

**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2948 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7151

February 8, 1999

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

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Administrative Order NSL-4205

Dear Mr. Bruce:

Reference is made to: (i) your application dated July 18, 1998 for three unorthodox oil well locations in the Red Tank-Bone Spring and West Red Tank-Delaware Pools within Pogo Production Company's ("Pogo") Covington "A" Federal Lease in Section 25, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico; (ii) the records of the New Mexico Oil Conservation Division in Santa Fe ("Division") including well and production records and the files on Division Administrative Orders NSL-3832, NSL-3833, and NSL-4084(SD); (iii) your meeting with Mr. Michael E. Stogner, Chief Hearing Officer/Engineer with the Division on Thursday, July 23, 1998; and (iv) your letter dated August 1, 1998.

The Division Director Finds That:

- (1) Pogo is the owner and operator the Covington "A" Federal Lease (Federal Lease No. NM-2379) that comprises the following described 640 acres, more or less, in Lea County, New Mexico:

TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM

Section 25: All;

- (2) All mineral interests are common throughout this lease;
- (3) Both the deeper Red Tank-Bone Spring and shallower designated and Undesignated West Red Tank-Delaware Pools underlying Section 25 are subject to the statewide rules and regulations for oil wells, as promulgated by Division Rule 104.C(1)(a), which provides for 40-acre oil spacing and proration units and requires that wells be located no closer than 330 feet to the outer boundary of such tract;
- (4) The subject application has been duly filed under the provisions of Division Rule 104.F;
- (5) Pogo currently operates 12 Bone Spring producing oil wells and 6 producing Delaware oil wells in Section 25;

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Lease at locations that are unorthodox based on the well location requirements of Division Rule 104.C(1)(a) without any further administrative review by the Division Director should be adopted, provided that any such unorthodox location within the above-described Covington "A" Federal Lease is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the lease nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary;

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Rule 104 F(2) of the New Mexico Oil Conservation Division ("Division"), Pogo Producing Company ("Pogo") is hereby authorized to drill the following three wells at an unorthodox oil well locations in both the Red Tank-Bone Spring and West Red Tank-Delaware Pools within its Covington "A" Federal Lease in Section 25, Township 22 South, Range 32 East, NMPM, Lea County, New Mexico:

<i>Well Name and No.</i>	<i>API Number</i>	<i>Footage Location</i>	<i>Unit</i>	<i>Designated 640-Acre Tract</i>
<i>Covington "A" Federal Well No. 34</i>	<i>NA</i>	<i>1175' FSL - 1400' FWL</i>	<i>N</i>	<i>SE/4 SW/4</i>
<i>Covington "A" Federal Well No. 35</i>	<i>NA</i>	<i>1250' FNL & 1075' FWL</i>	<i>D</i>	<i>NW/4 NW/4</i>
<i>Covington "A" Federal Well No. 37</i>	<i>30-025-34455</i>	<i>1575' FSL & 1950' FEL</i>	<i>J</i>	<i>NW/4 SE/4</i>

It Is Further Ordered That:

(2) Within the following described 640 acres, known as the Covington "A" Federal Lease, Pogo is hereby authorized to locate wells within both the Red Tank-Bone Spring Pool and the designated and Undesignated West Red Tank-Delaware Pool that are unorthodox based on the well location requirements of Division Rule 104.C(1)(a), provided however that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Covington "A" Federal Lease nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary:

LEA COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 32 EAST, NMPM
Section 25: All.

(3) Such unorthodox locations shall only require approval by the Supervisor the

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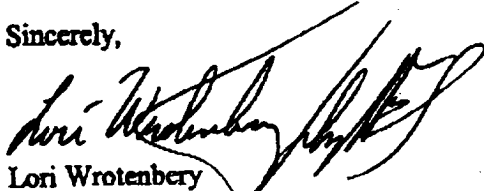
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- (6) Approval of the three wells that were the subject of the July 18, 1998 application are in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow Pogo to develop both the deeper Red Tank-Bone Spring and shallower designated and Undesignated West Red Tank-Delaware Pools with the placement of wells in order to recover additional reserves that might not otherwise be produced from this lease and to assure for the best possible development pattern of primary production;
- (7) There have been three orders issued to Pogo on this lease:
- (a) Division Administrative Order NSL-4084, dated July 1, 1998, authorized Pogo to drill its Covington "A" Federal Well No.36 (API No. 30-025-34479) into the Red Tank-Bone Spring Pool at an unorthodox infill oil well location 2500 feet from the South line and 2275 feet from the West line (Unit K) of said Section 25 within a standard 40-acre oil spacing and proration unit comprising the NE/4 SW/4 of said Section 25;
 - (b) Division Administrative Order NSL-3832, dated July 10, 1997, authorized Pogo to drill its Covington "A" Federal Well No.3 (API No. 30-025-32445) into both the West Red Tank-Delaware Pool and the Red Tank-Bone Spring Pool at an unorthodox oil well location 2310 feet from the North line and 1300 feet from the West line (Unit E) of Section 25 within a standard 40-acre oil spacing and proration unit comprising the SW/4 NW/4 of Section 25; and
 - (c) Division Administrative Order NSL-3833, dated July 10, 1997, authorized Pogo to drill its Covington "A" Federal Well No. 15 (API No. 30-025-33319) into both the West Red Tank-Delaware Pool and the Red Tank-Bone Spring Pool at an unorthodox oil well location 330 feet from the North line and 1300 feet from the West line (Unit A) of Section 25 within a standard 40-acre oil spacing and proration unit comprising the NE/4 NE/4 of Section 25;
- (8) As development progresses it is anticipated by Pogo that additional unorthodox oil well locations will be necessary within the Covington "A" Federal Lease in order to penetrate the Bone Spring and/or Delaware reservoirs at locations that are more geologically and structurally favorable and will help to establish a sound and prudent development pattern for primary production and possible secondary recovery operations; and
- (9) A procedure that allows Pogo to include additional Red Tank-Bone Spring and/or West Red Tank-Delaware Pool oil wells as needed within its Covington "A" Federal

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Division's District Office in Hobbs as is necessary for an orthodox location and with the submission of a Division Form C-102, as required by Division Rules 1101 and 1102. However, the Form C-102 for any such well shall include the following additional information: (i) the boundary of the Covington "A" Federal Lease is to be outlined; (ii) the designated 40 acres to be dedicated to the well is to be highlighted or outlined; (iii) all other wells within the Red Tank-Bone Spring Pool and the designated and Undesignated West Red Tank-Delaware Pool that are dedicated to this 40-acre tract are to be identified and described; and (iv) a reference to this administrative order (NSL-4205).

(4) 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/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
File: NSL-3832
NSL-3833
NSL-4084(SD)