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March 27, 2001

HAND-DELIVERED

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

Case 12642

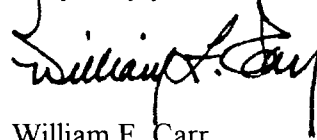
CLERK
MAR 27 PM 3:27

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 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. 12642

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 31, Township 18 South, Range 31 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 Undesignated North Shugart-Morrow Gas Pool; and
- B. the SW/4 for all formations and/or pools developed on 160-acre spacing and proration units.

In support of its application, Concho states:

- 1. Concho Resources, Inc. is a working interest owner in the W/2 of Section 31 and has the right to drill thereon.
- 2. Concho proposes to dedicate the above-referenced spacing or proration units to its West Shugart "31" Federal Com Well No. 1 to be drilled at a standard location in the E/2

SW/4 of said Section 31, to an approximate total vertical depth of 12,300 feet sufficient 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 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:

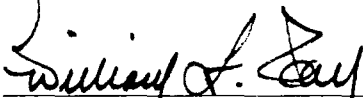
- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Concho Resources, Inc. operator of these units and the well to be drilled thereon,
- C. authorizing Concho Resources, Inc. to recover its costs of drilling, equipping and completing the well,
- D. approving 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 31, TOWNSHIP 18 SOUTH, RANGE 31 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO**

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

Attention: Brent Robertson

Hollyhock Corporation
4105 Baybrook
Midland, Texas 79707

Roger T. Elliott
4105 Baybrook
Midland, Texas 79707

CASE 12642 :

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 31, Township 18 South, Range 31 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 Undesignated North Shugart-Morrow Gas Pool; and the SW/4 for any formations and/or pools developed on 160-acre spacing. Said units are to be dedicated to its West Shugart"31" Federal Com Well No. 1 to be drilled at a standard location in the E/2 SW/4 of said Section 31. 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 southeast of Loco Hills, New Mexico.