



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

June 2, 2006

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

AMENDED Division Administrative Order NSL-5234

Dear Mr. Bruce:

Reference is made to the following: (i) your application dated and filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 24, 2006 (*administrative application reference No. pTDS0-614459711*) on behalf of the operator Pogo Producing Company ("Pogo"); and (ii) the Division's records in Santa Fe and Artesia, including the files on Division Administrative Orders NSL-4120, as amended, and NSL-5234: all concerning Pogo's request that Division Administrative Order NSL-5234 be amended to: (i) reflect a location change to a less unorthodox gas well location for its proposed Lost Tank "3" Federal (Deep) Well No. 23 within a proposed standard 319.43-acre stand-up deep gas spacing unit for wildcat Wolfcamp gas production comprising, 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, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico; and (ii) include provisions for an unorthodox oil well location should Wolfcamp production from this well be classified as "oil."

Division Administrative Order NSL-5234, dated July 13, 2005, authorized Pogo to drill its proposed Lost Tank "3" Federal (Deep) Well No. 23 as a deep Wolfcamp gas well at an unorthodox location within the aforementioned 319.43-acre deep Wolfcamp gas spacing unit 1330 feet from the North line and 630 feet from the West line (Unit E) of Section 3.

It is the Division's understanding the proposed well site will be moved 75 feet south to a new location 1405 feet from the North line and 630 feet from the West line (Unit E) of Section 3.

Your application to amend Division Administrative Order NSL-5234 has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

Pursuant to Division Rule 104.B (1), the SW/4 NW/4 (Unit E) of Section 4 is to be dedicated to this well in order to form a standard 40 oil spacing and proration unit for wildcat Wolfcamp oil production.

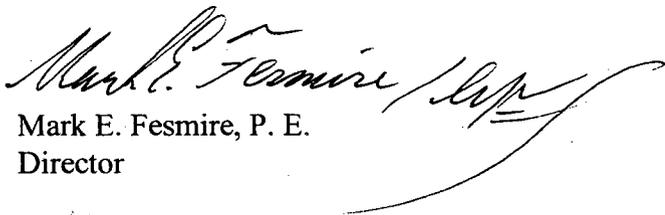
It is the Division's understanding that all of Section 3 and all of Section 4, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico, with the exception of Lot 4 (Unit D) of Section 4, is a single Federal lease (*United States Government lease No. NM-0417696*) in which leasehold ownership is common; therefore, there are no effected offsets to the subject unorthodox oil well location.

By the authority granted me under the provisions of Division Rule 104.F (2) the above-described unorthodox Wolfcamp oil well location [1405 feet from the North line and 630 feet from the West line (Unit E) of Section 3] within the proposed standard 40-acre oil spacing and proration unit comprising the SW/4 NW/4 (Unit E) of Section 3 for Pogo's Lost Tank "3" Federal (Deep) Well No. 23 is hereby approved.

Further, Division Administrative Order NSL-5234 shall be amended to reflect a location change for the Lost Tank "3" Federal (Deep) Well No. 23 to be drilled an unorthodox oil well location that is 1405 feet from the North line and 630 feet from the West line (Unit E) of Section 3. All other provisions of Division Order NSL-5234 shall remain in full force and effect until further notice.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
File: Division Administrative Order NSL-5234
