



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
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Director

Oil Conservation Division

July 24, 2003



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

Administrative Order NSL-4926 (BHL)

Dear Mr. Bruce:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-319249815*) submitted to the New Mexico Oil Conservation Division ("Division") on July 8, 2003 on behalf of the operator Pogo Producing Company ("Pogo"); and (ii) the Division's records in Santa Fe: all concerning Pogo's request for a non-standard subsurface gas well location, pursuant to Division Rule 104.F and 111.C (2) to be applicable to any and all formations and/or pools developed on 320-acre spacing from the top of the Cisco formation to the base of the Morrow formation, which presently includes but not necessarily limited to the Undesignated McMillan-Upper Pennsylvanian Gas Pool (81283), Undesignated Southwest McMillan-Atoka Gas Pool (96151), and Undesignated North McMillan-Morrow Gas Pool (81280), for its existing Pecos "32" State Well No. 2 (API No. 30-015-32472), recently drilled at a surface location 660 feet from the North line and 1650 feet from the West line (Unit C) of Section 32, Township 19 South, Range 27 East, NMPM, Eddy County, New Mexico.

The W/2 of Section 32, being a standard 320-acre stand-up gas spacing unit for the above-described intervals, is to be dedicated to this well.

It is the Division's understanding that Pogo recently drilled this well vertically to the Morrow formation, which tested dry, and now intends to recomplete this wellbore by plugging-back and kicking-off in a south-southeasterly direction at a depth of approximately 7,500 feet, and drill directionally to a targeted unorthodox bottomhole gas well location at an approximate depth of 10,700 feet (TVD) that is 1980 feet from the North line and 2370 feet from the West line (Unit F) of Section 32. Further, from the information provided, it is Pogo's intent to intersect the tops of these three potentially gas productive intervals in the following manner:

- (a) at an approximate depth of 8,394 feet (TVD) the wellbore is expected to intersect the top of the Cisco formation (Undesignated McMillan-Upper Pennsylvanian Gas Pool) at a targeted subsurface location, which is considered to be standard, 985 feet, more or less, from the North line and 1826 feet, more or less, from the West line (Unit C) of Section 32;

(b) at an approximate depth of 9,695 feet (TVD) the wellbore is expected to intersect the top of the Atoka formation (Undesignated Southwest McMillan-Atoka Gas Pool) at a targeted subsurface unorthodox location approximately 1860 feet from the North line and 2305 feet from the West line (Unit F) of Section 32; and

(c) at an approximate depth of 9,895 feet (TVD) the wellbore is expected to intersect the top of the Morrow formation (Undesignated North McMillan-Morrow Gas Pool) at a targeted subsurface unorthodox location approximately 1935 feet from the North line and 2350 feet from the West line (Unit F) of Section 32.

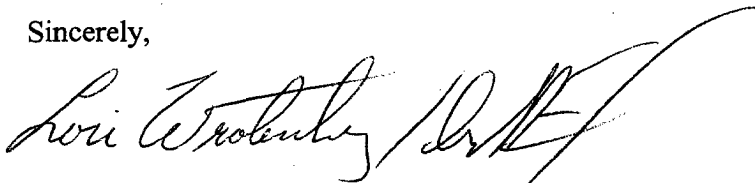
The geologic interpretation submitted with this application indicates that directionally drilling this well to the proposed unorthodox bottomhole gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard within the SE/4 NW/4 (Unit F) of Section 32.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described non-standard deep gas well locations within the W/2 of Section 32 and planned subsurface path of Pogo's Pecos "32" State Well No. 2 is hereby approved. Further, Pogo shall comply with all provisions of Division Rule 111 applicable in this matter.

PROVIDED HOWEVER, should the actual bottomhole location fall outside of a 50-foot radius of the intended/approved target point [1980 feet from the North line and 2370 feet from the West line (Unit F) of Section 32], this order shall then become null and void. PROVIDED FURTHER HOWEVER THAT, an amended application, pursuant to Division Rule 104.F and 111.C (2), will be necessary before this well will be allowed to produce.

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

Sincerely,



Lori Wrotenbery
Director

LW/mes

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