

CONCHO RESOURCES INC.

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TO: DONNA PITZER, NMOCD - HOBBS

FROM: TERRI STATHEM

DATE: NOVEMBER 3, 1999

RE: CABALLO '9' STATE NO. 1

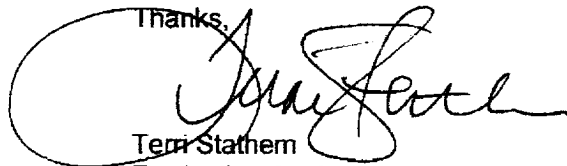
On October 28, 1999 Karen Sharp called and stated that the Caballo '9' State No. 1 well had not been released because the bottom hole location was a non-standard location requiring approval from Santa Fe.

I spoke with Michael Stogner on October 28, 1999 and gave him the surface and bottom hole locations of well to let him determine if the well was in fact non-standard. Mr. Stogner determined, based upon the new well spacing rule, that this well was a standard location and there was not need to file a non-standard location approval request.

I ask Mr. Stogner to call and notify you of his findings regarding this well. I hope this will satisfy any problem with the well and we can get the well set up for Ongard and other purposes.

Please let me know if you need any additional information.

Thanks,



Terri Stathem
Production Analyst