



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

Gary Johnson
GOVERNOR
Jennifer A. Salisbury
CABINET SECRETARY

3/16/01

Teri Stathem
Concho Oil & Gas Corp.
110 W. Louisiana Ste.410
Midland, Texas 79701

Subject: XION Federal # 2, ULH Sec 18-T18S-R32E.

Dear Ms. Stathem:

It has been brought to my attention that the XION Federal # 2 well, just recently purchased from Manzano has exceeded its allowable of 80 Bbls/day, since June 1999. According to our records, this well has produced 24,377 Bbls of oil in excess of its allowable. Concho must take steps to make up the over-production of oil within the next six months. At present, Concho's XION Federal # 2 is in violation of New Mexico Oil Conservation Division (NMOCD) Rule 502. Concho has the right to petition for hearing to the NMOCD to increase the allowable.

Please submit to the NMOCD Hobbs District office a plan of action to bring this well into compliance by 3/26/01. If you have any questions contact Chris Williams at 505-393-6161.ext 102.

Sincerely

Chris Williams
District 1 Supervisor

CC: Lori Wrotenbery, Director NMOCD
Nelda Morgan, Proration Specialist District 1