

CONCHO RESOURCES INC.

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July 27, 2000

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Bureau of Land Management
2909 W. 2nd
Roswell, NM 88210

Re: Off Lease Commingling and Off Lease Sales of Gas
Indian Draw '12' Federal Lease and Indian Draw '13' Lease

Gentlemen:

Concho Resources Inc. is requesting administrative approval from the New Mexico Oil Conservation Division and the Bureau of Land Management for Lease Commingling of gas production from the Indian Draw '12' Federal lease with the gas production from the Indian Draw '13' lease. The Indian Draw '12' Federal No. 1 well and the Indian Draw '13' No. 1 well are single completions in the Otis Morrow pool. Because ownership is not common in the two leases production is and will continue to be measured separately at each well prior to commingling at the sales meter.

The common sales meter for the Indian Draw 12 Federal lease and Indian Draw 13 lease is located in Unit Letter: L, Section 18, T-22S, R-28E in Eddy County, New Mexico. The two subject wells and lease boundaries are depicted on Attachment I. Attachment II and III are the facility diagrams for each lease. Attachment IV is the pipeline and sales meter location plat.

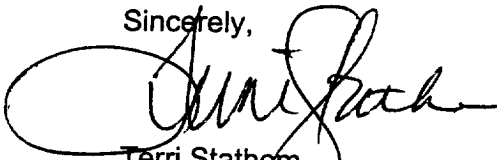
The wells currently have no oil production but if in the future the wells begin producing oil the production will be measured individually and sold on a well by well basis at each individual well's tank battery. All natural gas production is metered at each individual well location and the meters are calibrated on a regular basis.

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

Also enclosed please find Attachment V, 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,



Terri Stathem
Production Analyst