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**Recognized Specialist in the Area of  
Natural Resources - oil and gas law -  
New Mexico Board of Legal Specialization**

June 24, 2003

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Devon OEL Inc.  
P.O. Box 108838  
Oklahoma City, OK 73101  
Attn: Ms. Meg Muhlinghause

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

Dear Interest Owner:

This letter is to advise you that Concho Exploration, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. This application has been set for hearing before a Division Examiner on July 24, 2003. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Sincerely,



Michael H. Feldewert  
Holland & Hart, LLP  
Attorneys for Concho Exploration, Inc.

MHF/jlp  
Enclosure

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COPY

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.

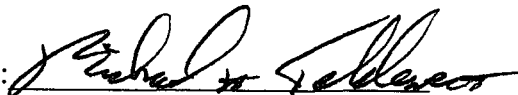
7. Increasing the depth bracket allowable for the Shugart-Delaware Pool to conform to the producing depth of Concho's new well will not damage the reservoir or cause surface or underground waste.

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 13108 :     **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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Re: Application of Concho Exploration, Inc. to Increase the Depth Bracket Allowable  
for the Shugart-Delaware Pool, Eddy County, New Mexico

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