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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

November 7, 2001

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Big "D" State Well No. 1
Lots 3-6,11-14 of Irregular Section 6, T16S, R34E
Application of Concho Oil & Gas Corp.
for compulsory pooling, an unorthodox oil location
and various non-standard gas proration units
Lea County, New Mexico

Case 12775

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OIL CONSERVATION DIV

Dear Ms. Wrotenbery:

On behalf of Concho Oil & Gas Corp., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for December 6, 2001. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Concho Oil & Gas Corp.
Attn: Mike Gray

CASE 12775 Application of Concho Oil & Gas Corp. for compulsory pooling, an unorthodox oil well location and various non-standard proration and spacing units, 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 Irregular Section 6, T16S, R34E, NMPM, Eddy County, New Mexico, in the following manner: (i) Lots 3-6 and 11-14 to form a non-standard 298.36-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Hume-Morrow Gas Pool, and Hume-Atoka Gas Pool; (ii) Lots 11-14 to form a non-standard 143.76-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and (iii) Lot 11 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent including but not limited to the Kenmitz Cisco Pool, the Wolcamp formation and the Strawn formation. The units are to be dedicated to its Big "D" State Well No. 1 to be drilled and completed at standard gas well location, but in the event of oil production, then an unorthodox oil well location 147.96 feet from the west line and 659 feet from the south line of Lot 11 of this section. Applicant further seeks an order prescribing terms ("operating provisions") pursuant to which future operations may be conducted in accordance with applicant's Joint Operating Agreement. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in said well. Said unit(s) is located approximately 11 miles northeast from Maljamar, New Mexico.

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

**IN THE MATTER OF THE APPLICATION
OF CONCHO OIL & GAS CORP. FOR
COMPULSORY POOLING, AN UNORTHODOX
OIL WELL LOCATION AND VARIOUS
NON-STANDARD PRORATION AND SPACING UNITS
LEA COUNTY, NEW MEXICO.**

CASE NO. 12775

A P P L I C A T I O N

Comes now CONCHO OIL & GAS CORP. by its attorneys, Kellahin & Kellahin, and in accordance with 1979 NMSA Section 70-2-17.C, applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Irregular Section 6, T16S, R34E, NMPM, Lea County, New Mexico, in the following manner: (i) Lots 3-6 and 11-14 to form a non-standard 298.36-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Hume-Morrow Gas Pool, and Hume-Atoka Gas Pool; (ii) Lots 11-14 to form a non-standard 143.76-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and (iii) Lot 11 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent including but not limited to the Kenmitz Cisco Pool, the Wolcamp formation and the Strawn formation. The units are to be dedicated to its Big "D" State Well No. 1 to be drilled and completed at a standard gas well location, but in the event of oil production, then at an unorthodox oil well location 147.96 feet from the west line and 659 feet from the south line of Lot 11 of this section. Applicant further seeks an order prescribing terms ("operating provisions") pursuant to which future operations may be conducted in accordance with applicant's Joint Operating Agreement. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in said well.

In support of its application, Concho Oil & Gas Corp. ("Concho") states:

1. Concho has the right to drill and develop the oil and gas minerals from the surface to the base of the Morrow formation underlying Lots 3-6 and 11-14 of Irregular Section 6, T16S, R34E, NMPM, Lea County, New Mexico.

2. Concho proposes to drill its Big "D" State Well No. 1 to be drilled and completed at a standard gas well location but in the event of oil production, then at unorthodox oil well location 147.96 feet from the west line and 659 feet from the south line of Lot 11 of this section.

3. The various possible spacing and proration units for this well are referenced above and are located within one-mile of the current boundaries of the Hume-Morrow Gas Pool, the Hume-Atoka Gas Pool and the Kemnitz Cisco Pool.

4. Concho has proposed this well and its appropriate spacing unit to the working interest owners in the spacing unit(s) as identified on Exhibit "A."

5. The proposed unorthodox well location encroaches towards Lot 12 and 13 and is necessary for a combination of topographic and geologic reasons.

6. Lots 11, 12, 13, 14 have common ownership for all categories of owners and therefore there are no correlative rights adversely affected by this location.

7. Despite its good faith efforts, Concho has been unable to obtain a written voluntary agreement from the parties listed on Exhibit "A."

8. Pursuant to NMSA 1979 Section 70-2-17.C and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

9. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" and to the parties towards whom this well encroaches as listed on Exhibit "B" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for December 6, 2001.

WHEREFORE, Concho, as applicant, requests that this application be set for hearing on December 6, 2001 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

- (1) Concho Oil & Gas Corp. be named operator;
- (2) approval on an unorthodox oil well location for the well;
- (3) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (4) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (5) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (6) an order prescribing terms ("operating provisions") pursuant to which future operations may be conducted in accordance with applicant's Joint Operating Agreement.
- (7) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

EXHIBIT "A"
parties to be pooled

Frank G. Holtemann
P. O. Box 703
Nipomo, CA 93444

Larry Hunnicutt
3110 Thomas Avenue, Apt 113
Dallas, Texas 75204-3976

B&P Resources, Inc.
c/o TrinAca Investment
P. O. Box 2325
Corrales, NM 87048-2325

William J. Rome
c/o TrinAca Investment
P. O. Box 2325
Corrales, NM 87048-2325

George B. Rome
c/o TrinAca Investment
P. O. Box 2325
Corrales, NM 87048-2325

Linda L. Tuggle
c/o TrinAca Investment
P. O. Box 2325
Corrales, NM 87048-2325

William G. Kluck and Nancy Kluck
c/o TrinAca Investment
P. O. Box 2325
Corrales, NM 87048-2325

Robert D. L. Gardiner
c/o TrinAca Investment
P. O. Box 2325
Corrales, NM 87048-2325

Rodney A. Weary
c/o TrinAca Investment
P. O. Box 2325
Corrales, NM 87048-2325

John C. Cory
c/o TrinAca Investment
P. O. Box 2325
Corrales, NM 87048-2325

Avalon Petroleum Company
c/o TrinAca Investment
P. O. Box 2325
Corrales, NM 87048-2325

BIG "D" STATE #1 WELL NOTICES OF UNORTHODOX LOCATION

WI Owner	Address
Robert O. Anderson	P O Box 1000 Roswell NM 88202-1000
T. J. Bell	P O Box 30365 Albuquerque NM 87190-0365
Hayes Land & Production Co.	P O Box 51407 Midland TX 79710
M. Brad Bennett	P O Box 51510 Midland TX 79710-1510
James F. Crank and wife, Celia Crank	P O Box 30365 Albuquerque NM 87190-0365
Jasha Cultreri	601 N. Marienfeld, Suite 500 Midland TX 79701-4364
Fillmore-Pangle, Inc.	4506 Olive Green Ct Houston TX 77059
Daniel E. Gonzalez	P O Box 2475 Santa Fe NM 87504-2475
Blaine Hess	P.O. Box 326 Roswell NM 88202-0326
Frank G. Holtemann	P.O. Box 703 Nipomo, CA 93444
Larry Hunnicutt	3110 Thomas Ave., Apt. 113 Dallas TX 75204-3976
Sisbro Oil and Gas, LLC	3600 S Yosemite Denver CO 80237-1812
Mizel Resources-a Trust	5801 # 41st St. #104 Tulsa, OK 74135
Brian Reid	601 N. Marienfeld, Suite 501 Midland TX 79701
Smith Energy Investments, LLC	8801 Spain NE Albuquerque NM 87111
B&P Resources, Inc.	c/o TrinAca Investment P O Box 2325 Corrales NM 87048-2325
William J. Rome	c/o TrinAca Investment P O Box 2325 Corrales NM 87048-2325



BIG "D" STATE #1 WELL NOTICES OF UNORTHODOX LOCATION

WI Owner	Address
George B. Rome	c/o TrinAca Investment P O Box 2325 Corrales NM 87048-2325
Linda L. Tuggle	c/o TrinAca Investment P O Box 2325 Corrales NM 87048-2325
William G. Kluck and Nancy Kluck	c/o TrinAca Investment P O Box 2325 Corrales NM 87048-2325
Robert D. L. Gardiner	c/o TrinAca Investment P O Box 2325 Corrales NM 87048-2325
Rodney A. Weary	c/o TrinAca Investment P O Box 2325 Corrales NM 87048-2325
John C. Cory	c/o TrinAca Investment P O Box 2325 Corrales NM 87048-2325
Avalon Petroleum Company	c/o TrinAca Investment P O Box 2325 Corrales NM 87048-2325
Stirling A. & Rosemary W. Colgate Trust	422 Estante Way Los Alamos NM 87544
Twodubyah, LLC	P O Box 30365 Albuquerque NM 87190-0365
Ware Oil & Gas Inc.	P O Box 3601 Midland TX 79701
Sun Valley Energy Corp.	P O Box 1000 Roswell NM 88202-1000
Robert B. Anderson	P O Box 1000 Roswell NM 88202-1000
Phelps Anderson	P O Box 1000 Roswell NM 88202-1000