730 7036 ATS-07-435

Form 3160-3
(April 2004)

JUN 29 2007

OCD-ARTESIA R-111-POTASH HIGH CAVE KARST

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
OCD-ARTESIA DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NM-86024

6. If Indian, Allotee or Tribe Name: ----------

7. If Unit or CA Agreement, Name and No.: ----------

1a. Type of work: [XX] DRILL [ ] REENTER

1b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone

8. Lease Name and Well No.: CYPRESS "34" FEDERAL #3H 35899

2. Name of Operator: POGO PRODUCING COMPANY (RICHARD WRIGHT 432-685-8140)

9. API Well No.: 30-015-35692

3a. Address: P.O. BOX 10340. MIDLAND, TEXAS 79702-7340

3b. Phone No. *(include area code)*: 432-685-8100

10. Field and Pool, or Exploratory: CEDAR CANYON-BONE SPRING

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*
At surface: 2100' FSL & 1650' FWL SECTION 34 T23S-R29E
At proposed prod. zone: HORIZONTAL EOH 1980' FSL & 330' FEL SEC.34

11. Sec., T. R. M. or Blk. and Survey or Area: SECTION 34 T23S-R29E

14. Distance in miles and direction from nearest town or post office*: Approximately 9 miles East Southeast of Loving New Mexico

12. County or Parish: EDDY CO.

13. State: New Mexico

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any): 1650'

16. No. of acres in lease: 1600

17. Spacing Unit dedicated to this well: 120 acres

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.: 1900'

19. Proposed Depth: TVD-8025 MD-11,118'

20. BLM/BIA Bond No. on file: NATION WIDE WYB-000238

21. Elevations (Show whether DF, KDB, RT, GL, etc.): 3035' GL

22. Approximate date work will start*: WHEN APPROVED

23. Estimated duration: 42-48 Days to drill

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer

25. Signature: Joe T. Janica — Name *(Printed Typed)*: Joe T. Janica — Date: 04/21/07

Title: Agent

Approved by *(Signature)*: /s/ Linda S. C. Rundell — Name *(Printed Typed)*: /s/ Linda S. C. Rundell — Date: JUN 14 2007

Title: STATE DIRECTOR — Office: NM STATE OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached. CARLSBAD CONTROLLED WATER BASIN APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C., Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

SEE ATTACHED FOR CONDITIONS OF APPROVAL

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

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 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 87505

Form C-102
Revised October 12, 2005

Submit 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
	11520	CEDAR CANYON-BONE SPRING

Property Code	Property Name	Well Number
	CYPRESS "34" FEDERAL	3H

OGRID No.	Operator Name	Elevation
17891	POGO PRODUCING COMPANY	3035'

Surface Location

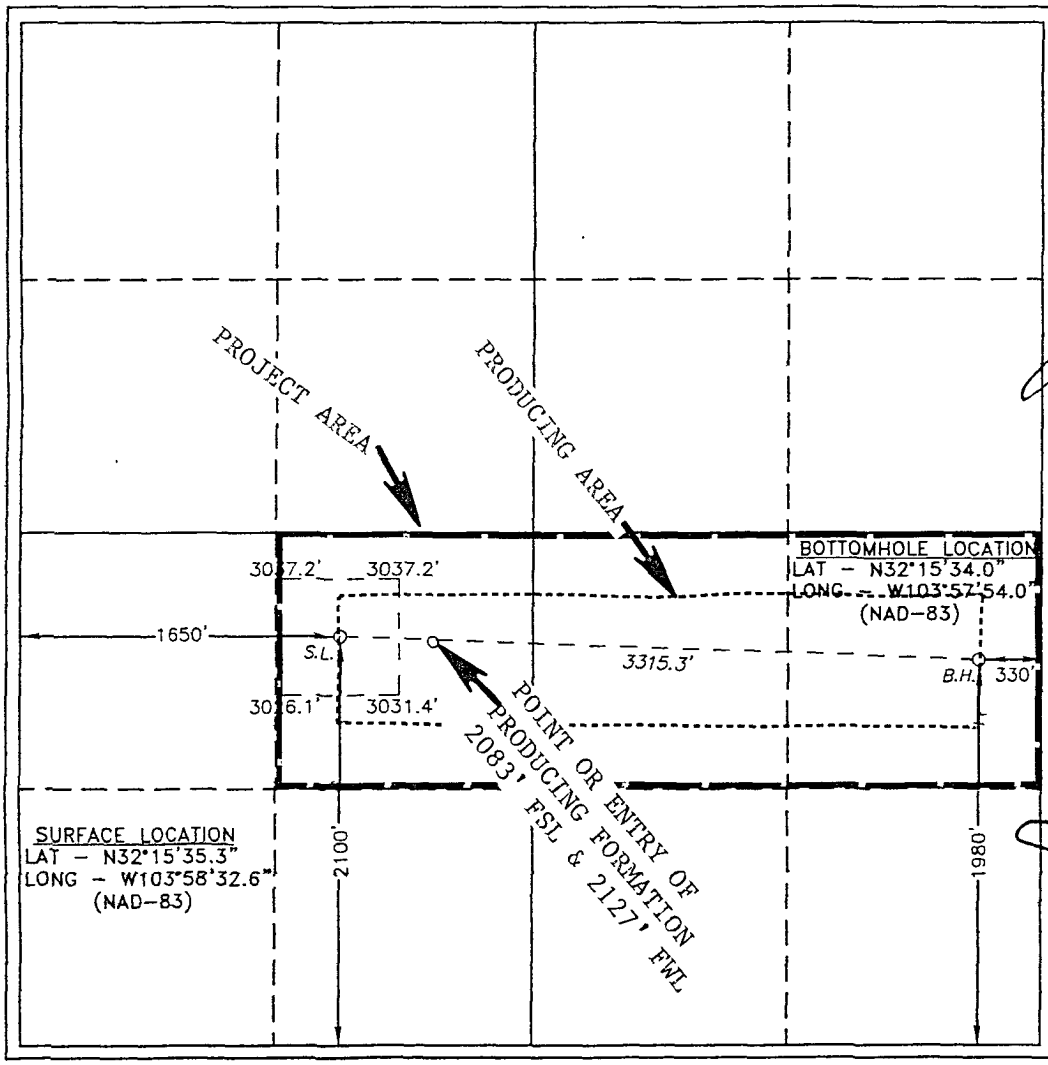
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	34	23 S	29 E		2100	SOUTH	1650	WEST	EDDY

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
I	34	23 S	29 E		1980	SOUTH	330	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
120			

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.

Signature Date 04/21/07

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 supervison, and that the same is true and correct to the best of my belief

APRIL 11, 2007
Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES — NEW MEXICO — 7977 — REGISTERED PROFESSIONAL LAND SURVEYOR

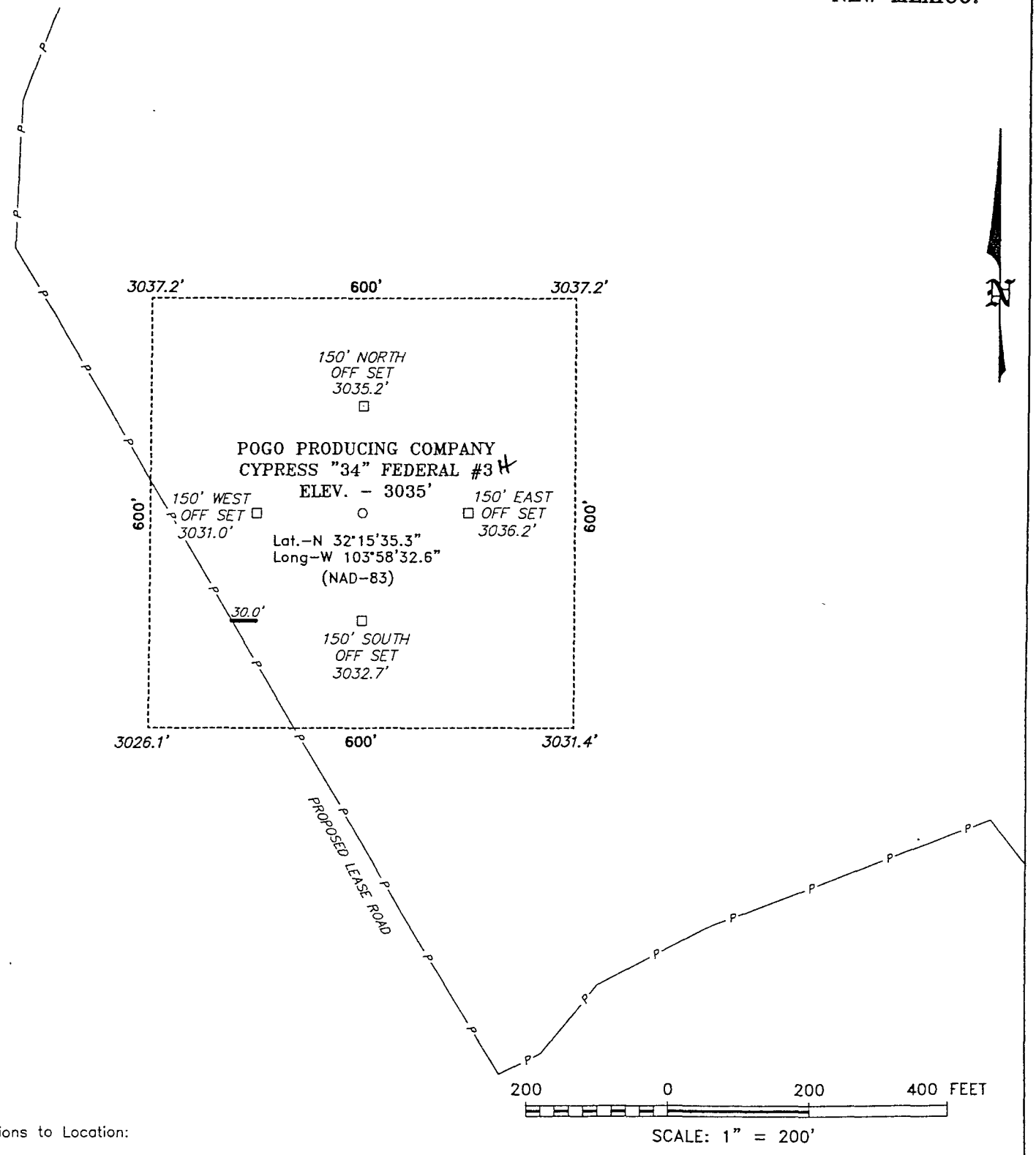
W.O. No. 17985

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

SECTION 34, TOWNSHIP 23 SOUTH, RANGE 29 EAST, N.M.P.M.,

EDDY COUNTY, NEW MEXICO.



Directions to Location:

FROM 0.7 MILES WEST OF MILE MARKER 5 OF STATE HWY 128 (JCT. OF STATE HWY 128 AND CO. RD. 793-RAWHIDE), GO SOUTH ON CO. RD. 793 FOR 3.5 MILES TO THE END OF PAVEMENT, THENCE GO WEST 3.6 MILES TO LEASE ROAD, ON LEASE ROAD GO SOTUH 0.6 MILES THENCE SOUTHEAST 0.3 MILES TO GOODNIGHT "27" #1 WELL THENCE SOUTH TO CYPRESS "34" #2 THENCE SOUTH TO PROPOSED LOCATION.

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

W.O. Number: 17985	Drawn By: J. SMALL
Date: 04-12-2007	Disk: JMS 17985W

POGO PRODUCING CO.

REF: CYPRESS "34" FEDERAL #3H / Well Pad Topo

THE CYPRESS "34" FEDERAL #3H LOCATED 2100' FROM THE SOUTH LINE AND 1650' FROM THE WEST LINE OF SECTION 34, TOWNSHIP 23 SOUTH, RANGE 29 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 04-11-2007	Sheet 1 of 1 Sheets

SURFACE CASING:
17 ½" HOLE DRILLED W/ FRESH WATER. SET 13 3/8" 48 # H-40 CASING @ 550 ft. CMT'D W/ 450 SKS 65:35:6 (C:POZ:GEL) TAILED W/ 200 SKS "C" W/ 2% CACL2. CMT CIRCULATED TO SURFACE.

INTERMEDIATE CASING:
NIPPLE UP 3K BOP EQUIPMENT
12¼ ~~11"~~ HOLE DRILLED W/ BRINE WATER. SET 9 5/8" CASING @ 3000'. CMT W/ 800 SKS 65:35:6 (C:POZ:GEL) + 5% NACL. TAILED W/ 200 SKS "C" W/ 2% CACL2. CMT CIRCULATED TO SURFACE. CMT LEAD SLURRY ADJUSTED AFTER RUNNING FLUID CALIPER.
CASING PROGRAM = 3000 9 5/8" 36# J-55 LTC

PRODUCTION CASING:
NIPPLE UP 3K BOP EQUIPMENT. DRILL 8 ½ " HOLE THROUGH CURVE TO ± 8123. CHANGE HOLE SIZE TO 7 7/8" & COMPLETE LATERAL TO ± 11,118'. RUN 5 ½" 17# N-80 CASING TO TOTAL DEPTH. STAGE TOOL @ 4500' & 2500'. CEMENT 1ST STAGE W/ ± 1800 SKS PREMIUM PLUS MIXED @ 14.1 PPG. 2ND STAGE CMT'D W/ 650 SKS PREMIUM PLUS MIXED @ 14.1 PPG. 3RD STAGE CMT'D W/ 650 SKS PREMIUM PLUS LIGHT FOLLOWED BY 100 SKS PP MIXED @ 14.8 PPG. TOC CIRCULATED.
CASING PROGRAM = 5 ½ INCH 17# N-80 LTC & BTC

APPLICATION TO DRILL

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL # 3H
UNIT "K" 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 will is provided for your information.

1. LOCATION: 2100' FSL & 1650' FWL SECTION 34 T23S-R29E EDDY CO. NM

2. ELEVATION ABOVE SEA LEVEL: 3035' GL

3. GEOLOGIC NAME OF SURFACE FORMATION: Quaternery 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: 8025' TVD 11,118' MD

6. ESTIMATED TOPS OF GELOOGICAL MARKERS:

Basal Anhydrite	2936'	Brushy Canyon	5288'
Delaware Lime	3160'	Bone Spring	6918'
Delaware Sand	3190'	1st Bone Spring Sd.	7917'
Cherry Canyon	4040'	1st Bone Spring Pay	8025'

7. POSSIBLE MINERAL BEARING FORMATION:

Brushy Canyon	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
12¼"	0-3000'	9 5/8"	36#	8-R	ST&C	J-55
8½"/7 7/8"	0-8125'/11,118'	5½"	17#	8-R	LT&C/BTC	N-80

APPLICATION TO DRILL

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL # 3H
UNIT "K" SECTION 34
T23S-R29E EDDY CO. NM

9. CASING CEMENTING & SETTING DEPTH:

20"	Conductor	Set 40' of 20" conductor pipe 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 450 Sx. of 65/35 Class "C" POX/GEL, tail in with 200 Sx. Class "C" cement + additives, 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" POZ/GEL + 5% NaCl, tail in with 200 Sx. of Class "C" cement + 2% CaCl, + ¼# Flocele /Sx. Circulate cement to surface.
5½"	Production	Set 11,118' of 5½" 17# N-80 LT&C & BTC casing. Cement in 3 stages with DV Tools at 4500±' & 2500±'. Cement 1st stage with 1800 Sx. of Premium Plus cement mixed @ 14.1 PPG, cement 2nd stage with 650 Sx. of Premium Plus cement mixed @ 14.1PPG, cement 3rd stage with 650 Sx. of Premium Plus cement, tail in with 100 Sx. of premium Plus cement mixed @ 14.8 PPG, circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 series 3000 PSI working perssure B.O.P. consisting of an annular bag type preventor, middle blind rams, and bottom pipe rams. The B.O.P. will be nippled up on the 13 3/8" casing and tested to API specifications. The B.O.P. will be operated at least once each 24 Hr. period and the blind rams will be operated when the drill pipe is out of on trips. Full opening stabbing valve and upper kelly cock will be available in case if needed. Exhibit "E-1" shows a hydraulically operated closing unit and a 3" 3000 PSI choke manifold with adjustable chokes. No abnormal pressures or temperatures are expected while drilling this well. No problems in offset wells.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
40-550'	8.4-8.7	29-32	NC	Fresh water Spud mud use paper to control seepage
550-3000'	10.0-10-2	29-36	NC	Brine water use paper to control seepage, and high viscosity sweeps to clean hole.
3000-11,118'	9.6-10.0	32-40	NC*	Cut Brine use high viscosity sweeps to clean hole. If WL is required to maintain hole go to a Polymer mud system to control water loss

* Water Loss may have to be controled in order to run casing, run logs and any jests.

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, and casing, viscosity, and water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL # 3
UNIT "K" SECTION 34
T23S-R29E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

A. Open hole logs: Run Dual Laterolog, CNL, LDT, Gamma Ray, Caliper from 7550'± back to 9 5/8" casing shoe. Run Gamma Ray, Neutron from 9 5/8" casing shoe back to surface.

B. No DST's or cores are planned at this time.

C. Mud logger will be rigged up on hole at 6900'±.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H^2S in this area. If H^2S 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 180°.

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 40-45 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 potentialed as an oil well.

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)

DISTANCE TABLE

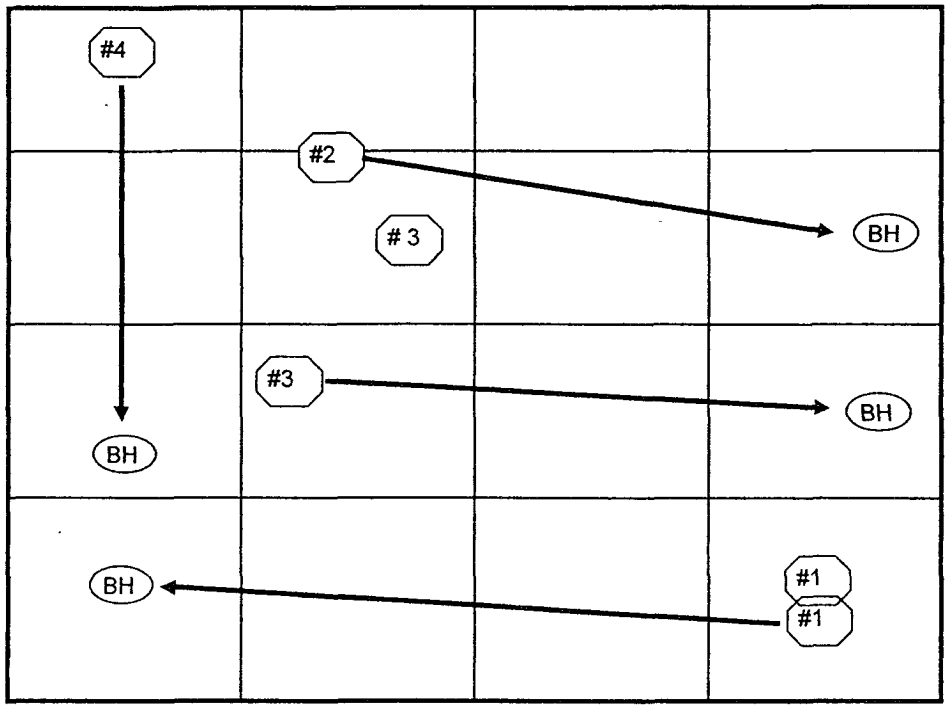
STATION A	STATION B	
3 D DISTANCE BETWEEN STATION A AND STATION B	0.00	ft
Calculator =		

TABLE OF SURVEY STATIONS

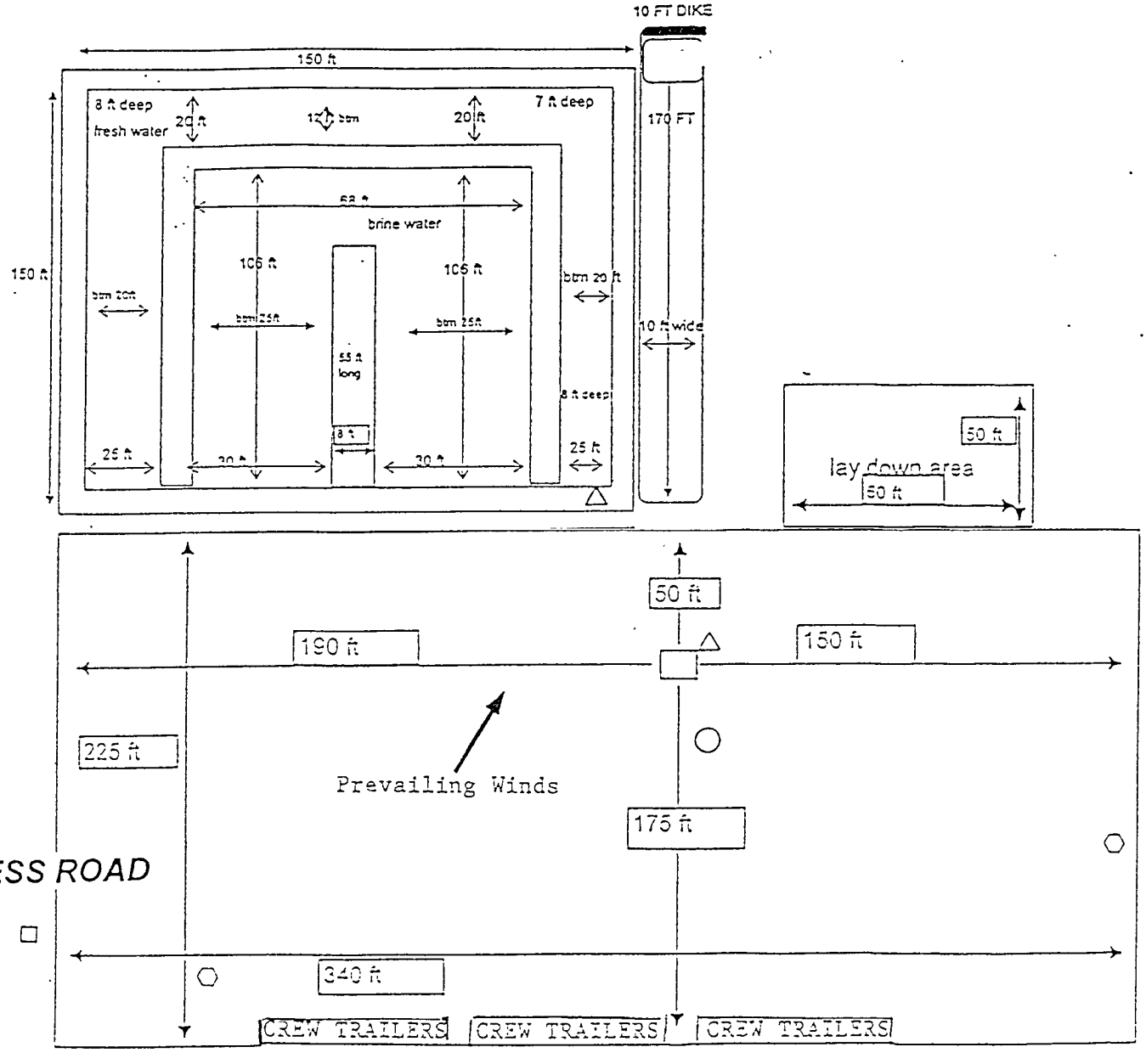
STA #	ΔMD ft	INCL deg	AZIM deg	MD ft	TVD ft	N+/S- ft	E+/W- ft	DLS deg/100FT
1	TIE POINT =>	0	0	7548.00	7548.00	0.00	0.00	-
2	100	12	92.08257	7648.00	7647.27	-0.38	10.43	12.00
3	100	24	92.08257	7748.00	7742.20	-1.50	41.25	12.00
4	100	36	92.08257	7848.00	7828.65	-3.31	91.13	12.00
5	100	48	92.08257	7948.00	7902.83	-5.74	157.87	12.00
6	100	60	92.08257	8048.00	7961.50	-8.68	238.57	12.00
7	100	72	92.08257	8148.00	8002.10	-11.99	329.70	12.00
8	100	84	92.08257	8248.00	8022.85	-15.54	427.27	12.00
9	50	90	92.08257	8298.00	8025.46	-17.35	477.15	12.00
10	100	90	92.08257	8398.00	8025.46	-20.98	577.08	0.00
11	100	90	92.08257	8498.00	8025.46	-24.62	677.02	0.00
12	100	90	92.08257	8598.00	8025.46	-28.25	776.95	0.00
13	100	90	92.08257	8698.00	8025.46	-31.89	876.89	0.00
14	100	90	92.08257	8798.00	8025.46	-35.52	976.82	0.00
15	100	90	92.08257	8898.00	8025.46	-39.15	1076.75	0.00
16	100	90	92.08257	8998.00	8025.46	-42.79	1176.69	0.00
17	100	90	92.08257	9098.00	8025.46	-46.42	1276.62	0.00
18	100	90	92.08257	9198.00	8025.46	-50.06	1376.56	0.00
19	100	90	92.08257	9298.00	8025.46	-53.69	1476.49	0.00
20	100	90	92.08257	9398.00	8025.46	-57.32	1576.42	0.00
21	100	90	92.08257	9498.00	8025.46	-60.96	1676.36	0.00
22	100	90	92.08257	9598.00	8025.46	-64.59	1776.29	0.00
23	100	90	92.08257	9698.00	8025.46	-68.23	1876.22	0.00
24	100	90	92.08257	9798.00	8025.46	-71.86	1976.16	0.00
25	100	90	92.08257	9898.00	8025.46	-75.49	2076.09	0.00
26	100	90	92.08257	9998.00	8025.46	-79.13	2176.03	0.00
27	100	90	92.08257	10098.00	8025.46	-82.76	2275.96	0.00
28	100	90	92.08257	10198.00	8025.46	-86.40	2375.89	0.00
29	100	90	92.08257	10298.00	8025.46	-90.03	2475.83	0.00
30	100	90	92.08257	10398.00	8025.46	-93.66	2575.76	0.00
31	100	90	92.08257	10498.00	8025.46	-97.30	2675.70	0.00
32	100	90	92.08257	10598.00	8025.46	-100.93	2775.63	0.00
33	100	90	92.08257	10698.00	8025.46	-104.57	2875.56	0.00
34	100	90	92.08257	10798.00	8025.46	-108.20	2975.50	0.00
35	100	90	92.08257	10898.00	8025.46	-111.83	3075.43	0.00
36	100	90	92.08257	10998.00	8025.46	-115.47	3175.37	0.00
37	120	90	92.08257	11118.00	8025.46	-119.83	3295.29	0.00

CYPRESS WELL GROUPINGS

Sec 34, T-23-S, R-29-E, Eddy County, New Mexico



Well Name	Legal Location in 34	Depth and Strata	Current Prod Zone
CYPRESS 34 FD # 3	2100 FSL & 1650 FWL	PROPOSED Pogo	1ST BONE SPRINGS
CYPRESS 34 FD # 1	430 FSL & 660 FEL	BONE SPRINGS HORIZONTAL	1ST BONE SPRINGS
CYPRESS 34 FD # 2	1400 FNL & 1800 FWL	PROPOSED Pogo	N/A
CYPRESS 34 FD # 4	330 FNL & 660 FWL	PROPOSED Pogo	1ST BONE SPRINGS
COCHITA 34 FD # 1	660 FSL & 660 FEL	Staked Not Drilled"Devon"	8300 BS ON PERMIT
BLAKEMORE EST FD 3	1980 FNL & 2130 FWL	Staked Not Drilled"EXXON"	7000 BS ON PERMIT

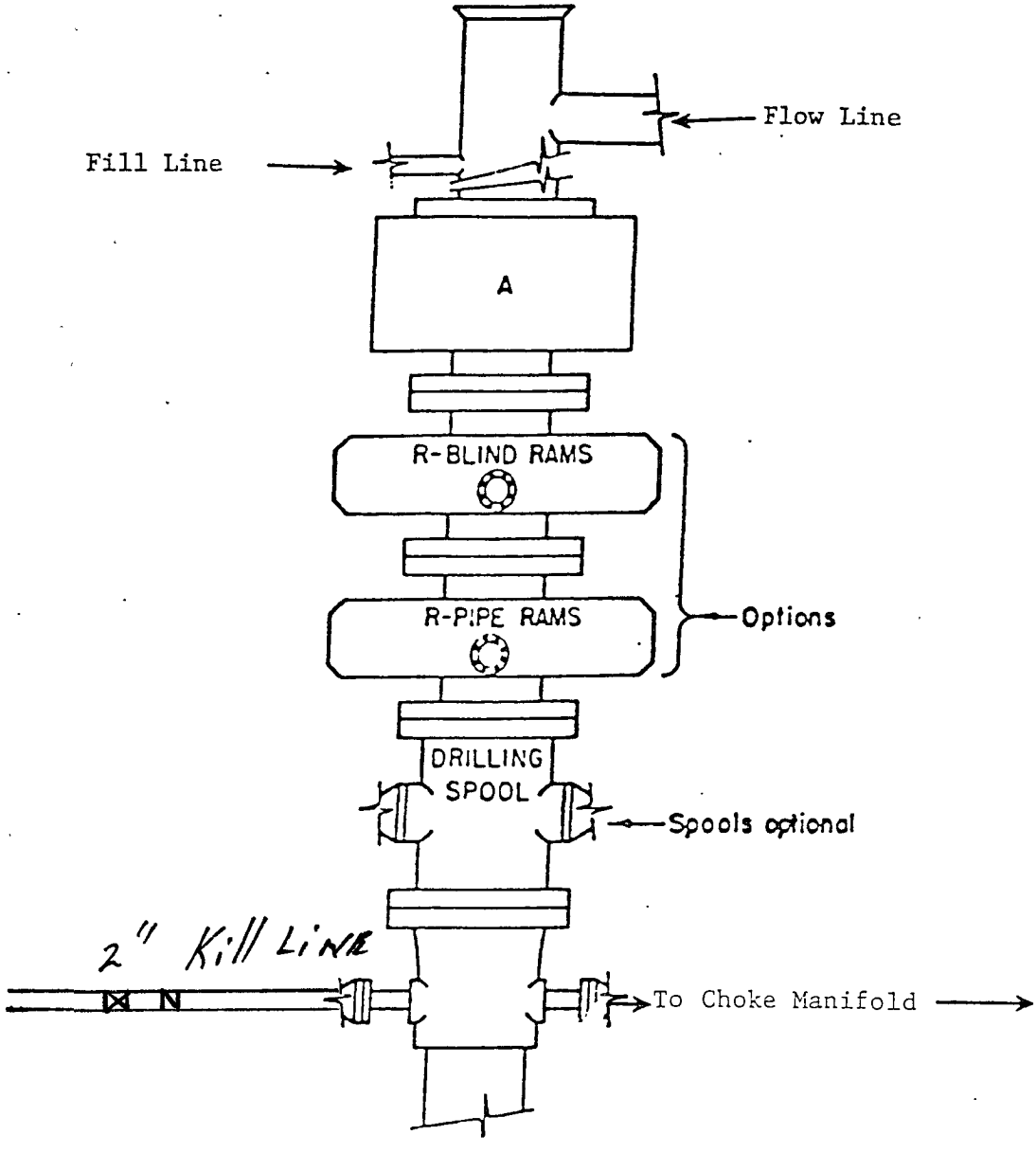


- Wind Direction Indicators (wind sock or streamers)
- △ H2S Monitors (alarms at bell nipple and shale shaker)
- ○ Briefing Areas
- ○ Remote BOP Closing Unit
- □ Sign and Condition Flags

Pits North
V-Door East

EXHIBIT "D"
RIG LAY OUT PLAT

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL #3H
UNIT "K" SECTION 34
T23S-R29E EDDY CO. NM



ARRANGEMENT SRRA

900
~~1500~~ Series
~~3000#~~
~~5000#~~ Working Pressure

See COA

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

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL #3H
UNIT "K" SECTION 34
T23S-R29E EDDY CO. NM

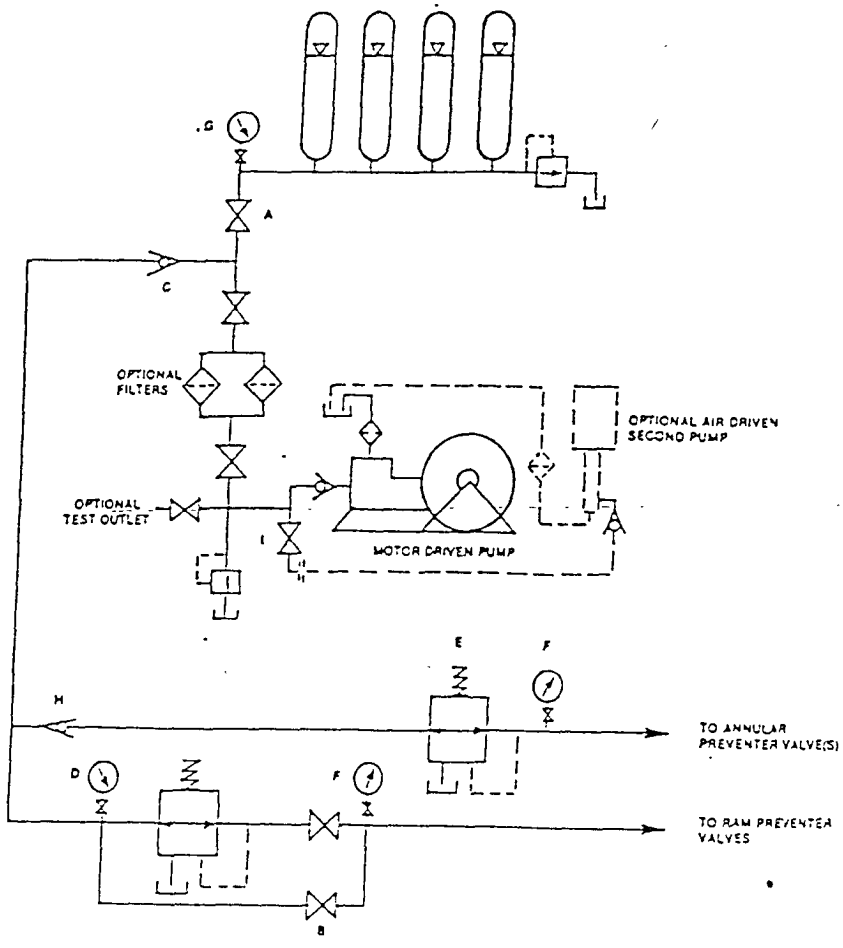


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

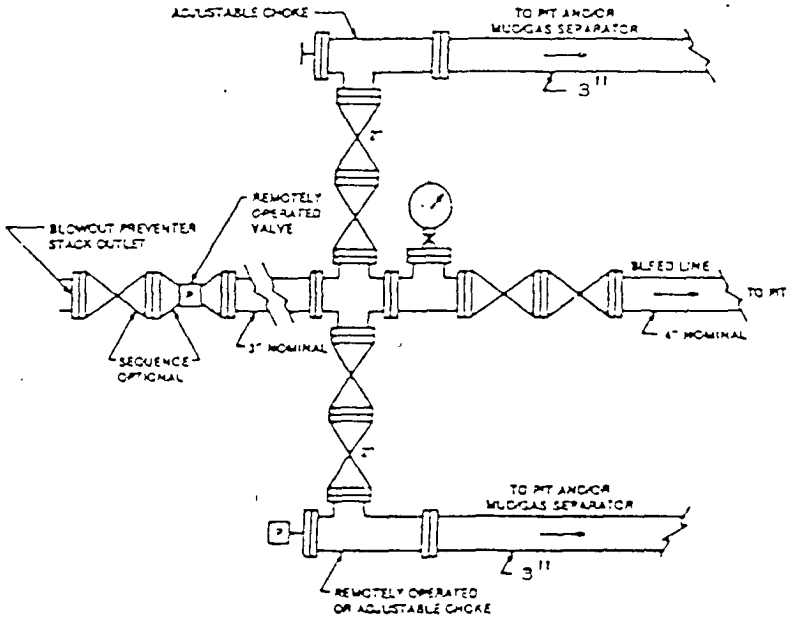


FIGURE K-2. Typical choke manifold assembly for 5M rated working pressure service — surface installation.

EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNIT

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL #3H
UNIT "K" SECTION 34
T23S-R29E EDDY CO. NM

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H_2S safety instructor to the following:

   A. Characteristics of H_2S
   B. Physical effects and hazzards
   C. Proper use of safety equipment and life support systems.
   D. Principle and operation of H_2S detectors, warning system and briefing areas.
   E. Evacuation procedure, routes and first aid.
   F. Proper use of 30 minute pressure demand air pack.

2. H_2S Detection and Alarm Systems

   A. H_2S 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, H_2S 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 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 location is near any dwelling a closed D.S.T. 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 seperator will be brought into service along with H_2S scavengers if necessary.

SURFACE USE PLAN

POGO PRODUCING COMPANY
CYPRESS "34" FEDERAL # 3H
UNIT "K" 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-wqy 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 Devon Energy well # 2 bear Northeast go .45 miles, turn Left go .5 miles to Pogo Cypress "34" Federal # 1, continue on new lease road Southwest .4 miles turn Northwest go .6 miles to location on the East side of road.

   C. Powerline and flowline will be follow lease road to the tank battery at Cypress "34" Federal well # 1.

2. PLANNED ACCESS ROADS: Approximately 1 mile 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"

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.

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 quaters 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 furthed 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
CYPRESS "34" FEDERAL # 3H
UNIT "K" 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 encontered 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 than12 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 completionphases. 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 furture 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 # 3H
UNIT "K" SECTION 34
T23S-R29E EDDY CO. NM

11. OTHER INFORMATION:

A. Topography consists of a series of ridge/hill slopes at the head of a major drainage trending in a West/Northwest direction. Vegetation consists of yucca, snakeweed, creosote,catclaw, and mesquite. Soils are tan/red loamy silty sands with caliche nodules and lag gravels.

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 are no domestic dwellings near this location.

12. OPERATORS REPRESENTIVE:

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 : 04/21/07

TITLE : Agent

Conditions of Approval
Cave and Karst

EA#: NM-080-07-0730
Lease #: NM-86024
Pogo Producing Company
Cypress 34 Fed. #3H, #4H & #5H

Cave/Karst Surface Mitigation
The following stipulations will be applied to minimize impacts during construction, drilling and production.

Berming:
Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

Cave/Karst Subsurface Mitigation
The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:
Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. Use depth to the deepest expected fresh water as listed in the geologist report.

Directional Drilling:
Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone as identified in the geologic report.

Casing:
All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

Lost Circulation:
ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater then 75 percent occur simultaneously while drilling in any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by

the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Record Keeping:
The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence of absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name:	**Pogo Producing Company**
Well Name & No.	**3H-Cypress "34" Federal**
Location SHL:	**2100 FSL, 1650 FWL, Sec. 34, T-23-S, R-29-E, Eddy County, NM**
Location BHL:	**1980 FSL, 0330 FEL, Sec. 34, T-23-S, R-29-E, Eddy County, NM**
Lease:	**NM-86024**

I. DRILLING OPERATIONS REQUIREMENTS:

A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:

1. Spudding well
2. Setting and/or Cementing of all casing strings
3. BOPE tests

- Eddy County call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822

B. Although no Hydrogen Sulfide has been reported in the area, it is always a possible hazard.

C. 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.

D. Gamma-Ray/Neutron logs shall be run from the base of the Salado formation to the surface. The logs shall be run at a speed which allows the logs to be legible and no faster than manufactures of the logging tools recommended speed. (R-111-P area only)

E. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

A. The **13-3/8** inch surface casing shall be set at **25 feet above the salt, at approximately 550 feet** and cemented to the surface.

1. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
2. Wait on cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, whichever is greater. (This is to include the lead cement)
3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.
4. If cement falls back, remedial action will be done prior to drilling out that string.

Possible lost circulation in the Delaware and Bone Spring formations.
High cave/karst area.

B. The minimum required fill of cement behind the **9-5/8** inch intermediate casing is **cement shall circulate to surface.** If cement does not circulate see A.1 thru 4.

C. The minimum required fill of cement behind the **5-1/2** inch production casing is **cement shall circulate to surface.**

D. Whenever a casing string is cemented in the R-111-P potash area, the NMOCD requirements shall be followed.

E. If hardband drill pipe is rotated inside casing; returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool I joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL: Diagrams are for 5M system, 3M system as described meets minimum requirements.

A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53.

B. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M)** PSI.

C. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the **9-5/8"** intermediate casing shoe shall be **3000 (3M)** PSI.

D. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

1. The tests shall be done by an independent service company.
2. The results of the test shall be reported to the appropriate BLM office.
3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

Engineer on call phone: 505-706-2779

WWI 042707