

# CONCHO RESOURCES INC.

Suite 410  
110 W. Louisiana  
Midland, Texas 79701

(915) 683-7443  
Fax 683-7441

February 24, 2000

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Southwestern Energy  
Production Company  
2350 N. Sam Houston  
Parkway East  
Suite 300  
Houston, TX 77032

ATTENTION: Mr. Jim Dubre

Re: Woody 10 Fed Com #1 Well  
T-17-S, R-27-E  
Section 10: S/2, 660' FSL and 660' FEL  
Eddy County, New Mexico

Gentlemen:

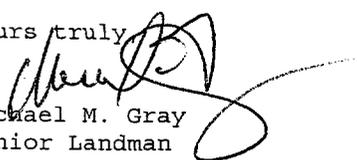
Concho Resources Inc. proposes the drilling of the Woody 10 Federal Com #1 Well as a 9,350' Morrow test well, to be drilled at the captioned location. The unit for the well would be comprised of the S/2 of Section 10-17S-27-E, N.M.P.M. Enclosed is an Authority for Expenditure estimating the cost of this project.

If you desire to participate in our proposed well, please indicate your election to join by executing and returning one copy of the enclosed AFE, along with executed signature pages for the enclosed Operating Agreement and Exhibit "G" attached hereto.

If you do not desire to participate in this well, we would like to discuss the acquisition of a mutually acceptable farmout or term assignment from you.

If you have any questions, please call me.

Yours truly

  
Michael M. Gray  
Senior Landman

MMG/lhc

Enclosure

**BEFORE THE  
OIL CONSERVATION DIVISION**  
Case No. 12377 Exhibit No. 3  
Submitted By:  
**Concho Resources, Inc.**  
Hearing Date: June 29, 2000

<b>SENDER:</b> * Complete items 1 and/or 2 for additional services. * Complete items 3, 4a, and 4b. * Print your name and address on the reverse of this form so that we can return this card to you. * Attach this form to the front of the mailpiece, or on the back if space does not permit. * Write "Return Receipt Requested" on the mailpiece below the article number. * The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Southwestern Energy Production Company 2350 N. Sam Houston Parkway E. Suite 300 Houston, TX 77032		4a. Article Number Z 444 968185	
5. Received By (Print Name) <i>AK Benson</i>		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
5. Signature (Addressee or Agent) <i>AK Benson</i>		7. Date of Delivery <i>FEB 28 2000</i>	
6. Signature (Addressee or Agent) <i>AK Benson</i>		8. Addressee's Address (Only if requested and fee is paid)	

PS Form 3800, April 1995

Postmark or Date	TOTAL Postage & Fees	Postage	Certified Fee	Special Delivery Fee	Restricted Delivery Fee	Return Receipt Showing to Whom & Date Delivered	Return Receipt Showing to Whom, Date, & Addressee's Address
	\$	\$					

US Postal Service  
**Receipt for Certified Mail**  
No Insurance Coverage Provided  
Do not use for International Mail (See reverse)  
Southwestern Energy Prod.  
CO

**CONCHO RESOURCES, INC.  
AUTHORITY FOR EXPENDITURE**

WELL NAME: Woody 10 Fed #1  
LOCATION: Unit P, Sec 10, T17S, R27E  
660' FSL & 660' FEL

PROSPECT NAME:  
COUNTY & STATE: Eddy, NM  
OBJECTIVE: D&C 9350' Morrow well

<b>INTANGIBLE COSTS</b>	<b>BCP</b>	<b>ACP</b>	<b>TOTAL</b>
TITLE/CURATIVE/PERMIT	1,000		1,000
DAMAGES/ROW	10,000		10,000
SURVEY/STAKE LOCATION	1,000		1,000
LOCATION/PITS/ROAD EXPENSE	15,000	2,000	17,000
DRILLING/COMPLETION OVERHEAD RATE	5,000	1,000	6,000
TURNKEY CONTRACT			0
FOOTAGE CONTRACT \$15.85/ft	148,000		148,000
DAYWORK-CONTRACT 4 days	11,000	11,000	22,000
FUEL & POWER			0
WATER	15,000	1,000	16,000
BITS & REAMERS		1,000	1,000
MUD & CHEMICALS	20,000		20,000
DRILL STEM TEST			0
CORING & ANALYSIS			0
CEMENT SURFACE	5,000		5,000
CEMENT INTERMEDIATE			0
CEMENT PRODUCTION		8,000	8,000
CASING CREWS & EQUIPMENT	2,000	3,000	5,000
FISHING TOOLS & SERVICE			0
CONTRACT LABOR	5,000	10,000	15,000
COMPANY SUPERVISION	2,000	2,000	4,000
CONTRACT SUPERVISION	10,000	4,000	14,000
TESTING CASING/TUBING	1,000	2,000	3,000
MUD LOGGING UNIT	10,000		10,000
LOGGING/WIRELINE SERVICES	18,000	2,000	20,000
PERFORATING		10,000	10,000
STIMULATION/TREATING		15,000	15,000
COMPLETION UNIT		12,000	12,000
RENTALS	4,000	10,000	14,000
TRUCKING/FORKLIFT/RIG MOBILIZATION	2,000	2,000	4,000
WELDING SERVICES	2,000		
FLOAT EQUIPMENT & CENTRALIZERS	2,000	3,000	
MISCELLANEOUS		1,000	
CONTINGENCY	29,000	10,000	39,000
<b>TOTAL INTANGIBLES</b>	<b>318,000</b>	<b>110,000</b>	<b>428,000</b>
<b>TANGIBLE COSTS</b>			
SURFACE CASING 1500' 8 5/8"	15,000		15,000
INTERMEDIATE CASING			0
PRODUCTION CASING / LINER 9,350' 4 1/2"		44,000	44,000
TUBING 9,200' 2 3/8" N-80		25,000	25,000
WELLHEAD EQUIPMENT	2,000	12,000	14,000
PUMPING UNIT			0
RODS			0
PUMPS			0
TANKS		10,000	10,000
FLOWLINES		5,000	5,000
HEATER TREATER/SEPARATOR		15,000	15,000
ELECTRICAL SYSTEM			0
PACKERS/ANCHORS/HANGERS		4,000	4,000
COUPLINGS/FITTINGS/VALVES		8,000	8,000
GAS COMPRESSORS/METERS		2,000	2,000
MISCELLANEOUS		5,000	5,000
CONTINGENCY	2,000	12,000	14,000
<b>TOTAL TANGIBLES</b>	<b>19,000</b>	<b>142,000</b>	<b>161,000</b>
<b>TOTAL WELL COSTS</b>	<b>337,000</b>	<b>252,000</b>	<b>589,000</b>
PLUGGING COST			
TOTAL DRY HOLE			

Concho Resources, Inc.

By: James Blount

*ESW*  
2/22/00

Date Prepared:

2/21/00

We approve:

25 % Before Tanks / 25 % After Tanks

SOUTHWESTERN ENERGY

Company: PRODUCTION COMPANY

By:

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

Printed Name:

Title:

Date: