

KELLAHIN AND KELLAHIN

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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

March 28, 2000

HAND DELIVERED

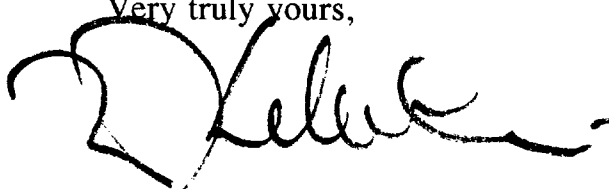
Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

**Re: Woody "10" Federal Com Well No. 1
S/2 Section 10, T17S, R27E
Application of Concho Resources Inc.
for Compulsory Pooling
Eddy County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of Concho Resources Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for April 20, 2000. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Concho Resources Inc.
Attn: Mike Gray

12377

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OIL CONSERVATION DIV.

12377

CASE____: Application of Concho Resources Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the following described acreage in Section 10, T17S, R27E, NMPM, Eddy County, New Mexico, in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Logan Draw-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent. The units are to be dedicated to its Woody "10" Federal Com Well No. 1 to be drilled and completed at a standard gas well location in Unit P of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 14 miles east from Artesia, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF CONCHO RESOURCES INC.
FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12377

A P P L I C A T I O N

Comes now CONCHO RESOURCES INC. by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17.C NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 10, T17S, R27E, NMPM, Eddy County, New Mexico, in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Logan Draw-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent. The units are to be dedicated to its Woody "10" Federal Com Well No. 1 to be drilled and completed at a standard gas well location in Unit P of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in said well.

In support of its application, Concho Resources Inc. ("Concho") states:

1. Concho has the right to drill and develop the oil and gas minerals from the surface to the base of the Morrow formation underlying the S/2 of Section 10, T17S, R27E, NMPM, Eddy County, New Mexico, and proposes to form a standard 320-acre gas proration and spacing unit consisting of the S/2 of this section for any and all formations and/or pools spaced on 320-acre gas spacing and to form a standard 160-acre gas proration and spacing unit consisting of the SE/4 of this section for any and all formations and/or pools spaced on 160-acre gas spacing.

2. The subject tract is located within one-mile of the current boundaries of the Logan Draw-Morrow Gas Pool.

3. Concho has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit as identified on Exhibit "A."

4. Despite its good faith efforts, Concho has been unable to obtain a written voluntary agreement from the party listed on Exhibit "A."

5. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for April 20, 2000.

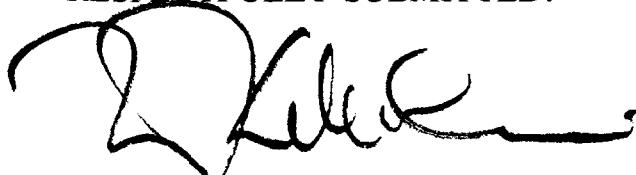
WHEREFORE, Concho, as applicant, requests that this application be set for hearing on April 20, 2000 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

(1) Concho Resources Inc. be named operator;

(2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A"

Southwest Energy Production Company
2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
Attn: Sam Thompson

Chi Energy Inc.
P. O. Box 1799
Midland, Texas 79702
Attn: Bill Bergman

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Re: Woody "10" Federal Com Well No. 1
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Case 12377

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W. Thomas Kellahin

cc: Concho Resources Inc.
Attn: Mike Gray

CASE 1237: Application of Concho Resources Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Mississippian formation underlying the following described acreage in Section 10, T17S, R27E, NMPM, Eddy County, New Mexico, in the following manner: the S/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Logan Draw-Morrow Gas Pool; the SE/4 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent. The units are to be dedicated to its Woody "10" Federal Com Well No. 1 to be drilled and completed at a standard gas well location in Unit P of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 14 miles east from Artesia, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF CONCHO RESOURCES INC.
FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12377

A P P L I C A T I O N

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3. Concho has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit as identified on Exhibit "A."

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5. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

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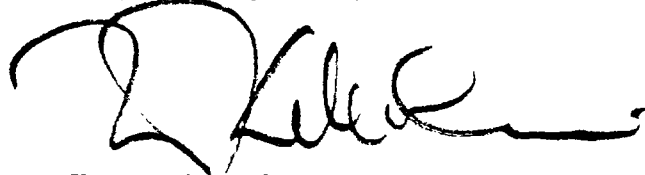
WHEREFORE, Concho, as applicant, requests that this application be set for hearing on April 20, 2000 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

(1) Concho Resources Inc. be named operator;

(2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;

- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
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