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May 19, 1998

119.12

Hand Delivered

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and two copies of an application for approval of a waterflood project, and a proposed advertisement, filed on behalf of Pogo Producing Company. Please set this matter for the June 11, 1998 Examiner hearing. Thank you.

Very truly yours,

James Bruce

Attorney for Pogo
Producing Company

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF POGO PRODUCING COMPANY FOR
APPROVAL OF A PRESURE MAINTENANCE PROJECT
AND TO QUALIFY THE PROJECT FOR THE RECOVERED
OIL TAX RATE, LEA COUNTY, NEW MEXICO.

Case No. 11982

APPLICATION

Pogo Producing Company ("Pogo") applies for an order approving a pilot pressure maintenance project, and qualifying the project for the recovered oil tax rate. In support thereof, Pogo states:

1. Pogo is the operator of (a) Federal Oil and Gas Lease NM 81272 covering the E $\frac{1}{2}$ of Section 22 and the E $\frac{1}{2}$ of Section 27, Township 22 South, Range 32 East, N.M.P.M., containing 640 acres of land, and (b) Federal Oil and Gas Lease NM 86149, containing the W $\frac{1}{2}$ of Section 26, Township 22 South, Range 32 East, N.M.P.M., comprising 320 acres of land.

2. Pogo proposes to institute a pilot pressure maintenance project on the above-described leases, designated the Southeast Red Tank Pilot Pressure Maintenance Project. Pogo's address is P.O. Box 10340, Midland, Texas 79702 (Attention: Terry Gant).

3. Pogo proposes to inject water into the Cherry Canyon and Brushy Canyon members of the Delaware Mountain Group (West Red Tank-Delaware Pool) through the Prize Fed. Well No. 4, located 1880 feet from the North line and 760 feet from the East line (Unit H) of Section 27. The project area will initially comprise the W $\frac{1}{2}$ NW $\frac{1}{4}$ and NW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 26 and the NE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 27. A plat outlining the project area, and marking the locations of the initial injection and producing wells, is attached hereto as

Exhibit A.

4. Pogo requests that the Southeast Red Tank Pilot Pressure Maintenance Project be qualified for the recovered oil tax rate, pursuant to the Enhanced Oil Recovery Act (L. 1992, Ch. 38) and Division Order No. R-9708. Project data includes:

- (a) Number of initial producing wells: 8.
- (b) Number of initial injection wells: 1.
- (c) Capital cost of additional facilities: \$100,000.00.
- (d) Estimated total project cost: \$160,000.00.
- (e) Estimated total value of incremental production recovered from the project: \$2,300,000.00.
- (f) Anticipated injection commencement date: August 1, 1998.
- (g) Type of fluid injected: Water.
- (h) Anticipated injection volumes: 6,000 BWPD maximum.

5. A Form C-108 for the project will be submitted separately to the Division.

WHEREFORE, Applicant requests that the Division approve the injection application and the Southeast Red Tank Pilot Pressure Maintenance Project, qualify the project as an enhanced oil recovery project, and certify the project for the recovered oil tax rate.

Respectfully submitted,

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Pogo Producing Company

VERIFICATION

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

Mark Burkett, being duly sworn upon his oath, deposes and states: He is a petroleum engineer employed by Pogo Producing Company, he is familiar with the matters set forth in the foregoing Application, and the statements therein are true and correct to the best of his knowledge.

Mark Burkett

Mark Burkett

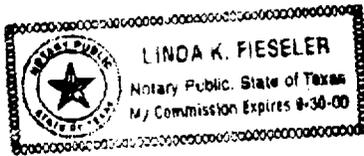
SUBSCRIBED AND SWORN TO before me this 19th day of May, 1998 by Mark Burkett.

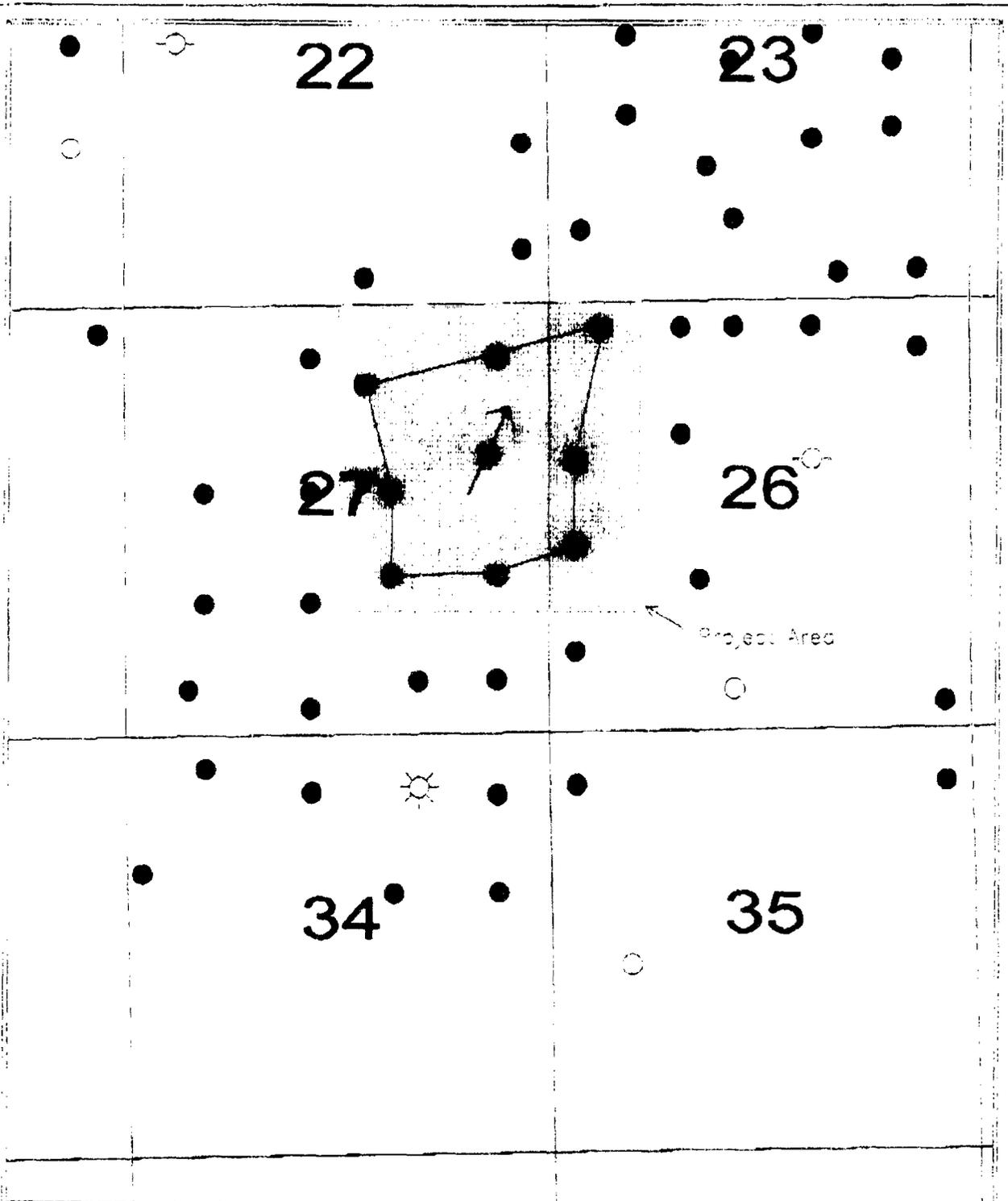
Linda K. Fieseler

Notary Public

My Commission Expires:

9-30-00





Poco Producing Company	
REDTANK (MAE)	
GLOBAL	
Euler Canyon Well Zone	
DATE:	1/98
TOP: 12/98	

Scale: 1:21081.62

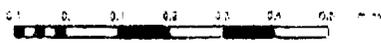


Exhibit A

PROPOSED ADVERTISEMENT

Case 11982: Application of Pogo Producing Company for approval of a pressure maintenance project and to qualify said project for the recovered oil tax rate pursuant to the Enhance Oil Recovery Act, Lea County, New Mexico. Applicant seeks approval to institute a pressure maintenance project in the West Red Tank-Delaware Pool on Federal Leases NM 81272 and NM 86149 (comprising portions of Sections 22, 26, and 27, Township 22 South, Range 32 East, NMPM) by the injection of water into the Prize Fed. Well No. 4, located in Unit H of said Section 27. Applicant further seeks to qualify the project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Laws 1992, Chapter 38, Sections 1 through 5). Said project is located approximately 13.5 miles south-southeast of the intersection of State Highway 176 and U.S. Highway 62/180.