Creating Value From The Ground Up.

Concho Resources 2010 Annual Report

About Concho Resources Inc.

Concho Resources Inc. is an independent oil and natural gas company engaged in the acquisition, development and exploration of oil and natural gas properties. The Company's operations are focused in the Permian Basin of Southeast New Mexico and West Texas.

Concho creates value from the ground up. And we have some of the most profitable ground to build on. The Permian Basin, where our operations are concentrated, is one of the largest onshore oil and natural gas basins in the United States. But the ground is not our only asset. We have assembled a team that ensures every aspect of our business is focused and on track, today and for years to come. We seek to acquire oil and natural gas properties that we believe complement our existing properties in our core areas of operation and provide opportunities for the growth of reserves and production through a combination of development, high-potential exploration and control of operations. It all starts with the ground, but as for our future, the sky's the limit.

Financial Highlights

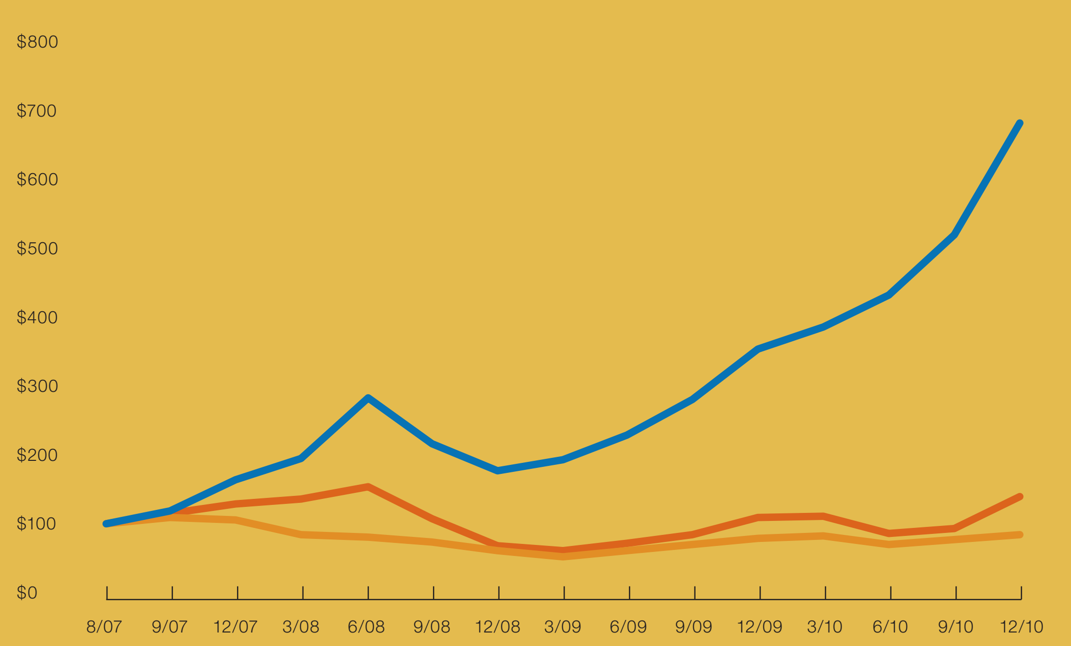
(Dollars In Thousands)	2010 [a]	2009 [a]	2008 [a]	2007 [a]	2006 [a]
	Year Ended December 31,				
Production (MMBoe)	15.6	10.9	7.1	5.0	3.9
Oil Sales	$ 767,153	$ 407,785	$ 367,697	$ 178,347	$ 119,155
Natural Gas Sales	205,423	111,816	130,388	88,948	57,171
Total Operating Revenues	972,576	519,601	498,085	267,295	176,326
Operating Costs and Expenses	(596,528)	(523,932)	(42,822)	(200,012)	(118,061)
Other Expenses	(70,365)	(28,706)	(27,607)	(34,558)	(29,381)
Income (Loss) from Continuing Operations before Income Taxes	305,683	(33,037)	427,656	32,725	28,884
Income Tax Benefit (Expense)	(122,649)	21,510	(157,434)	(12,709)	(12,467)
Income from Discontinued Operations, Net of Tax	21,336	1,725	8,480	5,344	3,251
Net Income (Loss)	$ 204,370	$ (9,802)	$ 278,702	$ 25,360	19,668
EBITDAX [b]	$ 742,994	$ 475,208	$ 401,303	$ 217,392	$ 149,074
Proved Reserves (MMBoe)	323.5	211.5	137.3	91.0	77.8

(a) Retrospectively adjusted to exclude presentation of discontinued operations, except for production amounts which include production from discontinued operations of 0.5 MMBoe, 0.6 MMBoe, 1.1 MMBoe, 0.5 MMBoe and 0.4 MMBoe, for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively. For additional information on discontinued operations, see "Note O of Notes to Consolidated Financial Statements" included in our 2010 Annual Report on Form 10-K included herein.

(b) EBITDAX is defined as net income (loss), plus (1) exploration and abandonments expense, (2) depreciation, depletion and amortization expense, (3) accretion expense, (4) impairments of long-lived assets, (5) non-cash stock-based compensation expense, (6) bad debt expense, (7) ineffective portion of cash flow hedges and unrealized (gain) loss on derivatives not designated as hedges, (8) unrealized (gain) loss on derivatives not designated as hedges, (9) (gain) loss on sale of assets, net, (10) interest expense, (11) federal and state income taxes and (12) similar items listed above that are presented in discontinued operations. See "Item 1. Business–Non-GAAP Financial Measures and Reconciliations" included in our 2010 Annual Report on Form 10-K included herein.

Comparison of 41 Month Cumulative Total Return*

(Among Concho Resources Inc., the Dow Jones US Exploration & Production Index and the S&P 500 Index)



*$100 invested on 8/3/07 in stock or 7/31/07 in index, including reinvestment of dividends. Fiscal year ending December 31.

To Our Shareholders:

As economic sentiment continued to improve in the U.S. and around the globe, 2010 witnessed an oil rally of 15% to settle over $90 per barrel at year end while natural gas fundamentals deteriorated further, causing natural gas prices to decline 25%. The ongoing divergence between oil and natural gas prices has led many producers to re-evaluate their strategic direction. Our industry is now drilling for oil; and if it's not oil, they're drilling for liquids-rich natural gas. The change our industry experienced over the last few years is unprecedented. But for Concho it seems like the more things have changed, the more they have stayed the same. Since inception, our strategy has never wavered from pursuing growth opportunities in the Permian Basin and the result has been very profitable growth.

We are very pleased with Concho's accomplishments and performance in 2010. In October we announced the closing of the Marbob acquisition, which is the largest and most impactful acquisition in the Company's history. The Marbob acquisition not only enhanced our scale on the New Mexico Shelf, but it also added a new core area in the Bone Spring play of the Delaware Basin from which we expect we will grow Concho well into the future. To be sure, Concho is a much bigger company after the Marbob acquisition; however, our growth strategy remains the same.

Concho exited 2010 as the most active driller in the Permian Basin, which is now one of the most active basins in the U.S. Thanks to technological developments, we believe that there may be enough new oil and natural gas reserves in the Permian Basin to replace all the oil and natural gas that has been produced to date. Developing these reserves will require a tremendous industry-wide effort and Concho is well positioned, with boots on the ground, to capitalize on this significant opportunity.

While we are very excited about the growth potential in the Permian Basin, Concho remains committed to its core philosophy of capital discipline, and 2010 was no exception. In the last year, we successfully reinvested our cash flow to drill 662 gross operated wells and increased production to a record level of 15.6 million equivalent barrels. Excluding the Marbob acquisition, Concho grew production 32% organically during the year, while staying substantially within cash flow. In addition to this consistent production growth generated by our drilling program, we are very pleased that our reserves grew 53% at very competitive all-in finding costs. This disciplined and efficient approach to production and reserve growth demonstrates the strength of our people and quality of our assets and is the reason that our stock price once again outperformed our peers.

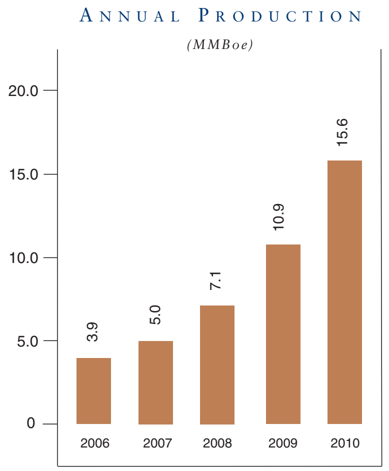
In accordance with our view of maintaining a conservative capital structure with ample liquidity, and to prepare us for future growth, Concho raised over $1.3 billion in 2010 through the debt and equity capital markets. In addition, we closed on the sale of some of our higher-cost, non-strategic Permian assets in December, which, together with our capital markets activities, helped fund the Marbob acquisition and positioned us with greater liquidity than any time in the Company's history. With this capital availability, we plan to continue to pursue acquisition opportunities that not only enhance the overall quality of our assets but also reinforce the Company's ability to execute the same growth strategy that has consistently generated greater value to our shareholders.

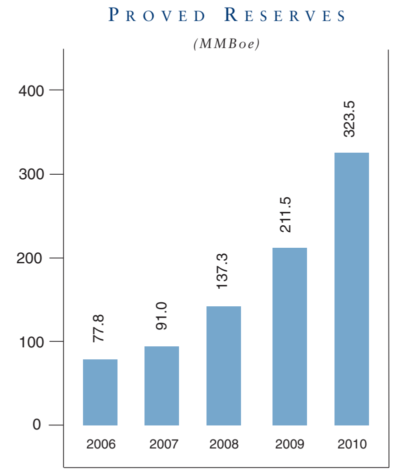
We believe 2011 will be another exciting year for Concho. Our core areas in the New Mexico Shelf, Texas Permian and Delaware Basin are large and well positioned for future growth. During 2011, we expect to maintain a very active drilling program and plan to drill over 800 gross operated wells, which will be a record level of drilling activity for the Company and reinforce Concho's position as a leading operator in the Permian Basin. The good news is that we see many opportunities to deliver the same type of consistent growth by simply executing the same strategy that was established at the founding of the Company. So for Concho, the more things change, the more they stay the same.

Thank you again for your continued support and confidence in Concho.

Timothy A. Leach
Chairman of the Board, Chief Executive Officer and President

The Permian Basin encompasses more than 40 counties in Texas and New Mexico and has been a secure source of energy for the United States for more than eighty years. Thus, the ground in the Permian Basin is quite valuable, and that is why we choose to focus our efforts on this area.





Concho's three core areas, the New Mexico Shelf, the Texas Permian and the Delaware Basin, are located in the Permian Basin and together accounted for 98% of our estimated net proved reserves at year end 2010.

In 2010, we drilled 662 wells (565 operated), and we increased our average net daily production from 30.6 MBoepd in the fourth quarter of 2009 to 54.4 MBoepd in the fourth quarter of 2010. At December 31, 2010, Concho had identified 5,798 drilling locations in our core areas, with proved undeveloped reserves associated with 1,919 of such locations.

The New Mexico Shelf is located just east of Artesia, New Mexico. In October 2010, we acquired the oil and natural gas assets of Marbob Energy Corporation, a privately-held exploration and production company with concentrated operations in the Permian Basin of Southeast New Mexico. With this acquisition, we doubled our Yeso drilling inventory.

The New Mexico Shelf is our largest asset representing 59.6% of our proved reserves. At December 31, 2010, proved reserves attributable to the Company's New Mexico Shelf totaled approximately 192.9 MMBoe, compared to the December 31, 2009 total of approximately 126.1 MMBoe. As of December 31, 2010, on its New Mexico Shelf assets, the Company identified 2,897 drilling locations, with proved undeveloped reserves attributable to 742 of such locations. Of these drilling locations, 2,156 target the Yeso formation. For the twelve months ended December 31, 2010, the Company drilled 270 wells (248 operated) on its New Mexico Shelf assets, with a 100% success rate on the 227 wells that had been completed during 2010.

Our primary activities in the Texas Permian target the Wolfberry play located in the Midland Basin. The term "Wolfberry" refers to the commingling of production from the Wolfcamp and Spraberry formations. This asset has the closest proximity to our corporate headquarters in Midland, Texas, with some leasehold located within twenty miles.

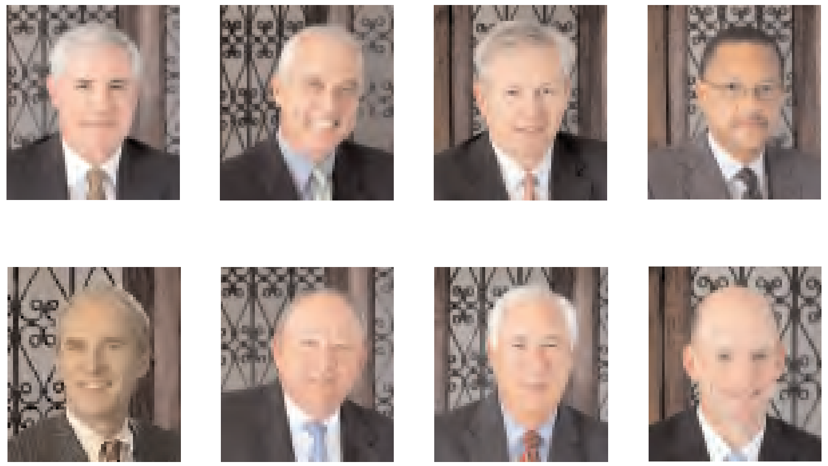
At December 31, 2010, proved reserves attributable to the Company's Texas Permian assets totaled approximately 100.5 MMBoe, compared to the December 31, 2009 total of approximately 77.2 MMBoe. At December 31, 2010, on its Texas Permian assets, the Company had identified 1,800 drilling locations, with proved undeveloped reserves attributable to 1,094 of such locations. Of these drilling locations, 1,742 target the Wolfberry play. For the twelve months ended December 31, 2010, the Company drilled 313 wells (301 operated) on its Texas Permian assets, with a 99.6% success rate on the 225 wells that had been completed during 2010.

During 2010, we added approximately 150,000 net acres in the Delaware Basin through the acquisition of Marbob and additional leasing efforts. This acreage established a strong position in the Bone Spring play, thereby adding a new area of growth to our portfolio. The Delaware Basin begins just south of our New Mexico Shelf asset and extends into Texas down to the Davis Mountains.

At December 31, 2010, proved reserves attributable to the Company's Delaware Basin assets totaled approximately 22.1 MMBoe, compared to the December 31, 2009 total of approximately 5.5 MMBoe. As of December 31, 2010, on its Delaware Basin assets, the Company identified 1,101 drilling locations, with proved undeveloped reserves attributable to 83 of such locations. Of these drilling locations, 968 target the Bone Spring Formation. For the twelve months ended December 31, 2010, the Company drilled 25 wells (16 operated) on its Delaware Basin assets, with a 100% success rate on the 8 wells that had been completed during 2010.

Directors and Officers

Directors of Concho Resources

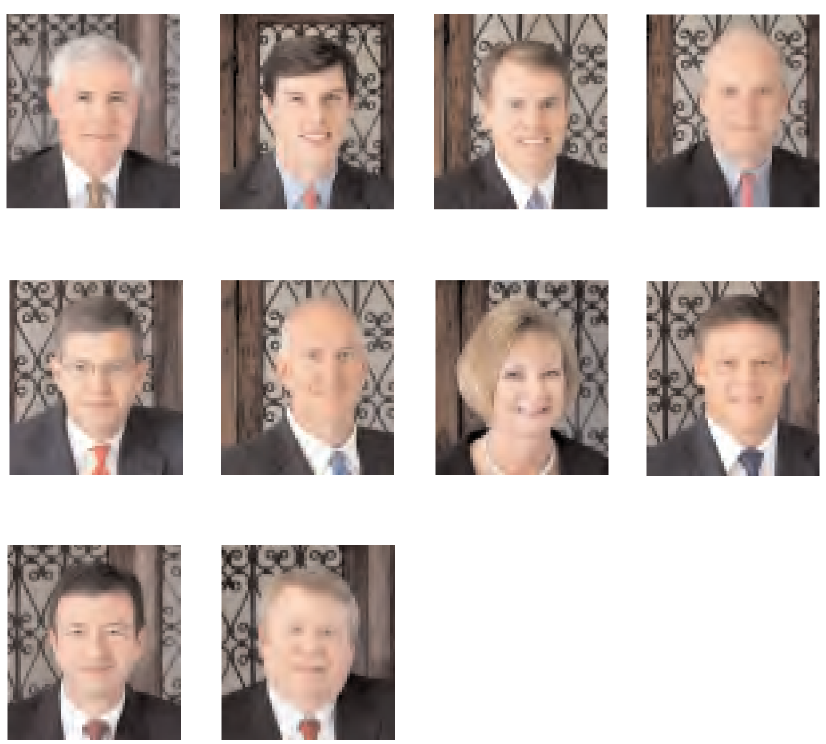


Pictured from Left to Right:
Timothy A. Leach, Steven L. Beal, Tucker S. Bridwell, William H. Easter III, W. Howard Keenan, Jr., Ray M. Poage, Mark B. Puckett and A. Wellford Tabor.

Directors

Timothy A. Leach
Steven L. Beal
Tucker S. Bridwell
William H. Easter III
W. Howard Keenan, Jr.
Ray M. Poage
Mark B. Puckett
A. Wellford Tabor

Officers of Concho Resources



Pictured from Left to Right:
Timothy A. Leach, C. William Giraud, Jack F. Harper, Darin G. Holderness, Matthew G. Hyde, E. Joseph Wright, Gayle L. Burleson, J. Steve Guthrie, Don O. McCormack and Erick W. Nelson

Corporate Officers

Timothy A. Leach
Chairman of the Board, Chief Executive Officer and President

C. William Giraud
Senior Vice President, General Counsel and Secretary

Jack F. Harper
Senior Vice President and Chief of Staff

Darin G. Holderness
Senior Vice President, Chief Financial Officer and Treasurer

Matthew G. Hyde
Senior Vice President of Exploration and Land

E. Joseph Wright
Senior Vice President and Chief Operating Officer

Gayle L. Burleson
Vice President of Corporate Engineering

J. Steve Guthrie
Vice President of Texas

Don O. McCormack
Vice President and Chief Accounting Officer

Erick W. Nelson
Vice President of New Mexico

Company Information

Corporate Headquarters

Concho Resources Inc.
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Midland, Texas 79701
432.683.7443
432.683.7441 fax

Transfer Agent

American Stock Transfer & Trust Company
59 Maiden Lane
New York, New York 10038
www.amstock.com

Stock Exchange

Common stock traded on the New York Stock Exchange under the symbol: CXO.

Corporate Counsel

Vinson & Elkins L.L.P.
1001 Fannin, Suite 2500
Houston, Texas 77002
713.758.2222

Independent Auditors

Grant Thornton L.L.P.
2431 East 61st Street, Suite 500
Tulsa, Oklahoma 74136
918.877.0800

Annual Meeting

The Annual Meeting for Concho Resources Inc. shareholders will be held in the Wildcatter Room at the Petroleum Club of Midland on June 2, 2011.

Form 10-K

For an additional copy of the Annual Report on Form 10-K, please contact:
Concho Resources Inc. Investor Relations Department
432.683.7443
Email: ir@conchoresources.com

Website Address

www.conchoresources.com

Forward-Looking 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 facts that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements are based on certain assumptions 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. Actual results may differ materially from those implied or expressed by the forward-looking statements. 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 factors discussed or referenced in the "Risk Factors" section of the Company's Form 10-K 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.

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