

CONCHO RESOURCES INC.

Suite 410

110 W. Louisiana

Midland, Texas 79701

(915) 683-7443

FAX 683-7441

November 9, 1999

State of New Mexico
Commissioner of Public Lands
PO Box 1148
Santa Fe, NM 87504-1148

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

Gentlemen:

Concho Resources Inc. respectfully requests approval for Lease Commingling of the gas production from the Lonetree '14' State lease with gas production from the Lonetree State Lease. Also, we are requesting approval for Off Lease Sales and Measurement of the gas production from the Lonetree '14' State lease. I have enclosed our application to the New Mexico Oil Conservation Division requesting administrative approval to commingle the gas production.

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.