



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

BETTY RIVERA

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

September 10, 2002

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

Telefax No. (505) 982-2151



Administrative Order NSL-4774 (SD)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*application reference No. pKRV0-224832155*) dated September 4, 2002 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 for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the SE/4 SE/4 (Unit P) of Section 2, Township 22 South, Range 31 East, NMPM, Lost Tank-Delaware Pool (40299), 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 State "2" Well No. 1 (API No. 30-015-26894) located at a standard oil well location 330 feet from the South and East lines of Section 2.

It is our understanding that the SE/4 of Section 2 is a single state lease issued by the New Mexico State Land Office (State Lease No. LH-1523) in which Pogo is the leasehold operator and all mineral interest is common; therefore, there are no adversely effected offsets to the subject 40-acre tract.

It is further understood that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Lost Tank-Delaware oil producers within the SE/4 of Section 2. The proposed infill well location is expected to encounter a thicker section of the Brushy Canyon "F" Sand, which is the primary producing Delaware horizon in this area. This location will enable Pogo to further develop and deplete the reserves within the its State "2" lease that might otherwise be recovered. Further, should secondary recovery be implemented within the Lost Tank-Delaware Pool in the immediate area, 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 SE/4 SE/4 (Unit P)

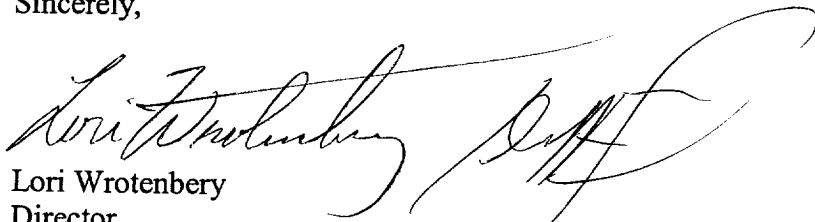
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of Section 2 is hereby approved:

**State "2" Well No. 5
1300' FS & EL.**

Further, both the existing State "2" Well No. 1 and the proposed State "2" Well No. 5 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or "S" shape.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia /
New Mexico State Land Office - Santa Fe