



POGO PRODUCING COMPANY

October 13, 1997

New Mexico Oil Conservation Division
Attention: Mr. Michael Stogner
P.O. Box 6429
Santa Fe, NM 87505-6429

RE: Wilson Prospect No. 565
Eddy County, New Mexico
New Mexico State "BZ" #5 Well
40' FNL and 750' FWL of Section 29,
T-21-S, R-35-E, N.M.P.M. (State Lease B-158)
Offset to Pogo Lease No. NM-4463A (State Lease E-2446-4)

Gentlemen:

Pogo Producing Company owns an overriding royalty interest in that certain State of New Mexico Lease E-2446-4 covering the S/2 of Section 20, T-21-S, R-35-E from the surface to 5200' and all of the operating rights in said Section 20 lease below a depth of 5200'. As such, Pogo was contacted by Baber Well Service in June, 1994, in regards to its application for an unorthodox location for the above captioned well. At that time and at all times since, Pogo has not agreed to said unorthodox location. Pogo learned at the time from its own investigation that the well had been drilled and completed months before the initial June, 1994 contact. The latest information from Baber Well Service indicated that the hearing had been discontinued indefinitely.

It has now come to Pogo's attention that the well has been producing oil and gas from the North San Simon associated pool since at least April, 1994. Our conversations with your office indicate that the proper authorization to produce said well has never been granted.

Pogo Producing Company requests that you investigate the facts surrounding this situation and take the action required with regards to production being obtained from this well.

Sincerely,

Elizabeth E. Moses
Consulting Landman

cc: Mr. Chis Williams, District Supervisor - NMOCD, Hobbs
New Mexico State Land Office