



T. Kent Woolley, CPL
Landman Advisor

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May 1, 2000

Southwestern Energy Production Company
2350 N. Sam Houston Pkwy East, Suite 300
Houston, TX 77032
Attn: Sam Thompson

RE: Concho's proposed
Herman 10 Federal Com. #1
Eddy County, New Mexico

Dear Sam:

In an attempt to settle the Force Pooling issue between Concho Resources and Southwestern Energy over the captioned well, OXY proposes the following:

1. OXY USA Inc. will Farmout to Southwestern Energy, OXY's interest in the SW/4 of Section 14, T21S-R34E, Lea County, New Mexico. It would appear that OXY has 80.0 net acres in the SW/4 with a net revenue interest of 87.5% limited to rights from 5200' down to 14,465';
2. Southwestern Energy will Farmout to OXY USA Inc., Chi Energy and Yates Petroleum all of its interest in the N/2 SW/4 and N/2 SE/4 of Section 10, T17S-R27E, Eddy County, New Mexico. It would appear Southwestern Energy has 80.0 net acres with a net revenue interest of 83.333%;
3. Each party hereto will deliver its entire working interest and will not retain an overriding royalty interest;
4. Upon notice of intention to spud, the Farmor will deliver a formal Farmout Agreement which, among other items, provides for the following:
 - a) 9-month term effective May 1, 2000;
 - b) Wells contemplated hereunder shall be on a "produce to earn" basis; 150' below deepest producing zone drilled by either party;
 - c) Substitute well provision;
 - d) 90-day continuous drill option;
 - e) Assignments earned would be without warranty of title;
 - f) The Farmout will inure to and benefit OXY USA Inc., Chi Energy and Yates Petroleum.

OF RECONS
this date;

If this proposal is acceptable please indicate below.

Yours truly,
OXY USA Inc.

T. Kent Woolley
TKW/gw

Agreed to and accepted this 1st day of May, 2000.

Southwestern Energy Production Company

By: [Signature]

Title: Attorney-in-Fact (B)

An Occidental Oil & Gas Company

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 12377 Exhibit No. 10
Submitted By:
Concho Resources, Inc.
Hearing Date: June 29, 2000