



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

March 24, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

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

Administrative Order NSL-4120-A (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (***administrative application reference No. pMES0-407753724***) dated February 19, 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 file on Division Administrative Order NSL-4120, as amended: all concerning Pogo's request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SW/4 NW/4 (Unit E) of Section 3, Township 22 South, Range 31 East, NMPM, West Lost Tank-Delaware Pool (**96582**), Eddy County, New Mexico.

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.

This 40-acre unit is currently dedicated to Pogo's Lost Tank "3" Federal Well No. 4 (**API No. 30-015-30418**) located at an unorthodox oil well location (approved by Division Administrative Order NSL-4120, dated August 30, 1998, as amended by order dated October 26, 1998) 1330 feet from the North line and 480 feet from the West line of Section 3.

It is the Division's understanding that all of Section 3 and Lots 1, 2, and 3, the S/2 N/2, and the S/2 of Section 4, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico is a single Federal lease (**U. S. Government lease No. NM-0417696**) with common mineral interests in which Pogo is the operator; therefore, there are no effected offsets to the subject 40-acre tract other than Pogo.

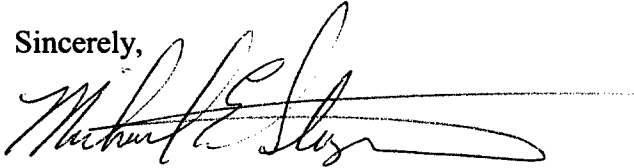
The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox oil well location will be at a more favorable geologic position within the SW/4 NW/4 of Section 3. Further, the Delaware infill-drilling program proposed by Pogo within this lease will serve to drain additional reserves within the productive interval that might not otherwise be produced, and to provide for a more efficient production pattern within the West Lost Tank-Delaware Pool. Also, should secondary recovery be implemented within the West Lost Tank-Delaware Pool on this lease, the proposed location will allow the implementation of a more efficient and effective production/injection pattern.

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the SW/4 NW/4 (Unit E) of Section 3 is hereby approved:

Lost Tank "3" Federal Well No. 21
2500' FNL & 450' FWL.

Further, both the existing Lost Tank "3" Federal Well No. 4 and the proposed Lost Tank "3" Federal Well No. 21 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
File: NSL-4120