

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

CASE NO. 12775

**APPLICATION OF CONCHO RESOURCES, INC.
FOR COMPULSORY POOLING, AN UNORTHODOX
WELL LOCATION AND VARIOUS NO-STANDARD
PRORATION AND SPACING UNITS
LEA COUNTY, NEW MEXICO**

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Concho Resources, Inc. as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Concho Resources Inc.
110 W. Louisiana Ste 410
Midland, Texas 79701
(915) 683-7443
attn: Mike Gray

ATTORNEY

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

OPPONENT

None

ATTORNEY

Pre-Hearing Statement
NMOCD CASE 12775
Page 2

STATEMENT OF THE CASE

1. Concho has the right to drill and develop the oil and gas minerals from the surface to the base of the Morrow formation underlying Lots 3-6 and 11-14 of Irregular Section 6, T16S, R34E, NMPM, Lea County, New Mexico.

2. Concho proposes to drill its Big "D" State Well No. 1 to be drilled and completed at a standard gas well location but in the event of oil production, then at unorthodox oil well location 147.96 feet from the west line and 659 feet from the south line of Lot 11 of this section.

3. The various possible spacing and proration units for this well are referenced below and are located within one-mile of the current boundaries of the Hume-Morrow Gas Pool, the Hume-Atoka Gas Pool and the Kemnitz Cisco Pool:

(a) Lots 3-6 and 11-14 to form a non-standard 298.36-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Hume-Morrow Gas Pool, and Hume-Atoka Gas Pool;

(b) Lots 11-14 to form a non-standard 143.76-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent; and

(c) Lot 11 to form a standard 40-acre oil spacing and proration unit for any formations and/or pools developed on 160-acre spacing within that vertical extent including but not limited to the Kemnitz Cisco Pool, the Wolfcamp formation and the Strawn formation.

4. Concho has proposed this well and its appropriate spacing unit to the working interest owners in the spacing unit(s).

5. The proposed unorthodox well location encroaches towards Lot 12 and 13 and is necessary for a combination of topographic and geologic reasons.

6. Lots 11, 12, 13, 14 have common ownership for all categories of owners and therefore there are no correlative rights adversely affected by this location.

7. Despite its good faith efforts, Concho has been unable to obtain a written voluntary agreement from the parties.

Pre-Hearing Statement
NMOCD CASE 12775
Page 3

8. Concho seeks the following:

- (a) Concho Oil & Gas Corp. be named operator;
- (b) approval on an unorthodox oil well location for the well;
- (c) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (d) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (e) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (f) an order prescribing terms ("operating provisions") pursuant to which future operations may be conducted in accordance with applicant's Joint Operating Agreement.
- (g) For such other and further relief as may be proper.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES	EST. TIME	EXHIBITS
Mike Gray (landman)	20 min.	@ 6 exhibits
Josha (geophysicist)	20 Min.	@ 3 exhibits

PROCEDURAL MATTERS

None anticipated

KELLAHIN AND KELLAHIN

By: 

W Thomas Kellahin