



**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.

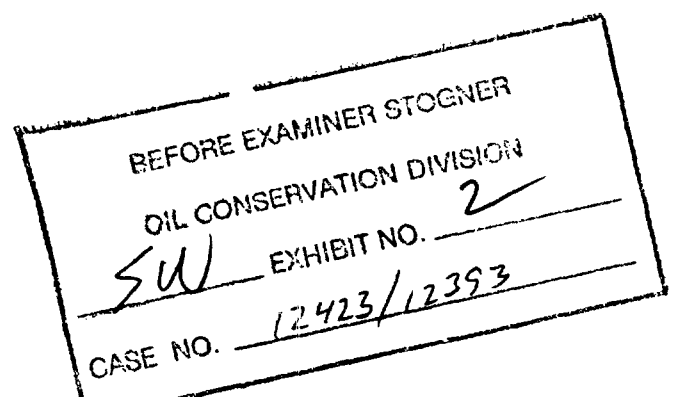
Sincerely,

**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.   
 (SIX MONTHS) MAR 15 2001
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 7<sup>th</sup> day of April, 2000:

SOUTHWESTERN ENERGY PRODUCTION COMPANY

By: [Signature]

Its: V.P. Exploration

(2)



**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 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

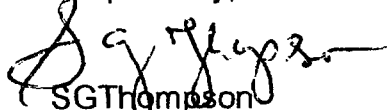
Gentlemen:

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

Detail Cost Estimate

DATE4/6/00		OPERATORSouthwestern Energy		WELL NAMEMaucho "17" Fed Com		PREPARED BYJ. Tully/PG	
PROSPECT/ FIELDMaucho West Prospect						WELL NUMBER#1	
STATENew Mexico		COUNTY/PARISHLea County		LOCATION1980' FNL & 660' FEL		PROPOSED TOTAL DEPTH13,700'	
DRILL / COMPLETE	<input checked="" type="checkbox"/>	WORKOVER-RECOMPLETION	<input type="checkbox"/>	SINGLE	<input checked="" type="checkbox"/>	EXPLORATORY	<input checked="" type="checkbox"/>
EQUIP	<input type="checkbox"/>	WORKOVER-MAINTENANCE	<input type="checkbox"/>	DUAL	<input type="checkbox"/>	DEVELOPMENT	<input type="checkbox"/>
RETIREMENT (P&A)	<input type="checkbox"/>	DRILL & EVALUATE	<input type="checkbox"/>	OTHER	<input type="checkbox"/>	OIL WELL	<input type="checkbox"/>
						GAS WELL	<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 - DAYWORK56 days @ \$6,000/day8 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 PIPE20" @ 40'	3,000		3,000
124-015		SURFACE CASING13-3/8" @ 650'	10,673		10,673
124-020		INTERMEDIATE CASING9-5/8" @ 5,000'	61,200		61,200
124-020		2ND INTERMEDIATE CASING7" @ 11,800'	135,700		135,700
124-030		DRILLING LINER			
	125-025	PRODUCTION CASING OR PROD. LINER4-1/2" @ 11,600'-14,000'		15,696	15,696
	125-035	PRODUCTION TUBING2-3/8" @ 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 INTEREST41.000% BCP41.000% ACP

OTHER GROSS WORKING INTEREST59.000% BCP59.000% 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) 618-4757

**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: Mauchos 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

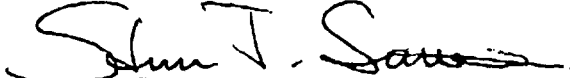
Re: Well Proposal  
Paloma Blanco "17" Federal #1  
1,980' FNL & 660' FWL  
Section 17, T-23-S, R-34-E  
Lea County, New Mexico  
PALOMA PROSPECT - NM-0964

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 your 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: \_\_\_\_\_

PalomaBlanco17.doc

Central Division  
550 W Texas, Suite 1330  
Midland, Texas 79701  
915/887-3551