

9/29/99



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SURFACE RESOURCES
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**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

September 14, 1999

Concho Resources Inc.
Suite 410
110 W. Louisiana
Midland, Texas 79701

Attn: Mr. James Blount

Re: Downhole Commingling Application
F.H. 28 State Well No. 1
Unit Letter C, Section 28-23S-26E
Strawn and Morrow Pools
Eddy County, New Mexico

Dear Mr. Blount:

Your application to downhole commingle the production from within the wellbore of the above-captioned well was received on September 13, 1999. Your application requests our approval to downhole commingle the Strawn and Morrow production within the wellbore of the F.H. 28 State Well No. 1 located in Unit Letter C, Section 28-23S-26E, Eddy County, New Mexico.

It is our understanding that production from the subject well will be allocated as follows:

<u>POOL</u>	<u>ALLOCATION</u>	
	<u>Oil%</u>	<u>Gas%</u>
Strawn	50%	50%
Morrow	50%	50%
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	100%	100%

Since it appears that the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request for downhole commingling the production from the above-mentioned well is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

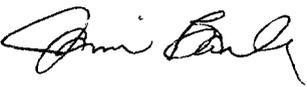
Concho Resources Inc.
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Also, please submit a copy of the Oil Conservation Division's Order approving this application.

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--Attention: David Catanach, Ben Stone