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June 24, 2003

RECEIVED

JUN 26 2003

Oil Conservation Division

Case 13108

VIA HAND DELIVERY

Lori Wrotenbery
Director - OCD
NM Energy, Minerals & Natural Resources Dept.
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Application of Concho Exploration, Inc. to Increase the Depth Bracket
Allowable for the Shugart-Delaware Pool, Eddy County, New Mexico

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Concho Exploration, Inc. in the
above-referenced case as well as a copy of the legal advertisement. Concho requests
that this matter be placed on the docket for the July 24, 2003 Examiner hearings.

Sincerely,



Michael H. Feldewert

MHF:jlj

cc: Michael M. Gray

Enclosures

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

RECEIVED

IN THE MATTER OF THE APPLICATION OF
CONCHO EXPLORATION, INC. TO INCREASE THE
DEPTH BRACKET ALLOWABLE FOR THE
SHUGART-DELAWARE POOL,
EDDY COUNTY, NEW MEXICO.

JUN 20 2003

Oil Conservation Division
CASE NO. 13108

APPLICATION

CONCHO EXPLORATION, INC. ("Concho"), by its undersigned attorneys, hereby makes application pursuant to Division Rule 505.D to increase the depth bracket allowable for the Shugart-Delaware Pool. In support of this application Concho states:

1. The Shugart-Delaware Pool was established on January 21, 1959, under Commission Order No. R-1324, as the result of the discovery of hydrocarbons in Gulf Oil Corporation's Federal Littlefield "AB" Well No. 1 located in the SW/4 of Section 22, Township 18 South, Range 31 East, NMPM. This initial well was completed in November of 1958 with top perforations at 4,970 feet. Pursuant to Division Rule 505, the Shugart-Delaware Pool was assigned a depth bracket allowable of 80 barrels of oil per day for each 40-acre unit based on a pool depth range of 0 to 4,999 feet.

2. The Shugart-Delaware Pool currently includes the following acreage in Eddy County, New Mexico:

Township 18 South, Range 31 East, N.M.P.M.

Section 22: SW/4, SW/4 NW/4

Section 27: NW/4

3. Concho has recently completed its Principle Federal Well No. 1 in the Delaware formation in the NE/4 NW/4 (Unit C) of Section 27 with perforations between 6,120 and 6,194 feet.

4. Concho's well has encountered a new source of Delaware production that can produce at rates in excess of the depth bracket allowable presently authorized for the existing shallower wells in the Shugart-Delaware Pool.

5. The existing shallower wells in the Shugart-Delaware Pool are completed in separate zones of the Delaware formation that are largely depleted and which are not in communication with Concho's new, deeper well.

6. Concho requests that the Division increase the depth bracket allowable for the Shugart-Delaware Pool to 142 barrels of oil per day for each 40-acre unit to conform to Concho's new well producing at a depth of 6,120 feet.

7. Increasing the depth bracket allowable for the Shugart-Delaware Pool to conform to the producing depth of Concho's new well will not damage the reservoir or cause surface or underground waste.

8. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Concho respectfully requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 24, 2003, and that after notice and hearing, the Division enter an order approving this application.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert
P.O. Box 2208
Santa Fe, NM 87504-2208
505/988-4421 (telephone)

Attorneys for Concho Exploration, Inc.

Proposed Legal Add:

CASE 13/08: **Application of Concho Exploration, Inc. to increase the depth bracket allowable for the Shugart-Delaware Pool, Eddy County, New Mexico.** Applicant seeks to increase the depth bracket allowable for the Shugart-Delaware Pool located in portions of Sections 22 and 27 of Township 18 South, Range 31 East, NMPM, to 142 barrels of oil per day for each 40-acre unit to conform to the producing depth of Concho's Principle Federal Well No. 1 recently completed in this pool. Said pool is located approximately five miles southeast of Loco Hills, New Mexico.

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