
*** TX REPORT ***

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TX/RX NO 4802
CONNECTION TEL 18324862674
SUBADDRESS
CONNECTION ID
ST. TIME 05/26 09:34
USAGE T 01'21
PGS. SENT 5
RESULT OK

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER 3



POGO PRODUCING COMPANY

FACSIMILE COVER LETTER

Please deliver the following page(s) to:

NAME: Ms. Linda Hicks (832/486-2618)

COMPANY: ConocoPhillips Company

FAX No: 832/486-2674

FROM: Scott McDaniel

PAGES: 5 (Including Cover Letter)

DATE: 5/26/04

If you do not receive all of the pages, please call Scott at (432) 685-8124. 21

COMMENTS:

As we discussed, attached is another copy of my letter dated 10/27/03, wherein it was proposed that a 1,280 acre working interest unit be established in support of a 15,700'



POGO PRODUCING COMPANY

FACSIMILE COVER LETTER

Please deliver the following page(s) to:

NAME: Ms. LINDA HICKS (832/486-2618)

COMPANY: CONOCOPhillips COMPANY

FAX No: 832/486-2674

FROM: SCOTT McDaniel

PAGES: 5 (Including Cover Letter)

DATE: 5/26/04

If you do not receive all of the pages, please call Scott at (432) 685-8124. ²¹

COMMENTS:

As we discussed, attached is another copy of my letter dated 10/27/03, wherein it was proposed that a 1,280 acre working interest unit be established in support of a 15,700' Morrow test to be located in the W/2 Section 29, 23S/33E. Since I have come to terms with all of the other addressees of this letter, I request that ConocoPhillips reconsider its original decision regarding its support of such well/unit. Your earliest attention will be appreciated.

THANKS,
Scott



POGO PRODUCING COMPANY

October 27, 2003

VIA FACSIMILE (505) 748-4572
AND REGULAR U.S. MAIL

Yates Petroleum Corporation
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries, Inc.
Attn: Mr. Robert Bullock
105 South Fourth Street
Artesia, New Mexico 88210

VIA FACSIMILE (832) 486-2674
AND REGULAR U.S. MAIL

ConocoPhillips Company
Attn: Ms. Linda Hicks
P.O. Box 2197
Houston, Texas 77252-2197

VIA FACSIMILE (432) 682-5034
AND REGULAR U.S. MAIL

Tom Brown, Inc.
Attn: Mr. Brent Robertson
P.O. Box 10970
Midland, Texas 79702

Re: BRINNINSTOOL PROSPECT
Lea County, New Mexico
WORKING INTEREST UNIT PROPOSAL
W½ Section 29, E½ Section 30, E½ Section 31 and W½ Section 32
T-23-S, R-33-E, N.M.P.M.
Pogo Lease № 2367

Gentlemen:

Pogo Producing Company ("Pogo") is interested in establishing a working interest unit consisting of the captioned lands for the drilling of a 15,700' Morrow test to be located 1,500' FSL and 660' FWL of Section 29, T-23-S, R-33-E, N.M.P.M., Lea County, New Mexico, and having a well unit consisting of the W½ of said Section 29 for proration unit purposes. It is anticipated that this well will cost approximately \$2,200,350 to casing point and another \$369,328 to complete, for a total estimated cost of \$2,569,678 (see Pogo's attached Authority for Expenditure № 530209 dated October 22, 2003).

According to our information, ConocoPhillips Company and Tom Brown, Inc., own all (i.e., 50% each) of the leasehold/working interest in and to the NE¼, N½SE¼ and SW¼SE¼ of Section 30 referred to in the caption, as to depths between the top of the Cherry Canyon formation and 17,899' subsurface (ConocoPhillips owns all of such interest as to all other depths thereunder), while Yates Petroleum Corporation (70%), Yates Drilling Company (10%), Abo Petroleum Corporation (10%) and Myco Industries, Inc. (10%), collectively own all of such interest in and to the W½ of Section 32 referred to in the caption. As for the remainder of the captioned lands, Pogo owns all (i.e., 100%) of the leasehold/working interest therein.

With the above in mind, Pogo hereby proposes that it and the other aforesaid parties establish a working interest unit consisting of their respective leasehold/working interests in the captioned lands. The working (i.e., cost-bearing) interest, as to the pertinent depths, resulting from the establishment of this unit for each of such parties would be as follows:

<u>OWNER</u>	<u>WORKING INTEREST %</u>
Pogo Producing Company	53.1250
ConocoPhillips Company	10.9375
Tom Brown, Inc.	10.9375
Yates Petroleum Corporation	17.5000
Yates Drilling Company	2.5000
Abo Petroleum Corporation	2.5000
Myco Industries, Inc.	2.5000
<u>TOTAL</u>	<u>100.0000</u>

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Working Interest Owners

October 27, 2003

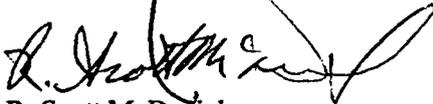
Page 2

Any such working interest unit would, of course, be subject to all of the aforesaid parties entering into a mutually acceptable Operating Agreement wherein Pogo is designated Operator. If, however, such a working interest unit is not acceptable to one or more of the aforesaid parties, it is requested that it/they support the drilling of such well by way of a farmout to the working interest unit or a term assignment, the terms of which can be discussed if and when the situation arises.

Pogo would like to spud this well before the end of the year and, therefore, will appreciate your prompt consideration and response to the foregoing proposal. Should you have any questions regarding this matter, please call me at (432) 685-8121.

Yours very truly,

POGO PRODUCING COMPANY



R. Scott McDaniel
District Landman

RSM/dkr

Attachments