

CONCHO RESOURCES INC.

Fasken Center, Tower II
550 W. Texas Ave., Ste. 1300
Midland, Texas 79701

(432) 683-7443
FAX 683-7441

Certified Mail-Return Receipt Requested

November 26, 2003

TO: All Working Interest Owners
(see list of owners attached hereto)

RE: San Simon 21 State #2 Well
W/2 Section 21, T-21-S, R-35-E, N.M.P.M.
Lea County, New Mexico
Pogo Prospect

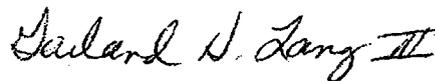
Dear Working Interest Owners:

Concho Resources Inc. herein proposes the drilling of the San Simon 21 State #2 Well as a 12,700' Morrow test at a proposed location of 1650' FNL & 990' FWL of Section 21, T-21-S, R-35-E, N.M.P.M., Lea County, New Mexico. Attached for your review and approval is Concho's AFE (in duplicate) in the amount of \$1,524,300.00 to drill and complete said well, along with a Proposed Wellbore Diagram. The proposed proration unit is the W/2 Section 27. This proposal is made pursuant to that certain Operating Agreement dated July 18, 2000 between Manzano Oil Corporation, as Operator and Bear Energy, et al, Non-Operators. The lease covered by the operating agreement embraces the SW/4 and SW/4 NW/4 of the subject section or 62.50% of the proposed unit; therefore, your interest in the subject well will be 62.50% of your interest reflected in the operating agreement. Concho Resources Inc. will serve as Operator of the unit.

If you wish to participate in this well, please signify your election below and return one copy of this letter and executed AFE to this office along with your drilling requirements to the undersigned. In the event you do not wish to participate in the drilling of this well, you will be required to farmout your interest to the participating parties delivering a 78% net revenue interest in your leasehold as set out in Article XV. J. of the above mentioned operating agreement.

If you have any questions, please call me at 915-683-7443.

Yours very truly,



Garland H. Lang III
Senior Landman

OIL CONSERVATION DIVISION

CASE NUMBER

EXHIBIT NUMBER

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_____ Elect to participate in the San Simon 21 State #2 Well.

_____ Elect not to participate in the San Simon 21 State #2 Well.

By: _____
Title: _____
Date: _____

Enclosure

San Simon 21 State #2 Well
W/2 Section 21, T-21-S, R-35-E, N.M.P.M.
Lea County, New Mexico
Pogo Prospect

WORKING INTEREST OWNERS

✓ Rio Petroleum, Inc.
2805 West 15th Street
Amarillo, TX 79102-2244

✓ Frank Douglas
10424 Woodford
Dallas, TX 75229-6317

✓ Mitchell Minerals Corp.
1610 Woodstead Court, Ste. 370
The Woodlands, TX 77380

✓ Champlin Exploration, Inc.
201 North Grand, Ste. 700
Enid, OK 73701

✓ Derrel C. Melton
3905 Martingale
Plano, TX 75023

✓ Carolyn T. Winkler
1943 N. Grimes, Suite B-155
Hobbs, NM 88240

**San Simon 21 State No. 2
Osudo Field
Lea County, New Mexico
Proposed Wellbore Diagram**

**660' FNL
1650' FWL
S-21
T21S
R35E**

**GL: 3610'
KB: 3631'**

