

**CONCHO RESOURCES INC.**

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November 9, 1999

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OCD - ARTESIA

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