

CONCHO RESOURCES INC.

Suite 410

110 W. Louisiana
Midland, Texas 79701

(915) 683-7443
FAX 683-7441

May 3, 1999

New Mexico Oil Conservation Division
Attn: Ben Stone
2040 South Pacheco Street
Santa Fe, NM 87505

Re: Commingling	Off Lease Storage, Sales, and Measurement
West Shugart "30" Federal #1	West Shugart "30" Federal #9
West Shugart "30" Federal #9	West Shugart "30" Federal #10
West Shugart "30" Federal #10	

Gentlemen:

Concho Resources Inc. hereby requests administrative approval for Pool/Lease Commingling of the gas production from the West Shugart "30" Federal #1 and West Shugart "30" Federal #9 as well as the flash gas production from the West Shugart "30" #10. In addition, Concho Resources Inc. hereby requests administrative approval for Off Lease Storage, Sales and Measurement for the West Shugart "30" Federal #9 and West Shugart "30" Federal #10. All wells are listed on Attachment I.

The common tank battery facilities for the West Shugart "30" Federal #1 and West Shugart "30" Federal #9 is located in Unit F, SE/4, NW/4, Section 30, T-18-S, R-31-E, Eddy County, NM. The tank battery facilities for the West Shugart "30" Federal #10 is located in Unit H, SE/4, NE/4 Section 30, T-18-S, R-31-E, Eddy County, NM. The main gas sales meter for the West Shugart "30" Federal #10 is located in Unit N, SE/4, SW/4, Section 17, T-18-S, R-31-E, Eddy County, NM. All subject wells, lease boundaries, and gas sales point are depicted on Attachment II and III.

All oil and gas production from the West Shugart "30" Federal #1 and West Shugart "30" Federal #9 is produced into the common tank battery facilities located in Unit F, SE/4, NW/4, Section 30, T-18-S, R-31-E, Eddy County, NM. Only the flash gas production from the West Shugart "30" Federal #10 is produced into the common tank battery facilities. All oil production is measured individually and sold on a well by well basis. All natural gas production is metered on each individual well and the meters

Page 2

calibrated on a regular basis. Only the gas production from the West Shugart "30" Federal #1, West Shugart "30" Federal #9, and the flash gas production from the West Shugart "30" Federal #10 will be commingled prior to sales. The vast majority of natural gas sales from the West Shugart "30" Federal #10 is metered at its location prior to sales in Unit N, SE/4, SW/4 Section 17, T-18-S, R-31-E, Eddy County, NM.

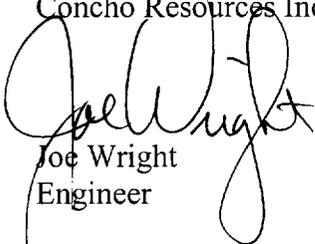
The purpose of the Pool/Lease Commingling and the Off Lease Storage, Measurement, and Sales is to reduce facility and operating cost, thereby increasing the economic life of the wells.

Also enclosed please find the following: Attachment IV and V, a diagram of the measurement equipment, separators, and storage tanks in accordance with the "Manual For Installation and Operation of Commingling Facilities"; Attachment VI, a copy of the notification letter which was mailed to all interest owners and to the purchaser via certified mail, along with a list of interest owners and purchasers (Attachment VII).

Thank you for your cooperation in this matter. If you have any questions, please feel free to contact the undersigned.

Sincerely,

Concho Resources Inc.



Joe Wright
Engineer

Cc: BLM / Roswell, NM

Concho Resources Inc.
Surface Commingling Request

Concho Resources Inc. respectfully requests approval for surface commingling of gas production from the following formation and well on Federal Lease Number: NMLC029387B; Lease Name: West Shugart 30 Federal

<u>Well #</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rge</u>	<u>Formation</u>
1	SE/4 NW/4	30	18S	31E	Shugart Wolfcamp, West

with gas production from the following formations and wells:

Federal Lease Number: NMLC029387D; Lease Name: West Shugart 30 Federal

<u>Well #</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rge</u>	<u>Formation</u>
9	NE/4 SW/4	30	18S	31E	Shugart Wolfcamp, West

Federal Lease Number: NMLC029387B; Lease Name: West Shugart 30 Federal

<u>Well #</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rge</u>	<u>Formation</u>
10	SE/4 NE/4	30	18S	31E	Shugart Morrow, North

Production from the wells involved is as follows:

<u>Well Name & #</u>	<u>BOPD</u>	<u>Oil Grav.</u>	<u>MCFPD</u>
W. Shugart 30 Federal #1	15	44.4	81
W. Shugart 30 Federal #9	18	43.1	70
West Shugart 30 Federal #10	20	62.9	1403

Concho Resources Inc.
Off Lease Storage, Measurement and Sales

Concho Resources Inc. respectfully requests approval for off lease storage, measurement and sales of oil and water production from the following formation and well on Federal Lease Number: NMLC029387D; Lease Name: West Shugart 30 Federal

<u>Well #</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rge</u>	<u>Formation</u>
9	NE/4 SW/4	30	18S	31E	Shugart Wolfcamp, West

at the following battery pad:

Federal Lease Number: NMLC029387B; Lease Name: West Shugart 30 Federal

<u>Well #</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rge</u>	<u>Formation</u>
1	SE/4 NW/4	30	18S	31E	Shugart Wolfcamp, West

Production from the wells involved is as follows:

<u>Well Name & #</u>	<u>BOPD</u>	<u>Oil Grav.</u>	<u>MCFPD</u>
W. Shugart 30 Federal #1	15	44.4	81
W. Shugart 30 Federal #9	18	43.1	70

Concho Resources Inc.
Off Lease Storage, Measurement and Sales

Concho Resources Inc. respectfully requests approval for off lease storage, measurement and sales of gas production from the following formation and well on Federal Lease Number: NMLC029387B; Lease Name: West Shugart 30 Federal

<u>Well #</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rge</u>	<u>Formation</u>
10	SE/4 NE/4	30	18S	31E	Shugart Morrow, North

Production for the well involved is as follows:

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West Shugart 30 Federal #10	20	62.9	1403

CONCHO RESOURCES INC.

Suite 410
110 W. Louisiana
Midland, Texas 79701

(915) 683-7443
FAX 683-7441

May 3, 1999

Bureau of Land Management
2909 W. 2nd
Roswell, NM 88210

Re: Commingling Off Lease Storage, Sales, and Measurement
 West Shugart "30" Federal #1 West Shugart "30" Federal #9
 West Shugart "30" Federal #9 West Shugart "30" Federal #10
 West Shugart "30" Federal #10

Gentlemen:

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calibrated on a regular basis. Only the gas production from the West Shugart "30" Federal #1, West Shugart "30" Federal #9, and the flash gas production from the West Shugart "30" Federal #10 will be commingled prior to sales. The vast majority of natural gas sales from the West Shugart "30" Federal #10 is metered at its location prior to sales in Unit N, SE/4, SW/4 Section 17, T-18-S, R-31-E, Eddy County, NM.

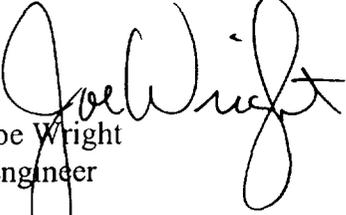
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Also enclosed please find the following: Attachment IV and V, a diagram of the measurement equipment, separators, and storage tanks in accordance with the "Manual For Installation and Operation of Commingling Facilities"; Attachment VI, a copy of the notification letter which was mailed to all interest owners and to the purchaser via certified mail, along with a list of interest owners and purchasers (Attachment VII).

Thank you for your cooperation in this matter. If you have any questions, please feel free to contact the undersigned.

Sincerely,

Concho Resources Inc.



Joe Wright
Engineer

Cc: Duncan Whitlock / Carlsbad, NM

Attachment I

W. Shugart 30 Federal #1

Unit F

1980' FNL & 1980' FWL Section 30, T-18-S, R-31-E, Eddy Co., NM

W. Shugart 30 Federal #9

Unit K

1980' FSL & 1980' FWL Section 30, T-18-S, R-31-E, Eddy Co., NM

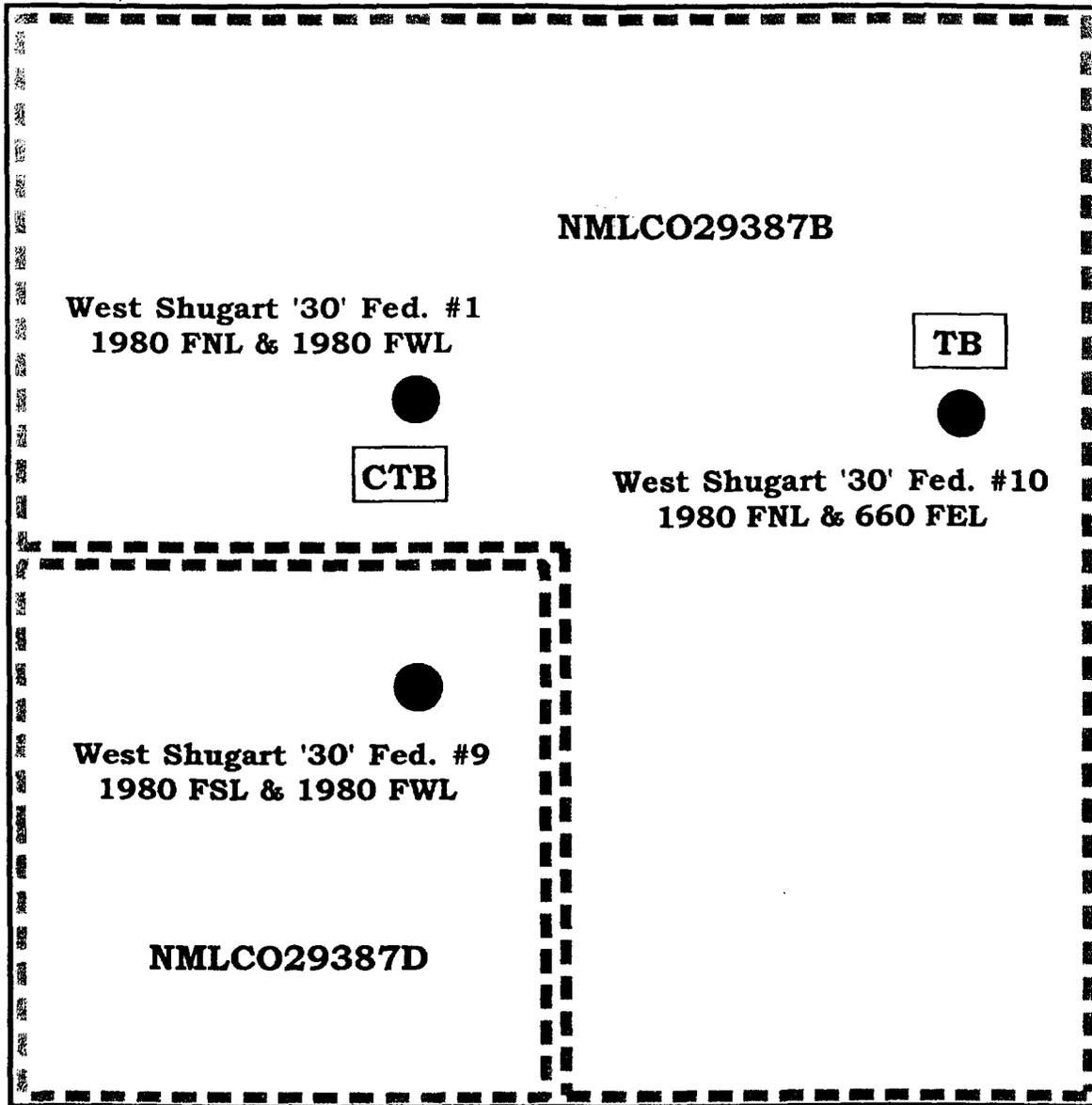
W. Shugart 30 Federal #10

Unit H

1980' FNL & 660' FEL Section 30, T-18-S, R-31-E, Eddy Co., NM

Attachment II

Section 30 - T18S - R25E

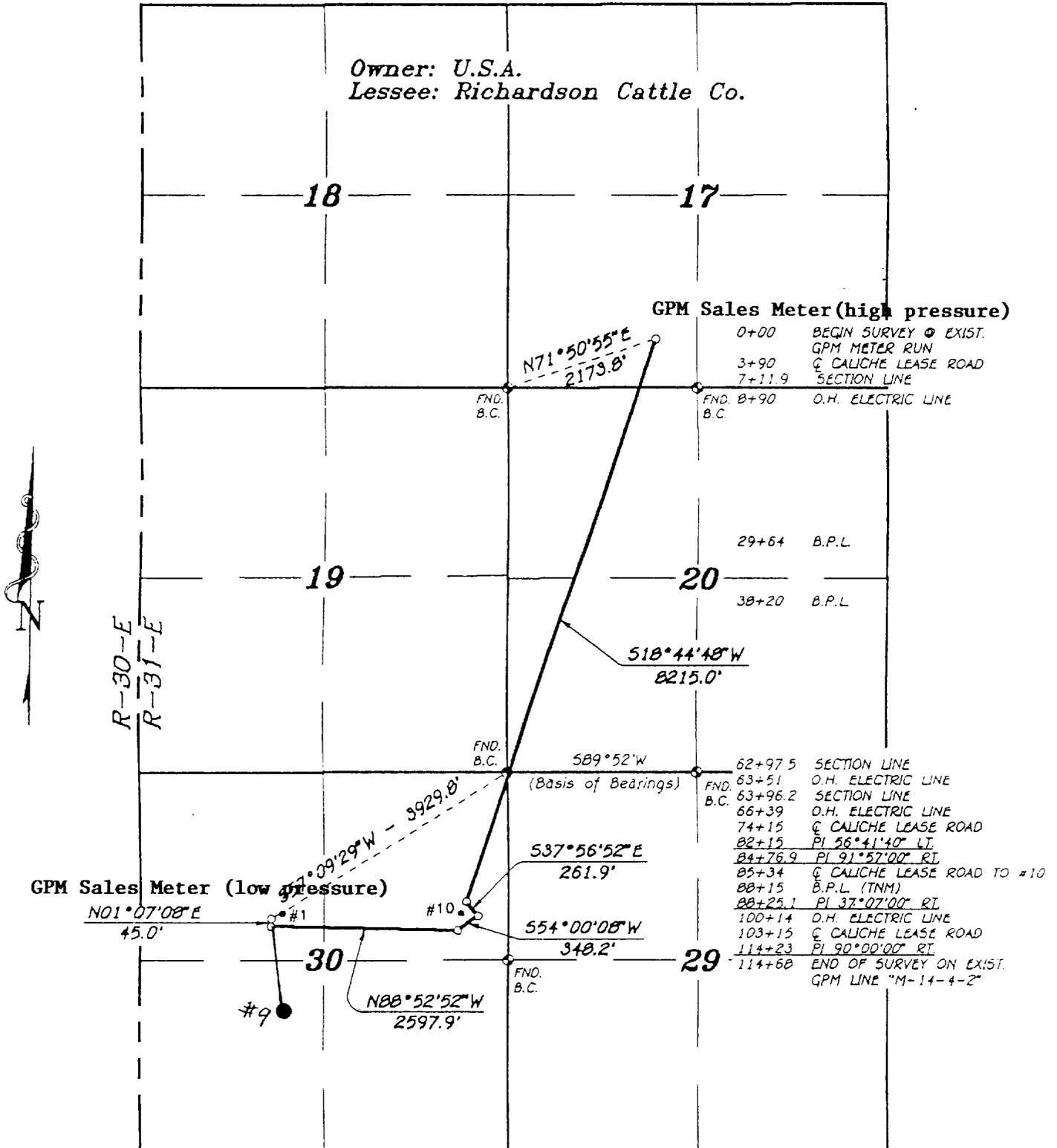


**West Shugart "30" Federal Lease
Eddy County, New Mexico
Concho Resources Inc., Midland, Texas**

**West Shugart "30" Federal #1 - Shugart Wolfcamp, West
West Shugart "30" Federal #9 - Shugart Wolfcamp, West
West Shugart "30" Federal #10 - Shugart Morrow, North**

ATTACHMENT III

Owner: U.S.A.
 Lessee: Richardson Cattle Co.



LEGAL DESCRIPTION

A STRIP OF LAND 50.0 FEET WIDE, LOCATED IN SECTIONS 17,20,29&30 TOWNSHIP 18 SOUTH, RANGE 31 EAST, N.M.P.M., EDDY COUNTY, NEW MEXICO AND BEING 25.0 FEET LEFT AND RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

SECTION 17 - 711.9 FEET = 0.13 MILES
 SECTION 20 - 5,585.6 FEET = 1.06 MILES
 SECTION 29 - 98.7 FEET = 0.02 MILES
 SECTION 30 - 5,071.8 FEET = 0.96 MILES
 TOTAL - 11,468.0 FEET = 2.17 MILES

HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

[Signature]
 GARY L. JONES N.M. P.S.
 TEXAS P.L.S.

BASIN SURVEYS P.O. BOX 1786 - HOBBS, NEW MEXICO

2000 0 2000 4000 FEET

Penwell Energy Inc.

REF: WEST SUGART "30" FED. #1 & #10

A PIPELINE CROSSING U.S.A. LAND IN
 SECTION 17,20,29&30, TOWNSHIP 18 SOUTH, RANGE 31 EAST,

N.M.P.M., EDDY COUNTY, NEW MEXICO.

W.D. Number 7261

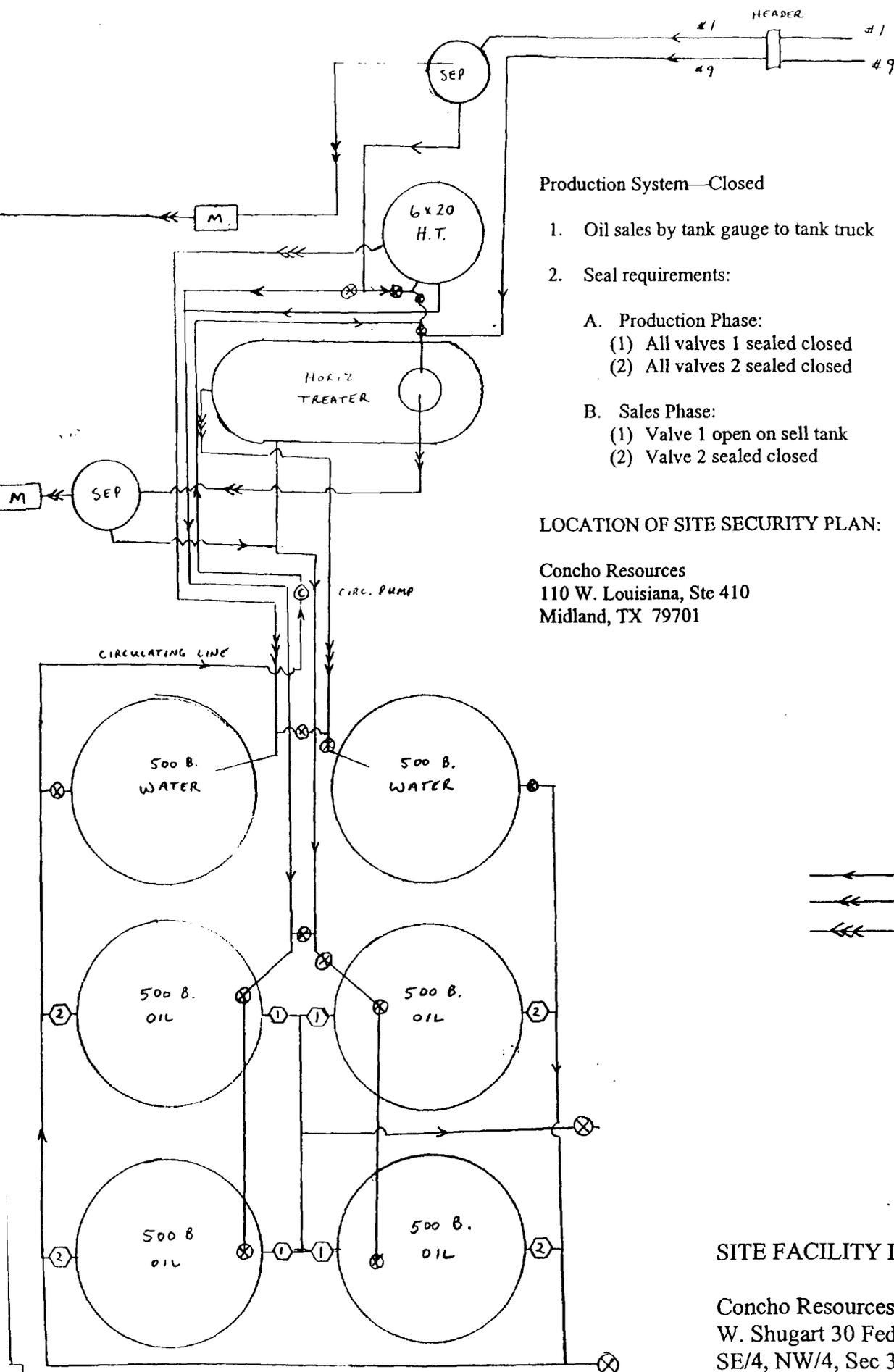
Drawn By S.C. NICHOLS

Date 08-07-97

Disk SON #36 - PEN7261A.DWG

Survey Date: 04-30-97

Sheet 1 of 1 Sheets



Production System—Closed

1. Oil sales by tank gauge to tank truck
2. Seal requirements:
 - A. Production Phase:
 - (1) All valves 1 sealed closed
 - (2) All valves 2 sealed closed
 - B. Sales Phase:
 - (1) Valve 1 open on sell tank
 - (2) Valve 2 sealed closed

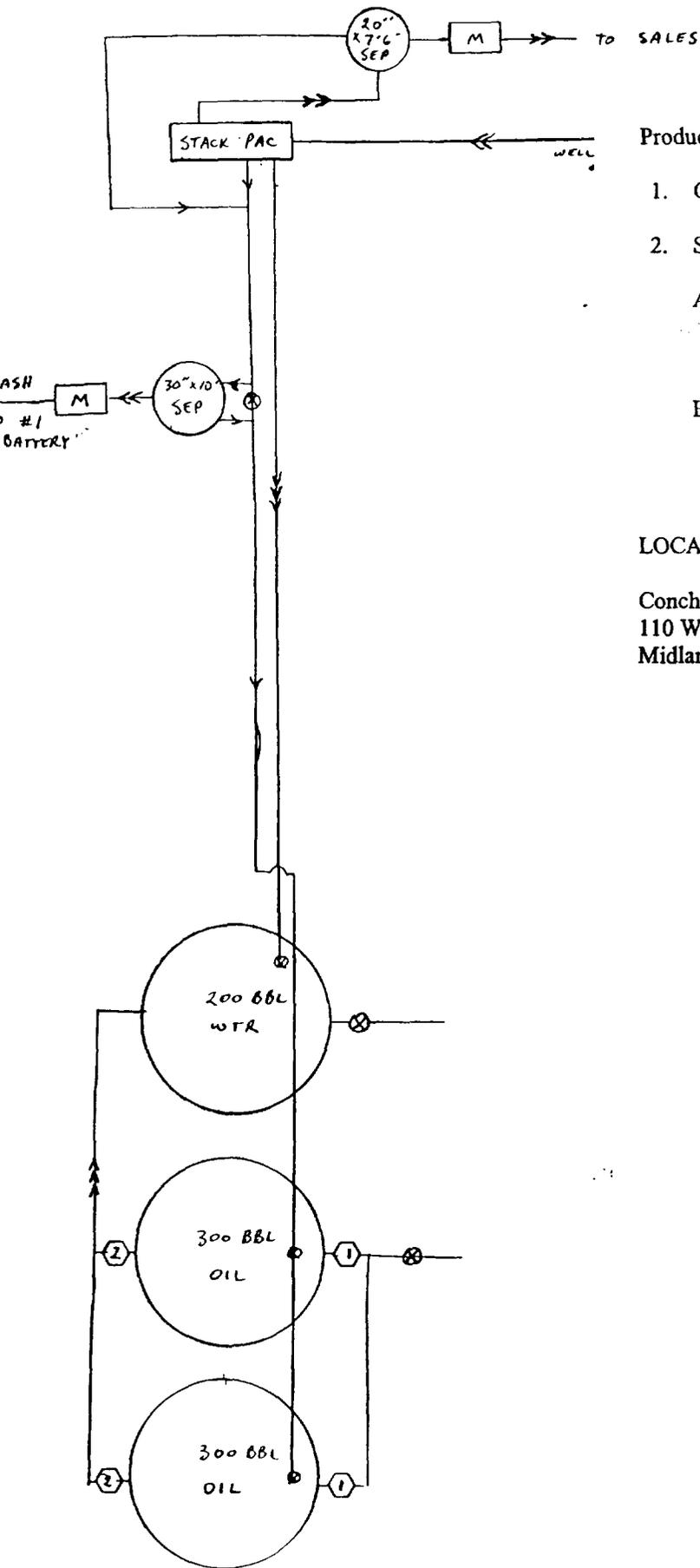
LOCATION OF SITE SECURITY PLAN:

Concho Resources
 110 W. Louisiana, Ste 410
 Midland, TX 79701

← OIL
 ⇐ GAS
 ⇐⇐ WATER

SITE FACILITY DIAGRAM

Concho Resources, Inc.
 W. Shugart 30 Fed #1 Battery
 SE/4, NW/4, Sec 30, T18S, R31E

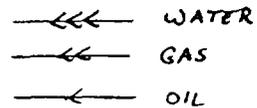


Production System—Closed

1. Oil sales by tank gauge to tank truck
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 - (1) Valve 1 open on sell tank
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LOCATION OF SITE SECURITY PLAN:

Concho Resources
 110 W. Louisiana, Ste 410
 Midland, TX 79701



SITE FACILITY DIAGRAM

Concho Resources, Inc.
 W. Shugart 30 Fed #10 Battery
 SE/4, NE/4, Sec 30, T18S, R31E

CONCHO RESOURCES INC.

Suite 410
110 W. Louisiana
Midland, Texas 79701

(915) 683-7443
FAX 683-7441

ATTACHMENT VI

To: Interest Owners and Purchasers

Re: Notification of Application of Concho Resources Inc. for Administrative Approval for Pool/Lease Commingling and Off Lease Storage, Sales, and Measurement Section 30, T-18-S, R-31-E, Eddy Co., NM

Dear Interest Owner or Purchaser:

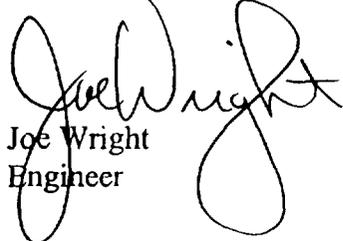
Concho Resources Inc. hereby notifies you that it is seeking approval to first meter and then commingle gas production from wells listed on Attachment I. The common tank battery for said well (s) is located in Unit F, SE/4, NW/4, Section 30, T-18S, R-31E in Eddy Co., NM.

If you have any objection to this request, then it is necessary for you to file a written objection within twenty (20) days of May 5, 1999 with the BLM. If you have no objections, it is not necessary for you to file anything.

Please feel free to call if I can be of any assistance.

Sincerely,

Concho Resources Inc.



Joe Wright
Engineer

Concho Resources Inc. - West Shugart 30 Federal Lease DOI

Concho Resources Inc. S & P Co.	110 W. Louisiana, Ste 410 330 Marshall St. Ste 300	Midland, Tx 79701 Shreveport, LA 71101
Royalty & Override Interest Owners:		
Glenadean Aldredge	9619 Macallan	Albuquerque, NM 87123
Paul Barwis	2201 Southampton Ln	Midland, Tx 79705
Canadian Kenwood Co.	1910 IDS Ctr; 80 S 8th Street	Mineapolis, MN 55402
CBT/Map 1998	C/O Chase Bank, P O Box 660197	Dallas, Tx 75391
Karen E. Charles	110 Hudson Ave	Altoona, PA 16602
18-31 Inc.	P O Box 1120	Roswell, NM 88202
John Michael Frost	P O Box 1120	Roswell, NM 88202
Marianne Keohane Frost	P O Box 1120	Roswell, NM 88202
Mark James Frost	P O Box 1120	Roswell, NM 88202
Teresa Ann Frost	P O Box 1120	Roswell, NM 88202
Lyle B. & Mary Boxell Gallivan	8479 W. 49th Ave	Lakewood, CO 80226
Sue S. Graham	P O Box 987	Roswell, NM 88202
Shawn & Frances Hannifin	49315 E. 88th Ave	Bennett, CO 80102
Alan R. Hannifin	518 17th St, #540	Denver, CO 80202
Higgins Trust Inc.	P O Box 2421	Gainesville, GA 30503
Donald S. Iverson	P O Box 1118	Albany, Tx 76430
Iverson III Inc.	3454 South Zunis	Tulsa, OK 74105
Jewell Iverson Rev. Trust	4870 South Lewis, Ste 200	Tulsa, OK 74105
S.J. Iverson Trust	P O Box 840738	Dallas, Tx 75284-0738
S. J. Iverson, Jr.	2518 Sinclair	Midland, Tx 79702
The SJI Jr. 1990 Trust	P O Box 10508	Midland, Tx 79702
Wendell W. Iverson	P O Box 1343	Midland, Tx 79702
Jareed Partners	2407 Bellechase Ct	Midland, Tx 79705
E. Bernard Johnston	2715 N. Kentucky Ave, #16	Roswell, NM 88201-5811
Mary Ellen Johnston	2715 N. Kentucky Ave, #16	Roswell, NM 88201-5811
Jeanette Keohane	13408 Cloudview	Albuquerque, NM 87123
Ray F. Lewis	1734 Terrace Circle	Casa Grande, AZ 85222
Margaret Master	47 Oakwood Dr	Wormleysburg, PA 17043-1134
Michael R. McGuire	3209 Estrellita Dr	Roswell, NM 88201-1017
Dorothy Monroe Estate	4870 South Lewis, Ste 200	Tulsa, OK 74105
Joseph & Madge Morgan	518 17th St, #545	Denver, CO 80202
Margaret Nayton Rev. Tr.	1st National Bank, P O Box AA	Artesia, NM 88211-7526
P.A.I. Corp	243 Walnut	Newport Beach, CA 92663
Patsy Iverson Page	1155 Murilands Vista Way	La Jolla, CA 72037
T R Parker Estate	2885 Leonard Ave	Medford, OR 97504
Elyse S. Patterson Trust	P O Box 419248	Kansas City, MO 64141-6248
Penwell Employee Royalty Pool	600 N. Marienfeld, Ste 1100	Midland, Tx 79701
Rojo Inc.	P O Box 1120	Roswell, NM 88202-1120
Katherine M. Scott	809 Sheridan St	Altoona, PA 16602
Phoebe Shelton	P O Box 430	Amarillo, Tx 79105
Ralph A. Shugart Trust	300 S. Jackson St., Ste-500	Denver, CO 80209
Gene Shumate	P O Box 2473	Midland, Tx 79702
Betty Baish Strohneyer Est.	5311 E. 5th Street	Tucson, AZ 85711-2331
The Toles Co.	P O Box 1300	Roswell, NM 88202
TRW Exploration	P O Box N	Roswell, NM 88202
Donald & Anette Wambaugh	P O Box 4611	Midland, Tx 79704
Garel & Myrtle Westall	704 W. Bullock	Artesia, NM 88210-2337
George Westall & G. Aldredge	P O Box 70	Ruidoso Downs, NM 88346-0070
Mary E. Baish-Westin	513 Powell Ave	Cresson, PA 16630-1314
John M. Frost u/w/o B. M. Keohane	P O Box 1120	Roswell, NM 88202
Teresa A. Frost u/w/o B. M. Keohane	P O Box 1120	Roswell, NM 88202
The W.W.I. 1990 Trust	P O Box 10508	Midland, Tx 79702
The P.I.P 1990 Trust	P O Box 10508	Midland, Tx 79702
Purchasers:		
Oil	Navajo Refining & Crude Mktg	P O Box 159
Gas	GPM Gas Corp.	P O Box 50020
		Artesia NM 88210
		Midland, TX 79710