



**MEMO**

**DATE:** March 30, 2001

**TO:** Lori Wrotenbery – Director NMOCD, Sante Fe

**FAX:** (505) 476-3471

**FROM:** Herb Thackeray – Operations Engineer, Nance Petroleum

**RE:** Correlative Rights Infringement  
Young (Queen) Field  
Sec. 17 & 18, T18S-R32E

Michael Stogner suggested I contact you immediately concerning the Concho operated Xion Federal #2 well having exceeding it's allowable since recompletion to the Queen in June, 1999. Nance Petroleum's (a wholly owned subsidiary of St. Mary Land & Exploration Co.) position is the well should be shut-in immediately and remain shut-in until it is no longer overproduced.

Attached is a printout from the NMOCD website of Xion Federal #2's production data. On the right I have added columns calculating the overproduction from the 80 B/D allowable for this depth (< 4000'). As you can see it will be impossible for them to continue producing and bring it into compliance within the next six months (and possibly 12 months if they overproduced at the same rate Jan-Feb 2001)

St. Mary recently drilled and completed the Inca Federal #13 in Sec. 17 directly east of the Xion Federal #2. It is capable of producing near the full depth allowable of 80 BOPD. In this solution gas drive reservoir, our correlative rights have been infringed upon by this overproduction having lowered the BHP. Allowing them to continue depleting the reservoir's energy further violates our correlative rights.

I would like to discuss this situation with you and would appreciate a call. My direct # is (406) 255-8627.

Thanks,

A handwritten signature in dark ink, appearing to read "Herb", with a horizontal line extending to the right.

Well: XION FEDERAL No.: 002

Operator: CONCHO OIL AND GAS CORPORATION

API: 3002531793

Township: 18S Range: 32E Section: 18 Unit: H Type: F

County: Le Accumulated Oil: 94708(BBLS) Gas: 62255(MCF) Water: 3318(BBLS) Days Produced: 2552

Year: 1999

Month	Oil(BBLS)	Gas(MCF)	Water(BBL)	Days Prod.	Accum. Oil	Accum. Gas(MCF)	MONTHLY ALLOWABLE OVER-PRODUCED
January	179	129	0	31	22281	25881	
February	177	70	0	28	22438	25951	
March	139	283	0	29	22577	26234	
April	140	273	0	28	22717	26507	
May	120	234	0	24	22837	26741	
June	2596	1010	0	30	25433	27751	2400
July	3532	1215	0	30	28965	28966	2480
August	6478	1626	0	31	35443	30592	2480
September	5006	1997	0	30	40449	32589	2400
October	4435	2048	0	31	44884	34637	2480
November	3671	1748	0	30	48555	36385	2400
December	3772	1776	0	31	52327	38161	2480

Year: 2000

Month	Oil(BBLS)	Gas(MCF)	Water(BBL)	Days Prod.	Accum. Oil	Accum. Gas(MCF)	
January	3727	1875	0	31	56054	40036	2480
February	3412	1816	0	29	59466	41852	2320
March	3729	1961	0	31	63195	43813	2480
April	3491	1956	0	30	66686	45769	2400
May	3338	1792	0	31	70024	47561	2480
June	3438	1925	0	30	73462	49486	2400
July	3611	2092	0	31	77073	51578	2480
August	3452	2274	0	31	80525	53852	2480
September	3501	2167	0	30	84026	56019	2400
October	3472	2114	0	31	87498	58133	2480
November	3536	1972	0	30	91034	60105	2400
December	3674	2150	0	31	94708	62255	2480

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TOTAL OVERPRODUCTION = 25471 BARRELS

# DAYS OVERPRODUCED = (25471 B) / (80 B/D) = 318.4 DAYS

# MONTHS OVER PRODUCED = (318.4 D) / (30.4 D/MO) = 10.5 MONTHS