

CONCHO OIL & GAS CORP.

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Midland, Texas 79701

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March 23, 2001

New Mexico Oil Conservation Division
Attn: Michael Stogner
1220 S. St. Francis
Santa Fe, NM 87505

MAR 26 2001

CONSERVATION DIV.

Re: Overproduction of Oil Allowable
Xion Federal #2, Lea Co., NM
ULH, Sec 18, T-18S, R-32E

Dear Mr. Stogner,

As discussed with you previously by phone, Concho Oil & Gas Corp. respectfully requests a waiver of the overproduction relating to the Xion Federal No. 2 well. Concho Oil & Gas Corp. acquired this property from Manzano Oil & Gas Corp. on January 1, 2001. According to NMOCD letter dated March 16, 2001 this well has produced 24,377 barrels of oil in excess of the allowable since June 1999.

Concho Oil & Gas Corp. was unaware of any overproduced status relating to Manzano properties prior to the purchase of the properties. Prior to acquiring the Manzano properties, Concho conducted a due diligence process which included a review of the Manzano files as well as communication with NMOCD personnel in Hobbs, NM. No irregularities were reported or discovered.

Concho Oil & Gas Corp will operate this well within the guidelines set by NMOCD and will produce this well at the allowable rate of 80 barrels of oil per day until such time the well is incapable of production at this rate. Although any reduction in allowable rate would not be beneficial to Concho Oil & Gas Corp. or the State of New Mexico, Concho would be agreeable to a 25% reduction in allowable to 60 barrels of oil per day until the overproduction is eliminated.

I appreciate your attention in this matter. If you have any questions or need additional information, please do not hesitate to call myself or Terri Stathem at 915 / 683-7443.

Sincerely,

Concho Resources Inc.

Joe Wright

Vice President, Operations