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Case 12641

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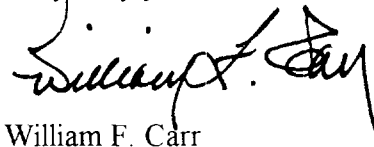
Lori Wrotenberg, Director
Oil Conservation Division
New Mexico Energy, Minerals &
Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Re: Application of Concho Resources, Inc. for compulsory pooling,
Eddy County, New Mexico

Dear Ms. Wrotenberg:

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 19, 2001 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Mr. Gary Young
Concho Resources, Inc.
110 West Louisiana, Suite 410
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.**

CASE NO. 12641

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 formations from the surface to the base of the Morrow formation in the following described spacing and proration units in the W/2 of Section 11, Township 16 South, Range 27 East, N.M.P.M., Eddy County, New Mexico:

- A. the W/2 for all formations and/or pools developed on 320-acre spacing and proration units which includes but is not necessarily limited to the Diamond Mound-Morrow Gas Pool; and
- B. the SW/4 for all formations and/or pools developed on 160-acre spacing and proration units which includes but is not necessarily limited to the Undesignated Southeast Diamond Mound-Grayburg Gas Pool.

In support of its application, Concho states:

- 1. Concho Resources, Inc. is a working interest owner in the W/2 of Section 11 and has the right to drill thereon.
- 2. Concho proposes to dedicate the above-referenced spacing or proration units to

its Fargo "11" Federal Well No. 1 to be drilled at a standard location 660 feet from the South and West lines (Unit M) of said Section 11, to an approximate depth of 9,200 feet to test any and all formations from the surface to the base of the Morrow formation.

3. Concho 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 Concho Resources, Inc. to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled and the proposed well should be drilled.

WHEREFORE, Concho Resources, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 19, 2001 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 Resources, Inc. 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 Concho Resources, Inc. in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART, LLP
AND
CAMPBELL & CARR

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
W/2 OF SECTION 11, TOWNSHIP 16 SOUTH, RANGE 27 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO**

E&S Petroleum, Inc.
Post Office Box 2825
Amarillo, Texas 79105

Matador Petroleum Corporation
8340 Meadow Road
Suite 158, Pecan Creek
Dallas, Texas 75231-3751

Attention: Brent Robertson

CASE 12641: 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 from the surface to the base of the Morrow formation underlying the following described acreage in Section 11, Township 16 South, Range 27 East in the following manner: the W/2 for any formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Diamond Mound-Morrow Gas Pool; and the SW/4 for any formations and/or pools developed on 160-acre spacing which includes but is not necessarily limited to the Undesignated Southeast Diamond Mound-Grayburg Gas Pool. Said units are to be dedicated to its Fargo "11" Federal Well No. 1 to be drilled at a standard location 660 feet from the South and West lines (Unit M) of said Section 11. 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 12 miles northeast of Artesia, New Mexico.