



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 26, 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

Administrative Order NSL-5404 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-616629372*) dated June 14, 2006 and filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on behalf of the operator Pogo Producing Company ("Pogo"); and (ii) the Division's records in Santa Fe: all concerning their request for an unorthodox:

- (a) "infill" oil well location within an existing standard 40-acre oil spacing and proration unit in the shallower West Red Tank-Delaware Pool (51689); and
- (b) oil well location in the deeper Red Tank-Bone Spring Pool (51683).

Pogo proposes to drill its **Red Tank "26" Federal Well No. 15** 1050 feet from the North and West lines (Unit D) of Section 26, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico.

Your application for Pogo 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].

Production from the West Red Tank-Delaware Pool is to be included within an existing standard 40-acre oil spacing and proration unit comprising the NW/4 NW/4 of Section 26, which is currently dedicated to Pogo's Red Tank "26" Federal Well No. 2 (*API No. 30-025-32462*), located at a standard oil well location 330 feet from the North line and 660 feet from the West line of Section 26.

The proposed Red Tank "26" Federal Well No. 15 will be the initial Bone Spring oil well within this same 40-acre oil spacing and proration unit.

It is the Division's understanding that such unorthodox location is necessitated for geologic and engineering reasons. This location will test the maximum thickness of the Brushy Canyon BC4 sand and is approximately equidistance to other offsetting Delaware oil production; therefore, the proposed infill oil well location will enable Pogo to further develop and deplete the Delaware reserves within the immediate area that might not otherwise be recovered.

It is further understood that the 320-acre area comprising the W/2 of Section 26 is a single federal lease (U. S. Government lease No. NM-86149) with common ownership in which Pogo is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within both the Delaware and Bone Spring intervals.

By the authority granted me under the provisions of Division Rule 104.F (2) the above-described unorthodox: (i) infill Delaware oil well location; and (ii) Bone Spring oil well location, for Pogo's proposed Red Tank "26" Federal Well No. 15 is hereby approved.

Further, both the existing Red Tank "26" Federal Well No. 2 and proposed Red Tank "26" Federal Well No. 15 are to be simultaneously dedicated to the subject 40-acre unit within the West Red Tank-Delaware Pool.

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 – Hobbs
U. S. Bureau of Land Management - Carlsbad
