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October 24, 2000

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

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 Resources, Inc. Please set this matter for the November 16, 2000 Examiner hearing. Thank you.

The application and advertisement are also on the enclosed disk under "Conch."

Very truly yours,



James Bruce

Attorney for Concho Resources, Inc.

OIL CONSERVATION DIV.
OCT 24 AM 1:34

12536

EXHIBIT A

Parties being pooled:

Virginia Collier Howell
RR 639
Meadows of Dan, Virginia 24120

Bachmann Partnership No. Two
c/o Grover Cleveland Bachmann, Jr.,
General Partner
470 Orleans Street
Beaumont, Texas 77701

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

NEW MEXICO OIL CONSERV DIV.
OCT 24 AM 1:34

APPLICATION OF CONCHO RESOURCES,
INC. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

No. 12536

APPLICATION

Concho Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S $\frac{1}{2}$ of Section 32, Township 18 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the S $\frac{1}{2}$ of Section 32, and has the right to drill a well thereon.

2. Applicant proposes to drill its Southern Cross 32 State Com. Well No. 1, at an orthodox well location 1650 feet from the south line and 1980 feet from the west line of the section, and seeks to dedicate the following acreage to the well:

(a) The SW $\frac{1}{4}$ of Section 32 for all pools or formations developed on 160 acre spacing within that vertical extent; and

(b) The S $\frac{1}{2}$ of Section 32 for all pools or formations developed on 320 spacing within that vertical extent, including the Antelope Sink-Morrow Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S $\frac{1}{2}$ of Section 32 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

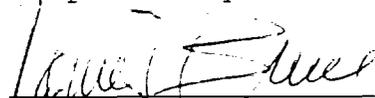
well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the S½ of Section 32, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the S½ of Section 32, as set forth above, 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 S½ of Section 32, from the surface to the base of the Morrow formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- D. Approving actual operating charges and supervision costs, together with a provision adjusting those rates as provided in the COPAS accounting procedure; and
- E. 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,



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

Attorney for Concho Resources, Inc.

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED

PROPOSED ADVERTISEMENT

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Case 12532: Application of Concho Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 32, Township 18 South, Range 24 East, NMPM, and in the following manner: The S $\frac{1}{2}$ 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 the Antelope Sink-Morrow Gas Pool; and the SW $\frac{1}{4}$ to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent. The units are to be dedicated to applicant's Southern Cross 32 State Com. Well No. 1, to be located 1650 feet from the south line and 1980 feet from the west line (Unit K) of Section 32. 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 units are located approximately 10 $\frac{1}{2}$ miles southeast of Hope, New Mexico.