

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.

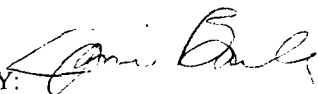
November 29, 1999

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 |
|---------------------|----------------------|----------------|--------------|-------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

493

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.

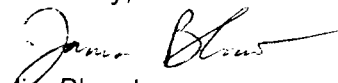
All oil production is measured individually and sold on a well by well basis at each individual well's tank battery. All natural gas production is metered at each individual well location and the meters are calibrated on a regular basis.

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:

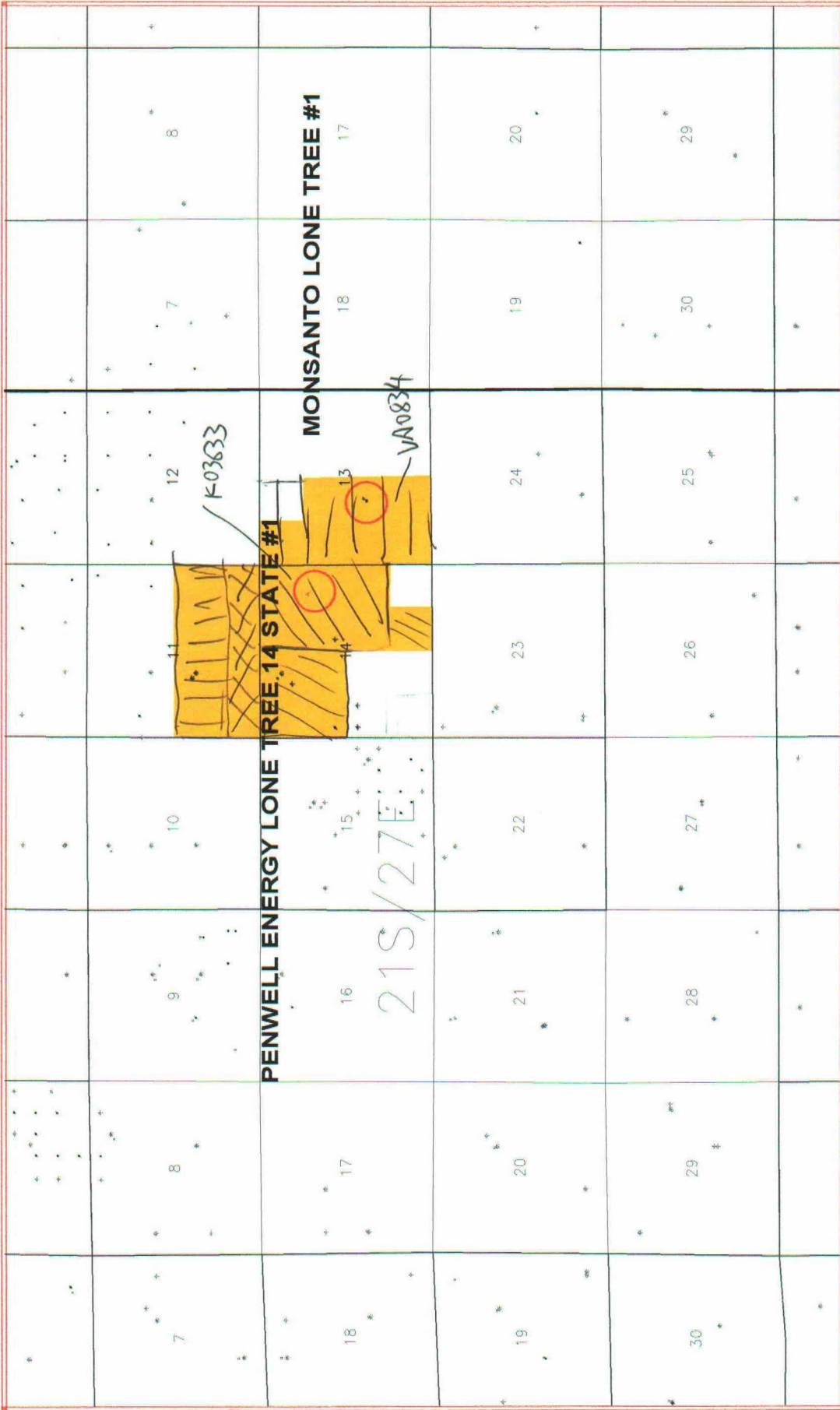
| <u>Well #</u> | <u>Loc.</u> | <u>Sec.</u> | <u>Twp.</u> | <u>Rge</u> | <u>Formation</u> |
|---------------|-------------|-------------|-------------|------------|---------------------------|
| 1 | NE/4, UL H | 14 | 21S | 27E | Carlsbad Bone Spring East |

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 |



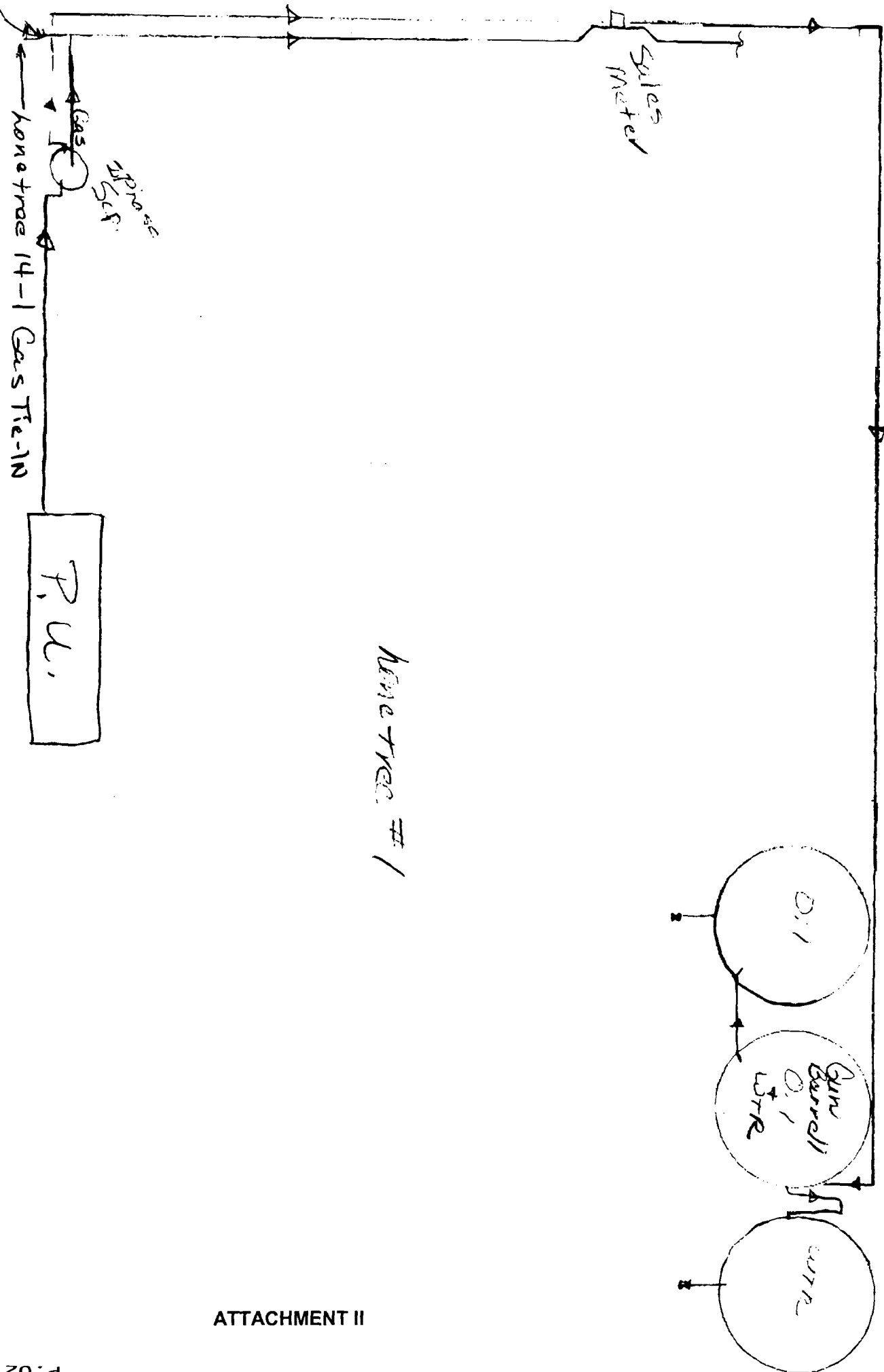
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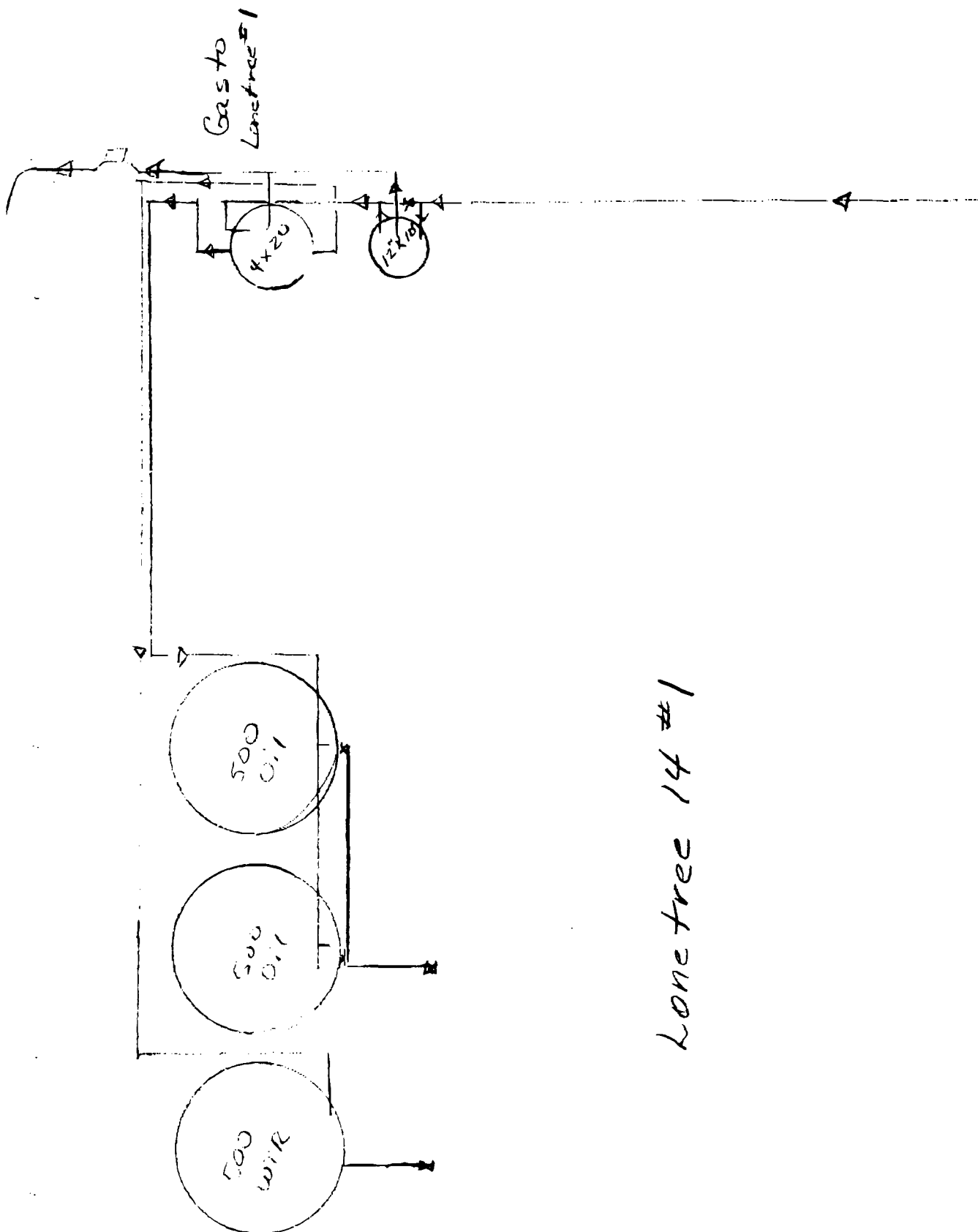
771004

ATTACHMENT I

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



Line # 1



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

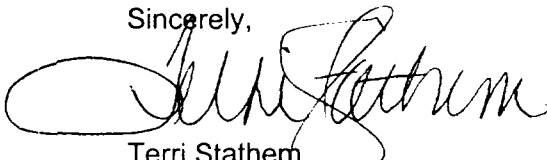
Concho Resources Inc. is requesting your approval for off lease measurement and sales and surface commingling of gas production from the Lonetree '14' State No. 1 well. The common sales meter for said wells is located in Unit K, Section 13, T-21S, R-27E in Eddy County, New Mexico.

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 |

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

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| 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 |

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

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| 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
PF07 BKWDPF02
PF08 FWDPF03 EXIT
PF09 PRINTPF04 GoTo
PF10 SDIVPF05
PF11PF06
PF12

CMD :
OG5SECT

CNGARD
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OGOMWA -TPXC
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| E 40.00 PB VA0834 0003 03/98 CONCHO RESOURCES, | F 40.00 PB VA0834 0003 03/98 CONCHO RESOURCES, | G 40.00 PB OPEN 05/98 | H 40.00 PB OPEN 05/98 |
| C | | | |

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|-----------|----------|------------|-----------|------|------|
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| PF07 BKWD | PF08 FWD | PF09 PRINT | PF10 SDIV | PF11 | PF12 |

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ONGARD
INQUIRE LAND BY SECTION

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PAGE NO: 2

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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 |

| | | | | | |
|-----------|----------|------------|-----------|------|------|
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| PF07 BKWD | PF08 FWD | PF09 PRINT | PF10 SDIV | PF11 | PF12 |