



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

March 17, 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-5014

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-407733734*) 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: all concerning Pogo's request to drill its Lost Tank "3" Federal Well No. 14 at an unorthodox Delaware oil well location 1450 feet from the South line and 1710 feet from the East line (Unit J) of Section 3, Township 22 South, Range 31 East, NMPM, Eddy County, New Mexico. The NW/4 SE/4 of Section 3 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit in the West Lost Tank-Delaware Pool (96582).

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.

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 NW/4 SE/4 of Section 3, 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.

It is further understood 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.

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

Sincerely,

Michael E. Stogner
Engineer/Hearing Officer

MES/ms

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