

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 26, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Pogo Producing Company
c/o **Permits West, Inc.**
37 Verano Loop
Santa Fe, New Mexico 87505

Attention: Brian Wood
brian@permitswest.com

Administrative Order NSL-5405

Dear Mr. Wood:

Reference is made to the following: (i) your application on behalf of the operator, Pogo Producing Company ("Pogo"), submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 5, 2006 (*administrative application reference No. pTDS0-615653186*); and (ii) the Division's records in Aztec and Santa Fe: all concerning Pogo's request for an exception to the well location requirements [Rule 7 (a) (1)] provided within the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*," as promulgated by Division Order No. R-8768, as amended, for a non-standard infill gas well location within an existing standard 320-acre lay-down gas spacing unit for the Basin-Fruitland Coal (Gas) Pool (**71629**) comprising the N/2 of Section 25, Township 26 North, Range 13 West, NMPM, San Juan County, New Mexico.

Your application for Pogo has been duly filed under the provisions of: (i) Rule 7 (b) of the "*Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool*;" and (ii) Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

This unit is currently dedicated to Pogo's Gallegos Federal "26-13-25" Well No. 1 (*API No. 30-045-28920*), located at a standard coal gas well location 1434 feet from the North line and 1041 feet from the East line (Unit H) of Section 25.

By the authority granted me under the applicable provisions of the special pool rules governing the Basin-Fruitland Coal (Gas) Pool and Division Rule 104.F (2), the following described unorthodox infill coal gas well location recently drilled (spud date – January 21, 2006) within this 320-acre gas spacing unit is hereby approved:

Gallegos Federal "26-13-25" Well No. 1-T
200' FNL & 2180' FWL (Unit C)
(API No. 30-045-31783).

Pogo Producing Company

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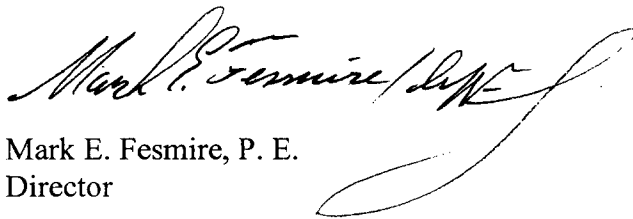
Division Administrative Order NSL-5405

Further, Pogo is hereby authorized to simultaneously dedicate production attributed to the Basin-Fruitland Coal (Gas) Pool from both the above-described Gallegos Federal "26-13-25" Wells No. 1 and 1-T.

Please note however that Pogo, as a prudent operator, should recognize that a well location is unorthodox prior to its drilling and not wait until the well is completed and ready to produce to seek the necessary regulatory exceptions. Similar requests may be set to hearing.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington
James Bruce, Legal Counsel for Pogo Producing Company – Santa Fe
