

# CONCHO OIL & GAS CORP.

Suite 410

110 W. Louisiana

Midland, Texas 79701

(915) 683-7443

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CERTIFIED MAIL/RETURN RECEIPT #7000 1530 0004 2452 0421

August 2, 2001

Mr. Rodney A. Weary  
c/o TrinAca Investment  
P. O. Box 2325  
Corrales, New Mexico 87048-2325

BEFORE THE  
OIL CONSERVATION DIVISION  
Case No. 12775 Exhibit No. — **A-7**  
Submitted By:  
Concho Resources, Inc.  
Hearing Date: December 6, 2001

Re: Well Proposal

**Concho Oil & Gas Corp.**

**Big "D" State #1**

**Township 16 South, Range 34 East, NMPM**

**Section 6: Lots 3, 4, 5, 6, 11, 12, 13 and 14  
(N2/3 W/2)**

**1,200' FWL & 3,498' FNL**

**Lea County, New Mexico**

**Sundance Prospect (306070-01)**

Dear Mr. Weary:

Please be advised that Concho Oil & Gas Corp. hereby proposes to drill the above referenced Big "D" State #1 Well as a 13,000-foot Morrow test. The above described lots comprise the N 2/3 of W/2 Section 6 and will be the 298.36 acre unit for the proposed well.

Enclosed are two copies of Concho's Authority For Expenditure estimating the dry hole cost of the proposed well at \$1,012,000 and completion costs of \$370,000 for a total completed well cost of \$1,382,000. If you desire to participate in the proposed test, please so indicate by signing and returning one copy of the Authority For Expenditure to the undersigned. If you do not wish to participate, Concho would consider acquiring your interest pursuant to the terms of a mutually agreeable Farmout Agreement or Term Assignment.

A Joint Operating Agreement covering the unit for the proposed Big "D" State #1 will be forwarded to you shortly for approval. It will be substantially the same as the expired Sundance Prospect Operating Agreement.

Concho would like to drill this well as soon as possible. Your early response to this proposal would certainly be appreciated. Should you have any questions in this regard, please advise.

Yours truly,



Gary M. Young  
Land Consultant