

March 24, 2004

30-015-31432

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

State W # 2

3-23-96
660 54 W

Administrative Order NSL-5023

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-408462921*) dated March 22, 2004 on behalf of the operator Pogo Producing Company ("Pogo"); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe, including the files in Division Cases No. 11211 (which case resulted in the issuance of Division Order No. R-10328 on March 27, 1995), 12306 (which case resulted in the issuance of Division Order No. R-11315 on January 31, 2000), and 4694 (which case resulted in the issuance of Division Order No. R-1670-M on June 30, 1972, later overturned by a District Court decision): all concerning Pogo's request for an unorthodox gas well location in both the Strawn and Morrow formations for its proposed State "W" Well No. 7 to be drilled 780 feet from the South line and 2400 feet from the West line (Unit N) of Section 3, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico.

The S/2 of Section 3, being a standard 320-acre lay-down deep gas spacing unit pursuant to Division Rule 104.C (2) for either the Undesignated Frontier Hills-Strawn Gas Pool (77190) or Undesignated South Carlsbad-Strawn Gas Pool (74120), and the Undesignated South Carlsbad-Morrow Gas Pool (73960), is to be dedicated to this well.

Your application has been duly filed under the provisions of Division Rule 104.F.

It is the Division's understanding that this well is to be a replacement Morrow gas well within the existing 320-acre deep gas spacing unit in the South Carlsbad-Morrow Gas Pool comprising the S/2 of Section 3, which unit is currently dedicated to Pogo's State "W" Well No. 2 (API No. 30-015-31432), located at a standard Morrow gas well location 660 feet from the South and West lines (Unit M) of Section 3.

The geologic interpretation submitted indicates that a well drilled at this location will be at a more favorable geologic position within the Strawn formation underlying the subject 320-acre tract.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox gas well location for Pogo's proposed State "W" Well No. 7 in both the Strawn and Morrow formations within the 320-acre deep gas spacing unit comprising the S/2 of Section 3 is hereby approved.

Pogo Producing Company
March 24, 2004
Page 2

Division Administrative Order NSL-5023

IT IS FURTHER ORDERED HOWEVER THAT, at the time the State "W" Well No. 7 is successfully completed within the South Carlsbad-Morrow Gas Pool; Pogo shall, in accordance with Division Rule 104.C (2) (b); permanently abandon the Morrow interval within its State "W" Well No. 2.

Jurisdiction of this cause is retained for the entry of such further orders as the Division deems necessary.

Sincerely,

Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe