

CONCHO RESOURCES INC.

Fasken Center, Tower II

550 W. Texas Ave., Ste. 1300

Midland, Texas 79701

(432) 683-7443

FAX 683-7441

Via Certified/Return Receipt #7002 3150 0005 0530 5411

June 12, 2003

Kaiser-Francis Oil Company
P. O. Box 21468
Tulsa, Oklahoma 74136

Ponderosa "20" State #1 Well
Township 18 South, Range 28 East
Section 20: S/2
1650' FSL & 1650' FEL
Eddy County, New Mexico
File #700008 & #300009-01


Gentlemen:

Concho Resources Inc. proposes the drilling of the Ponderosa "20" State #1 Well as a 10,700' Morrow test to be drilled at the captioned location. Two (2) copies of an Authority or Expenditure estimating the cost of drilling this proposed well are enclosed. If you desire to participate in the drilling of our well please indicate your election to participate by executing and returning one copy of the enclosed Authority For Expenditure.

If you do not desire to participate in the well, Concho proposes to purchase a two (2) year Term Assignment from you of your interest in the SW/4 of Section 20 for the cash consideration of \$150.00 per net acre. Kaiser-Francis would reserve an overriding royalty interest equal to the difference between lease burdens and 20%. According to our information Kaiser-Francis owns a 75.00% Working Interest subject to a 1/8th royalty under the SW/4 of Section 20.

We look forward to hearing from you.

Yours truly,


Michael M. Gray
Senior Landman

enclosure
MMG/tf:ponderosa(12)

OIL CONSERVATION DIVISION

CASE NUMBER _____

EXHIBIT

2

| SENDER: COMPLETE THIS SECTION | COMPLETE THIS SECTION ON DELIVERY | | | | | | |
|---|--|--|---------------------------------------|-------------------------------------|---|---------------------------------------|---------------------------------|
| <p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p> | <p>A. Signature <div style="border-bottom: 1px solid black; width: 150px; margin: 5px 0;"> X Quita Mosley <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee </div> </p> <p>B. Received by (Printed Name) C. Date of Delivery</p> | | | | | | |
| <p>1. Article Addressed to:</p> <p style="text-align: center;">Kaiser-Francis Oil Co. P O Box 21468 Tulsa OK 74136</p> | <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes if YES, enter delivery address below: <input type="checkbox"/> No</p> | | | | | | |
| <p>2. Article No. (Transfer) 7002 3150 0005 0530 5411</p> | <p>3. Service Type</p> <table style="width: 100%; border: none;"> <tr> <td><input checked="" type="checkbox"/> Certified Mail</td> <td><input type="checkbox"/> Express Mail</td> </tr> <tr> <td><input type="checkbox"/> Registered</td> <td><input type="checkbox"/> Return Receipt for Merchandise</td> </tr> <tr> <td><input type="checkbox"/> Insured Mail</td> <td><input type="checkbox"/> C.O.D.</td> </tr> </table> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p> | <input checked="" type="checkbox"/> Certified Mail | <input type="checkbox"/> Express Mail | <input type="checkbox"/> Registered | <input type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> Insured Mail | <input type="checkbox"/> C.O.D. |
| <input checked="" type="checkbox"/> Certified Mail | <input type="checkbox"/> Express Mail | | | | | | |
| <input type="checkbox"/> Registered | <input type="checkbox"/> Return Receipt for Merchandise | | | | | | |
| <input type="checkbox"/> Insured Mail | <input type="checkbox"/> C.O.D. | | | | | | |

PS Form 3811, August 2001

Domestic Return Receipt

2ACPRI-03-P-4081

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| | |
|---|------------------|
| Postage \$ | Postmark Here |
| Certified Fee | |
| Return Receipt Fee (Endorsement Required) | |
| Restricted Delivery Fee (Endorsement Required) | |

To **Kaiser-Francis Oil Co.**

Sent **P O Box 21468**

Street or P **Tulsa OK 74136**

City, _____

7002 3150 0005 0530 5411

PS Form 3800, June 2002

See Reverse for Instructions.

**CONCHO RESOURCES, INC.
AUTHORITY FOR EXPENDITURE**

WELL NAME: Ponderosa "20" State #1

PROSPECT NAME: Ponderosa

LOCATION: Sec 20, T18S, R28E

COUNTY & STATE: Eddy, NM

1650' FSL & 1650' FEL

OBJECTIVE: D&C 10700' Morrow Test

INTANGIBLE COSTS

| | BCP | ACP | TOTAL |
|------------------------------------|----------------|----------------|----------------|
| TITLE/CURATIVE/PERMIT | 1,000 | | 1,000 |
| DAMAGES/ROW | 5,000 | | 5,000 |
| SURVEY/STAKE LOCATION | 1,000 | | 1,000 |
| LOCATION/PITS/ROAD EXPENSE | 25,000 | 2,000 | 27,000 |
| DRILLING/COMPLETION OVERHEAD RATE | 5,000 | 1,000 | 6,000 |
| TURNKEY CONTRACT | | | 0 |
| FOOTAGE CONTRACT | | | 0 |
| DAYWORK-CONTRACT \$7800/Day | 210,600 | 15,600 | 226,200 |
| FUEL & POWER | 21,600 | 1,500 | 23,100 |
| WATER | 22,000 | 1,000 | 23,000 |
| BITS & REAMERS | 35,000 | 500 | 35,500 |
| MUD & CHEMICALS | 25,000 | | 25,000 |
| DRILL STEM TEST | 4,500 | | 4,500 |
| CORING & ANALYSIS | | | 0 |
| CEMENT SURFACE | 4,000 | | 4,000 |
| CEMENT INTERMEDIATE | 12,000 | | 12,000 |
| CEMENT PRODUCTION | | 18,000 | 18,000 |
| CASING CREWS & EQUIPMENT | 3,000 | 4,000 | 7,000 |
| FISHING TOOLS & SERVICE | | | 0 |
| CONTRACT LABOR | 5,000 | 10,000 | 15,000 |
| COMPANY SUPERVISION | 2,000 | 2,000 | 4,000 |
| CONTRACT SUPERVISION | 18,000 | 6,000 | 24,000 |
| TESTING CASING/TUBING | 2,000 | 2,500 | 4,500 |
| MUD LOGGING UNIT | 8,000 | | 8,000 |
| LOGGING/WIRELINE SERVICES | 20,000 | 4,000 | 24,000 |
| PERFORATING | | 7,000 | 7,000 |
| STIMULATION/TREATING | | 80,000 | 80,000 |
| COMPLETION UNIT | | 20,000 | 20,000 |
| RENTALS | 15,000 | 15,000 | 30,000 |
| TRUCKING/FORKLIFT/RIG MOBILIZATION | 24,000 | 2,000 | 26,000 |
| WELDING SERVICES | 2,000 | 1,000 | 3,000 |
| FLOAT EQUIPMENT & CENTRALIZERS | 2,000 | 2,500 | 4,500 |
| MISCELLANEOUS | 1,000 | 1,000 | 2,000 |
| CONTINGENCY | 47,400 | 19,700 | 67,100 |
| TOTAL INTANGIBLES | 521,100 | 216,300 | 737,400 |

TANGIBLE COSTS

| | | | |
|---------------------------|----------------|----------------|----------------|
| SURFACE CASING | 5,500 | | 5,500 |
| 400' 13 3/8" | | | |
| INTERMEDIATE CASING | | | 0 |
| 4500' 9 5/8" | 53,000 | | |
| PRODUCTION CASING / LINER | | | 0 |
| 10700' 5 1/2" | | 64,000 | |
| TUBING 10500' 2 7/8" N-80 | | 30,000 | 30,000 |
| WELLHEAD EQUIPMENT | 5,000 | 10,000 | 15,000 |
| PUMPING UNIT | | | 0 |
| RODS | | | 0 |
| PUMPS | | | 0 |
| TANKS | | 15,000 | 15,000 |
| FLOWLINES | | 2,000 | 2,000 |
| HEATER TREATER/SEPARATOR | | 17,000 | 17,000 |
| ELECTRICAL SYSTEM | | | 0 |
| PACKERS/ANCHORS/HANGERS | | 8,000 | 8,000 |
| COUPLINGS/FITTINGS/VALVES | | 10,000 | 10,000 |
| GAS COMPRESSORS/METERS | | 2,500 | 2,500 |
| MISCELLANEOUS | 1,000 | 1,000 | 2,000 |
| CONTINGENCY | 6,500 | 16,000 | 22,500 |
| TOTAL TANGIBLES | 71,000 | 175,500 | 246,500 |
| TOTAL WELL COSTS | 592,100 | 391,800 | 983,900 |

PLUGGING COST

TOTAL DRY HOLE

Concho Resources, Inc.

By: Erick W. Nelson

ESD 6/11/03

Date Prepared: 6/11/03

We approve:

Kaiser-Francis Oil Co.

By: _____

Name/Title: _____

Date: _____

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

CONCHO RESOURCES INC.

Fasken Center, Tower II

550 W. Texas Ave., Ste. 1300

Midland, Texas 79701

(432) 683-7443

FAX 683-7441

Via Certified/Return Receipt #7002 3150 0005 0530 6029

July 22, 2003

Kaiser-Francis Oil Company
P. O. Box 21468
Tulsa, Oklahoma 74136

Attention: Mr. Wayne Fields

Ponderosa "20" State #1 Well
Township 18 South, Range 28 East
Section 20: S/2
1650' FSL & 1550' FEL
Eddy County, New Mexico
File #700008 & #300009-01

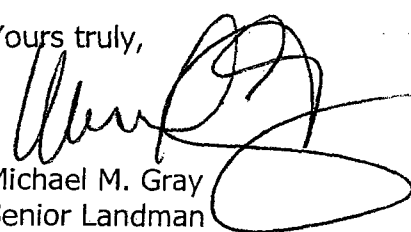
Gentlemen:

Please refer to our letter of June 12, 2003, proposing the captioned well. Enclosed is an Amended AFE changing the location for the well from 1,650' FS&EL to 1,650' FSL & 1,550' FEL. This location change was made due to topographic problems. If you desire to participate in the drilling of our well please indicate your election to participate by executing and returning one copy of the Amended Authority For Expenditure and we will furnish you with an Operating Agreement for your review and execution.

Pursuant to my conversation on July 11, with Wayne Fields, Concho is still interested in acquiring a Term Assignment from you, in the event you do not desire to participate.

Concho will be applying for compulsory pooling proceedings for this well in the near future.

Yours truly,


Michael M. Gray
Senior Landman

enclosure
MMG/tf:ponderosa(16)

| SENDER: COMPLETE THIS SECTION | COMPLETE THIS SECTION ON DELIVERY | | | | | | |
|---|--|--|---------------------------------------|-------------------------------------|---|---------------------------------------|---------------------------------|
| <p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p> | <p>A. Signature <div style="font-family: cursive; font-size: 1.2em;">Delicia Simon</div> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee </p> <p>B. Received by (Printed Name) _____ C. Date of Delivery _____</p> | | | | | | |
| <p>1. Article Addressed to:</p> <p style="text-align: center; margin-top: 20px;"> Kaiser-Francis Oil Company Attn: Mr. Wayne Fields P O Box 21468 Tulsa OK 74136 </p> | <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes if YES, enter delivery address below: <input type="checkbox"/> No</p> | | | | | | |
| <p>2. Article Number (7) 7002 3150 0005 0530 6029</p> | <p>3. Service Type</p> <table style="width: 100%; border: none;"> <tr> <td><input checked="" type="checkbox"/> Certified Mail</td> <td><input type="checkbox"/> Express Mail</td> </tr> <tr> <td><input type="checkbox"/> Registered</td> <td><input type="checkbox"/> Return Receipt for Merchandise</td> </tr> <tr> <td><input type="checkbox"/> Insured Mail</td> <td><input type="checkbox"/> C.O.D.</td> </tr> </table> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p> | <input checked="" type="checkbox"/> Certified Mail | <input type="checkbox"/> Express Mail | <input type="checkbox"/> Registered | <input type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> Insured Mail | <input type="checkbox"/> C.O.D. |
| <input checked="" type="checkbox"/> Certified Mail | <input type="checkbox"/> Express Mail | | | | | | |
| <input type="checkbox"/> Registered | <input type="checkbox"/> Return Receipt for Merchandise | | | | | | |
| <input type="checkbox"/> Insured Mail | <input type="checkbox"/> C.O.D. | | | | | | |

PS Form 3811, August 2001

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|--|---------|------------------|------------------|---------------|--|--|--|--|--|---------------|--|--|--|
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%; border-right: 1px solid black; padding: 5px;">Postage</td> <td style="width: 20%; border-bottom: 1px solid black; text-align: center;">\$</td> <td rowspan="4" style="width: 40%; vertical-align: middle; text-align: center;">Postmark Here</td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">Certified Fee</td> <td style="border-bottom: 1px solid black;"></td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">Return Receipt Fee (Endorsement Required)</td> <td style="border-bottom: 1px solid black;"></td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">Restricted Delivery Fee (Endorsement)</td> <td style="border-bottom: 1px solid black;"></td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black; padding-top: 5px;">Total Postage</td> <td></td> </tr> </table> | Postage | \$ | Postmark Here | Certified Fee | | Return Receipt Fee (Endorsement Required) | | Restricted Delivery Fee (Endorsement) | | Total Postage | | | <p>Kaiser-Francis Oil Company Attn: Mr. Wayne Fields P O Box 21468 Tulsa OK 74136</p> |
| Postage | \$ | Postmark Here | | | | | | | | | | | |
| Certified Fee | | | | | | | | | | | | | |
| Return Receipt Fee (Endorsement Required) | | | | | | | | | | | | | |
| Restricted Delivery Fee (Endorsement) | | | | | | | | | | | | | |
| Total Postage | | | | | | | | | | | | | |

Sent To

Street, Apt. # or PO Box #

City, State, ZIP+4

PS Form 3800, June 2002

See Reverse for Instructions

7002 3150 0005 0530 6029

CONCHO RESOURCES, INC.
AUTHORITY FOR EXPENDITURE
(AMENDED)

WELL NAME: Ponderosa "20" State #1
LOCATION: Sec 20, T18S, R28E
1650' FSL & 1550' FEL

PROSPECT NAME: Ponderosa
COUNTY & STATE: Eddy, NM
OBJECTIVE: D&C 10700' Morrow Test

INTANGIBLE COSTS

| | <u>BCP</u> | <u>ACP</u> | <u>TOTAL</u> |
|------------------------------------|----------------|----------------|----------------|
| TITLE/CURATIVE/PERMIT | 1,000 | | 1,000 |
| DAMAGES/ROW | 5,000 | | 5,000 |
| SURVEY/STAKE LOCATION | 1,000 | | 1,000 |
| LOCATION/PITS/ROAD EXPENSE | 25,000 | 2,000 | 27,000 |
| DRILLING/COMPLETION OVERHEAD RATE | 5,000 | 1,000 | 6,000 |
| TURNKEY CONTRACT | | | 0 |
| FOOTAGE CONTRACT | | | 0 |
| DAYWORK-CONTRACT \$7800/Day | 210,600 | 15,600 | 226,200 |
| FUEL & POWER | 21,600 | 1,500 | 23,100 |
| WATER | 22,000 | 1,000 | 23,000 |
| BITS & REAMERS | 35,000 | 500 | 35,500 |
| MUD & CHEMICALS | 25,000 | | 25,000 |
| DRILL STEM TEST | 4,500 | | 4,500 |
| CORING & ANALYSIS | | | 0 |
| CEMENT SURFACE | 4,000 | | 4,000 |
| CEMENT INTERMEDIATE | 12,000 | | 12,000 |
| CEMENT PRODUCTION | | 18,000 | 18,000 |
| CASING CREWS & EQUIPMENT | 3,000 | 4,000 | 7,000 |
| FISHING TOOLS & SERVICE | | | 0 |
| CONTRACT LABOR | 5,000 | 10,000 | 15,000 |
| COMPANY SUPERVISION | 2,000 | 2,000 | 4,000 |
| CONTRACT SUPERVISION | 18,000 | 6,000 | 24,000 |
| TESTING CASING/TUBING | 2,000 | 2,500 | 4,500 |
| MUD LOGGING UNIT | 8,000 | | 8,000 |
| LOGGING/WIRELINE SERVICES | 20,000 | 4,000 | 24,000 |
| PERFORATING | | 7,000 | 7,000 |
| STIMULATION/TREATING | | 80,000 | 80,000 |
| COMPLETION UNIT | | 20,000 | 20,000 |
| RENTALS | 15,000 | 15,000 | 30,000 |
| TRUCKING/FORKLIFT/RIG MOBILIZATION | 24,000 | 2,000 | 26,000 |
| WELDING SERVICES | 2,000 | 1,000 | 3,000 |
| FLOAT EQUIPMENT & CENTRALIZERS | 2,000 | 2,500 | 4,500 |
| MISCELLANEOUS | 1,000 | 1,000 | 2,000 |
| CONTINGENCY | 47,400 | 19,700 | 67,100 |
| TOTAL INTANGIBLES | 521,100 | 216,300 | 737,400 |

TANGIBLE COSTS

| | | | |
|---------------------------|----------------|----------------|----------------|
| SURFACE CASING | 5,500 | | 5,500 |
| 400' 13 3/8" | | | |
| INTERMEDIATE CASING | | | 0 |
| 4500' 9 5/8" | 53,000 | | |
| PRODUCTION CASING / LINER | | | 0 |
| 10700' 5 1/2" | | 64,000 | |
| TUBING 10500' 2 7/8" N-80 | | 30,000 | 30,000 |
| WELLHEAD EQUIPMENT | 5,000 | 10,000 | 15,000 |
| PUMPING UNIT | | | 0 |
| RODS | | | 0 |
| PUMPS | | | 0 |
| TANKS | | 15,000 | 15,000 |
| FLOWLINES | | 2,000 | 2,000 |
| HEATER TREATER/SEPARATOR | | 17,000 | 17,000 |
| ELECTRICAL SYSTEM | | | 0 |
| PACKERS/ANCHORS/HANGERS | | 8,000 | 8,000 |
| COUPLINGS/FITTINGS/VALVES | | 10,000 | 10,000 |
| GAS COMPRESSORS/METERS | | 2,500 | 2,500 |
| MISCELLANEOUS | 1,000 | 1,000 | 2,000 |
| CONTINGENCY | 6,500 | 16,000 | 22,500 |
| TOTAL TANGIBLES | 71,000 | 175,500 | 246,500 |
| TOTAL WELL COSTS | 592,100 | 391,800 | 983,900 |

PLUGGING COST
TOTAL DRY HOLE

Concho Resources, Inc.

By: Erick W. Nelson

ESW 7/21/03

Date Prepared: 7/20/03

We approve:

Kaiser-Francis Oil Company

This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.

By: _____
Name/Title: _____
Date: _____

CONCHO RESOURCES INC.

Fasken Center, Tower II
550 W. Texas Ave., Ste. 1300
Midland, Texas 79701

(432) 683-7443
Fax 683-7441

Via Certified/Return Receipt #7002 3150 0005 0530 6012

July 22, 2003

BP American Production Co.
P. O. Box 3092
Houston, Texas 77253-3092

Attention: Mr. James A. (Tony) Webb

Ponderosa "20" State #1 Well
Township 18 South, Range 28 East
Section 20: S/2
1650' FSL & 1550' FEL
Eddy County, New Mexico
File #700008 & #300009-01

Gentlemen:

Please refer to our letter of June 12, 2003, proposing the drilling of the captioned well. Enclosed is an Amended Authority For Expenditure changing the location from 1,650' FS&EL to 1,650' FSL & 1,550' FEL of the captioned section. This location change was made due to topographic problems.

If BP desires to participate in the drilling of our well please execute and return one copy of the enclosed Amended Authority For Expenditure to the letterhead address.

Concho Resources is still interested in acquiring a Term Assignment from you in the event you do not desire to participate. Pursuant to our conversation on July 21, Concho will apply for a compulsory pooling in this well at the State of New Mexico in the near future. Please let me know if you have any questions.

Yours truly,


Michael M. Gray
Senior Landman

enclosure
MMG/tf:ponderosa(17)

| SENDER: COMPLETE THIS SECTION | | COMPLETE THIS SECTION ON DELIVERY | |
|---|--|---|--|
| <p>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</p> <p>■ Print your name and address on the reverse so that we can return the card to you.</p> <p>■ Attach this card to the back of the mailpiece, or on the front if space permits.</p> | | <p>A. Signature X <i>[Signature]</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> | |
| <p>1. Article Addressed to:</p> <p>BP American Production Co. Attn: Mr. James A. (Tony) Webb P O Box 3092 Houston TX 77253-3092</p> | | <p>B. Received by (Printed Name) <i>[Signature]</i> Date of Delivery <i>Jul 29 2003</i></p> | |
| <p>2. Article (Trans) 7002 3150 0005 0530 6012</p> | | <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No If YES, enter delivery address below:</p> | |
| <p>PS Form 3811, August 2001</p> | | <p>3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes </p> | |

2109 0550 5000 0510 2002

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| Postage \$ | Postmark Here | |
| Certified Fee | | |
| Return Receipt Fee (Endorsement Required) | | |
| Restricted Delivery Fee (Endorsement Required) | | |
| To | BP American Production Co. Attn: Mr. James A. (Tony) Webb P O Box 3092 Houston TX 77253-3092 | |
| City | | |
| State or F | | |
| City | | |
| PS Form 3800, June 2002 | | See Reverse for Instructions |



BP America Production Company

Parman Performance Unit
Room 6.199, W.L.1
501 Westlake Park Blvd.
Houston, Texas 77079
Post Office Box 3092
Houston, Texas 77253-3092

July 23, 2003

Concho Resources Inc.
Fasken Center, Tower II
550 W. Texas Ave., Suite 1300
Midland, Texas 79701
Attn: Mr. Michael M. Gray

VIA FAX

Re: Concho Proposed Ponderosa "20" State #1 Well
S/2 Sec. 20, T18S, R28E
Eddy County, New Mexico

Dear Mike:

Per our conversation and in response to Concho Resources Inc.'s ("Concho") proposal dated June 12, 2003, covering the subject well, BP America Production Company ("BP") hereby elects to participate in the drilling of the subject well as specified in said proposal subject to the execution of a mutually acceptable operating agreement covering the captioned lands. Please send me a draft operating agreement for BP's review at your earliest convenience.

Please call me at 281-366-5393 should you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tony Webb".

James A. (Tony) Webb

CONCHO RESOURCES INC.

Fasken Center, Tower II
550 W. Texas Ave., Ste. 1300
Midland, Texas 79701

(432) 683-7443
FAX 683-7441

Via Certified/Return Receipt #7002 2410 0001 5833 2873

August 19, 2003

BP America Production Company
P. O. Box 3092
Houston, Texas 77253-3092

Attention: Mr. James A. (Tony) Webb

Ponderosa "20" State #1 Well
Township 18 South, Range 28 East
Section 20: S/2
1650' FSL & 1550' FEL
Eddy County, New Mexico
File #700008 & #300009-01

Dear Tony:

Please refer to our letter of June 12, 2003. We enclosed herewith an Amended Authority For Expenditure changing the location of the captioned well from 1,650' FS&EL to 1,650' FSL & 1,550' FEL. This location change was moved due to topographic problems.

We enclose herewith an Operating Agreement for your review and execution for the drilling of the Ponderosa "20" State #1 Well. If the enclosed Operating Agreement and Amended Authority For Expenditure meet with your approval please execute and return one copy of the enclosed Amended Authority For Expenditure, one copy of the enclosed signature page to the body of the Operating Agreement and one executed and acknowledged copy of the signature pages to the Exhibit "H"-Memorandum of Operating Agreement. Please also complete and return the enclosed Well Information Requirements Schedule or furnish us with your own Well Information Requirements Letter.

Yours truly,


Michael M. Gray
Senior Landman

enclosure
MMG/tf:ponderosa(27)

2002 2410 0142 2002
E492 EE95 1000 0142 2002

| | |
|--|--------------------------------|
| U.S. Postal Service | |
| CERTIFIED MAIL RECEIPT | |
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| OFFICIAL USE | |
| Postage \$ | Postmark Here |
| Certified Fee | |
| Return Receipt Fee (Endorsement Required) | |
| Restricted Endorsements | BP America Production Company |
| Total Post | Attn: Mr. James A. (Tony) Webb |
| Sent To | P O Box 3092 |
| Street, Apt. or PO Box A | Houston TX 77253-3092 |
| City, State, ZIP+4 | |
| PS Form 3800, June 2002 See Reverse for Instructions | |

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF CONCHO RESOURCES
INC. FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case No. 13131

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

James Bruce, being duly sworn upon his oath, deposes and states:

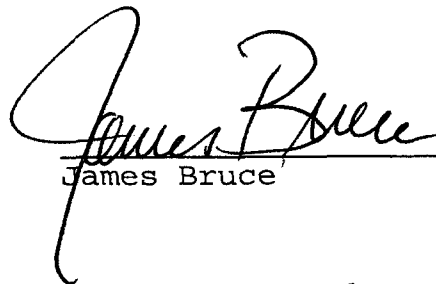
1. I am over the age of 18, and have personal knowledge of the matters set forth herein.

2. I am an attorney for Concho Resources Inc.

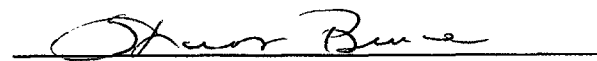
3. Concho Resources Inc. has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the application filed herein.

4. Notice of the application was provided to the interest owners at their correct addresses, by certified mail. Copies of the notice letter and certified return receipts are attached hereto as Exhibit A.

5. Applicant has complied with the notice provisions of Division Rule 1207.


James Bruce

SUBSCRIBED AND SWORN TO before me this 18th day of August, 2003, by James Bruce.


Notary Public

My Commission Expires:
3/14/05

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT

3

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (PHONE)
(505) 982-2151 (FAX)

jamesbruc@aol.com

July 30, 2003

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

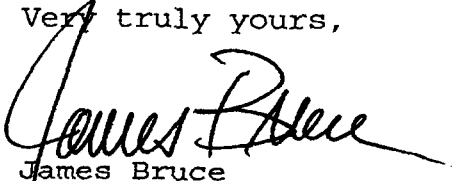
To: Persons on Exhibit A

Ladies and Gentlemen:

Enclosed is an application for compulsory pooling, filed with the New Mexico Oil Conservation Division by Concho Resources Inc., regarding the S½ of Section 20, Township 18 South, Range 28 East, N.M.P.M., Eddy County, New Mexico. This matter has been set for hearing at 8:15 a.m. on Thursday, August 21, 2003 at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. As an interest owner in the well unit, you have the right to enter an appearance and participate in the hearing. Failure to appear at the hearing will preclude you from contesting this matter at a later date.

You are required to notify the Division, and the undersigned, by Friday, August 15, 2003, if you intend to enter an appearance and participate in the case.

Very truly yours,


James Bruce

Attorney for Concho Resources Inc.



EXHIBIT A

Dominion Oklahoma Texas Exploration
& Production, Inc.
Suite 600
14000 Quail Springs Parkway
Oklahoma City, Oklahoma 73134-2600

Attention: Joe W. Hammond

Kaiser-Francis Oil Company
P.O. Box 21468
Tulsa, Oklahoma 74136

Attention: Wayne Fields

BP America Production Co.
501 WestLake Park Boulevard
Houston, Texas 77079

Attention: Tony Webb
WL1-Room 6.199

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
 For delivery information visit our website at www.usps.com
OFFICIAL USE
 Tulsa, OK 74136

| | |
|--|-------------|
| Postage \$ | 0.60 |
| Certified Fee | 2.30 |
| Return Receipt Fee (Endorsement Required) | 1.75 |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees \$ | 4.65 |

Sent To
 Street, Apt. No., or PO Box No.
 City, State, ZIP+4
 Kaier-Francis Oil Company
 P.O. Box 21468
 Tulsa, Oklahoma 74136

PS Form 3800, June 2002 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Dominion Oklahoma Texas Exploration
 & Production, Inc.
 Suite 600
 14000 Quail Springs Parkway
 Oklahoma City, Oklahoma 73134-2600

2. Article Number
(Transfer from service label)

PS Form 3811, August 2001

COMPLETE THIS SECTION ON DELIVERY

Signature *[Signature]* ☒ Agent
 Received by (Printed Name) *[Name]* ☐ Addressee
 C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes ☐ No
 If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes ☐ No

2266 2869 E000 0T0T E002

Domestic Return Receipt

102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Kaier-Francis Oil Company
 P.O. Box 21468
 Tulsa, Oklahoma 74136

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* ☒ Agent
 B. Received by (Printed Name) *[Name]* ☐ Addressee
 C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes ☐ No
 If YES, enter delivery address below:

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes ☐ No

2. Article Number
(Transfer from service label)

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

U.S. Postal ServiceTM
CERTIFIED MAILTM RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
 For delivery information visit our website at www.usps.com
OFFICIAL USE
 Tulsa, OK 74136

| | |
|--|-------------|
| Postage \$ | 0.60 |
| Certified Fee | 2.30 |
| Return Receipt Fee (Endorsement Required) | 1.75 |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees \$ | 4.65 |

Sent To
 Street, Apt. No., or PO Box No.
 City, State, ZIP+4
 Dominion Oklahoma Texas Exploration
 & Production, Inc.
 Suite 600
 14000 Quail Springs Parkway
 Oklahoma City, Oklahoma 73134-2600

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes ☐ No

2. Article Number
(Transfer from service label)

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

2266 2869 E000 0T0T E002

9466 2869 E000 0T0T E002

U.S. Postal ServiceTM CERTIFIED MAILTM RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

| | |
|---|---------|
| Postage | \$ 0.37 |
| Certified Fee | 2.30 |
| Return Receipt Fee (Endorsement Required) | 1.75 |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ 4.42 |

Sent To

BP America Production Co.
501 WestLake Park Boulevard
Houston, Texas 77079

PS Form 3811, August 2001

See Reverse for Instructions



Clerk: K. [Signature]

07/30/03

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

2. Article Number

(Transfer from service label)

PS Form 3811, August 2001

7003 1010 0003 6982 9915

Domestic Return Receipt

102595-02-M-1540

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

BP America Production Co.
501 WestLake Park Boulevard
Houston, Texas 77079

2. Article Number

(Transfer from service label)

PS Form 3811, August 2001

7003 1010 0003 6982 9939

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

- A. Signature **X**
- B. Received by (Printed Name) **qk**
- C. Date of Delivery **8-4-03**
- D. Is delivery address different from item 1? ☐ Yes ☐ No

- 3. Service Type
 - ☒ Certified Mail
 - ☐ Registered
 - ☐ Insured Mail
 - ☐ C.O.D.
- 4. Restricted Delivery? (Extra Fee) ☐ Yes

COMPLETE THIS SECTION ON DELIVERY

- A. Signature **X** **Kathy Donahue**
- B. Received by (Printed Name) **Kathy Donahue**
- C. Date of Delivery **08/01/03**
- D. Is delivery address different from item 1? ☐ Yes ☐ No

- 3. Service Type
 - ☒ Certified Mail
 - ☐ Registered
 - ☐ Insured Mail
 - ☐ C.O.D.
- 4. Restricted Delivery? (Extra Fee) ☐ Yes

7003 1010 0003 6982 9915

Domestic Return Receipt

102595-02-M-1540

U.S. Postal ServiceTM CERTIFIED MAILTM RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

| | |
|---|---------|
| Postage | \$ 0.37 |
| Certified Fee | 2.30 |
| Return Receipt Fee (Endorsement Required) | 1.75 |
| Restricted Delivery Fee (Endorsement Required) | |
| Total Postage & Fees | \$ 4.42 |

Sent To

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

PS Form 3811, August 2001

See Reverse for Instructions

UNIT 0500

SANTA FE, NM

Postmark

08/01/03

Clerk: [Signature]