

## **Concho Resources Inc. Announces Acquisition of Midland Basin Assets**

***Includes Approximately 40,000 Net Acres in Core Midland Basin  
2017 Production Growth Outlook Approximately 20%***

**Midland, Texas, August 15, 2016 – Concho Resources Inc. (NYSE: CXO)** (the “Company” or “Concho”) today announced it has reached a definitive agreement to acquire approximately 40,000 net acres in the core of the Midland Basin from Reliance Energy, a privately held, Midland-based energy company, for \$1.625 billion. The privately negotiated acquisition is consistent with Concho’s opportunistic and disciplined portfolio management strategy as it expands its core Midland Basin position to more than 150,000 net acres and production of 30 thousand barrels of oil equivalent per day (MBoepd).

### **Acquisition Highlights**

- Adds approximately 40,000 net acres with an average 99% working interest to Concho’s core Midland Basin position
- Includes approximately 10 MBoepd (67% oil) of current production
- Enhances the Company’s drilling inventory with more than 530 long-lateral drilling locations targeting the Middle Spraberry, Lower Spraberry and Wolfcamp B
- Provides expansive development upside across multiple zones

Tim Leach, Chairman, Chief Executive Officer and President, commented, “This transaction demonstrates Concho’s commitment to the Midland Basin as a core operating area and highlights our continued efforts to consolidate complementary leasehold. In line with the objectives of our southern Delaware Basin acquisition in the first quarter of 2016, these assets not only build scale, but more importantly high-grade our inventory with additional long-lateral locations that compete with the best projects in the Permian Basin. As we continue to enhance our ability to efficiently allocate capital across our four key assets in the Permian Basin, we are uniquely positioned to deliver attractive returns today and build shareholder value over the long term.”

The acquisition includes 10 MBoepd from 326 vertical wells and 44 horizontal wells, only one of which was completed in 2016. The present value of this stable production base at current NYMEX strip pricing is approximately \$0.5 billion, with the remaining \$1.1 billion of the purchase price attributable to 40,000 undeveloped acres.

Estimated proved reserves attributable to the acquisition total approximately 43 million Boe. Proved developed reserves represent approximately 69% of the total proved reserves. The estimate of proved reserves is based on the Company’s internal estimates as of June 30, 2016, and utilizes the Securities and Exchange Commission’s 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 acquired acreage is located in Andrews, Martin and Ector counties in Texas with minimal leasehold obligations. The acquisition adds more than 530 long-lateral drilling locations to the Company's inventory. Due to the contiguous nature of the acquired assets, two-thirds of these locations are two-mile laterals, and the remaining locations are 1.5-mile laterals. The engineered locations are based on eight locations per zone in the Middle Spraberry, Lower Spraberry or Wolfcamp B, with two to three of these zones targeted per drilling spacing unit. The Company believes there is substantial development upside from applying optimal drilling and completion methods, testing closer well spacing and delineating other zones.

Consideration in the transaction includes approximately \$1.1 billion of cash and 3.96 million shares of Concho's common stock valued at approximately \$0.5 billion and issuable pursuant to a stock payment option that the Company intends to exercise. The Company intends to fund the cash portion of the acquisition through proceeds from a potential equity market transaction, subject to market conditions and other factors. The acquisition is expected to close in October 2016, and is subject to customary closing conditions.

Vinson & Elkins LLP acted as legal advisor and Evercore acted as financial advisor to Concho on the acquisition. Sidley Austin LLP acted as legal advisor to Reliance Energy.

For a map related to this acquisition, visit "Investor News" on the "Investors" page on the Company's website at [www.concho.com](http://www.concho.com).

## **Outlook**

### *Full Year 2016*

Concho updated its full-year 2016 production outlook to a range of 1% to 3% annual growth to reflect production from the acquired assets in the fourth quarter of 2016. The Company maintained its capital expenditure guidance of \$1.1 billion to \$1.3 billion, excluding acquisitions.

### *Full Year 2017*

Based on the current commodity price outlook, Concho expects to execute a capital program within cash flow and deliver approximately 20% annual production growth, with oil volume growth exceeding 20%. Concho's 2017 capital program excludes acquisitions and is subject to change depending upon a number of factors, including commodity prices and industry conditions.

## **Redemption of Senior Notes**

In addition to the announced transaction, the Company intends to issue a notice to redeem the entire outstanding principal amount of \$600 million of its 7.0% Senior Notes due January 2021 (the "Notes") pursuant to the special mandatory redemption procedures set forth in the indenture governing the terms of the Notes. The Company plans to fund the redemption primarily through cash on hand. This press release is not intended as a notice of any such redemption.

## Management Update

Brenda R. Schroer, who currently serves as the Company's Vice President and Chief Accounting Officer, has assumed the additional role of Treasurer. Ms. Schroer joined Concho in 2013 as Vice President and Chief Accounting Officer and was previously with Ernst & Young LLP since 1999. She received a Bachelor of Business Administration in Accounting from West Texas A&M University, and a Master of Science in Accounting from Texas A&M University and is a certified public accountant.

## Participation in Upcoming Conferences

The Company announced it will participate in the following conferences:

<b>Conference Date</b>	<b>Conference</b>
August 24, 2016	Heikkinen Energy Conference
September 6, 2016	Barclays CEO Energy-Power Conference
September 13, 2016	Raymond James North American Equities Conference

The Company will present at the Barclays CEO Energy-Power Conference on Tuesday, September 6 at 3:05 PM ET. The presentation will be available on the Company's website on or prior to the day of the first conference.

## Concho Resources Inc.

Concho Resources Inc. is an independent oil and natural gas company engaged in the acquisition, development, exploration and production of oil and natural gas properties. The Company's operations are focused in the Permian Basin of southeast New Mexico and west Texas. For more information, visit the Company's website at [www.concho.com](http://www.concho.com).

## Forward-Looking Statements and Cautionary Statements

*The foregoing contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements contained in this press release specifically include statements, estimates and projections regarding the Company's future financial position, operations, performance, business strategy, oil and natural gas reserves, drilling program, capital expenditure budget, liquidity and capital resources, the timing and success of specific projects, outcomes and effects of litigation, claims and disputes, derivative activities and potential financing. The words "estimate," "project," "predict," "believe," "expect," "anticipate," "potential," "could," "may," "foresee," "plan," "goal" or other similar expressions that convey the uncertainty of future events or outcomes are intended to identify forward-looking statements, which generally are not historical in nature. However, the absence of these words does not mean that the statements are not forward-looking. These statements are based on certain assumptions and analyses made by the Company based on management's experience, expectations and perception of historical trends, current conditions, anticipated future developments and other factors believed to be appropriate. Forward-looking statements are not guarantees of performance. Although the Company believes the*

*expectations reflected in its forward-looking statements are reasonable and are based on reasonable assumptions, no assurance can be given that these assumptions are accurate or that any of these expectations will be achieved (in full or at all) or will prove to have been correct. Moreover, such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. These include the risk factors discussed or referenced in the Company's most recent Annual Report on 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 its 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 associated with 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.*

*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.*

## **INVESTOR RELATIONS**

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