



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

July 10, 1997

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

Administrative Order NSL-3832

Dear Mr. Bruce:

Reference is made to your application dated June 5, 1997 on behalf of the operator, Pogo Producing Company, for a non-standard oil well location for both the West Red Tank-Delaware and the Red Tank-Bone Spring Pools for the proposed Covington "A" Federal Well No. 3 (assumed API No. 30-025-32445) to be drilled 2310 feet from the North line and 1300 feet from the West line (Unit E) of Section 25, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico. The SW/4 NW/4 of said Section 25 is to be dedicated to the well thereby forming a standard 40-acre oil spacing and proration unit for both intervals.

It is our understanding that the subject well is to be drilled to a total depth sufficient to test the Bone Spring formation, however, the shallower Brushy Canyon formation of the Delaware Mountain Group, down at approximately 4,700 feet, is the primary zone of interest. The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the potentially productive interval of the West Red Tank-Delaware Pool than a well drilled at a location considered to be standard within the subject 40-acre oil spacing and proration unit.

Further, all mineral interests within all of said Section 25 appears to be common throughout and Pogo Producing Company is the operator; therefore, there are no effected offsets to the subject 40-acre tract other than Pogo Producing Company.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

By the authority granted me under the provisions of Division General Rule 104.F(2), the

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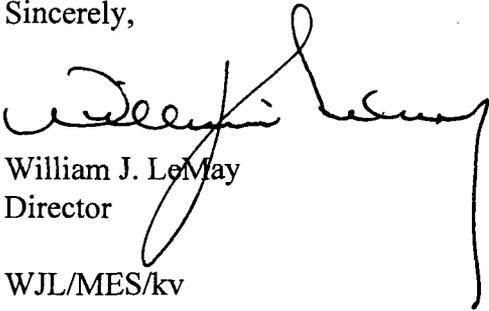
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above-described unorthodox oil well location for both the West Red Tank-Delaware and the Red Tank-Bone Spring Pools is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. LeMay". The signature is fluid and cursive, with a large loop at the end of the last name.

William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad