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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION JAN 27 2004

APPLICATION OF CONCHO RESOURCES
INC. FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505
Case No. 13217

APPLICATION

Concho Resources Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W $\frac{1}{2}$ of Section 21, Township 21 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of Section 21, and has the right to drill a well thereon.

2. Applicant proposes to drill its San Simon State Com. Well No. 2, at an orthodox location in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 21, and seeks to dedicate the following acreage to the well:

(a) The SW $\frac{1}{4}$ NW $\frac{1}{4}$ to form a standard 40 acre oil spacing and proration unit for all pools or formations developed on 40 acre spacing within that vertical extent, including the Undesignated North San Simon-Yates Associated Pool;

(b) The NW $\frac{1}{4}$ of Section 21 to form a standard 160 acre gas spacing and proration unit for all pools or formations developed on 160 acre spacing within that vertical extent, including the Undesignated North San Simon-Yates Associated Pool and Undesignated South Osudo-Wolfcamp Pool; and

(c) The W $\frac{1}{2}$ of Section 21 to form a standard 320 acre gas spacing and proration unit for all pools or formations developed on 320 spacing within that vertical extent, including the Undesignated North Grama Ridge-Wolfcamp Gas Pool

and Undesignated South Osudo-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W½ of Section 21 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the W½ of Section 21, pursuant to NMSA 1978 §70-2-17.

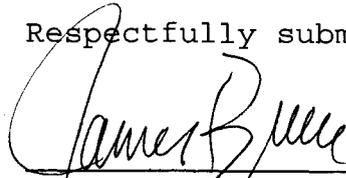
5. The pooling of all mineral interests underlying the W½ of Section 21, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 21, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and supervision costs, together with a provision adjusting those rates as provided in the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling

and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce". The signature is written in dark ink and is positioned above a horizontal line.

James Bruce
Post Office Box 1056
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Attorney for Concho Resources
Inc.

PROPOSED ADVERTISEMENT

Case 13217: Application of Concho Resources Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 21, Township 21 South, Range 35 East, NMPM, and in the following manner: The $W\frac{1}{2}$ to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within that vertical extent, including the Undesignated North Grama Ridge-Wolfcamp Gas Pool and Undesignated South Osudo-Morrow Gas Pool; the $NW\frac{1}{4}$ 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, including the Undesignated North San Simon-Yates Associated Pool and Undesignated South Osudo-Wolfcamp Pool; and the $SW\frac{1}{4}NW\frac{1}{4}$ to form a standard 40 acre oil spacing and proration unit for any formations and/or pools developed on 40 acre spacing within that vertical extent, including the Undesignated North San Simon-Yates Associated Pool. The units are to be dedicated to applicant's San Simon State Com. Well No. 2, to be located at an orthodox location in the $SW\frac{1}{4}NW\frac{1}{4}$ of Section 21. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 7 miles southwest of Oil Center, New Mexico.

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