



Santa Fe Snyder Corporation

VIA FAX AND CERTIFIED MAIL

Fax (281) 618-4757

April 13, 2000

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

ATTN: Mr. Samuel Glenn Thompson

Re: Proposed 13,700' Morrow Test
Paloma Blanco "17" Federal #1
1,980' FNL & 660' FWL
N/2 Section 17, T-23-S, R-34-E
Lea County, New Mexico
PALOMA PROSPECT - NM-0964

Gentlemen:

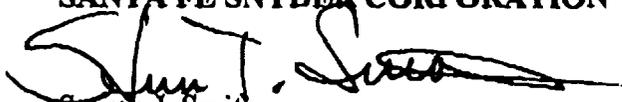
Reference is made to all previous correspondence between Santa Fe Snyder Corporation (Santa Fe) and Southwestern Energy Production Company (SWN) concerning the drilling of a deep test in Section 17, T-23-S, R-34-E, Lea County, New Mexico.

Santa Fe remains committed to drilling its proposed Paloma Blanco "17" Federal #1 well as a 13,700' Morrow test at a location 1,980' FNL & 660' FWL Section 17, T-23-S, R-34-E, Lea County, New Mexico, as proposed to you by letter dated December 9, 1999. Santa Fe also remains willing to accept a term assignment of SWN's interest in the N/2 of said Section 17 on mutually acceptable terms should SWN choose not to participate in the proposed well.

Please feel free to contact the undersigned if you would like to discuss this matter at greater length. My direct number is (915) 686-6712.

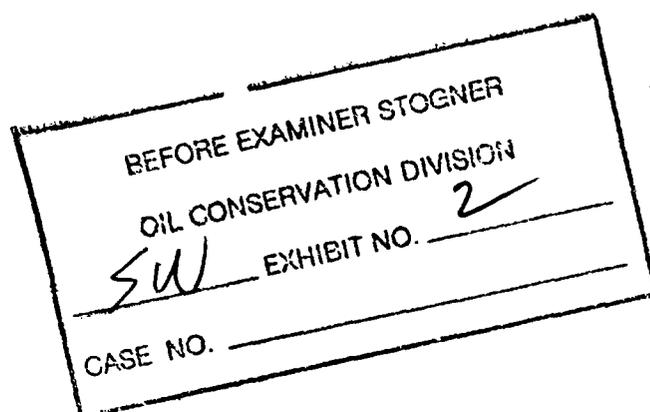
Sincerely,

SANTA FE SNYDER CORPORATION


Steven J. Smith
Senior Staff Landman

PalomaBlanco17-1c.doc

Central Division
550 West Texas Avenue, Suite 1330
Midland, Texas 79701-4257
915/687-3551





**Southwestern Energy
Production Company**

A subsidiary of Southwestern Energy Company

2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
(281) 618-4700 FAX: (281) 618-4757

Samuel Glenn Thompson
Staff Landman-Exploration

**April 7, 2000
Concho Resources, Inc.
110 W. Louisiana
Suite # 410
Midland, TX 79701**

**Attn: Mr. Michael M. Gray fax 915-683-7441
Re: Sec 17-23S-34E
 Lea Co., NM
 Maucho Prospect**

Gentlemen:

This letter is written as an offer to resolve the maintenance of uniform interest issue relative to acreage in the N/2 of Sec 17-23S-34E, Lea County, New Mexico. Southwestern Energy Production Company(SWN) respectfully requests an extension of time on the Term Assignment dated March 15, 1999 between Concho Resources, Inc. and SWN whereby said Assignment would not expire until January 15, 2001 or until 30 days after the Paloma Blanco "18" Fed Com #1 well reaches T.D., whichever is the later date. Said well is to be drilled by Santa Fe in Sec 18-23S-34E. As exchange consideration for the aforementioned extension SWN and Concho agree to waive the maintenance of uniform interest provision of the existing Operating Agreement and in fact, delete Sections 5,8,16 & 17 from the Operating Agreement attached to that letter agreement dated March 3, 1999.

If you agree to the proposed offer please sign and return one copy of this letter by April 10, 2000.

Respectfully,


SGThompson

**ACCEPTED & AGREED TO THIS _____ DAY OF
_____, 2000**

By: Concho Resources, Inc

CONCHO RESOURCES INC.

Suite 410
110 W. Louisiana
Midland, Texas 79701

(915) 683-7443
FAX 683-7441

April 7, 2000

VIA FAX (281) 618-4757

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

ATTENTION: Mr. Samuel Thompson

Re: Gazelle Prospect
T-23-S, R-34-E
Sections 5, 8, 9, 16 and 17
Lea County, New Mexico

Gentlemen:

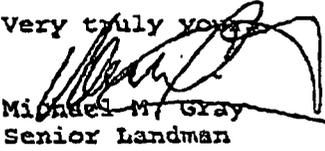
This letter sets forth the agreement between Concho Resources Inc. ("Concho") and Southwestern Energy Production Company ("Southwestern") regarding the captioned acreage. Concho and Southwestern, in consideration of the covenants and promises made herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agree as follows:

1. Concho and Southwestern entered into that certain (a) Term Assignment dated March 15, 1999, recorded in Book 963, Page 175 of the Records of Lea County, New Mexico, covering the N/2 of Section 17-23S-34E, N.M.P.M., Lea County, New Mexico, United States Lease Serial Number NMNM 97157 (the "§17TA"); (b) Term Assignment dated March 15, 1999, recorded in Book 959, Page 545 of the Records of Lea County, New Mexico, covering the W/2 NE/4, SE/4 NE/4, W/2, and E/2 SE/4 of Section 16, T-23-S, R-34-E, N.M.P.M., Lea County, New Mexico (the "§16TA"); and (c) Joint Operating Agreement dated March 4, 1999, covering Sections 5, 8, 9, 16 and 17, T-23-S, R-34-E, N.M.P.M., Lea County, New Mexico (the "JOA").
2. The §16TA terminated by its own terms on March 15, 2000, as there was no well being drilled or otherwise producing oil or gas in paying quantities at such date, and Southwestern therefor lost all right, title and interest in the lands covered thereby.

- 3. The W/2 of Section 9, T-23-S, R-34-E, is now subject to that certain Operating Agreement dated March 15, 1999, between Concho, Southwestern and Phillips Petroleum Company, and such lands are no longer subject to the JOA in any respect.
- 4. As of the date hereof, the JOA is effective only as to Sections 5, 8 and 17, and the E/2 of Section 9, T-22-S, R-34-E, N.M.P.M., Lea County, New Mexico.
- 5. Within five days from receipt of an executed copy of this agreement from Southwestern, Concho will grant to Southwestern, in recordable form, an extension of the primary term of the §17TA for an additional ~~four~~ months from September 15, 2000, such that the primary term of the §17TA shall end on January 15, 2001.
 (B) six months MARIA (B) MM
- 6. From and after the date hereof, but effective as of November 30, 1999, the JOA shall be deemed to be terminated in all respects as to all lands other than the E/2 of Section 9, T-23-S, R-34-E, N.M.P.M., Lea County, New Mexico, and is hereby amended and modified accordingly.

If this agreement meets with your approval, please execute and return one copy by fax and mail on or before 5:00 p.m., Daylight Savings Time, Friday, April 7, 2000.

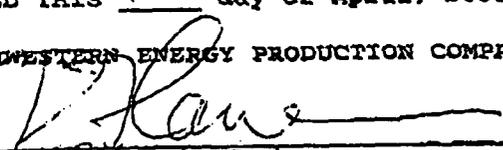
Very truly yours


Michael M. Gray
Senior Landman

MMG/lhc

AGREED THIS 7th day of April, 2000:

SOUTHWESTERN ENERGY PRODUCTION COMPANY

By: 
Its: VP-Exploration (B)



**Southwestern Energy
Production Company**

A subsidiary of Southwestern Energy Company

2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
(281) 618-4700 FAX: (281) 618-4757

Samuel Glenn Thompson
Staff Landman

March 9, 2000

VIA FAX AND CERTIFIED MAIL

Santa Fe Snyder Corporation
550 W. Texas Suite 1330
Midland, TX 79701

Attn: Mr. Curtis D. Smith fax # 915-686-6714

Re: SWN Baywatch "17" Fed Com #1
1310' FNL & 1310' FWL
Sec 17-23S-34E
Lea County, NM
Antelope Bay II Prospect

Gentlemen:

Southwestern Energy Production Company (SWN) proposes the drilling of a 12,600' Atoka Test at the captioned location as a W/2 spacing unit. According to Conoco Santa Fe owns an interest in Conoco's acreage in the SW/4 of Section 17.

You will find enclosed SWN's AFE relative to the drilling of said proposed well. If you are interested in participation SWN will gladly forward its standard Operating Agreement naming SWN as Operator. In the event you would rather farmout or sell please advise and SWN will negotiate. Since SWN has an interest that expires in the near term please consider an early response.

If you require further information do not hesitate to contact the undersigned landman.

Respectfully,


SGThompson
Mba/sgt

SOUTHWESTERN ENERGY PRODUCTION COMPANY

Drilling/Completion Operations

DATE		Detail Cost Estimate				PREPARED BY		
4/6/00		PROSPECT/ FIELD		OPERATOR		WELL NAME		
Maucho West Prospect		Southwestern Energy		Maucho "17" Fed Com		WELL NUMBER #1		
STATE		COUNTY/PARISH		LOCATION		PROPOSED TOTAL DEPTH		
New Mexico		Lea County		1980' FNL & 660' FEL		13,700'		
DRILL / COMPLETE		WORKOVER-RECOMPLETION		SINGLE		EXPLORATORY		
<input checked="" type="checkbox"/>		<input type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		
EQUIP		WORKOVER-MAINTENANCE		DUAL		OIL WELL		
<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		
RETIREMENT (P&A)		DRILL & EVALUATE		OTHER		GAS WELL		
<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		<input checked="" type="checkbox"/>		
						OBJECTIVE / FORMATION(S)		
						Morrow		
SUB-ACCOUNT		INTANGIBLE COST				CASING POINT COST	COMPLETION COST	TOTAL COST
Csg. Pt.	Completion							
121-001		RIG - TURNKEY				33,600		33,600
121-005		RIG - FOOTAGE						
121-010	122-010	RIG - DAYWORK		56 days @ \$6,000/day	8 days @ \$1,200/day	336,000	9,600	345,600
121-012		DRILL RIG MOBILIZATION				27,000		27,000
121-013		CONDUCTOR HOLE/DRIVE PIPE SERVICES						
121-015	122-015	ROAD & LOCATION				42,000		42,000
121-020	122-020	FUEL, POWER AND WATER				35,000		35,000
121-025	122-025	DRILLING/COMPLETION FLUIDS & CHEMICALS				60,000		60,000
121-030	122-030	DRILL BITS				60,000		60,000
121-032		DIRECTIONAL DRILLING AND RELATED SERVICES						
121-035		OPEN HOLE LOGGING				45,000		45,000
121-040		MUD LOGGING				19,250		19,250
	122-040	PERFORATING/CASED HOLE LOGGING					14,000	14,000
121-055	122-055	CEMENT AND CEMENTING				48,000	6,000	54,000
	122-060	STIMULATION- ACID/FRAC					20,000	20,000
121-063	122-063	TANK TRUCKS/ MISC PUMPING SERVICES						
121-065	122-065	EQUIPMENT RENTAL				40,000	4,500	44,500
121-070	122-070	CASING CREW						
121-153	122-153	WIRELINE SERVICE						
121-075	122-075	TRANSPORTATION- TRUCKING/TUGS/BARGES/ETC.				6,100		6,100
121-080	122-080	SUPERVISION & TECHNICAL				30,800	5,500	36,300
121-085	122-085	CONTRACT LABOR					20,000	20,000
121-090	122-090	CASING/TUBING & DRILL PIPE INSPECTION & TESTING				10,000	10,000	20,000
121-095	122-095	PERMITS,SURVEYS, CURATIVE, TITLE AND DRILL SITE OPINION						
121-930		INSURANCE						
121-105	122-105	ENVIRONMENTAL & POLLUTION/ DISPOSAL						
121-190		PLUGGING AND ABANDONMENT (DRY HOLE)				30,000		
121-925	122-925	DRILLING/COMPLETION OVERHEAD				10,000	5,000	15,000
121-950	122-950	MISCELLANEOUS				83,275	4,460	87,735
TOTAL INTANGIBLE COST						916,025	99,060	985,085
TANGIBLE COST								
124-005		DRIVE PIPE						
124-010		CONDUCTOR PIPE 20" @ 40'				3,000		3,000
124-015		SURFACE CASING 13-3/8" @ 650'				10,673		10,673
124-020		INTERMEDIATE CASING 9-5/8" @ 5,000'				61,200		61,200
124-020		2ND INTERMEDIATE CASING 7" @ 11,800'				135,700		135,700
124-030		DRILLING LINER						
	125-025	PRODUCTION CASING OR PROD. LINER 4-1/2" @ 11,600'-14,000'					15,696	15,696
	125-035	PRODUCTION TUBING 2-3/8" @ 13,700'					40,740	40,740
124-045	125-045	PACKERS/RETAINERS/LINER HANGERS					15,000	15,000
124-055	125-055	WELLHEAD EQUIPMENT				5,000	15,000	20,000
124-950	125-950	MISCELLANEOUS EQUIPMENT				4,000	2,000	6,000
		OTHER (SPECIFY CHARGE AND RELATED ACCT. NO.)						
TOTAL TANGIBLE COST						219,573	88,436	308,009
PRODUCTION EQUIPMENT								
	125-040	FLOWLINES						
	125-047	TANK BATTERY AND ASSOCIATED EQUIPMENT						
	125-060	SURFACE PROD EQUIPMENT- SEP/HTR TRTR/PROD. UNIT/CMPR/PROD. BARGE						
	125-062	SURF. PUMPING EQUIPMENT W/ PRIME MOVER						
	125-065	SUBSURFACE EQUIPMENT-RODS/B.H. PUMP/TBG. ANCHOR						
	125-075	GATHERING/PIPE LINES						
	125-095	NON-CONTROLLABLE EQUIPMENT						
	125-950	MISCELLANEOUS EQUIPMENT						
		OTHER (SPECIFY CHARGE AND RELATED ACCT. NO.)						
TOTAL PRODUCTION EQUIPMENT COST								
TOTAL WELL COST						1,135,598	187,496	1,293,094

SEPCO'S estimate of the anticipated costs for the test well or operation are specified above. This estimate shall determine prepaid dry hole costs, completion costs or costs of other operations, and your approval of this estimate signifies that SEPCO's estimate is reasonable. Participating parties in a test well or operation shall be responsible for actual costs in accordance with the terms of the joint operating agreement

SEPCO Approvals

Non-Operator Approvals

BY: _____
 BY: _____
 BY: _____
 BY: _____

COMPANY: _____
 BY: _____
 BY: _____
 BY: _____

SEPCO GROSS WORKING INTEREST 41.000% BCP 41.000% ACP

OTHER GROSS WORKING INTEREST 58.000% BCP 58.000% ACP



**Southwestern Energy
Production Company**

A subsidiary of Southwestern Energy Company

2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
(281) 618-4700 FAX: (281) 618-4767

Samuel Glenn Thompson
Staff Landman

March 6, 2000

VIA FAX AND CERTIFIED MAIL 915-683-7441

**Concho Resources, Inc.
110 W. Louisiana
#410
Midland, Tx 79701**

Attn: Mr. Mike Gray

**Re: Well Proposal
NW/4 Sec 17-23S-34E
Lea County, NM
Antelope Bay Prospect**

Gentlemen:

Pursuant to the terms of our Letter Agreement dated March 3, 1999 and the Operating Agreement attached thereto as to form Southwestern Energy Production Company(SWN) hereby proposes the drilling of a 12,600' Atoka Test at a legal location in the center of the NW/4 of the captioned section. It is SWN's official position that Concho has 30 days from today's date to elect to participate or deliver a 75% nri until payout with the option to convert your retained orri to a 25% wi, proportionately reduced.

You will find enclosed SWN's AFE indicating a dry hole cost of \$1,124,100 and a completed well cost of \$1,508,100. Please evaluate and respond at your earliest opportunity due to the Term Assignment expiring in the near term.

If you need further information do not hesitate to contact the undersigned landman.

Respectfully,

**Samuel Glenn Thompson
Sgt/mba
CC: Santa Fe Snyder (information purposes only)**



**Southwestern Energy
Production Company**

A subsidiary of Southwestern Energy Company

2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
(281) 618-4700 FAX: (281) 618-4757

Samuel Glenn Thompson
Senior Exploration Landman

December 14, 1999

Concho Resources, Inc.
110 W. Louisiana, Suite 410
Midland, Texas 79701

Attn: Mr. Michael M. Gray

Re: Maucho Prospect Joint Operating Agreement
Lea County, New Mexico

Gentlemen:

As you know, Santa Fe has sent us a well proposal in Sec. 17-23S-34E requesting a N/2 Unit for the Morrow Formation. According to our records, Santa Fe owns no interest in the tract. If they do own an interest, I don't show any evidence that Southwestern Energy Production Company (SWN) has waived the maintenance of uniform interest provision under the Joint Operating Agreement.

With this letter, SWN is advising Santa Fe that we do not consider the Santa Fe well proposal to be a valid proposal until SWN resolves the Operating Agreement issue with Concho. Accordingly, we cannot respond to the subject proposal since we do not recognize Santa Fe as having an interest therein.

SWN encourages a quick resolution. If you have any comments please contact the undersigned Landman.

Respectfully,


Samuel Glenn Thompson

SGT:df

Cc: Steve Smith



Santa Fe Snyder Corporation
VIA FAX AND CERTIFIED MAIL

Fax (281) 618-4757

December 9, 1999

Southwestern Energy Production Company
2350 N. Sam Houston Parkway East, Suite 300
Houston, Texas 77032
ATTN: Mr. Samuel Glenn Thompson

Re: Well Proposal
Paloma Blanco "17" Federal #1
1,980' FNL & 660' FWL
Section 17, T-23-S, R-34-E
Lea County, New Mexico
PALOMA PROSPECT - NM-0964

Ladies and Gentlemen:

Santa Fe Snyder Corporation (Santa Fe) hereby proposes to drill a 13,700' Morrow test at a location 1,980' FNL & 660' FWL of Section 17, T-23-S, R-34-E, Lea County, New Mexico. If the well is successfully completed in the Morrow formation, a proration unit consisting of the N/2 of Section 17 would be established. Based upon our most current title information, Southwestern Energy Production Company appears to own an undivided 50% of the operating rights in the N/2 of said Section 17. If this is incorrect, please advise.

Enclosed for your review and further handling are duplicate original AFE Well Cost Estimates for the proposed well. Should you choose to participate in the proposed well, please execute and return one copy of this letter and one copy of the enclosed AFE. I will be forwarding an Operating Agreement for you review and execution in the next few days.

Sincerely,

SANTA FE SNYDER CORPORATION

Steven J. Smith
Senior Staff Landman

_____ Southwestern Energy Production Company hereby elects to **PARTICIPATE** in drilling the proposed Paloma Blanco "17" Federal #1 Well.

_____ Southwestern Energy Production Company hereby elects **NOT TO PARTICIPATE** in drilling the proposed Paloma Blanco "17" Federal #1 Well.

SOUTHWESTERN ENERGY PRODUCTION COMPANY

By: _____

Title: _____

Date: _____

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