



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

December 5, 1996

Pogo Producing Company
c/o Hinkle, Cox, Eaton, Coffield & Hensley, L.L.P.
P. O. Box 2068
Santa Fe, New Mexico 87504-8623
Attention: James Bruce

Administrative Order NSL-3743

Dear Mr. Bruce:

Reference is made to your application dated November 25, 1996 on behalf of the operator, Pogo Producing Company, for a non-standard oil well location for both the Undesignated Poker Lake-Delaware Pool and Bone Spring formation for its proposed Patton "17" Federal Well No. 1 to be drilled 822 feet from the South line and 2581 feet from the East line (Unit O) of Section 17, Township 24 South, Range 31 East, NMPM, Eddy County, New Mexico. The SW/4 SE/4 of said Section 17 is to be dedicated to the well thereby forming a standard 40-acre oil spacing and proration unit for both intervals.

It is our understanding that the subject well is to be drilled to a total depth of approximately 8,500 feet in order to test the Bone Spring formation, however, the shallower Delaware formation, down at approximately 4,500 feet, is the primary zone of interest. 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 potentially productive interval of the Undesignated Poker Lake-Delaware Pool than a well drilled at a location considered to be standard within the subject 40-acre oil spacing and proration unit.

Further, all of said Section 17 appears to be a single Federal lease in which Pogo Producing Company owns 100 percent of the working interest; therefore, there are no effected offsets to the subject 40-acre tract other than Pogo Producing Company.

The 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"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

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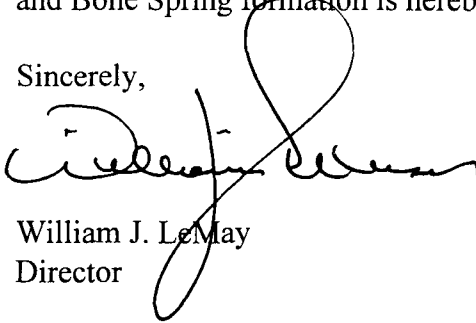
Pogo Producing Company

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By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox oil well location for both the Undesignated Poker Lake-Delaware Pool and Bone Spring formation is hereby approved.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. LeMay", is written over the word "Sincerely," and extends down towards the distribution list.

William J. LeMay
Director

WJL/MES/kv

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