



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 13, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Administrative Order NSL-5234

Dear Mr. Bruce:

Reference is made to the following: (i) your application dated June 27, 2005 (*administrative application reference No. pSEM0-517935652*) on behalf of the operator Pogo Producing Company ("Pogo"); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Pogo's request for an unorthodox Wolfcamp gas well location for its proposed Lost Tank "3" Federal (Deep) Well No. 23 to be drilled 1330 feet from the North line and 630 feet from the West line (Unit E) of Section 3, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico.

Pursuant to Division Rule 104.C (2), lots 3 and 4, the S/2 NW/4, and the SW/4 (W/2 equivalent) of Section 3 is to be dedicated to this well in order to form a standard 319.43-acre stand-up gas spacing unit for deep wildcat Wolfcamp gas production.

This application has been duly filed under the provisions of Division Rules 104.F and 1207.A (2).

It is the Division's understanding the proposed Lost Tank "3" Federal (Deep) Well No. 23 is within the Oil/Potash "R-111-P" area, and is therefore subject to all applicable restrictions and rules therein.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Wolfcamp gas well location within the W/2 equivalent of Section 3 is hereby approved.

Sincerely,

Mark E. Fesmire, P. E.

Director

MEF/ms

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