



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 21, 2007

Mr. James Bruce
P.O. Box 1056
Santa Fe, NM 87504

Administrative Order NSL-5718

**Re: Pogo Producing Company
Cypress 34 Federal Well No. 2
API No. 30-015-35413
Unit F, Section 34-23S-39E
Eddy County**

Dear Mr. Bruce:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-27758772**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Pogo Producing Company (Pogo), on October 4, 2007, and

(b) the Division's records pertinent to this request.

Pogo has requested to complete the above-referenced well as a horizontal well in the Bone Spring formation, at a location that will be unorthodox under Division Rule 111. The surface location, point of penetration and terminus of the well, as drilled, are as follows:

Surface Location: 1400 feet from the North line and 1800 feet from the West line
(Unit F) of Section 34, Township 23S, Range 29E, NMPM
Eddy County, New Mexico

Point of Penetration: 1423 feet from the North line and 1796 feet from the East line
(Unit G) of said Section 34.

Terminus: 1897 feet from the North line and 293 feet from the East line
(Unit H) of said Section 34.

The SE/4 NW/4 and S/2 NE/4 of Section 34 will be dedicated to the proposed well to form a project area comprising three standard, 40-acre oil spacing units in the undesignated Cedar Canyon-Bone Spring Pool (11520). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because portions of the producing interval are less than 330 feet from the northern and eastern boundaries of the project area, and therefore outside the producing area.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

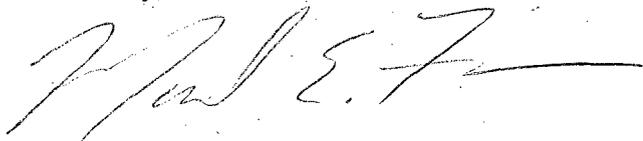
It is our understanding that you are seeking this location due to topographic considerations which dictate the surface location, and because of a drilling error that resulted in the terminus being closer to the eastern unit boundary than projected.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad