



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

August 1, 2002

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

Telefax No. (505) 982-2151

Administrative Order NSL-4764 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application on behalf of the operator, Pogo Producing Company ("Pogo") that was submitted to the New Mexico Oil Conservation Division ("Division") on July 23, 2002 (*reference No. pKRV0-220648288*); and (ii) the Division's records in Santa Fe: all concerning Pogo's request for an exception to the well location requirements provided within the "*Special Rules and Regulations for the McMillan-Morrow Gas Pool*," as promulgated by Division Order No. R-2917-C, issued in Case No. 12463 and dated August 28, 2000, for a non-standard infill gas well location within an existing non-standard 318.82-acre lay-down gas spacing unit (approved by Division Order No. R-11308, issued in Case No. 12309 on January 13, 2000) for the McMillan-Morrow Gas Pool (**81240**) comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 7, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico.

The subject application has been duly filed under the provisions of Division Rules 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 and the applicable provisions of the rules governing the McMillan-Morrow Gas Pool.

This unit is currently dedicated to Pogo's Davis "7" Well No. 1 (**API No. 30-015-30932**), which is at a location considered to be standard but unorthodox at the time it was drilled (spud-date, January 24, 2000) 660 feet from the South and West lines (Lot 4/Unit M) of Section 7. This well was also the subject of Division Order No. R-11308.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox infill gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard for the McMillan-Morrow Gas Pool within the SE/4 of Section 7.

It is the Division's understanding that the entire S/2 equivalent of Section 7 and all of offsetting Section 18, Township 20 South, Range 27 East, NMPM, Eddy County, New Mexico is fee land in which royalty, overriding royalty, and working interest ownership is common; therefore, there

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are no adversely effected offset parties to the subject 320-acre tract within the Morrow interval.

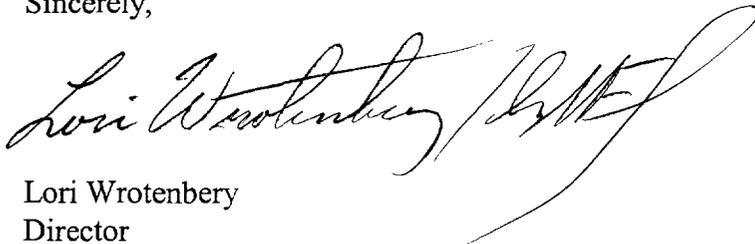
By the authority granted me under the provisions of: (i) Rule 5 of the special pool rules for the McMillan-Morrow Gas Pool; and (ii) Division Rule 104.F (2), the following described well to be drilled at an unorthodox infill Morrow gas well location in Section 7 is hereby approved:

**Davis "7" Well No. 3
100' FSL & 2550' FEL (Unit O).**

Pogo is hereby authorized to simultaneously dedicate production attributed to the McMillan-Morrow Gas Pool from its existing Davis "7" Well No. 1 with the proposed Davis "7" Well No. 3.

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

Sincerely,



Lori Wrottenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia