

July 11, 1997

Pogo Producing Company
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

3834
*Administrative Order NSL-******

Dear Mr. Bruce:

Reference is made to: (i) your application on behalf of the operator, Pogo Producing Company ("Pogo") dated November 7, 1996; (ii) your follow-up memorandum dated April 15, 1997; (iii) our many conversations over the last several months; and, (iv) the Division records concerning both the Sand Dunes-Cherry Canyon Pool, the Ingle Wells-Delaware Pool, and various well files within these two pools: all of which concern the unorthodox oil well location in the Sand Dunes-Cherry Canyon Pool of its Amax "24" Federal Well No. 13 (**API No. 30-015-29332**) drilled 1310 feet from the South line and 330 feet from the West line (Unit M) of Section 24, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico. The NW/4 SW/4 of said Section 24, being a standard 40-acre oil spacing and proration unit, is to be dedicated to said well.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the potentially productive interval of the Todd Sand interval of the Cherry Canyon formation in the Delaware Mountain Group than a well drilled at a location considered to be standard within the subject 40-acre oil spacing and proration unit.

Further, the W/2 of said Section 24 is a single Federal lease (NM-40655) in which Pogo is the lessee; therefore, there are no effected offsets to the subject 40-acre tract other than Pogo.

The application submit on behalf of Pogo has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

By the authority granted me under the provisions of Division General Rule 104.F(2), the