

CONCHO OIL & GAS CORP.


Suite 410

110 W. Louisiana
Midland, Texas 79701

(915) 683-7443
FAX 683-7441

June 7, 2002

Mr. Chris Williams
New Mexico Oil Conservation Division
District I Hobbs
1625 North French Drive
Hobbs, NM 88240



Re: Xion Federal No. 2
API: 30025-31793
UL: H, Sec. 18, T-18S, R-32E
Lea County, NM

Dear Mr. Williams:

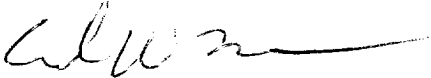
Concho Oil & Gas Corp. respectfully request approval to restore the 80 bbl per day oil allowable for the Xion Federal No. 2 well.

Concho acquired this property from Manzano Oil & Gas Corp. on January 1, 2001. According to NMOCD records, as of March 16, 2001 the well had overproduced 24,377 bbls of oil in excess of the allowable. On April 29, 2001 the allowable for this well was reduced to 20 bbls per day until overproduction was made up.

Please see the attached worksheet indicating actual production from the well beginning April 2001 and ending April 2002. I have also included on the worksheet projected production from May and June 2002. Concho Oil & Gas Corp. has operated the well within the 20 bbl per day allowable for over one year and will have made up the overproduction as of July 1, 2002.

I have attached a C104 requesting a reinstatement of the 80 bbls per day oil allowable for this well for your approval. If you have any questions, or need additional information please call me at (915) 683-7443.

Sincerely,



Erick Nelson
Engineer

