



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

February 8, 1999



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

Administrative Order NSL-4204

Dear Mr. Bruce:

Reference is made to the following: (i) your initial application dated September 25, 1998 on behalf of the operator, Pogo Producing Company ("Pogo"); (ii) the New Mexico Oil Conservation Division's ("Division") request by letter from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer, dated October 9, 1998 for additional information to complete this application; and (iii) your response dated October 13, 1998: all concerning Pogo's request for an unorthodox Delaware oil well location for its proposed Lost Tank "3" Federal Well No. 5 to be drilled 1950 feet from the North line and 1300 feet from the East line (Unit H) of Section 3, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico. The SE/4 NE/4 of Section 3 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for either the Undesignated Lost Tank-Delaware Pool or the Undesignated West Lost Tank-Delaware Pool.

It is our understanding the proposed Lost Tank "3" Federal Well No. 5 is within the Oil/Potash "R-111-P" area, and is therefore subject to all applicable restrictions and rules therein. The original location proposed by Pogo for this well, which was to be at a standard oil well location 1650 feet from the North line and 430 feet from the East line of said Section 4, was unacceptable to the U.S. Bureau of Land Management ("BLM") based on "potash concerns". Further, it is our understanding that the BLM advised Pogo of a small window that exists within the immediate area of the proposed 40-acre unit where drilling operations can occur without impairing potential potash reserves, however all locations within this BLM recognized window are unorthodox.

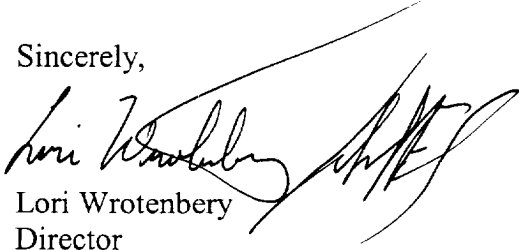
Also, all of said Section 3 and Lots 1, 2, and 3, the S/2 N/2, and the S/2 of Section 4, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico is a single Federal lease (U. S. Government lease No. NM-0417696) in which Pogo is the operator; therefore, there are no effected offsets to the subject 40-acre tract other than Pogo.

The subject application has been duly filed under the provisions of Division Rule 104.F.

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By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox oil well location within the West Lost Tank-Delaware Pool is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", is written over a horizontal line. The signature is fluid and cursive, with a large, sweeping flourish at the end.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia /
U. S. Bureau of Land Management - Carlsbad