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December 31, 2002

Hand Delivered

Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

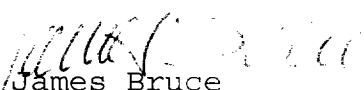
Case 12995

Dear Florene:

Enclosed are an original and one copy of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Concho Oil & Gas Corp. Please set this matter for the January 23, 2003 Examiner hearing. Thank you.

The advertisement is also on the enclosed disk under "COGC."

Very truly yours,


James Bruce

Attorney for Concho Oil & Gas Corp.

PARTIES BEING POOLED

Read & Stevens Inc.

First Century Oil Inc.

BWB Partners 1

Eastland Oil company

Eastland Exploration, Inc.

FISCO, Inc.

H.F. Glover Estate

Myrl Sawyer Good

Candace Good Jacobson Trust A

Candace Good Jacobson Trust B

McBride Oil & Gas Corporation

Nortex Corporation

Earlene C. Tweedy Trust

Western Oil Producers, Inc.

Westway Petro

Devon Energy Production Company, L.P.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CONCHO OIL & GAS
CORP. FOR COMPULSORY POOLING AND
AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

Case No. 12995

APPLICATION

Concho Oil & Gas Corp. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N½ of Section 20, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and approval of an unorthodox gas well location, and in support thereof, states:

1. Applicant is a working interest owner in the N½ of Section 20, and has the right to drill a well thereon.

2. Applicant proposes to drill its Dayton Flyer Well No. 1 in the SW¼NE¼ of the section, and seeks to dedicate the N½ of Section 20 to the well for all pools or formations developed on 320 spacing within that vertical extent, including the Atoka-Pennsylvanian Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the N½ of Section 20 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 N½ of Section 20, pursuant to NMSA 1978 §70-2-17.

5. The well is in the Atoka-Pennsylvanian Gas Pool, which is spaced on 320 acres, with wells to be located in either the NW¼ or SE¼ of a section, and no closer than 990 feet to the outer boundary of a quarter section. Therefore, the well's location is unorthodox.

6. The pooling of all mineral interests underlying the N½ of Section 20, and approval of the unorthodox location, 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 N½ of Section 20, from the surface to the base of the Morrow formation;
- B. Approving the unorthodox location;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- E. Approving actual operating charges and supervision costs, together with a provision adjusting those rates as provided in the COPAS accounting procedure; and
- F. Setting a penalty 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", is written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Concho Oil & Gas Corp.

PROPOSED ADVERTISEMENT

Case 12995: Application of Concho Oil & Gas Corp. for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N $\frac{1}{2}$ of Section 20, Township 18 South, Range 26 East, NMPM, 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 but not limited to the Atoka-Pennsylvanian Gas Pool. The unit is to be dedicated to applicant's Dayton Flyer Well No. 1, to be located at an unorthodox gas well location in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 20. 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 charge for the risk involved in drilling and completing the well. The unit is located approximately 1 mile northwest of Dayton, New Mexico.