

COMMISSIONER'S OFFICE

Phone (505) 827-5760

Fax (505) 827-5766

ADMINISTRATION

Phone (505) 827-5700

Fax (505) 827-5853

GENERAL COUNSEL

Phone (505) 827-5713

Fax (505) 827-4262

PUBLIC AFFAIRS

Phone (505) 827-1245

Fax (505) 827-5766

**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

CTB-490

COMMERCIAL RESOURCES

Phone (505) 827-5724

Fax (505) 827-6157

MINERAL RESOURCES

Phone (505) 827-5744

Fax (505) 827-4739

ROYALTY MANAGEMENT

Phone (505) 827-5772

Fax (505) 827-4739

SURFACE RESOURCES

Phone (505) 827-5793

Fax (505) 827-5711

November 29, 1999

Concho Resources Inc.
110 W. Louisiana
Suite 410
Midland, Texas 79701

Attn: Mr. Jim Blount

Re: Off Lease Commingling and Off Lease Sales and Measurement of Gas
Lonetree '14' State Well No. 1
Unit Letter K, Section 13-21S-27E
Eddy County, New Mexico

Dear Mr. Blount:

We have received your letter of November 9, 1999, wherein you have requested approval for lease commingling of gas production from the Lonetree '14' State Lease with gas production from the Lonetree State Lease. You also requested approval for off-lease sales and measurement of gas production from the Lonetree '14' State Lease.

It is our understanding that the gas production will be measured separately at each well prior to commingling at the sales point. The common sales meter for the Lonetree State Well No. 1 and Lonetree '14' state Well No. 1 is located in the NE/4SW/4 of Section 13-21S-27E. All oil production will be measured individually and sold on a well by well basis at each individual well's tank battery. All natural gas production will be metered at each individual well location with the meters calibrated on a regular basis.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division.

Your \$30.00 filing fee has been received.

Also please submit a copy of the New Mexico Oil Conservation Division's order.

Concho Resources Inc.
November 29, 1999
Page 2

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL , M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

Enclosure

xc: Reader File

OCD--Mr. ~~David~~ Catanach, Mr. Ben Stone

DATE IN 11/12/99	SUBMITTER 12/2/99	ENGINEER MA	LOGGED KW	TYPE CTB
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ABOVE THIS LINE FOR DIVISION USE ONLY

499

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

NOV 12 1999

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

TERRI STATHEM
 Print or Type Name


 Signature

PRODUCTION ANALYST
 Title

11/9/99
 Date

CONCHO RESOURCES INC.

Suite 410

110 W. Louisiana

Midland, Texas 79701

November 9, 1999

(915) 683-7443

FAX 683-7441

New Mexico Oil Conservation Division
2040 South Pacheco St.
Santa Fe, New Mexico 87505

Re: Off Lease Commingling and Off Lease Sales and Measurement of Gas
Lonetree '14' State No. 1 Well

Gentlemen:

Concho Resources Inc. hereby requests administrative approval for Lease Commingling of gas production from the Lonetree '14' State lease with the gas production from the Lonetree State lease and Off Lease Sales and Measurement of the gas production from the Lonetree '14' State lease. The Lonetree '14' State No.1 and the Lonetree State No. 1 wells are both producing from the Bone Spring pool but ownership is not common for the two wells. All gas production will be measured separately at each well prior to commingling at the sales point.

The common sales meter for the Lonetree State No. 1 and Lonetree '14' State No. 1 wells is located in Unit Ltr: K, Section 13, T-21S, R-27E in Eddy County, New Mexico. The tank battery for the Lonetree State No. 1 is located in Section 13, T-21S, R-27E in Eddy County, New Mexico. The tank battery for the Lonetree '14' State No. 1 well is located in Section 14, T-21S, R-27E in Eddy County, New Mexico. The two referenced wells and the lease boundaries are depicted on Attachment I. Attachment II and Attachment III are the facility diagrams for each lease.

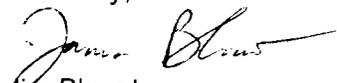
All oil production is measured individually and sold on a well by well basis at each individual well's tank battery. All natural gas production is metered at each individual well location and the meters are calibrated on a regular basis.

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

Also enclosed please find Attachment IV, a copy of the notification letter which was mailed to all interest owners and to the gas purchaser via certified mail, along with a list of interest owners and the gas purchaser.

Thank you for your cooperation in this matter. If you have any questions, please feel free to contact me at (915) 683-7443.

Sincerely,



Jim Blount
Engineer

**Concho Resources Inc.
Surface Commingling Request**

Concho Resources Inc. respectfully requests approval for surface commingling of gas production from the Lonetree '14' State Lease:

<u>Well #</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rge</u>	<u>Formation</u>
1	NE/4, UL H	14	21S	27E	Carlsbad Bone Spring East

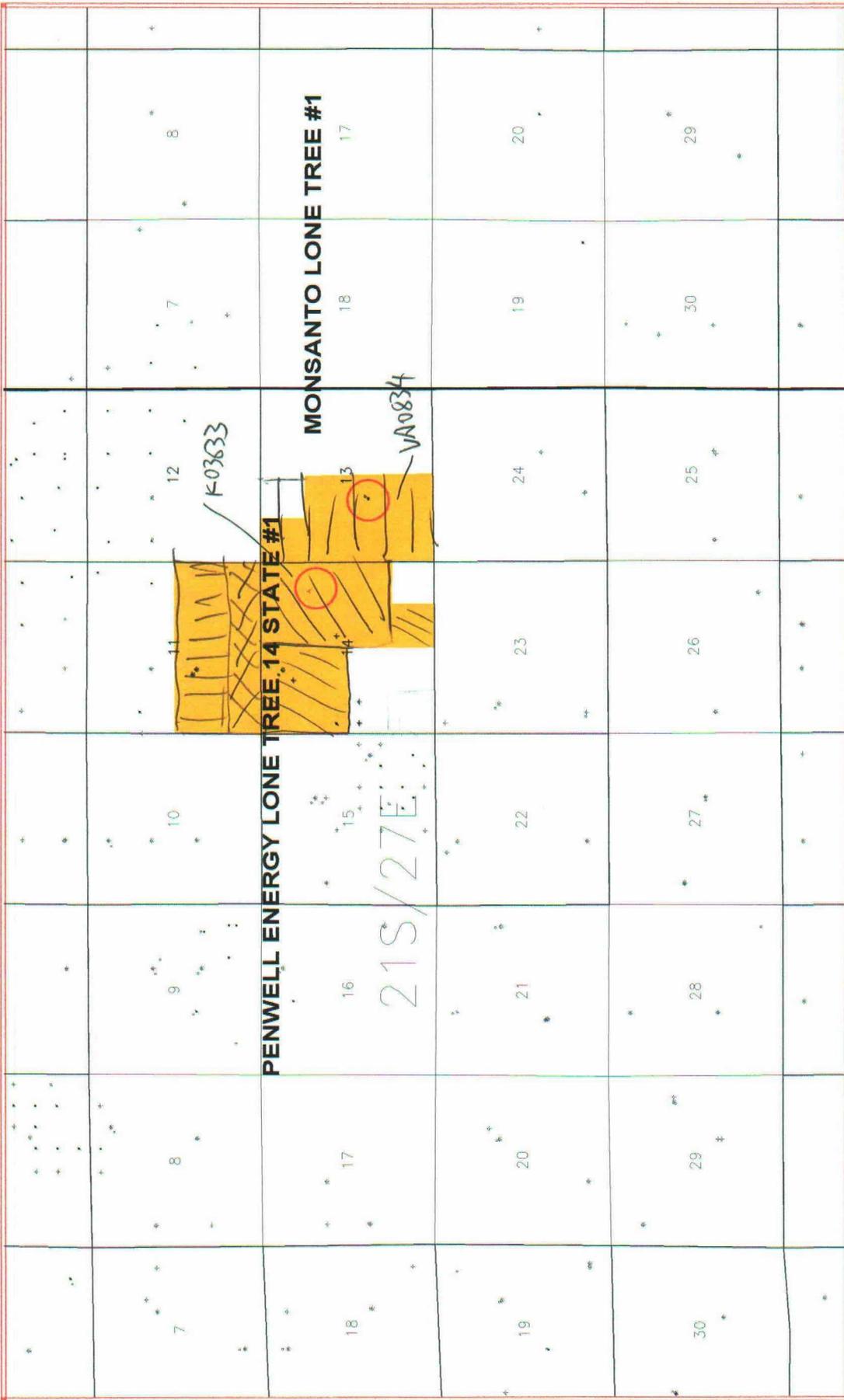
9844

with gas production from the Lonetree State Lease:

<u>Well #</u>	<u>Loc.</u>	<u>Sec.</u>	<u>Twp.</u>	<u>Rge</u>	<u>Formation</u>
1	SW/4, UL K	13	21S	27E	Carlsbad Bone Spring East

Production from the wells involved is as follows:

<u>Well Name & #</u>	<u>BOPD</u>	<u>Oil Grav.</u>	<u>MCFPD</u>
Lonetree '14 State #1	5	44.0	32
Lonetree State No. 1	3	41.2	10



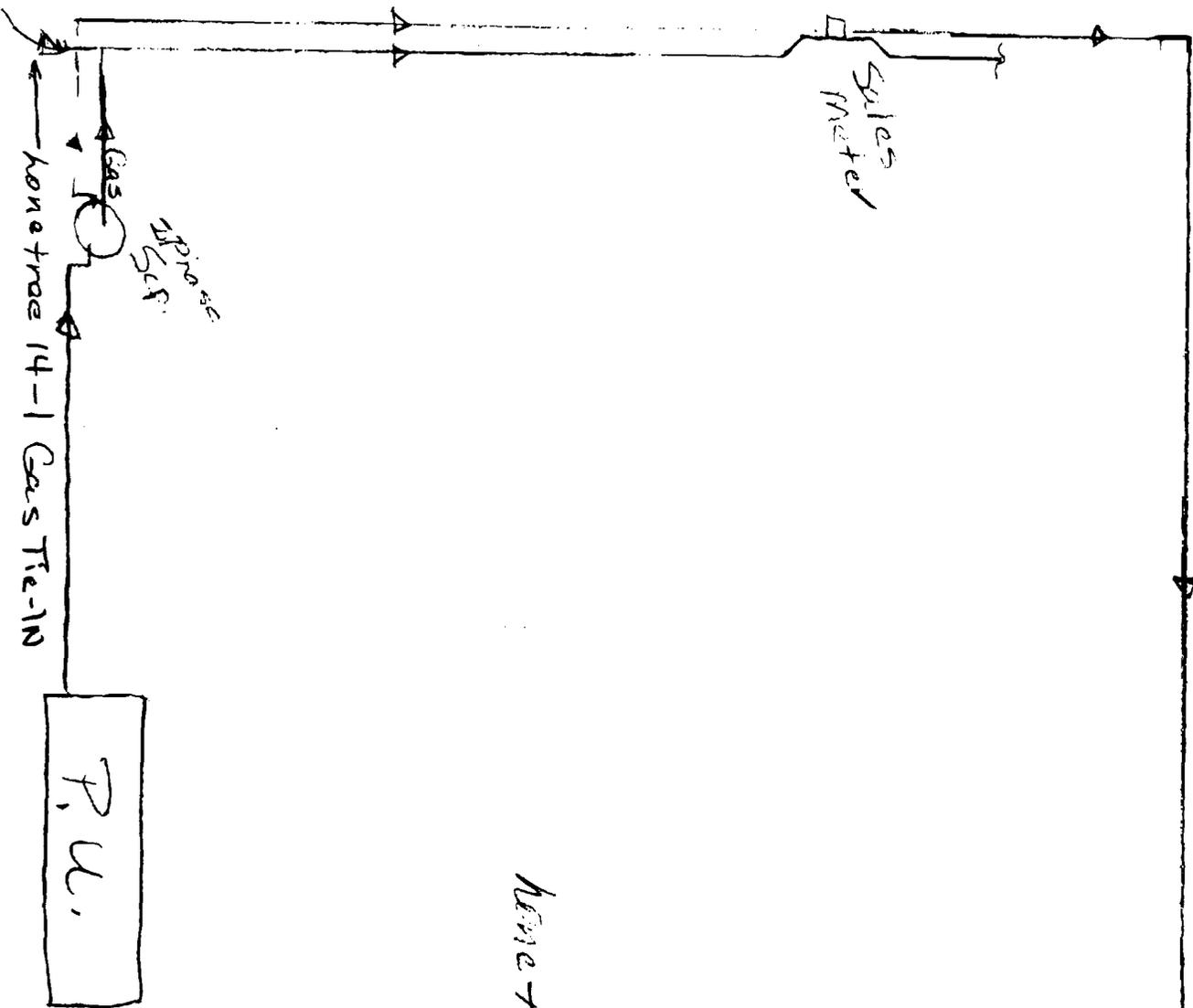
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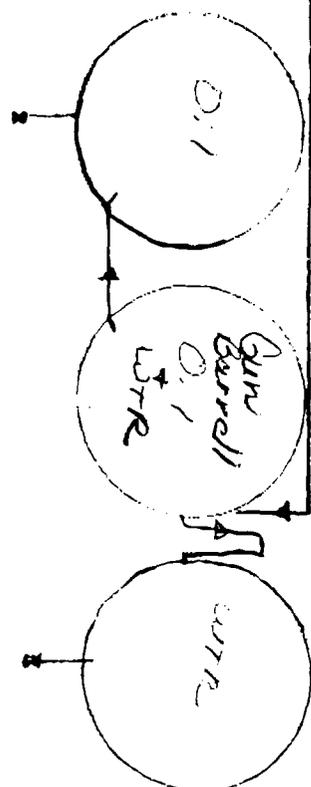
771004

ATTACHMENT I

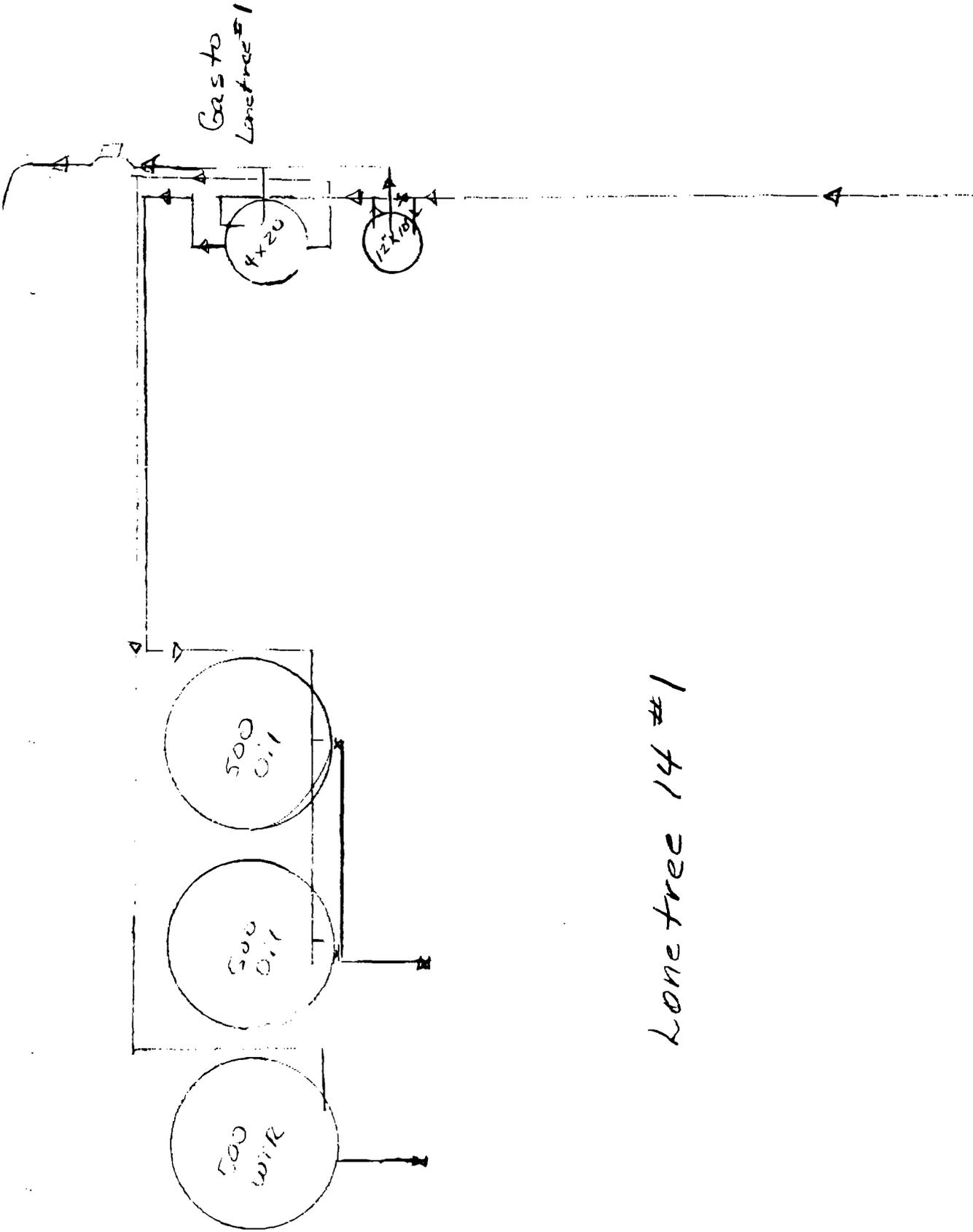
CONCHO RESOURCE INC	
MIDLAND, TEXAS	
LONETREE PROSPECT	
PHONE (915) 683-7443	
	EDWARDS



Notes # 1



ATTACHMENT II



Lone tree 14 #1

CONCHO RESOURCES INC.

Suite 410

110 W. Louisiana
Midland, Texas 79701

(915) 683-7443
FAX 683-7441

November 9, 1999

Dear Interest Owner and Purchaser:

Re: Notification of Application of Concho Resources Inc. for Administrative Approval
For Lease Commingling and Off Lease Sales and Measurement of Gas
Production
Lonetree 14 State No. 1 Well
Sec. 14, T-21S, R-27E, Eddy County, New Mexico

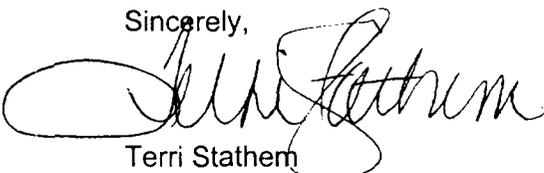
Concho Resources Inc. is requesting your approval for off lease measurement and sales and surface commingling of gas production from the Lonetree '14' State No. 1 well. The common sales meter for said wells is located in Unit K, Section 13, T-21S, R-27E in Eddy County, New Mexico.

The working interest and the royalty interests are not common in the two wells therefore; production from each well will be metered separately at the well before being commingled.

A copy of our application to the NMOCD is enclosed for your review. If you have any objection to this request, it is necessary for you to file a written objection within twenty (20) days of November 9, 1999 with NMOCD. If you have no objections to this proposal it is not necessary for you to file anything.

Should you have any questions please feel free to call Jim Blount, Engineer or me at (915) 683-7443.

Sincerely,



Terri Stathem
Production Analyst

ATTACHMENT IV

CONCHO RESOURCES INC.

LONETREE '14' STATE NO. 1 AND LONETREE STATE NO. 1

Lonetree State No. 1

WORKING INTEREST OWNERS:

Concho Resources Inc.	110 W. Louisiana, Ste 410	Midland, Tx 79701
Chi Energy, Inc.	P O Box 1799	Midland, Tx 79702
David H. Essex Agency	P O Box 50577	Midland, Tx 79710
Michael D. Hayes	3608 Meadowridge	Midland, Tx 79707
Mark T. Owen	3323 Providence Dr.	Midland, Tx 79707
Mary Elizabeth Locker	1513 Flintridge Rd.	Austin, Tx 78746

ROYALTY OWNERS:

Paul Barwis	2201 Southampton Lane	Midland, Tx 79705
William Bergman	P O Box 1799	Midland, Tx 79702
Estate of David Harrison	P O Box 11636	Spring, Tx 77391-1636
Jareed Partners LTD	2407 Bellechase Ct	Midland, Tx 79705
Lowe Partners LP	P O Box 832	Midland, Tx 79702
Penwell Employee Royalty	600 N. Marienfeld, Ste 1100	Midland, Tx 79701
Commission of Public Lands	P O Box 1148	Santa Fe, NM
John L. Thoma	213 Mesquite Dr.	Graford, Tx 76449
C. Mark Wheeler	3001 Northtown Pl.	Midland, Tx 79705

CONCHO RESOURCES INC.

LONETREE '14' STATE NO. 1 AND LONETREE STATE NO. 1

Lonetree '14' State No. 1

WORKING INTEREST OWNERS:

Estate of Elizabeth Locker	1513 Flintridge Rd.	Austin, Tx 78746
Michael D. Hayes	3608 Meadowridge	Midland, Tx 79707
Mark T. Owen	3323 Providence Dr.	Midland, Tx 79707
Ernie Bello	3325 Ala Akulikuli	Honolulu, HI 96818-2215
Brown Brothers	Harriman Trust Co. of Texas Trustee of the	
Agnes & William Oliver Trust	2001 Ross Ave., 1150 Trammell Crow Ctr	Dallas, Tx 75201

ROYALTY OWNERS:

Donald Anderson	6400 S. Fiddler's Gree Circ #1750	Englewood, CA 80111
Paul Barwis	2201 Southampton Lane	Midland, Tx 79705
William Bergman	P O Box 1799	Midland, Tx 79702
David Harrison	P O Box 11636	Spring, Tx 77391-1636
Jareed Partners	2407 Bellechase Ct	Midland, Tx 79705
Penwell Employee Royalty	600 N. Marienfeld, Ste 1100	Midland, Tx 79701
John L. Thoma	213 Mesquite Dr.	Graford, Tx 76449
Mark Wheeler	3001 Northtown Pl.	Midland, Tx 79705
Carson R. Yost	Box 4887, Dept. A	Houston, Tx 77210-4887
Clayton L. Yost	Box 4887, Dept. B	Houston, Tx 77210-4887
Samantha Yost	Box 4887, Dept. C	Houston, Tx 77210-4887
Commission of Public Lands	P O Box 1148	Santa Fe, NM

Gas Purchaser:

GPM Gas Corporation	P O Box 50020	Midland, Tx 79705-0020
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CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

11/16/99 09:03:52
OGOMWA -TPXC
PAGE NO: 1

Sec : 14 Twp : 21S Rng : 27E Section Type : NORMAL

D 40.00 CS L01899 0007 12/78 CONCHO RESOURCES, C	C 40.00 CS L01899 0007 12/78 CONCHO RESOURCES, C P	B 40.00 CS K03633 0007 10/73 CONCHO RESOURCES, C C	A 40.00 CS K03633 0007 10/73 CONCHO RESOURCES, C C
E 40.00 CS L01899 0007 12/78 CONCHO RESOURCES, C P	F 40.00 CS L01899 0007 12/78 CONCHO RESOURCES, C	G 40.00 CS K03633 0007 10/73 CONCHO RESOURCES, C C	H 40.00 CS K03633 0007 10/73 CONCHO RESOURCES, C A

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

11/16/99 09:03:56
OGOMWA -TPXC
PAGE NO: 2

Sec : 14 Twp : 21S Rng : 27E Section Type : NORMAL

L 40.00 CS K03633 0000 10/73 DONALD B ANDERSON	K 40.00 CS K03633 0000 10/73 DONALD B ANDERSON	J 40.00 CS K03633 0007 10/73 CONCHO RESOURCES, C	I 40.00 CS K03633 0007 10/73 CONCHO RESOURCES, C
M 40.00 CS OG5809 0001 08/69 TEXACO EXPLORATIO	N 40.00 CS OG5809 0001 08/69 TEXACO EXPLORATIO	O 40.00 CS L01899 0007 12/78 CONCHO RESOURCES,	P 40.00 CS OG5809 0001 08/69 TEXACO EXPLORATIC

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

CNGARD
INQUIRE LAND BY SECTION

11/16/99 09:04:03
OGOMWA -TPXC
PAGE NO: 1

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<p>E 40.00 PB VA0834 0003 03/98 CONCHO RESOURCES, C</p>	<p>F 40.00 PB VA0834 0003 03/98 CONCHO RESOURCES,</p>	<p>G 40.00 PB OPEN 05/98</p>	<p>H 40.00 PB OPEN 05/98</p>

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

11/16/99 09:04:07
OGOMWA -TPXC
PAGE NO: 2

Sec : 13 Twp : 21S Rng : 27E Section Type : NORMAL

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M 40.00 PB VA0834 0003 03/98 CONCHO RESOURCES, C	N 40.00 PB VA0834 0003 03/98 CONCHO RESOURCES,	O 40.00 Fee owned	P 40.00 Fee owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12