Concho Resources Acquires Midland Basin Assets

AUGUST 2016

CONCHO

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These include the risk factors discussed or referenced in the Company's most recent Form 10-K and Quarterly Report on Form 10-Q for the quarter ended June 30, 2016; risks relating to declines in the prices the Company receives, or sustained depressed prices the company receives, for its oil and natural gas; uncertainties about the estimated quantities of oil and natural gas reserves; drilling and operating risks; the adequacy of the Company’s capital resources and liquidity including, but not limited to, access to additional borrowing capacity under the Company’s credit facility; the effects of government regulation, permitting and other legal requirements, including new legislation or regulation of hydraulic fracturing and the export of oil and natural gas; the impact of potential changes in the Company’s credit ratings; environmental hazards, such as uncontrollable flows of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater contamination; difficult and adverse conditions in the domestic and global capital and credit markets; risks related to the concentration of the Company’s operations in the Permian Basin of southeast New Mexico and west Texas; disruptions to, capacity constraints in or other limitations on the pipeline systems that deliver the Company’s oil, natural gas liquids and natural gas and other processing and transportation considerations; the costs and availability of equipment, resources, services and personnel required to perform the Company’s drilling and operating activities; potential financial losses or earnings reductions from the Company’s commodity price risk-management program; risks and liabilities related to the integration of acquired properties or businesses, including the Company’s acquisition of assets in the Midland Basin; uncertainties about the Company’s ability to successfully execute its business and financial plans and strategies; uncertainties about the Company’s ability to replace reserves and economically develop its current reserves; general economic and business conditions, either internationally or domestically; competition in the oil and natural gas industry; uncertainty concerning the Company’s assumed or possible future results of operations; and other important factors that could cause actual results to differ materially from those projected. Accordingly, you should not place undue reliance on any of the Company’s forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

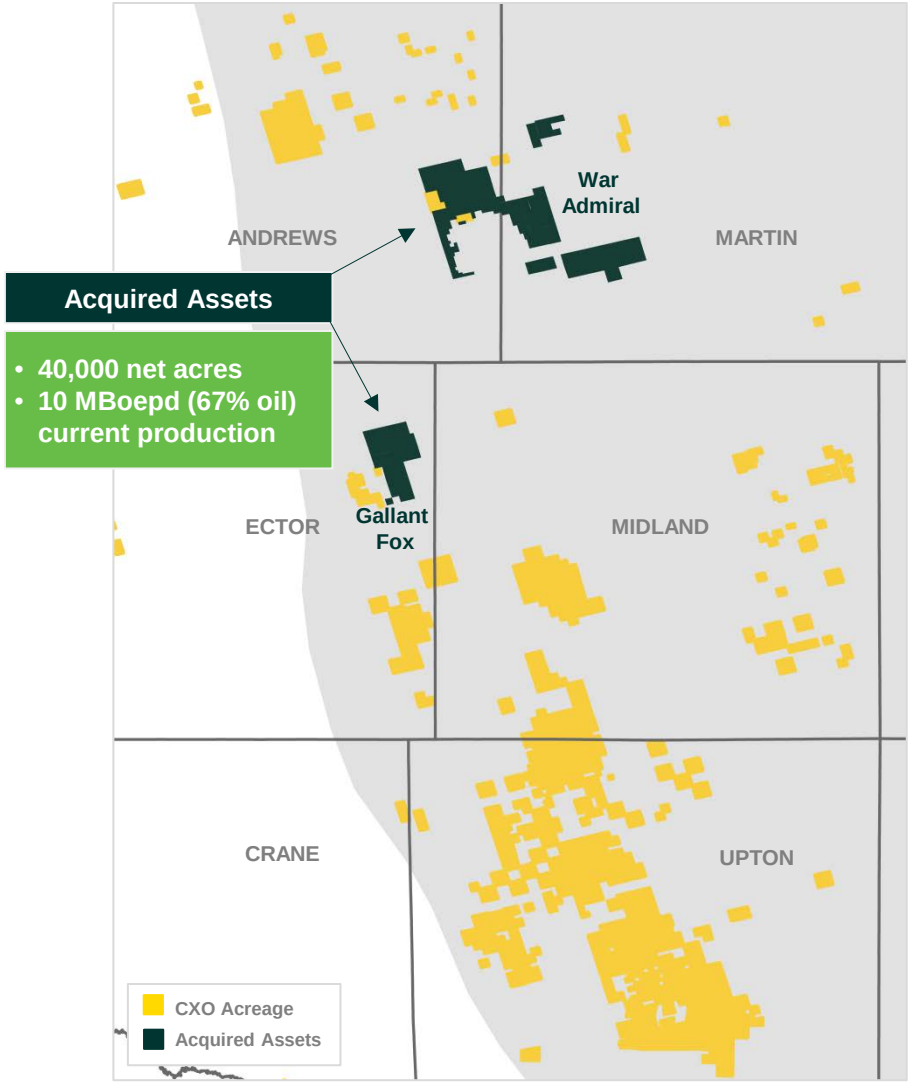
The Securities and Exchange Commission (“SEC”) requires oil and natural gas companies, in their filings with the SEC, to disclose proved reserves, which are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions (using the trailing 12-month average first-day-of-the-month prices), operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The SEC also permits the disclosure of separate estimates of probable or possible reserves that meet SEC definitions for such reserves; however, the Company currently does not disclose probable or possible reserves in its SEC filings.

In this presentation, proved reserves attributable to the acquired assets are internally prepared as of June 30, 2016, and are estimated utilizing SEC reserve recognition standards and pricing assumptions based on the trailing 12-month average first-day-of-the-month prices of $39.63 per Bbl of oil and $2.24 per MMBtu of natural gas. The Company may use the terms “unproved reserves,” “resource potential,” “EUR” per well, “upside potential” and “prospective acreage” to describe estimates of potentially recoverable hydrocarbons that the SEC rules prohibit from being included in filings with the SEC. These are based on analogy to the Company’s existing models applied to additional acres, additional zones and tighter spacing and are the Company’s internal estimates of hydrocarbon quantities that may be potentially discovered through exploratory drilling or recovered with additional drilling or recovery techniques. These quantities may not constitute “reserves” within the meaning of the Society of Petroleum Engineer’s Petroleum Resource Management System or SEC rules. EUR estimates, resource potential and identified drilling locations have not been fully risked by Company management and are inherently more speculative than proved reserves estimates. Actual locations drilled and quantities that may be ultimately recovered from the Company’s interests could differ substantially. There is no commitment by the Company to drill all of the drilling locations, which have been attributed to these quantities. Factors affecting ultimate recovery include the scope of the Company’s ongoing drilling program, which will be directly affected by the availability of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals, actual drilling results, including geological and mechanical factors affecting recovery rates, and other factors. Estimates of unproved reserves, resource potential, per well EUR and upside potential may change significantly as development of the Company’s oil and natural gas assets provide additional data. The Company’s production forecasts and expectations for future periods are dependent upon many assumptions, including estimates of production decline rates from existing wells and the undertaking and outcome of future drilling activity, which may be affected by significant commodity price declines or drilling cost increases.

Acquisition Highlights

Expanding Core Midland Basin Position

- **Acquiring high-quality assets in the Midland Basin**
  - Privately-negotiated transaction with private, Midland-based operator
  - Purchase price $1.625bn, consisting of approximately $1.1bn cash and 3.96mm shares of CXO common stock[1]
  - Acquisition value
    - $0.5bn for existing production of 10 MBoepd (67% oil)[2]
    - $1.1bn for undeveloped leasehold
  - Expected closing October 2016
- **Contiguous leasehold adds 40,000 net acres to core Midland Basin position[3]**
  - Average 99% working interest
  - Minimal leasehold obligations
  - Stable, low-decline production base
  - Estimated proved reserves of approximately 43 MMBoe (69% PDP)[4]
- **Enhances drilling inventory with significant upside**
  - Adds more than 530 long-lateral locations targeting the Middle Spraberry, Lower Spraberry and Wolfcamp B
  - Upside potential through development optimization, tighter well spacing and additional zones



[1]Issuable pursuant to a stock payment option CXO intends to exercise.
[2]Represents present value of proved developed producing volumes based on NYMEX strip pricing as of August 12, 2016.
[3]Approximately 8,500 net acres with rights below 10,000' only.
[4]As of June 30, 2016, and based on the Company's internal estimates and utilized the trailing 12-month average first-day-of-the-month prices of $39.63 per Bbl of oil and $2.24 per MMBtu of natural gas.

Consistent with Our Strategy

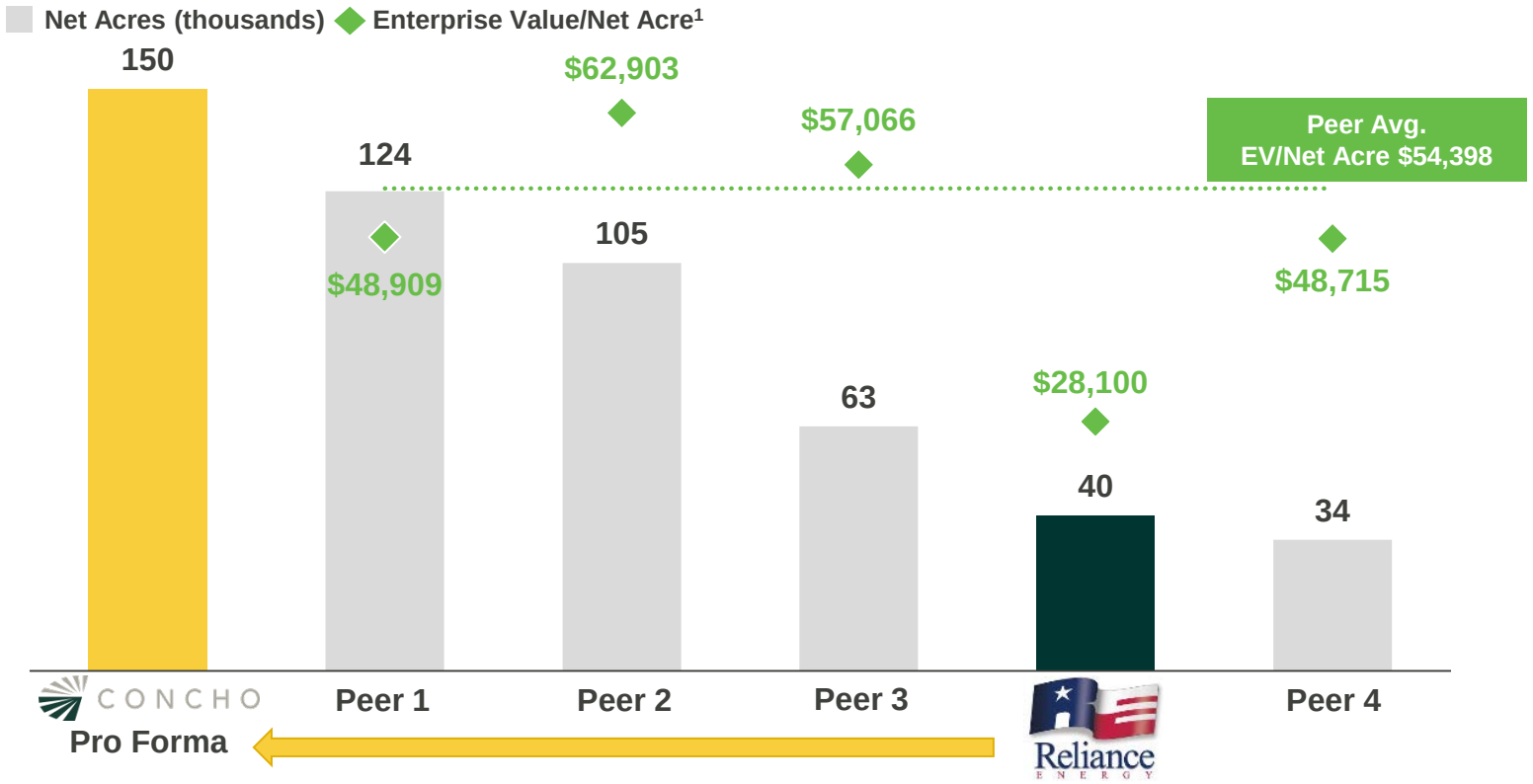
Opportunistic and Disciplined Portfolio Management

Expanding Core Midland Basin Position	• Complementary acreage to existing core Midland Basin leasehold • Premier resource with significant upside potential through development optimization, tighter well spacing and additional zones
Enhancing Portfolio	• Expands growth potential in the Midland Basin • Accretive to NAV per share based on inventory quality and drilling program economics • Increases scale of overall portfolio and ability to efficiently allocate capital
Applying Operational Expertise & Building Scale	• Leverages Concho's execution strength and technical advantage in the Midland Basin • Adds top-tier, long-lateral drilling opportunities
Reinforcing Financial Position	• Consolidator of choice with seller accepting CXO equity as part of consideration • Prudently capitalizing acquisition • 2017 combined outlook demonstrates commitment to spending within cash flows while delivering 20% production growth

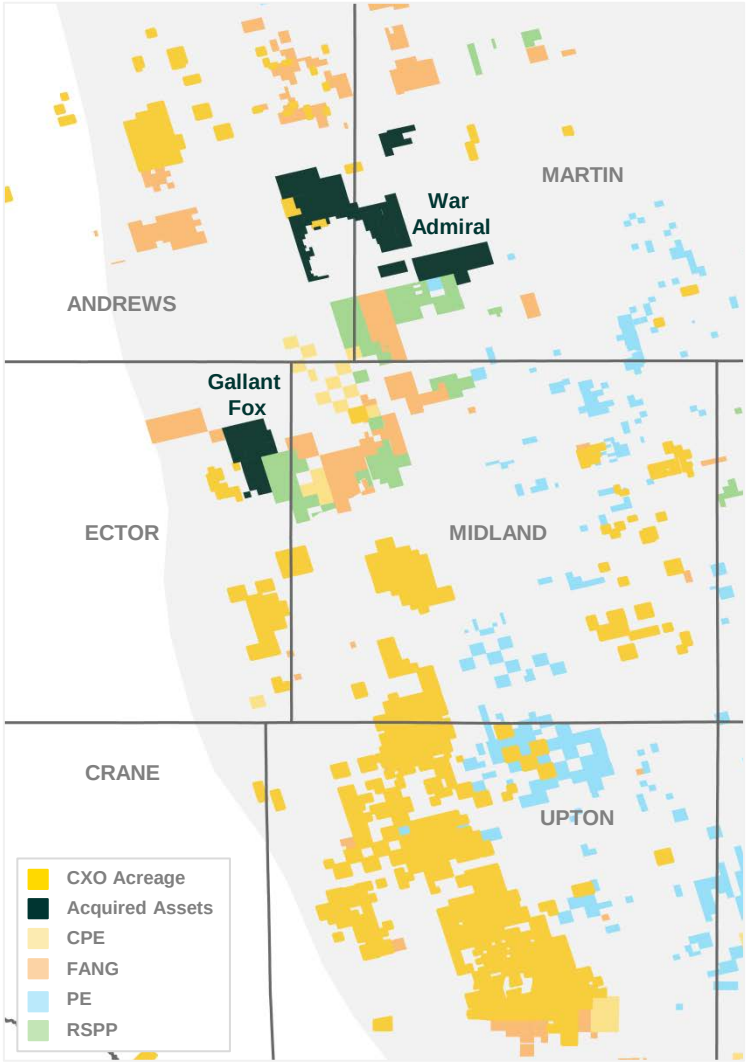
High-Quality Assets in the Midland Basin

- **Expanding core Midland Basin position by ~35% to more than 150,000 net acres**
  - Combined production totals ~30 MBoepd
- **Premier resource and returns proven by Concho and regional operators**

Relative Size & Valuation among Pure-Play Permian Operators



Regional Overview

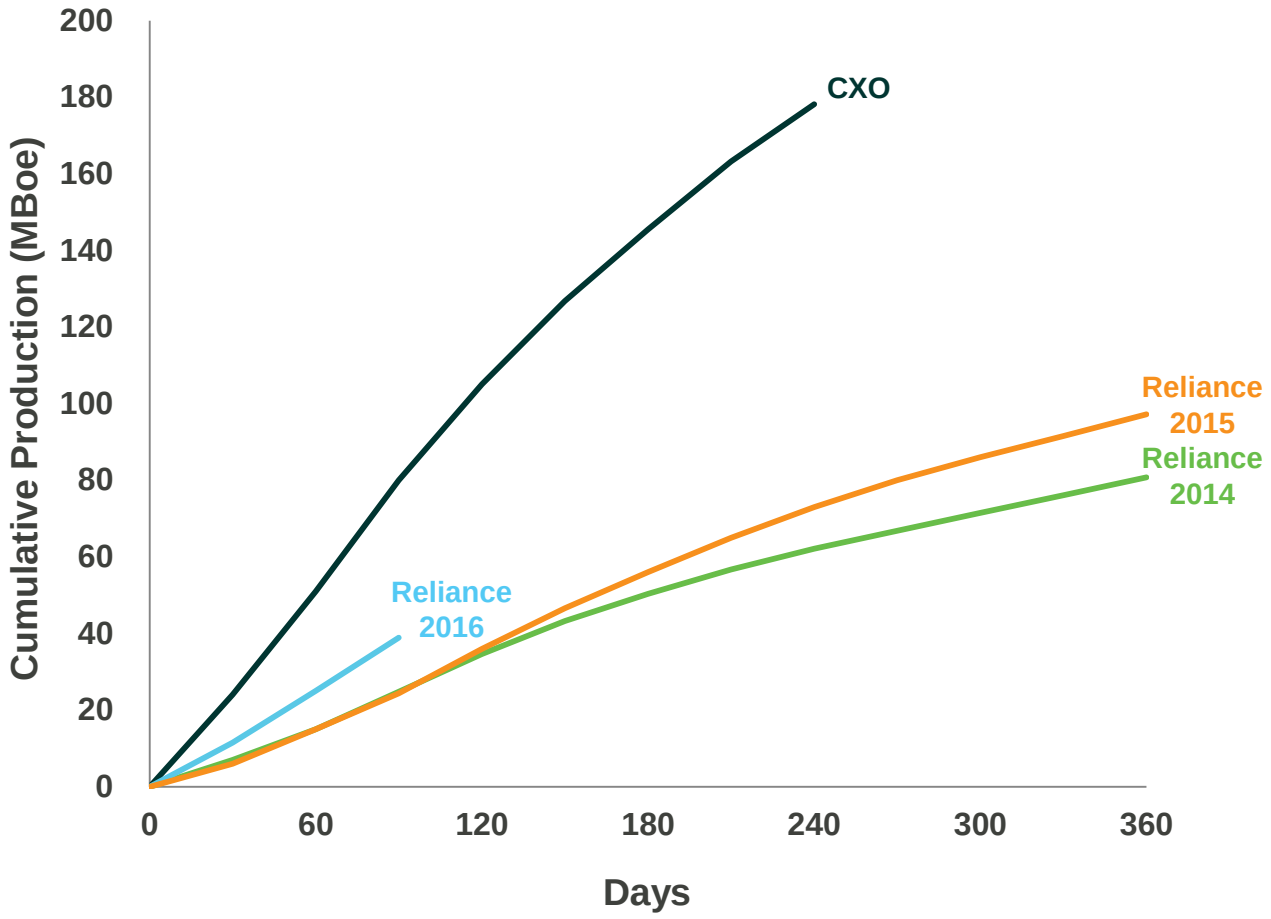


Note: Peer companies include CPE, FANG, PE and RSPP.
[1]Enterprise value for peer companies as of August 12, 2016, and adjusted for current production value at $35,000/Boepd. Value for Reliance based on transaction value of $1,625mm adjusted for current production value of $500mm, which represents the present value of proved developed producing volumes based on NYMEX strip pricing as of August 12, 2016.

Enhancing Value

Leveraging Our Execution Strength to Add Value

Lower Spraberry Well Performance



Completion Optimization Drives Better Performance

Lower Spraberry		
Vintage	Well Count	Proppant Loading (lbs/ft)
CXO	2	2,300
Reliance 2016	1	1,800
Reliance 2015	4	1,400
Reliance 2014	3	1,300

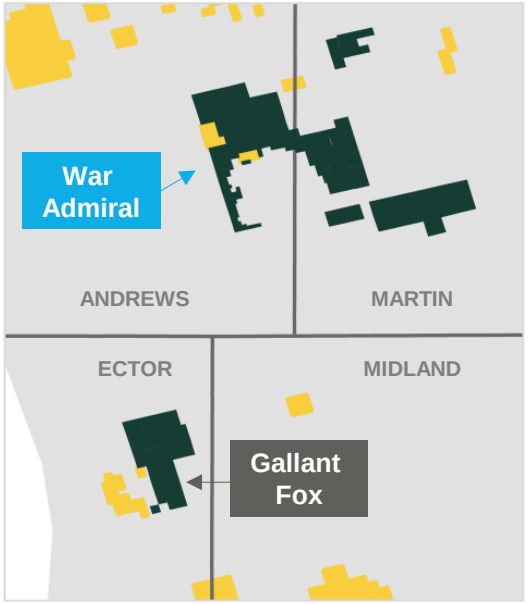
- Lower Spraberry zone a prolific target de-risked by Concho and industry activity
- Strong results from Concho's Lower Spraberry program
- 8 Lower Spraberry wells completed since 2014 on acquired assets

Immediate opportunity to enhance value through completion optimization

Note: Production normalized for a 5,000' lateral.

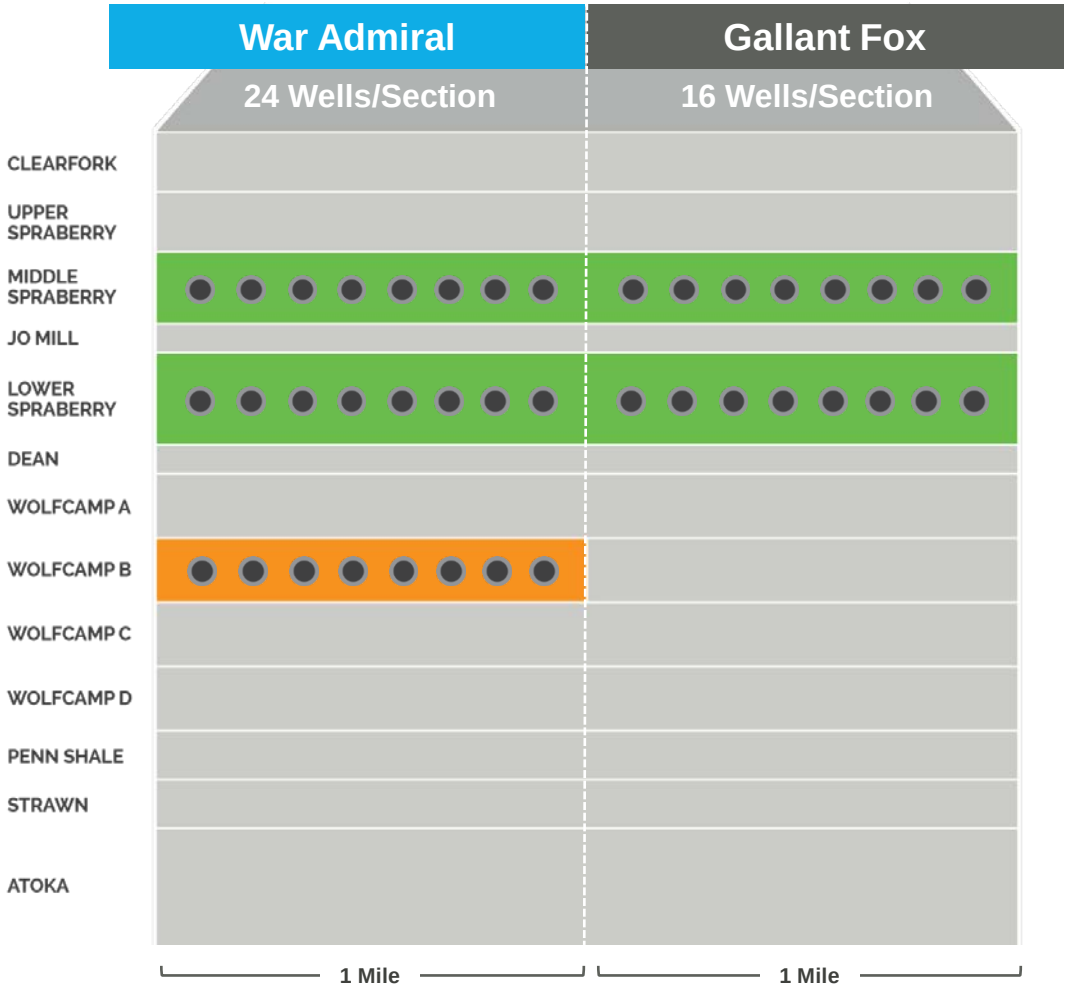
Low-Risk Inventory Assessment

Acquired Assets



Inventory Assessment

- **High-quality acreage position with multi-zone potential de-risked by consistently strong industry results**
- **Acquisition economics evaluated using conservative location booking based on two to three zones per DSU**
- **Plan to develop substantially all of the acquired acreage with long-lateral wells**
  - Adds more than 530 long-lateral wells to inventory
  - Two-thirds of these locations are 2-mile laterals, remaining third are 1.5-mile laterals



Development Upside

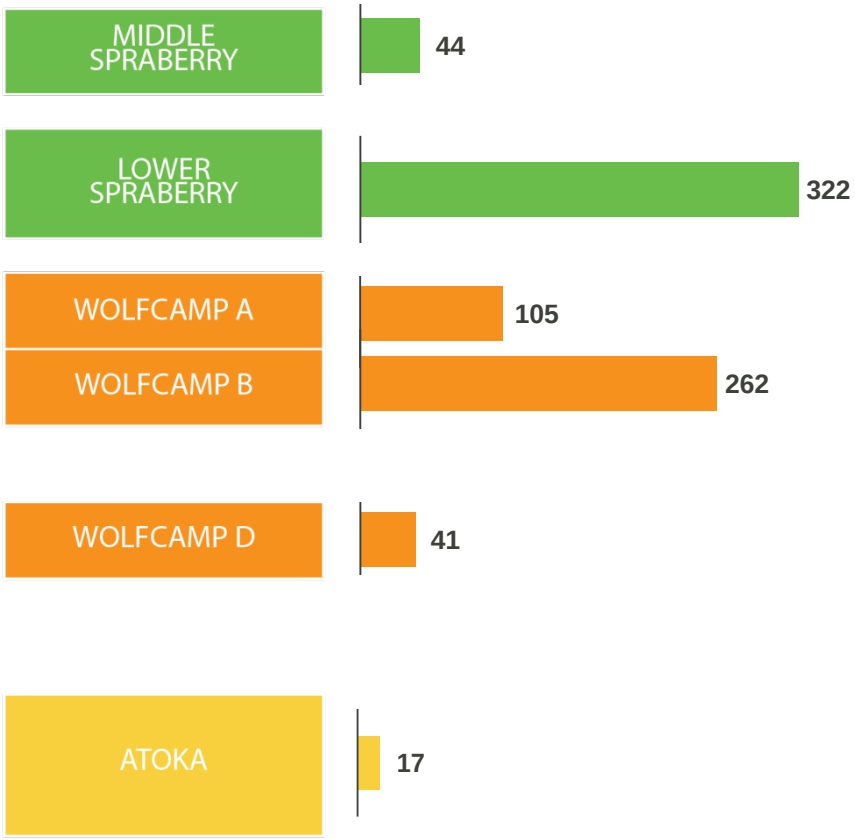
Substantial Multi-Bench and Increased Density Potential

UPSIDE POTENTIAL

- Regional geology and industry activity suggests acquired acreage may support development in three additional zones as well as staggered development in the Lower Spraberry
- Potential versus evaluated locations per section implies over 2x inventory expansion

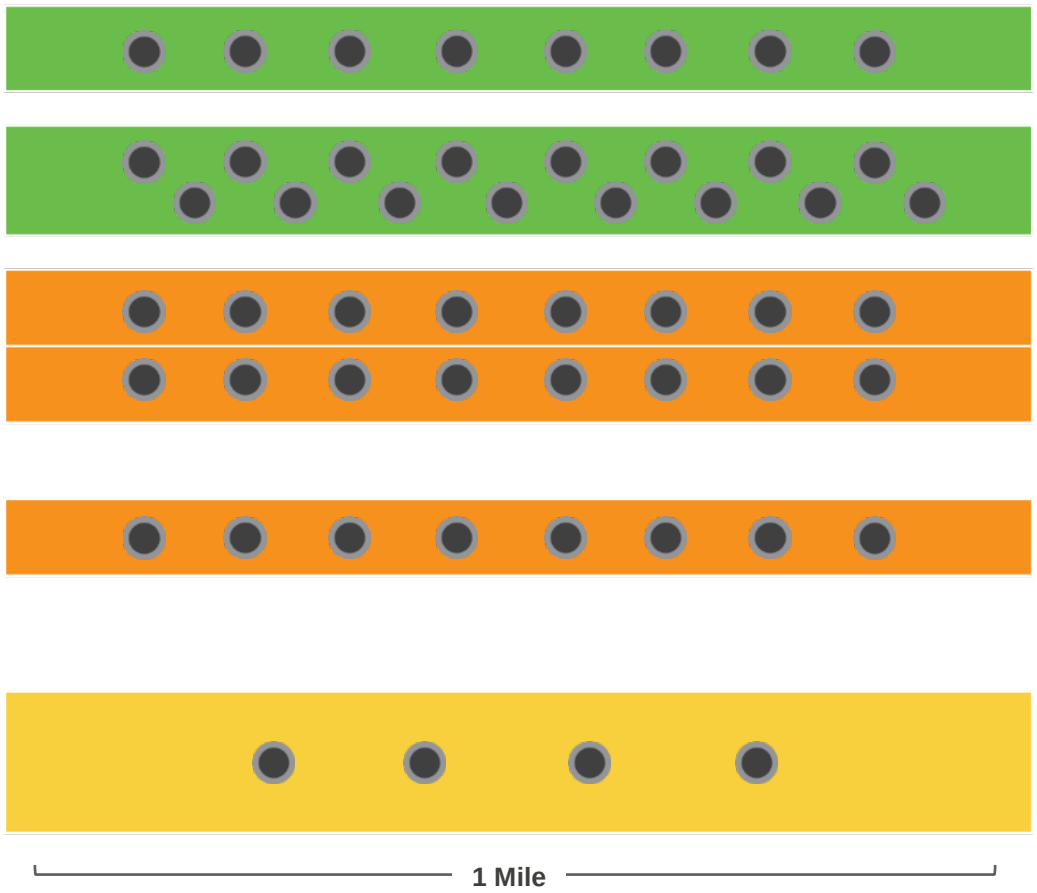
Regional Activity

of Industry Wells Drilled by Zone[1]



Development Upside

52 Wells/Section



[1]Data sourced from regulatory filings and IHS.

Reinforcing Financial Position

Significant Liquidity with Less Debt

BALANCE SHEET STRENGTH

Prudently capitalizing acquisition and reducing long-term debt

Unaudited Pro Forma Balance Sheet (as of 6/30/2016)

($ in millions)	Actual 6/30/16	Adjustments: Reliance Acquisition	Adjustments: Equity Offering[1]	Adjustments: Bond Redemption[2,3]	Pro Forma 6/30/16
Cash	$ 481	$ -	$ 63	$ (544)	$ -
Long-term debt:					
Credit facility	$ -	$ 1,137	$ (1,137)	$ 77	$ 77
CXO 7.000% Senior Notes due 2021	600			(600)	-
CXO 6.500% Senior Notes due 2022	600				600
CXO 5.500% Senior Notes due 2022	600				600
CXO 5.500% Senior Notes due 2023	1,550				1,550
Unamortized original issue premium	24				24
Senior notes issuance costs, net	(40)			7	(33)
Total long-term debt	$ 3,334				$ 2,818
Stockholder's equity	$ 5,904	$ 488	$ 1,200	$ (18)	$ 7,574
Total capitalization	$ 9,238				$ 10,392
Liquidity	$ 2,981				$ 2,423
Net debt	$ 2,853				$ 2,818
Net debt / net capitalization	33%				27%

[1]Excludes impact of greenshoe.
[2]Excludes semi-annual interest payment of $21mm on 7/15/16 and accrued interest of $9mm from 7/16/16 to 10/1/16 for the 7.0% notes.
[3]Adjustment to stockholder's equity of $18mm reflects after-tax charges associated with the redemption of the 7.0% notes.

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Key Takeaways

Building for Long-Term Value Creation

Expanding Core Inventory

- Acquiring approximately 40,000 net acres in the core of the Midland Basin
- Enhancing drilling inventory with more than 530 long-lateral locations
- Provides expansive development upside
- Infrastructure and employee base to support development outlook

Providing Growth Outlook

- Executing a disciplined, returns-based capital program
- Raising FY16 production outlook to 1% - 3% annual growth; maintaining capital guidance
- Targeting ~20% annual growth in 2017 within cash flows
  - Oil volume growth >20%

Reinforcing Financial Position

- Intend to redeem entire outstanding amount of $600mm of 7.0% Senior Notes due 2021
  - Plan to fund redemption primarily through cash on hand
- Lowers forward-outlook for interest expense, expands cash margin
- Reducing leverage and consolidating core acreage during a low price environment

Active portfolio management, smart capital allocation and prudent balance sheet management uniquely position Concho for leading long-term performance