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March 9, 2000

**HAND-DELIVERED**

Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87503

12369

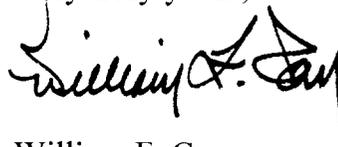
OIL CONSERVATION DIV.  
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Re: Application of Concho Resources, Inc. for compulsory Pooling, Eddy County,  
New Mexico

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Concho Resources, Inc. in the above-referenced case as well as a copy of the legal advertisement. Concho Resources, Inc. requests that this matter be placed on the docket for the April 6, 2000 Examiner hearings.

Very truly yours,



William F. Carr

WFC/md  
Enclosures

cc: Mr. Michael M. Gray (w/enclosures)  
Concho Resources, Inc.  
Suite 410  
110 W. Louisiana  
Midland, Texas 79701

**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.**

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OIL CONSERVATION DIV.

**CASE NO.**

**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 from the surface to the base of the Mississippian formation in the N/2 in Section 10, Township 17 South, Range 35 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Concho is a working interest owner in the N/2 of Section 10 and has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced spacing or proration units to its South Shoebar State Com Well No. 2 to be drilled to a standard location 1800 feet from the North line and 990 feet from the West line said Section 10, to a depth sufficient to test any and all formations from the surface to the base of the Mississippian formation. The primary objective in the well will be the Morrow formation, Undesignated South Shoe Bar-Atoka Gas Pool, Undesignated South Shoe Bar -Morrow Gas Pool, and Undesignated South Shoe Bar-Mississippian Gas Pool.

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.

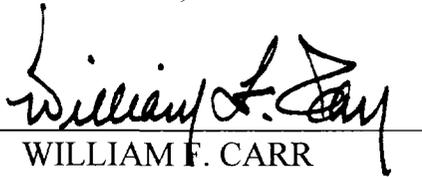
WHEREFORE, Concho Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 6, 2000 and, after notice and hearing as required by law, the Division enter its order:

- 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:   
WILLIAM F. CARR  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR CONCHO RESOURCES, INC.

**EXHIBIT A**

**APPLICATION OF  
CONCHO RESOURCES, INC.  
FOR COMPULSORY POOLING  
N/2 OF SECTION 10, TOWNSHIP 17 SOUTH, RANGE 35 EAST, N.M.P.M.  
EDDY COUNTY, NEW MEXICO**

Southwestern Energy Production Company  
2350 N. Sam Houston Parkway East  
Suite 500  
Houston, Texas 77032

Attention: Sam Thompson

Phillips Petroleum Co.  
4001 Pembroke Avenue  
Odessa, Texas 79762

Attention: Randy Lewicki

CASE 12369 :

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 developed on 320-acre spacing from the surface to the base of the Mississippian formation in the N/2 of Section 10 Township 17 South, Range 35 East, NMPM. Said units are to be dedicated to its South Shoebar 10 State Com Well No. 2 to be drilled at a standard location 1800 feet from the North line and 990 feet from the West line of said Section 10 to a depth sufficient to test all formations from the surface to the base of the Mississippian formation, Undesignated South Shoe Bar-Atoka Gas Pool, Undesignated South Shoe Bar-Morrow Gas Pool, and the Undesignated South Shoe Bar-Mississippian Gas Pool. 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 10 miles Southwest of Lovington, New Mexico.