



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 26, 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-3749

Dear Mr. Bruce:

Reference is made to your application dated November 27, 1996 on behalf of the operator, Pogo Producing Company "(Pogo)", for a non-standard gas well location to be applicable to any and all formations and/or pools developed on 320-acre spacing from the top of the Wolfcamp formation to the base of the Morrow formation, which presently includes but not necessarily limited to the Undesignated Owen Mesa-Atoka Gas Pool and Undesignated Owen Mesa-Morrow Gas Pool, for its proposed Canyon "23" I Federal Com Well No. 1 to be drilled 1750 feet from the South line and 660 feet from the East line (Unit I) of Section 23, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico. The S/2 of said Section 23 is to be dedicated to the well thereby forming a standard 320-acre gas spacing and proration unit.

It is our understanding that the subject well is to be drilled to a total depth of approximately 14,200 feet in order to test down to the Morrow formation, however, the shallower Atoka formation is the primary zone of interest. The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Atoka formation than a well drilled at a location considered to be standard within the subject 320-acre gas spacing and proration unit. Further, evidence submitted by the applicant indicates that the effected offsetting acreage in the N/2 of said Section 23 and the W/2 of Section 24, Township 24 South, Range 29 East, NMPM, Eddy County, New Mexico is Federal acreage currently operated by Pogo; therefore, there are no other offsetting operators to the subject 320-acre tract.

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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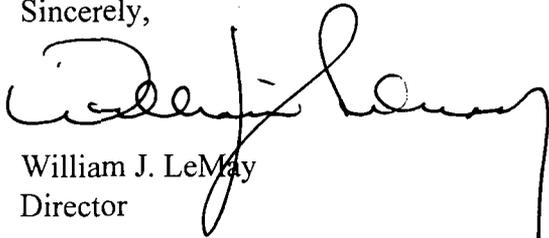
Pogo Producing Company

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

Sincerely,

A handwritten signature in black ink, appearing to read "William J. LeMay". The signature is written in a cursive style with a long, sweeping underline that extends to the right and then loops back down to the left.

William J. LeMay
Director

WJL/MES/kv

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