



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

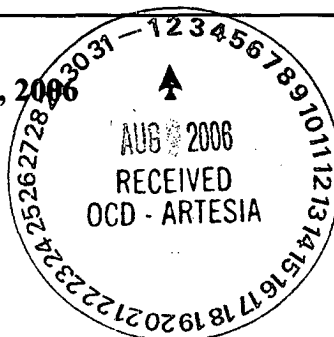
Pogo Producing Company

c/o **James Bruce**

P. O. Box 1056

Santa Fe, New Mexico 87504

July 27, 2006



Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Administrative Order NSL-5431 (BHL) **(Non-Standard Subsurface Location/Producing Area)**

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-615060141*) dated May 30, 2006 and filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on behalf of the operator Pogo Producing Company ("Pogo"); and (ii) the Division's records in Santa Fe: all concerning Pogo's request for an unorthodox subsurface Bone Spring oil well location/producing area for its recently drilled Vortec "22" Well No. 1 (*API No. 30-015-34817*), located on the surface 330 feet from the South and East lines (Unit P) of Section 22, Township 24 South, Range 29 East, NMPM, Undesignated East Pierce Crossing-Bone Spring Pool (*96473*), Eddy County, New Mexico.

Your application for Pogo has been duly filed under the provisions of Division Rules 104.F, 111.A (13), 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

Under the provisions of Division Rules 111.A (7) and 111.C (1), Pogo received authorization from the Division's Artesia District Office to directionally drill its Vortec "22" Well No. 1 as a horizontal well, or drainhole, in the Bone Spring formation within a 120-acre project area [(see Division Rule 111.A (9)] comprising the SE/4 SW/4 and S/2 SE/4 of Section 22, formed by combining three standard 40-acre oil spacing and proration units, in such a manner that its path would meet the 330 foot minimum set-back requirements of Division Rules 104.B (1) and 111.A (7) for an oil well in the East Pierce Crossing-Bone Spring Pool to a targeted standard bottomhole location, or end-point, 660 feet from the South line and 1650 feet from the West line (Unit N) of Section 22.

It is the Division's understanding however that the actual subsurface path of this wellbore "drifted" south of its assigned standard producing area/drilling window to within 282 feet of the South line of Section 22, and pursuant to Division Rules 104.C (3) and 111.A (13) the resulting drainhole is considered to be "unorthodox" within the 120-acre acre Project Area.

It is further understood that the 120-acre Project Area is incorporated into the following described 297.5-acre, more or less, area comprising a single fee lease with common mineral interests in which Pogo is the leasehold operator:

Eddy County, New Mexico
TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM

- Section 22: SE/4 SW/4 and S/2 SE/4.
Section 23: the west 907.5 feet out of the SW/4 SW/4, being the west 27.5 acres of the SW/4 SW/4
Section 27: N/2 NE/4, NE/4 NW/4, and the north 999 feet of the SE/4 NE/4, being the north 30 acres of the SE/4 NE/4.

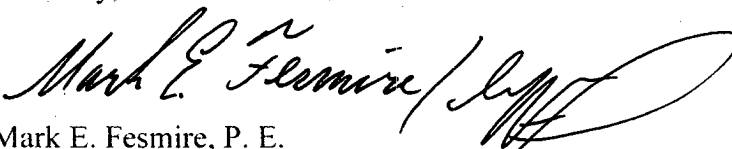
By the authority granted me under the provisions of Division Rule 104.F (2), the producing area/drilling window formed by the resulting unorthodox track of the Vortec "22" Well No. 1 within the Undesignated East Pierce Crossing-Bone Spring Pool is hereby approved and shall include the following described area within the subject 120-acre Project Area:

- (a) no closer than the normal set-back requirement of 330 feet to the eastern (East line of Section 22), northern, and western boundaries of the subject 120-acre Project Area; and
- (b) no closer than 282 feet to the South line of Section 22.

The operator of this 120-acre Project Area shall comply with all applicable requirements and conditions for the East Pierce Crossing-Bone Spring Pool set forth in Division Rules 111, 505, and 506.

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

Sincerely,


Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia