

RICHARD NIGHTENGALE

CERTIFIED PROFESSIONAL LANDMAN

3033 FREDNA PLACE
MIDLAND, TEXAS 79707

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CERTIFIED MAIL-RETURN RECEIPT REQUESTED 7000 1530 0004 2502 4263

November 7, 2002

University of New Mexico Board of Regents
Attn: Mr. Kim Murphy
University of New Mexico
Scholes Hall, Room 252
Albuquerque, NM 87131-3181

Ginger Quill "33" #1 Well
W/2 Sec. 33, T15S, R36E
Lea County, NM

Gentlemen:

Concho Oil & Gas Corp. ("Concho") hereby proposes the drilling of a well to a depth sufficient to adequately test the Devonian formation, anticipated total depth being approximately 14,200'. Furthermore, Concho shall evaluate to its satisfaction, all other formations encountered at lesser depths in the drilling of said well. The proposed spacing or proration unit will be the W/2 of Section 33 T15S, R36, Lea County, New Mexico.

This well will be located approximately 440' FSL & 1180' FWL of Section 33, T15S, R36E, Lea County, New Mexico. Concho's AFE for the drilling and completion of this well is enclosed for your review. Should you desire to participate to the full extent of your interest in the drilling of this proposed well, please return an executed copy of the AFE to the undersigned at your earliest convenience.

Upon receipt of your executed AFE, or by prior written request, we will forward for your review and execution Concho's Joint Operating Agreement covering this proposed well.

In the event you should elect to not participate in the drilling of this test well, Concho respectfully requests that you grant to Concho, an oil and gas lease covering your mineral interest in the captioned lands pursuant to the following terms and conditions:

- a) \$102.00 per mineral acre bonus, inclusive of paid up rentals
- b) Three (3) year primary term
- c) Three-Sixteenths (3/16ths) royalty
- d) Lease form Hall-Poorbaugh Press Producers Revised 1981 New Mexico Form 342P, Paid-up

We anticipate drilling the captioned well in the very near future. We therefore, request that you please review this matter as soon as possible and advise as to your position regarding this proposal within thirty (30) days from your receipt of this letter.

In the event that we are not able to reach an agreement with you, we will necessarily have to initiate force-pooling procedures to allow the drilling of this well.

We would be glad to further discuss this matter with you, so we invite you to contact us with any questions or comments you might have. Thank you for your cooperation.

Very truly yours,



Richard Nightengale, CPL
Contract Landman

Enclosures



**CONCHO OIL & GAS CORP.
AUTHORITY FOR EXPENDITURE**

WELL NAME: Ginger Quill "33" #1
LOCATION: Sec.33-T15S-R36E
440' FSL & 1180' FWL
X:812883, Y:717295

PROSPECT NAME: N. Lovington Devonian
COUNTY & STATE: Lea, NM
OBJECTIVE: D&C 14,200' Devonian Well

<u>INTANGIBLE COSTS</u>	<u>BCP</u>	<u>ACP</u>	<u>TOTAL</u>
TITLE/CURATIVE/PERMIT	1,000		1,000
DAMAGES/ROW	10,000		10,000
SURVEY/STAKE LOCATION	1,000		1,000
LOCATION/PITS/ROAD EXPENSE	20,000	2,000	22,000
DRILLING/COMPLETION OVERHEAD RATE	5,000	1,000	6,000
TURNKEY CONTRACT			0
FOOTAGE CONTRACT			0
DAYWORK-CONTRACT \$9000/DAY	486,000	27,000	513,000
FUEL & POWER	53,000	3,000	56,000
WATER	30,000	5,000	35,000
BITS & REAMERS	80,000	3,000	83,000
MUD & CHEMICALS	40,000		40,000
DRILL STEM TEST	5,000		5,000
CORING & ANALYSIS			0
CEMENT SURFACE	5,000		5,000
CEMENT INTERMEDIATE	16,000		16,000
CEMENT PRODUCTION		30,000	30,000
CASING CREWS & EQUIPMENT	4,000	6,000	10,000
FISHING TOOLS & SERVICE			0
CONTRACT LABOR	5,000	10,000	15,000
COMPANY SUPERVISION	2,000	2,000	4,000
CONTRACT SUPERVISION	35,000	6,000	41,000
TESTING CASING/TUBING	2,000	3,000	5,000
MUD LOGGING UNIT	16,000		16,000
LOGGING/WIRELINE SERVICES	35,000	5,000	40,000
PERFORATING			0
STIMULATION/TREATING		10,000	10,000
COMPLETION UNIT		20,000	20,000
RENTALS	30,000	10,000	40,000
TRUCKING/FORKLIFT/RIG MOBILIZATION	35,000	3,000	38,000
WELDING SERVICES	2,000	1,000	3,000
FLOAT EQUIPMENT & CENTRALIZERS	1,500	5,000	6,500
MISCELLANEOUS	1,000	1,000	2,000
CONTINGENCY	92,100	15,300	107,400
TOTAL INTANGIBLES	1,012,600	168,300	1,180,900
TANGIBLE COSTS			
SURFACE CASING	5,800		5,800
400' 13 3/8"			
INTERMEDIATE CASING	49,000		49,000
4900' 8 5/8"			
PRODUCTION CASING / LINER		106,000	106,000
14,200' 5 1/2"			
TUBING 14,000' 2 7/8" N-80		46,000	46,000
WELLHEAD EQUIPMENT	6,000	12,000	18,000
PUMPING UNIT		55,000	55,000
RODS		16,000	16,000
PUMPS		3,000	3,000
TANKS		12,000	12,000
FLOWLINES		2,000	2,000
HEATER TREATER/SEPARATOR		6,000	6,000
ELECTRICAL SYSTEM		5,000	5,000
PACKERS/ANCHORS/HANGERS		8,000	8,000
COUPLINGS/FITTINGS/VALVES		10,000	10,000
GAS COMPRESSORS/METERS		2,000	2,000
MISCELLANEOUS		2,000	2,000
CONTINGENCY	6,100	28,500	34,600
TOTAL TANGIBLES	66,900	313,500	380,400
TOTAL WELL COSTS	1,079,500	481,800	1,561,300
PLUGGING COST			
TOTAL DRY HOLE			

Concho Oil & Gas Corp.

By: Erick W. Nelson

EJW
10/31/02

Date Prepared:

10/30/02

We approve:

_____% Before Tanks / _____% After Tanks

Company:

By:

Printed Name:

Title:

Date:

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

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:

University of New Mexico Board of Regents
 Attn: Mr. Kim Murphy
 University of New Mexico
 Scholes Hall, Rm 252
 Albuquerque, NM 87131-3181

2. Article Number (Copy from service label)

7000 1530 000 4 2502 4263

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X *[Signature]*
 2007
 11/07

-
- Agent
-
-
- Addressee

D. Is delivery address different from item 1?
 If YES, enter delivery address below:

-
- Yes
-
-
- No

3. Service Type

-
- Certified Mail
-
- Express Mail
-
-
- Registered
-
- Return Receipt for Merchandise
-
-
- Insured Mail
-
- C.O.D.

4. Restricted Delivery? (Extra Fee)

-
- Yes

**U.S. Postal Service
 CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)**

ALBUQUERQUE, NM 87131

Postage

\$

0.37

UNIT ID: 0708

Certified Fee

2.30

Return Receipt Fee
(Endorsement Required)

1.75

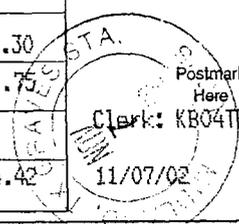
Restricted Delivery Fee
(Endorsement Required)

4.42

Total Postage & Fees

\$

4.42



Sent To

Univ. New Mexico Bd. of Regents, Attn: Kim Murphy

Street, Apt. No.; or PO Box No.

Univ. New Mexico - Scholes Hall, Rm 252

City, State, ZIP+ 4

Albuquerque, NM 87131-3181

PS Form 3800, May 2010

See Reverse for Instructions

7000 1530 000 4 2502 4263