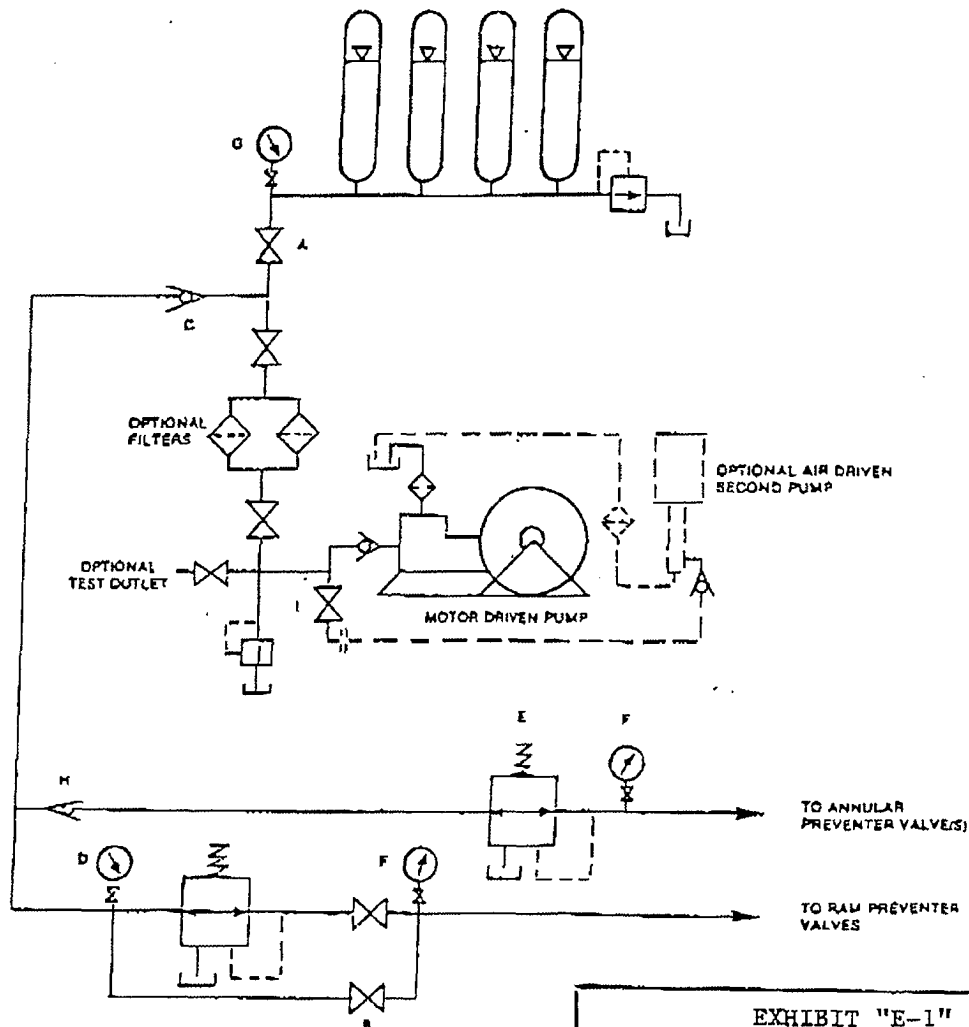


EXHIBIT "E-1"
CHOKES MANIFOLD & CLOSING UNIT

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL # 1
UNIT "p" SECTION 34
T23S-R29E EDDY CO. NM

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

OPERATOR NAME: POGO PRODUCING COMPANY

ADDRESS: P.O. BOX 10340

CITY, STATE, & ZIP: MIDLAND, TEXAS 79702-7340

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

Lease No: NM-86024

Well name: CYPRESS "34" FEDERAL # 1

Legal Description of land: S/2 of S/2 SECTION 34 T23S-R29E EDDY CO. NM

Bond coverage: NATION WIDE

B.L.M. Bond File No: WYB-000238

Authorized Signature
Joe T. Janica

Title: Agent

Date: 07/21/06

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SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: Pogo Producing Company Well Name & #: Cypress 34 Fed. #1
 Location 460 F S L & 660 F E L; Sec. 34, T. 23 S., R. 29 E.
 Lease #: NM-86024 County: Eddy State: New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. **EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CRF 3165.3 AND 3165.4.**

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- () Lesser Prairie Chicken (stips attached) () Flood plain (stips attached)
 () San Simon Swale (stips attached) () Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(x) The BLM will monitor construction of this drill site. Notify the (x) Carlsbad Field Office at (505) 234-5972 () Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

(x) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche upon completion of well and it is determined to be a producer.

() All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

(x) Other. The flowline applied for is not authorized under this permit. The line crosses lease boundaries and will require a Right-of-Way (ROW) permit.

III. WELL COMPLETION REQUIREMENTS

() A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

(x) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

() A. Seed Mixture 1 (Loamy Sites)
 Side Oats Grama (*Bouteloua curtipendula*) 5.0
 Sand Dropseed (*Sporobolus cryptandrus*) 1.0

(x) B. Seed Mixture 2 (Sandy Sites)
 Sand Dropseed (*Sporobolus cryptandrus*) 1.0
 Sand Lovegrass (*Eragrostis trichodes*) 1.0
 Plains Bristlegrass (*Setaria macrostachya*) 2.0

() C. Seed Mixture 3 (Shallow Sites)
 Side oats Grama (*Bouteloua curtipendula*) 1.0

() D. Seed Mixture 4 (Gypsum Sites)
 Alkali Sacaton (*Sporobolus airoides*) 1.0
 Four-Wing Salibush (*Atriplex canescens*) 5.0

() OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

() Other

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 re-contoured, 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 process 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 No. 1 - Cypress 34 Federal**
Location: 460' FSL & 660' FEL sec. 34, T. 23 S., R. 29 E.
Lease: NM-86024

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I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) 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 9-5/8 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. A Hydrogen Sulfide Contingency Plan should be activated prior to drilling in the Delaware formation. A copy of the plan shall be posted at the drilling site.
5. 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 550 feet in the Rustler Anhydrite above the Top of the Salt, 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 9-5/8 inch intermediate casing set at approximately 3000 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 circulate to the surface.
4. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

III. PRESSURE CONTROL:

1. Before drilling below the 13-3/8 inch surface 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. Before drilling below the 9-5/8 inch salt protection casing string, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.
2. Before drilling below the 13-3/8 inch surface casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi. Before drilling below the 9-5/8 inch salt protection casing string, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.
3. Before drilling below the 9-5/8 inch salt protection casing string, the BOPE shall be installed and 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 sub-freezing 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.