



POGO PRODUCING COMPANY

February 3, 2003

Mr. Brian Arrant
New Mexico Oil Conservation Division
1301 West Grand Avenue
Artesia, New Mexico 88210

VIA FACSIMILE (505) 748-9720
AND REGULAR U.S. MAIL

Re: MCMILLAN PROSPECT
Eddy County, New Mexico
STATE 19 COM No 2 WELL
1,980' FSL & 660' FWL Section 19
T-20-S, R-27-E, N.M.P.M.
Pogo Leases L2312 & L2323



Dear Mr. Arrant

Pursuant to that certain Operating Agreement dated June 20, 1968, by and between Sohio Petroleum Company, Operator, and Lario Oil & Gas Company, et al., Non-Operators, covering All of Section 19, T-20-S, R-27-E, Eddy County, New Mexico, as to the Morrow formation, Pogo Producing Company (successor in interest to various non-operators) proposed the drilling of the captioned well to a depth of 10,700' to test Morrow formation. Atasca Resources, Inc., current Operator under the JOA and the State 19 Com No 1 Well, is deemed non-consent in the drilling of the State 19 Com No 2 Well. Pogo Producing Company ("Pogo") is aware that only one operator is permitted under a proration unit in the State of New Mexico.

Pursuant to said Operating Agreement, Pogo may drill and complete the State Com No 2 Well and, upon completion of said well, turn over operations to Atasca Resources, Inc., such that Atasca will operate both wells within the 639.80-acre proration unit.

Pogo respectfully requests that the New Mexico Oil Conservation Division approve Pogo's Application for Permit to drill so that Pogo may continue with drilling and completing the well. Again, at the present time, Pogo will not be named as the Operator of said well if it is completed as a producing well.

Thank you for your attention to this matter, and should you have any questions regarding same, you may contact me directly at (915) 685-8127.

Yours very truly,

POGO PRODUCING COMPANY

Leslyn M. Wallace
Leslyn M. Wallace, CPL
District Landman

LMW/dkr

cc: Richard Wright
Joe Janica

Ag. d - 17891
prop - 31922

30-015-32612