



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

July 31, 2001

FOR RECORD ONLY.

Lori Wrotenbery
Director
Oil Conservation Division

Concho Resources, Inc.
110 W. Louisiana - Suite 410
Midland, Texas 79701
Attention: Terri Stathem

Administrative Order NSL-4618(BHL)

Dear Ms. Stathem:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") on June 29, 2001; and (ii) the Division's records in Santa Fe: all concerning Concho Resources, Inc.'s ("Concho") request for a non-standard subsurface oil producing area/bottomhole oil well location within a project area [see Division Rule 111.A (9)] comprising the E/2 SW/4 of Section 24, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico, being a standard 80-acre stand-up oil spacing and proration unit for either the Undesignated South Humble City-Strawn Pool or the Undesignated Southwest Humble City-Strawn Pool.

The above-described unit is located within the governing limits of both the South Humble City-Strawn Pool and the Southwest Humble City-Strawn Pool, the spacing and well location requirements are therefore subject to both the: (i) "*Special Rules and Regulations for the South Humble City-Strawn Pool*," as promulgated by Division Order No. R-6913, as amended by Division Orders No. R-6913-A, R-7211, and R-7211-A; and (ii) "*Special Rules and Regulations for the Southwest Humble City-Strawn Pool*," as promulgated by Division Order No. R-10595, both of which provide for 80-acre spacing and proration units and require wells to be located within 150 feet of the center of either governmental quarter-quarter section or lot.

This application has been duly filed under the provisions of: (i) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999; (ii) Division Rule 111.C (2); and (iii) the applicable provisions governing both South Humble City-Strawn and Southwest Humble City-Strawn Pools.

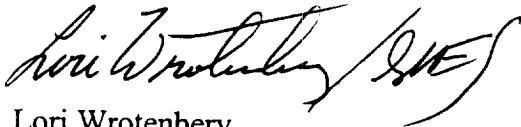
It is our understanding that Concho intends to drill its proposed **Slammin Sammy Well No. 1 (API No. 30-025-35629)** from a surface location 2404 feet from the South line and 2451 feet from the West line (Unit K) of Section 24, kick-off in a southwesterly direction, and directionally drill into the Strawn formation at a targeted unorthodox bottomhole location that is approximately 1810 feet from the South line and 1713 feet from the West line (Unit K) of Section 24.

The geologic interpretation submitted therein indicates that a well directionally drilled to the proposed unorthodox bottomhole oil well location will serve to intersect the top of a small algal reef mound in the Strawn formation underlying the proposed 80-acre unit.

By the authority granted me under Division Rule 104.F (2) and the applicable provisions of both the South Humble City-Strawn and Southwest Humble City-Strawn special pool rules, Concho is hereby authorized to directionally drill its proposed Slammin Sammy Well No. 1 as close as is reasonably possible to a targeted subsurface location within the Strawn formation underlying the proposed 80-acre unit comprising the E/2 SW/4 of Section 24 considered to be unorthodox 1810 feet from the South line and 1713 feet from the West line (Unit K) of Section 24.

The operator shall comply with all provisions of Division Rule 111 applicable in this matter.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs ✓