

Catanach

CONCHO RESOURCES INC.

Suite 410
110 W. Louisiana
Midland, Texas 79701

(915) 683-7443
FAX 683-7441

December 18, 2000

Certified Mail, Return Receipt

Mr. Jerry Gahr
V-F Petroleum Inc.
P. O. Box 1889
Midland, TX 79702

Case 12446

DO
FILE
2-11/03

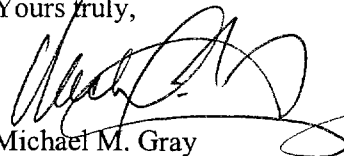
Re: Illinois Camp 18 State #1
T18S, R28E, Section 18: E/2
990' FSL & 990' FEL
Eddy County, New Mexico
New Mexico Oil Conservation Division Order No. R-11430

Dear Jerry:

Enclosed herewith is our check number 19662 in the amount of \$229,514.50 representing payment to you as the designated operator under the captioned Order number. This payment is made pursuant to your letter of November 20, 2000, whereby you furnished us with your Authority for Expenditure for the captioned well and your proposed Operating Agreement. This payment is made to V-F Petroleum Inc. pursuant to the captioned Order and subject to the condition that V-F Petroleum Inc. shall commence the actual drilling of a well at the captioned location with a rig capable of testing the Morrow formation on or before February 1, 2001, as provided in the referenced Order and the extension thereof dated October 27, 2000. It is our understanding and expectation that in the event V-F Petroleum Inc. has not complied with the referenced Order, as extended, by commencing said well on or before February 1, 2001 with a rig capable of reaching the projected total depth that V-F Petroleum will immediately refund the enclosed amount to Concho Resources Inc.

We have not received a response from you regarding our letter of December 11, 2000 whereby we suggested certain amendments to your proposed Operating Agreement for the drilling of the captioned well. We would much prefer to participate in the drilling of your well under the terms of a mutually acceptable Operating Agreement and we look forward to your response to our letter of December 11, 2000.

Yours truly,


Michael M. Gray
Senior Landman

cc: Ms. Lori Wrotenbery
New Mexico Oil Conservation Division
2040 S. pacheco
Santa Fe, NM 87505