

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

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

CASE NO. _____

13518

OIL CONSERVATION DIV
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APPLICATION

CONCHO RESOURCES, INC. ("Concho"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations developed on 320-acre spacing in the E/2 of Section 24 Township 22 South, Range 25 East, NMPM, Eddy County, New Mexico which includes but is not necessarily limited to the Undesignated Happy Valley -Morrow Gas Pool, Undesignated East McKitrick Hills-Atoka Gas Pool, Southeast Revelation Strawn-Gas Pool, and the McKitrick Canyon-Upper Pennsylvanian Gas Pool, and in support thereof states:

1. Concho is a working interest owner in the E/2 of Section 24 and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration units to its Filaree 24 Federal Com Well No. 2 to be drilled at a standard location 1300 feet from the South line and 750 feet from the East line said Section 24, to a depth of approximately 11,600 feet to test any and all formations from the surface to the base of the Morrow formation.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the subject spacing units identified on Exhibit A to this application.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Concho Resources, Inc. should be designated the operator of the well to be drilled.

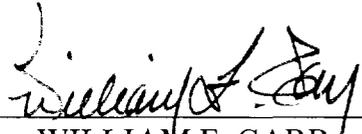
WHEREFORE, Concho Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 19, 2000 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Concho Resources, Inc. operator of these units and the well to be drilled thereon,
- C. authorizing Concho to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by the Applicant in drilling and completing the well against any working interest owner who does not

voluntarily participate in the drilling of the well.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
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ATTORNEYS FOR CONCHO RESOURCES, INC.

EXHIBIT A

**APPLICATION OF
CONCHO RESOURCES, INC.
FOR COMPULSORY POOLING
E/2 OF SECTION 24, TOWNSHIP 22 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO**

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CASE 12578:

Application of Concho Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations and pools developed on 320-acre spacing in the E/2 of Section 14 Township 23 South, Range 26 East, NMPM, which includes but is not necessarily limited to the Undesignated Happy Valley-Morrow Gas Pool, Undesignated East McKitrick Hills-Atoka Gas Pool, Southeast Revelation Strawn-Gas Pool, and the McKitrick Canyon-Upper Pennsylvanian Gas Pool. Said units are to be dedicated to its Filaree "24" Federal Com Well No. 2 to be drilled at a standard location 1300 feet from the South line and 750 feet from the East line of said Section 24 to a depth sufficient to test all formations from the surface to the base of the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Concho Resources, Inc. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 6 miles west of Carlsbad, New Mexico.