CONCHO RESOURCES INC.

Suite 410 110 W. Louisiana Midland, Texas 79701

(915) 683-7443 Fax 683-7441

June 8, 1999

New Mexico Oil Conservation Division 2040 Pacheco Santa Fe, NM 87505

Attention: David Catanach

Dear Sir:

Application for Downhole Commingle Cochiti '28' Federal No. 1 Eddy County, New Mexico



Concho Resources Inc. hereby requests approval to downhole commingle the production from the Delaware and Bone Spring zones in the Cochiti 28 Federal No. 1 well.

Each zone has been isolated and tested. The Delaware zone is not producing any oil, gas, or water. The Bone Spring zone is producing 100% of the production from this well.

Concho Resources Inc. requests approval for the downhole commingle so as not to incur the additional expense of squeezing off the Delaware perfs, thereby increasing the economic life of the well, and reducing operating costs.

Ownership and working interest for the two zones are common.

The C107-A, C102, map, decline curve, copy of letter to offset producers, are attached for your review.

Yours very truly, father Terri Stathem

Production Analyst

RECEIVED OCD ARTESIA

<u>DISTRICT I</u>
P.O. Box 1980, Hobbs, NM 88241-1980
DISTRICT II
811 South First St., Artesis, NM 88210-2835
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco Santa Fe, New Mexico 87505-6429

Form C-107-A New 3-12-96 APPROVAL PROCESS: X Administrative ____Hearing EXISTING WELLBORE X YES __ NO

APPLICATION FOR DOWNHOLE COMMINGLING

CONCHO RESOURCES INC., 110 W. Louisiana, Ste 410; Midland, Tx: 79701

Operator	Address		
Cochiti '28' Federal No. 1	E-28-23S-29E	Eddy	$(\mathcal{O}_{\mathcal{O}_{\mathcal{O}}})$
Lesse Well No.	Unit Ltr Sec - Twp - Rge	County	
OGRID NO. 166111 Property Code 243-4 API NO	, 300 15–3 0113	Spacing Unit Lease Types: Icheck 1 or more) X State Lindion Fee	\smile

, State Federal __, land/or) Fee ____

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zöne	Lower Zoné
1. Pool Name and Pool Code	Delaware		lst Bone Spring
2. Top and Bottom of Pay Section (Perforations)	6210-30'	RECENTS3	7816-7875'
3. Type of production (Oil or Gas)	None	OCD ARTESIA	011
4. Method of Production (Flowing or Artificial Lift)	NA		Pump
5. Battornhole Pressure Oil Zones - Artificial Lift: Estimated Current Gas & Oil - Flowing: Measured Current All Gas Zones: Estimated Or Measured Original	a. (Current) O b. (Original)	a. b.	в. 2500 b. 3000
6. Oil Gravity (° API) or Gas BTU Content	1140		41.0
7. Producing or Shut-In?	NA		Producing
Production Marginal? (yes or no) • If Shut-In, give date and oil/gas/ water rates of last production Note: For new zones with no production history, applicant shall be required to attach production	Yes Date: Rates:	Datë: Rotes:	Yes Datc: Rates:
estimates and supporting data If Producing, give date andoil/gas/ water rates of recent test (within 60 days)	Data: 6/4/99 Rates: O BO, O MCF, O BW.	Odiv: Reles:	Date: 6/1/99 Rates: 26 BO, 9 BW, O Gas
8. Fixed Percentage Allocation Formula -% for each zone	ан: (). бее; () % %	ou: 100 % Ges: 100 %	Qii: Gas: . % %

If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data. 9.

10. Are all working, overriding, and royalty interests identical in all commingled zones? If not, have all working, overriding, and royalty interests been notified by certified mail? Have all offset operators been given written notice of the proposed downhole commingling? X Yes No Yes No Yes X No

Will cross-flow occur? ____Yes \underline{x} No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable. ____Yes ____No (If No, attach explanation) 11. Will cross-flow occur?

ORDER NO(S).

12. Are all produced fluids from all commingled zones compatible with each other? <u>x</u> Yes No

__ Yes ___ No 13. Will the value of production be decreased by commingling? (If Yes, attach explanation)

14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. <u>*</u>Yes <u>No</u>

15. NMOCD Reference Cases for Rule 303(D) Exceptions:

16. ATTACHMENTS:
C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
Production curve for each zone for at least one year. (If not available, attach explanation.)
For zones with no production history, estimated production rates and supporting data.
Data to support allocation method or formula.
Notification list of all offset operators.
Notification list of working, overriding, and royalty interests for uncommon interest cases.
Any additional statements, data, or documents required to support commingling.

I hereby certify that the information above is true and complete	e to the b	est of my knowledge and belief.	
SIGNATURE	TITLE	Production AnalystDATE	6/8/99
TYPE OR PRINT NAME Terri Stathem			683-7443

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DISTRICT I P.O. Box 1980, Hobbs, NM 88240

DISTRICT II P.O. Drawer DD. Artesia, NM 86210

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410 State of New Mexico

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Energy. Minerals and Natural Resources Department



OIL CONSERVATION DIVISION P.O. Box 2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

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CONCHO RESOURCES INC. Suite 410 110 W. Louisiana Midland, Texas 79701

(915) 683-7443 Fax 683-7441

June 8, 1999

Exxon Company USA P O Box 1547 Houston, Texas 77251 Matador Operating Company 8340 Meadow Rd., Ste 158 Dallas, Texas 75231-3751

Dear Offset Operator:

Application for Downhole Commingle Cochiti '28' Federal No. 1 Sec. 28, T-23S, R-29E Eddy County, New Mexico

Concho Resources Inc. has requested approval to downhole commingle the production from the Delaware and Bone Spring zones in the Cochiti 28 Federal No. 1 well. The map attached shows the well and offset properties.

Each zone has been isolated and tested. The Delaware zone is not producing any oil, gas, or water. The Bone Spring zone is producing 100% of the production from this well.

Without approval of the downhole commingle we would incur additional expense for squeezing off the Delaware perfs, thereby increasing operating costs and shortening the economic life of the well.

We would appreciate your returning an approved copy of this letter, either by mail or you may fax it to my attention at (915) 683-7441. If you have not responded by June 29, 1999 it will be assumed that you have no objection to this proposal and the New Mexico Oil Conservation Division and BLM can consider approval of our application.

Should you have any questions concerning this matter, please contact me at (915) 683-7443.

Yours ve y truly athem Terri Stathem

Production Analyst

APPROVED BY:	DATE:1999
COMPANY:	······································

