



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

August 30, 1998

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

Administrative Order NSL-4120

Dear Mr. Bruce:

Reference is made to your application on behalf of the operator, Pogo Producing Company ("Pogo"), dated July 31, 1998, for an unorthodox Delaware oil well location for its proposed Lost Tank "3" Federal Well No. 4 to be drilled 1330 feet from the North line and 330 feet from the West line (Unit E) of Section 3, Township 22 South, Range 31 East, NMPM, West Lost Tank-Delaware Pool, Eddy County, New Mexico. The SW/4 NW/4 of Section 3 is to be dedicated to the well in order to form a standard 40-acre oil spacing and proration unit.

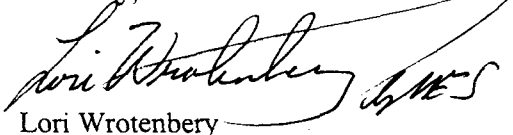
It is our understanding the proposed Lost Tank "3" Federal Well No. 4 is within the Oil/Potash "R-111-P" area, and is therefore subject to all applicable restrictions and rules therein. Further, it is our understanding the original location proposed by Pogo for this well, which was to be at a standard oil well location 1650 feet from the North line and 660 feet from the West line of Section 3, was unacceptable to the U.S. Bureau of Land Management based on "potash concerns," but a move 460 feet to the northwest was acceptable.

Also, 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) in which Pogo is the operator; therefore, there are no affected offsets to the subject 40-acre tract other than Pogo.

The subject application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox oil well location within the West Lost Tank-Delaware Pool is hereby approved.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

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