


**Santa Fe Snyder Corporation****VIA FAX AND CERTIFIED MAIL****Fax (281) 618-4757****April 13, 2000****Southwestern Energy Production Company
2350 N. Sam Houston Parkway East, Suite 300
Houston, Texas 77032****ATTN: Mr. Samuel Glenn Thompson****Re: Proposed 13,700' Morrow Test
Paloma Blanco "17" Federal #1
1,980' FNL & 660' FWL
N/2 Section 17, T-23-S, R-34-E
Lea County, New Mexico
PALOMA PROSPECT - NM-0964****Gentlemen:**

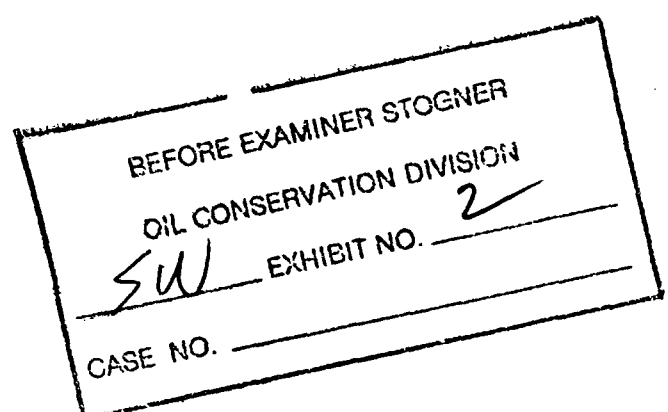
Reference is made to all previous correspondence between Santa Fe Snyder Corporation (Santa Fe) and Southwestern Energy Production Company (SWN) concerning the drilling of a deep test in Section 17, T-23-S, R-34-E, Lea County, New Mexico.

Santa Fe remains committed to drilling its proposed Paloma Blanco "17" Federal #1 well as a 13,700' Morrow test at a location 1,980' FNL & 660' FWL Section 17, T-23-S, R-34-E, Lea County, New Mexico, as proposed to you by letter dated December 9, 1999. Santa Fe also remains willing to accept a term assignment of SWN's interest in the N/2 of said Section 17 on mutually acceptable terms should SWN choose not to participate in the proposed well.

Please feel free to contact the undersigned if you would like to discuss this matter at greater length. My direct number is (915) 686-6712.

Sincerely,**SANTA FE SNYDER CORPORATION**
**Steven J. Smith
Senior Staff Landman**

PalomaBlanco17-1c.doc

**Central Division
550 West Texas Avenue, Suite 1330
Midland, Texas 79701-4257
915/687-3551**



**Southwestern Energy
Production Company**

A subsidiary of Southwestern Energy Company

2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
(281) 618-4700 FAX: (281) 618-4757

Samuel Glenn Thompson
Staff Landman-Exploration

**April 7, 2000
Concho Resources, Inc.
110 W. Louisiana
Suite # 410
Midland, TX 79701**

**Attn: Mr. Michael M. Gray fax 915-683-7441
Re: Sec 17-23S-34E
 Lea Co., NM
 Maucho Prospect**

Gentlemen:

This letter is written as an offer to resolve the maintenance of uniform interest issue relative to acreage in the N/2 of Sec 17-23S-34E, Lea County, New Mexico. Southwestern Energy Production Company(SWN) respectfully requests an extension of time on the Term Assignment dated March 15, 1999 between Concho Resources, Inc. and SWN whereby said Assignment would not expire until January 15, 2001 or until 30 days after the Paloma Blanco "18" Fed Com #1 well reaches T.D., whichever is the later date. Said well is to be drilled by Santa Fe in Sec 18-23S-34E. As exchange consideration for the aforementioned extension SWN and Concho agree to waive the maintenance of uniform interest provision of the existing Operating Agreement and in fact, delete Sections 5,8,16 & 17 from the Operating Agreement attached to that letter agreement dated March 3, 1999.

If you agree to the proposed offer please sign and return one copy of this letter by April 10, 2000.

Respectfully,


SGThompson

**ACCEPTED & AGREED TO THIS _____ DAY OF
_____, 2000**

By: Concho Resources, Inc

CONCHO RESOURCES INC.

Suite 410
110 W. Louisiana
Midland, Texas 79701

(915) 683-7443
Fax 683-7441

April 7, 2000

VIA FAX (281) 618-4757

Southwestern Energy
Production Company
2350 N. Sam Houston
Parkway East
Suite 300
Houston, TX 77032

ATTENTION: Mr. Samuel Thompson

Re: Gazelle Prospect
T-23-S, R-34-E
Sections 5, 8, 9, 16 and 17
Lea County, New Mexico

Gentlemen:

This letter sets forth the agreement between Concho Resources Inc. ("Concho") and Southwestern Energy Production Company ("Southwestern") regarding the captioned acreage. Concho and Southwestern, in consideration of the covenants and promises made herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agree as follows:

1. Concho and Southwestern entered into that certain (a) Term Assignment dated March 15, 1999, recorded in Book 963, Page 175 of the Records of Lea County, New Mexico, covering the N/2 of Section 17-23S-34E, N.M.P.M., Lea County, New Mexico, United States Lease Serial Number NMNM 97157 (the "§17TA"); (b) Term Assignment dated March 15, 1999, recorded in Book 959, Page 545 of the Records of Lea County, New Mexico, covering the W/2 NE/4, SE/4 NE/4, W/2, and E/2 SE/4 of Section 16, T-23-S, R-34-E, N.M.P.M., Lea County, New Mexico (the "§16TA"); and (c) Joint Operating Agreement dated March 4, 1999, covering Sections 5, 8, 9, 16 and 17, T-23-S, R-34-E, N.M.P.M., Lea County, New Mexico (the "JOA").
2. The §16TA terminated by its own terms on March 15, 2000, as there was no well being drilled or otherwise producing oil or gas in paying quantities at such date, and Southwestern therefor lost all right, title and interest in the lands covered thereby.

3. The W/2 of Section 9, T-23-S, R-34-E, is now subject to that certain Operating Agreement dated March 15, 1999, between Concho, Southwestern and Phillips Petroleum Company, and such lands are no longer subject to the JOA in any respect.
4. As of the date hereof, the JOA is effective only as to Sections 5, 8 and 17, and the E/2 of Section 9, T-22-S, R-34-E, N.M.P.M., Lea County, New Mexico.
5. Within five days from receipt of an executed copy of this agreement from Southwestern, Concho will grant to Southwestern, in recordable form, an extension of the primary term of the §17TA for an additional ~~four~~ months from September 15, 2000, such that the primary term of the §17TA shall end on January 15, 2001.
⑥ six months MARIA ③ MM
6. From and after the date hereof, but effective as of November 30, 1999, the JOA shall be deemed to be terminated in all respects as to all lands other than the E/2 of Section 9, T-23-S, R-34-E, N.M.P.M., Lea County, New Mexico, and is hereby amended and modified accordingly.

If this agreement meets with your approval, please execute and return one copy by fax and mail on or before 5:00 p.m., Daylight Savings Time, Friday, April 7, 2000.

Very truly yours,

[Signature]
 Michael M. Gray
 Senior Landman

MMG/lhc

AGREED THIS 7th day of April, 2000:

SOUTHWESTERN ENERGY PRODUCTION COMPANY

By: *[Signature]*

Its: *[Signature]*



**Southwestern Energy
Production Company**

A subsidiary of Southwestern Energy Company

2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
(281) 618-4700 FAX: (281) 618-4757

Samuel Glenn Thompson
Staff Landman

March 9, 2000

VIA FAX AND CERTIFIED MAIL

Santa Fe Snyder Corporation
550 W. Texas Suite 1330
Midland, TX 79701

Attn: Mr. Curtis D. Smith fax # 915-686-6714

Re: SWN Baywatch "17" Fed Com #1
1310' FNL & 1310' FWL
Sec 17-23S-34E
Lea County, NM
Antelope Bay II Prospect

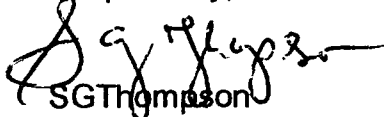
Gentlemen:

Southwestern Energy Production Company (SWN) proposes the drilling of a 12,600' Atoka Test at the captioned location as a W/2 spacing unit. According to Conoco Santa Fe owns an interest in Conoco's acreage in the SW/4 of Section 17.

You will find enclosed SWN's AFE relative to the drilling of said proposed well. If you are interested in participation SWN will gladly forward its standard Operating Agreement naming SWN as Operator. In the event you would rather farmout or sell please advise and SWN will negotiate. Since SWN has an interest that expires in the near term please consider an early response.

If you require further information do not hesitate to contact the undersigned landman.

Respectfully,


SGThompson
Mba/sgt

SOUTHWESTERN ENERGY PRODUCTION COMPANY

Drilling/Completion Operations

DATE 4/6/00		Detail Cost Estimate			PREPARED BY J. Tutty/PG		
PROSPECT/ FIELD Maucho West Prospect		OPERATOR Southwestern Energy		WELL NAME Maucho "17" Fed Com		WELL NUMBER #1	
STATE New Mexico		COUNTY/PARISH Lea County		LOCATION 1980' FNL & 660' FEL		PROPOSED TOTAL DEPTH 13,700'	
DRILL / COMPLETE <input checked="" type="checkbox"/> WORKOVER-RECOMPLETION <input type="checkbox"/> SINGLE <input checked="" type="checkbox"/>		EQUIP <input type="checkbox"/> WORKOVER-MAINTENANCE <input type="checkbox"/> DUAL <input type="checkbox"/>		EXPLORATORY <input checked="" type="checkbox"/> OIL WELL <input type="checkbox"/>		OBJECTIVE / FORMATION(S) Morrow	
RETIREMENT (P&A) <input type="checkbox"/> DRILL & EVALUATE <input type="checkbox"/> OTHER <input type="checkbox"/>				DEVELOPMENT <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/>			
SUB-ACCOUNT		Casing Pt. Completion		Casing Point Cost		Completion Cost	Total Cost
121-001				RIG - TURNKEY		33,600	33,600
121-005				RIG - FOOTAGE			
121-010		122-010		RIG - DAYWORK 56 days @ \$6,000/day 8 days @ \$1,200/day		336,000 9,600	345,600
121-012				DRILL RIG MOBILIZATION		27,000	27,000
121-013				CONDUCTOR HOLE/DRIVE PIPE SERVICES			
121-015		122-015		ROAD & LOCATION		42,000	42,000
121-020		122-020		FUEL, POWER AND WATER		35,000	35,000
121-025		122-025		DRILLING/COMPLETION FLUIDS & CHEMICALS		60,000	60,000
121-030		122-030		DRILL BITS		60,000	60,000
121-032				DIRECTIONAL DRILLING AND RELATED SERVICES			
121-035				OPEN HOLE LOGGING		45,000	45,000
121-040				MUD LOGGING		19,250	19,250
		122-040		PERFORATING/CASED HOLE LOGGING			14,000
121-055		122-055		CEMENT AND CEMENTING		48,000 6,000	54,000
		122-060		STIMULATION- ACID/Frac			20,000
121-063		122-063		TANK TRUCKS/ MISC PUMPING SERVICES			
121-065		122-065		EQUIPMENT RENTAL		40,000 4,500	44,500
121-070		122-070		CASING CREW			
121-153		122-153		WIRELINE SERVICE			
121-075		122-075		TRANSPORTATION- TRUCKING/TUGS/BARGES/ETC.		6,100	6,100
121-080		122-080		SUPERVISION & TECHNICAL		30,800 5,500	36,300
121-085		122-085		CONTRACT LABOR			20,000
121-090		122-090		CASING/TUBING & DRILL PIPE INSPECTION & TESTING		10,000 10,000	20,000
121-095		122-095		PERMITS,SURVEYS, CURATIVE, TITLE AND DRILL SITE OPINION			
121-930				INSURANCE			
121-105		122-105		ENVIRONMENTAL & POLLUTION/ DISPOSAL			
121-190				PLUGGING AND ABANDONMENT (DRY HOLE)		30,000	
121-925		122-925		DRILLING/COMPLETION OVERHEAD		10,000 5,000	15,000
121-950		122-950		MISCELLANEOUS		83,275 4,460	87,735
				TOTAL INTANGIBLE COST		916,025	99,060
				TANGIBLE COST			
124-005				DRIVE PIPE			
124-010				CONDUCTOR PIPE 20" @ 40'		3,000	3,000
124-015				SURFACE CASING 13-3/8" @ 650'		10,673	10,673
124-020				INTERMEDIATE CASING 9-5/8" @ 5,000'		61,200	61,200
124-020				2ND INTERMEDIATE CASING 7" @ 11,800'		135,700	135,700
124-030				DRILLING LINER			
		125-025		PRODUCTION CASING OR PROD. LINER 4-1/2" @ 11,600'-14,000'			15,696
		125-035		PRODUCTION TUBING 2-3/8" @ 13,700'			40,740
124-045		125-045		PACKERS/RETAINERS/LINER HANGERS			15,000
124-055		125-055		WELLHEAD EQUIPMENT		5,000 15,000	20,000
124-950		125-950		MISCELLANEOUS EQUIPMENT		4,000 2,000	6,000
				OTHER (SPECIFY CHARGE AND RELATED ACCT. NO.)			
				TOTAL TANGIBLE COST		219,573	88,436
				PRODUCTION EQUIPMENT			
		125-040		FLOWLINES			
		125-047		TANK BATTERY AND ASSOCIATED EQUIPMENT			
		125-060		SURFACE PROD EQUIPMENT- SEP/HTR TRTR/PROD. UNIT/CMPR/PROD. BARGE			
		125-062		SURF. PUMPING EQUIPMENT W/ PRIME MOVER			
		125-065		SUBSURFACE EQUIPMENT-RODS/B.H. PUMP/TBG. ANCHOR			
		125-075		GATHERING/PIPE LINES			
		125-095		NON-CONTROLLABLE EQUIPMENT			
		125-950		MISCELLANEOUS EQUIPMENT			
				OTHER (SPECIFY CHARGE AND RELATED ACCT. NO.)			
				TOTAL PRODUCTION EQUIPMENT COST			
				TOTAL WELL COST		1,135,598	187,496
							1,293,094

SEPCO'S estimate of the anticipated costs for the test well or operation are specified above. This estimate shall determine prepaid dry hole costs, completion costs or costs of other operations, and your approval of this estimate signifies that SEPCO's estimate is reasonable. Participating parties in a test well or operation shall be responsible for actual costs in accordance with the terms of the joint operating agreement

SEPCO Approvals

BY: _____
BY: _____
BY: _____
BY: _____

Non-Operator Approvals

COMPANY: _____
BY: _____
BY: _____
BY: _____

SEPCO GROSS WORKING INTEREST 41.000% BCP 41.000% ACP

OTHER GROSS WORKING INTEREST 59.000% BCP 59.000% ACP



**Southwestern Energy
Production Company**

A subsidiary of Southwestern Energy Company

2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
(281) 618-4700 FAX: (281) 618-4767

Samuel Glenn Thompson
Staff Landman

March 6, 2000

VIA FAX AND CERTIFIED MAIL 915-683-7441

**Concho Resources, Inc.
110 W. Louisiana
#410
Midland, Tx 79701**

Attn: Mr. Mike Gray

**Re: Well Proposal
NW/4 Sec 17-23S-34E
Lea County, NM
Antelope Bay Prospect**

Gentlemen:

Pursuant to the terms of our Letter Agreement dated March 3, 1999 and the Operating Agreement attached thereto as to form Southwestern Energy Production Company(SWN) hereby proposes the drilling of a 12,600' Atoka Test at a legal location in the center of the NW/4 of the captioned section. It is SWN's official position that Concho has 30 days from today's date to elect to participate or deliver a 75% nri until payout with the option to convert your retained orri to a 25% wi, proportionately reduced.

You will find enclosed SWN's AFE indicating a dry hole cost of \$1,124,100 and a completed well cost of \$1,508,100. Please evaluate and respond at your earliest opportunity due to the Term Assignment expiring in the near term.

If you need further information do not hesitate to contact the undersigned landman.

Respectfully,

**Samuel Glenn Thompson
Sgt/mba
CC: Santa Fe Snyder (information purposes only)**



**Southwestern Energy
Production Company**

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2350 N. Sam Houston Parkway East
Suite 300
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(281) 618-4700 FAX: (281) 618-4757

Samuel Glenn Thompson
Senior Exploration Landman

December 14, 1999

Concho Resources, Inc.
110 W. Louisiana, Suite 410
Midland, Texas 79701

Attn: Mr. Michael M. Gray

Re: Mauchio Prospect Joint Operating Agreement
Lea County, New Mexico

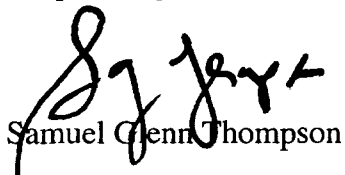
Gentlemen:

As you know, Santa Fe has sent us a well proposal in Sec. 17-23S-34E requesting a N/2 Unit for the Morrow Formation. According to our records, Santa Fe owns no interest in the tract. If they do own an interest, I don't show any evidence that Southwestern Energy Production Company (SWN) has waived the maintenance of uniform interest provision under the Joint Operating Agreement.

With this letter, SWN is advising Santa Fe that we do not consider the Santa Fe well proposal to be a valid proposal until SWN resolves the Operating Agreement issue with Concho. Accordingly, we cannot respond to the subject proposal since we do not recognize Santa Fe as having an interest therein.

SWN encourages a quick resolution. If you have any comments please contact the undersigned Landman.

Respectfully,



Samuel Glenn Thompson

SGT:df

Cc: Steve Smith

**Santa Fe Snyder Corporation**
VIA FAX AND CERTIFIED MAIL

Fax (281) 618-4757

December 9, 1999

Southwestern Energy Production Company
2350 N. Sam Houston Parkway East, Suite 300
Houston, Texas 77032
ATTN: Mr. Samuel Glenn Thompson

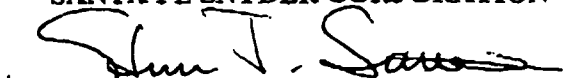
Re: Well Proposal
Paloma Blanco "17" Federal #1
1,980' FNL & 660' FWL
Section 17, T-23-S, R-34-E
Lea County, New Mexico
PALOMA PROSPECT - NM-0964

Ladies and Gentlemen:

Santa Fe Snyder Corporation (Santa Fe) hereby proposes to drill a 13,700' Morrow test at a location 1,980' FNL & 660' FWL of Section 17, T-23-S, R-34-E, Lea County, New Mexico. If the well is successfully completed in the Morrow formation, a proration unit consisting of the N/2 of Section 17 would be established. Based upon our most current title information, Southwestern Energy Production Company appears to own an undivided 50% of the operating rights in the N/2 of said Section 17. If this is incorrect, please advise.

Enclosed for your review and further handling are duplicate original AFE Well Cost Estimates for the proposed well. Should you choose to participate in the proposed well, please execute and return one copy of this letter and one copy of the enclosed AFE. I will be forwarding an Operating Agreement for your review and execution in the next few days.

Sincerely,

SANTA FE SNYDER CORPORATION
Steven J. Smith
Senior Staff Landman

_____ Southwestern Energy Production Company hereby elects to **PARTICIPATE** in drilling the proposed Paloma Blanco "17" Federal #1 Well.

_____ Southwestern Energy Production Company hereby elects **NOT TO PARTICIPATE** in drilling the proposed Paloma Blanco "17" Federal #1 Well.

SOUTHWESTERN ENERGY PRODUCTION COMPANY

By: _____

Title: _____

Date: _____

PalomaBlanco17.doc

Central Division
550 W. Texas, Suite 1330
Midland, Texas 79701
915/887-3551