



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

March 20, 2003

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

Telefax No. (505) 982-2151

Administrative Order NSL-4854 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*application reference No. pKRV0-307630235*) dated March 14, 2003 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 "infill" oil well location in both the West Red Tank-Delaware (51689) and Red Tank-Bone Spring (51683) Pools for its proposed Covington "A" Federal Well No. 45 to be drilled 1170 feet from the North line and 2620 feet from the West line (Unit C) of Section 25, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico.

Oil production from both the Delaware and Bone Spring intervals are to be included within the existing standard 40-acre oil spacing and proration unit for both intervals comprising the NE/4 NW/4 of Section 25, which units are currently dedicated to Pogo's Covington "A" Federal Well No. 1 (API No. 30-025-24947), located at a standard oil well location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 25.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is our understanding that all of Section 8 is a single federal lease (U. S. Government lease No. NM-2379) with common mineral interest 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.

It is further our understood the proposed well is to be drilled to a total depth of 9,200 feet in order to test down to the Bone Spring formation. 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 Middle Cherry Canyon pay interval of the shallower 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. Furthermore this location is approximately equidistance to other

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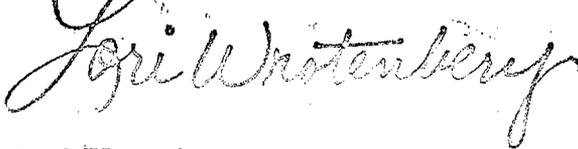
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offsetting Delaware and Bone Spring oil producers within the NW/4 of Section 25. The proposed infill oil well location will enable Pogo to further develop and deplete these two intervals within the Covington "A" federal lease that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Delaware/Bone Spring infill oil well location for the Covington "A" Federal Well No. 45 is hereby approved.

Further, both the existing Covington "A" Federal Well No. 1 and the proposed Covington "A" Federal Well No. 45 are to be simultaneously dedicated in both pools to the subject 40-acre unit.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

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