

CONCHO OIL & GAS CORP.

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August 24, 2001

Mr. David Catanach
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87504

Mr. Catanach:

Re: Application for Downhole Commingle
Conoco Federal No. 1
Lea County, New Mexico

Concho Oil & Gas Corp. respectfully requests approval to downhole commingle production from the Delaware and Queen pools in the Conoco Federal No. 1 well.

The Conoco Federal No. 1 well was originally drilled and completed by Manzano Oil Corporation in March 2000. The original completion was in the Delaware pool and production commenced in April of 2000. Manzano recompleted the well in the Queen pool in June of 2000 and did not report the recompletion to the state. In September of 2000 Manzano commingled the two zones without prior approval from the state. Concho Oil & Gas Corp. wishes to file the paperwork in order to receive proper commingling approval for this well. The production allocation is based on monthly production of each zone while they were produced separately. Delaware production data was from the month of May 2000 and Queen production data was from the month of August 2000.

Ownership and working interest for the two zones are common. A C-107A, C-102s, and a production plot are attached for your review.

Please feel free to contact me if you have any questions or need any additional information.

Sincerely,



Erick Nelson
Senior Operations Engineer