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**XERIC OIL & GAS  
CORPORATION**

**Fax**

|               |                   |               |                     |
|---------------|-------------------|---------------|---------------------|
| <b>To:</b>    | David K. Brooks   | <b>From:</b>  | R. C. (Rob) Barnett |
| <b>Fax:</b>   | (505) 476-3440-62 | <b>Pages:</b> | 5                   |
| <b>Phone:</b> | (505) 476-3450    | <b>Date:</b>  | 07/31/02            |
| <b>Re:</b>    | Case No. 12896    | <b>CC:</b>    |                     |

**Comments:** Mr. Brooks,

Attached you will find a hard copy of my e-mail I sent you today. Since we are at the "eleventh hour" I wanted to make sure that you received this before the hearing tomorrow. I will not be attending the hearing since I have spent all day in Midland preparing this data. The only way I could get there in time would be by private plane or driving all night. From my conversation with you, it sounds to me that the only evidence that will be considered will be what wells we have brought into compliance. Though we have brought a majority into compliance there are still a good number to go. We hope the Commission will grant us the time needed to bring the remainder of the wells into compliance, especially wells that need to be plugged. It has been our experience that it usually takes a minimum of three months from the date we send in a plugging application until the well actually gets plugged, sometimes longer depending on contractor availability.

Thank your for your consideration in this matter and should you have any questions, please call me.

Sincerely,

R. C. (Rob) Barnett  
President

|             |       |
|-------------|-------|
| EXHIBIT NO. | 2     |
| CASE NO.    | 12896 |

**Rob Barnett**

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**From:** "Rob Barnett" <rbarnett@xericoil.com>  
**To:** <DKBROOKS@state.nm.us>  
**Cc:** <WROTENBERRY@state.nm.us>  
**Sent:** Wednesday, July 31, 2002 4:36 PM  
**Attach:** NMOCD Wells (1).xls  
**Subject:** Fw: Xeric inactive NM wells

**Subject:** Xeric inactive NM wells

Mr. Brooks,

Pursuant to our telephone conversation today attached you will find a spread sheet showing our progress to date in addressing the 114 inactive wells that Lori Wrotenberry provided me a list of late last year. To date we have addressed, tested or worked on 101 wells. Of these wells 54 have passed NMOCD witnessed MIT's, 9 wells have been returned to production and 32 wells failed MIT's and will either be P&A'd or repaired as quickly as we can get State approval and have contractors available to perform the work. There was one well which was sold in 1999 and there is one well that is P&A'd. All of these need their paperwork cleared up on and one well we want to convert to an injection well. There are 3 wells being tested today. This will leave only 13 wells on the Horton Federal that we have not had time to address, test or work on as of yet.

We have filed 42 C-103 Sundry notices with the Hobbs District office of the NMOCD and according to our conversation with Mr. Gary Wink of that office, all were approved yesterday, July 30, 2002. We have mailed in an additional 14 as of today which will bring total filings to 56. We are in the process of preparing for filing numerous other ones for the wells that we are currently testing and the wells that did not pass the MIT's. Most of these will be notices of intent to plug and abandon. Once we have State approval we will then be able proceed with finding contractors to plug these wells.

Since your letter of June 14, 2002, we have had as many as five pulling units running at once in an effort to bring all wells into compliance and we estimate that we have spent well over \$125,000.00 in this regard. We regret not starting on this project sooner, however we did not realize there was a deadline for completion of this work until we received your aforementioned letter.

Finally, concerning your letter dated June 14, 2002, notifying us of an August 1, 2002 hearing date, Case No. 12896, to seek civil penalties for failure to bring these wells into compliance. We trust that our efforts to date have demonstrated our willingness and resolve to cooperate in this matter and will allow the Division to postpone the scheduled hearing or at least waive any civil assessments and allow us additional time to bring the remaining wells into compliance.

Sincerely,

R. C. (Rob) Barnett  
President  
Xeric Oil & Gas Corporation

7/31/02

**Xeric Oil & Gas Corp.**

**Schedule of Wells for NMOCD**

| Lease                 |     | Well # | Type | Instructions              | Remarks                                               | DATE    | FORM       | REGULATORY FILINGS       |
|-----------------------|-----|--------|------|---------------------------|-------------------------------------------------------|---------|------------|--------------------------|
| East Pearl Queen Unit | 1   | I      |      |                           | Passed MIT 2/19/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 4   | O      |      | Pressure Test             | Passed MIT 7/11/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 6   | O      |      | Pressure Test             | Casing Leak, Failed MIT - P&A                         |         |            |                          |
| East Pearl Queen Unit | 7   | I      |      |                           | Passed MIT 2/19/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 8   | O      |      | Pressure Test             | Passed MIT 7/11/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 9   | I      |      |                           | Passed MIT 2/20/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 11  | I      |      |                           | Passed MIT 7/11/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 12  | O      |      | Pressure Test             | Set CIBP @ 4000' & clumped 1 sack. Passed MIT 7/16/02 | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 14  | O      |      | Pressure Test             | Passed MIT 7/11/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 15  | I      |      | Pressure Test             | Passed MIT 7/11/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 16  | O      |      | Pressure Test             | Passed MIT 7/11/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 17  | I      |      | Pressure Test             | Casing Leak, Failed MIT - P&A                         |         |            |                          |
| East Pearl Queen Unit | 18  | I      |      |                           | Passed MIT 2/19/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 20  | I      |      | Fix Tubing Leak           | Passed MIT 7/16/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 21  | O      |      | Pressure Test             | Passed MIT 7/10/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 22  | I      |      |                           | Passed MIT 2/20/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 23  | I      |      | Pressure Test             | Passed MIT 7/17/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 24  | I      |      | Pressure Test             | Casing Leak, Failed MIT - P&A                         |         |            |                          |
| East Pearl Queen Unit | 26  | I      |      |                           | Passed MIT 2/20/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 28  | I      |      |                           | Passed MIT 2/20/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 29  | I      |      |                           | Passed MIT 2/20/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 30  | O      |      | Pressure Test             | Passed MIT 7/10/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 32  | I      |      | Casing Leak (P&A)         | P&A                                                   |         |            |                          |
| East Pearl Queen Unit | 33  | I      |      | Fix Packer or Tubing Leak | Tubing stuck in hole, freepoint near surface - P&A    |         |            |                          |
| East Pearl Queen Unit | 37  | O      |      | Pressure Test             | Passed MIT 7/10/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 39  | O      |      | Pressure Test             | Passed MIT 7/10/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 41  | I      |      | Fix Tubing Leak           | Casing Leak, Failed MIT - P&A                         |         |            |                          |
| East Pearl Queen Unit | 42  | I      |      | Fix Tubing Leak           | Ran new packer & tested tubing. Passed MIT 7/11/02    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 43  | I      |      | Casing Leak (P&A)         | P&A                                                   |         |            |                          |
| East Pearl Queen Unit | 44  | I      |      | Casing Leak (P&A)         | P&A                                                   |         |            |                          |
| East Pearl Queen Unit | 45  | O      |      | Pressure Test             | Casing Leak, Failed MIT - P&A                         |         |            |                          |
| East Pearl Queen Unit | 46  | I      |      |                           | Passed MIT 2/20/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 49  | I      |      | Casing Leak (P&A)         | P&A                                                   |         |            |                          |
| East Pearl Queen Unit | 51  | I      |      | Casing Leak (P&A)         | P&A                                                   |         |            |                          |
| East Pearl Queen Unit | 52  | O      |      | Pressure Test             | Set CIBP @ 4000', Failed MIT - P&A                    |         |            |                          |
| East Pearl Queen Unit | 53  | I      |      | Casing Leak (P&A)         | P&A                                                   |         |            |                          |
| East Pearl Queen Unit | 56  | O      |      | Pressure Test             | Passed MIT 7/10/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 57  | O      |      | Pressure Test             | Passed MIT 7/10/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 59  | O      |      | Pressure Test             | Passed MIT 7/10/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| East Pearl Queen Unit | 77  | O      |      | Flowing Producer          | File C-103 to put back in production                  | 7/31/02 | C-103-Sub. | Put back into production |
| East Pearl Queen Unit | 82  | O      |      | Producer                  | File C-103 to put back in production                  | 7/31/02 | C-103-Sub. | Put back into production |
| West Pearl Queen Unit | 103 | O      |      | Pressure Test             | Passed MIT 7/16/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |
| West Pearl Queen Unit | 107 | O      |      | Pressure Test             | Passed MIT 7/11/02                                    | 7/26/02 | C-103-Sub. | TA Status, MIT Results   |

| Xeric Oil & Gas Corp.  |        |           |                                | Schedule of Wells for NMOCD                                      |         |            |                        |  |  |  |  |
|------------------------|--------|-----------|--------------------------------|------------------------------------------------------------------|---------|------------|------------------------|--|--|--|--|
| Lease                  | Well # | Well Type | Instructions                   | Remarks                                                          | DATE    | FORM       | REGULATORY FILINGS     |  |  |  |  |
| West Pearl Queen Unit  | 110    | I         | Fix Tubing Leak (1 1/2" tbg)   | Layed Down Tbg & Pkr. Set CIBP. Run MIT on 7/31/02               | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 112    | I         | Fix Tubing Leak (need anchors) | Passed MIT 7/24/02                                               | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 117    | O         | Pressure Test                  | Passed MIT 7/16/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 118    | I         |                                | Passed MIT 2/21/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 119    | I         | Fix Tubing Leak                | Passed MIT 7/24/02                                               | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 120    | I         | Fix Tubing Leak                | Tested tubing w/ new packer. Run MIT on 7/31/02                  | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 121    | I         | Fix Tubing Leak (1 1/2" tbg)   | Layed Down Tbg & Pkr. Set CIBP. Run MIT on 7/31/02               | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 122    | I         |                                | Passed MIT 2/20/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 124    | I         |                                | Passed MIT 2/20/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 125    | I         |                                | Passed MIT 7/24/02                                               | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 127    | I         | Fix Tubing Leak                | Passed MIT 2/20/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 128    | I         |                                | Passed MIT 2/21/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 129    | I         |                                | File C-103 to put back in production                             | 7/31/02 | C-103-Sub. | Return to Production   |  |  |  |  |
| West Pearl Queen Unit  | 130    | O         | Producing                      | Passed MIT 2/21/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 134    | I         |                                | Set CIBP @ 3000'. Failed MIT - P&A                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 137    | O         | Lay down tbg & rods & run CIBP | Passed MIT 2/20/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 140    | I         |                                | Tested tubing w/ new packer, Failed MIT - P&A                    | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 142    | I         | Fix Tubing Leak                | Tested tubing w/ new packer, Failed MIT - P&A                    | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 143    | I         | Fix Tubing Leak                | Tested tubing w/ new packer, Failed MIT on 7/31/02 P&A or repair | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 146    | I         | Fix Tubing Leak                | P&A                                                              |         |            |                        |  |  |  |  |
| West Pearl Queen Unit  | 152    | I         | Casing Leak (P&A)              | P&A                                                              |         |            |                        |  |  |  |  |
| West Pearl Queen Unit  | 156    | I         | Casing Leak (P&A)              | Casing Leak, Failed MIT - P&A                                    |         |            |                        |  |  |  |  |
| West Pearl Queen Unit  | 157    | O         | Pressure Test                  | P&A                                                              |         |            |                        |  |  |  |  |
| West Pearl Queen Unit  | 159    | O         | Casing Leak (P&A)              | Set CIBP @ 3500'. Run MIT on 7/31/02                             | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 163    | O         | Lay down tbg & rods & run CIBP | Passed MIT 7/24/02                                               | 7/31/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| West Pearl Queen Unit  | 164    | O         | Pressure Test                  | Casing Leak, Failed MIT - P&A                                    | 7/31/02 | C-103-Sub. | Return to Production   |  |  |  |  |
| West Pearl Queen Unit  | 165    | O         | Pressure Test                  | File C-103 to put back in production                             | 7/31/02 | C-103-Sub. | Return to Production   |  |  |  |  |
| West Pearl Queen Unit  | 169    | O         | Producing                      | File C-103 to put back in production                             | 7/31/02 | C-103-Sub. | Return to Production   |  |  |  |  |
| West Pearl Queen Unit  | 191    | O         | Producing                      | File C-103 to put back in production                             | 7/31/02 | C-103-Sub. | Return to Production   |  |  |  |  |
| West Pearl Queen Unit  | 192    | O         | Producing                      | File C-103 to put back in production                             | 7/31/02 | C-103-Sub. | Return to Production   |  |  |  |  |
| West Pearl Queen Unit  | 202    | O         | Producing                      | Passed MIT 2/20/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| South Pearl Queen Unit | 7      | I         |                                | Passed MIT 7/16/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| South Pearl Queen Unit | 11     | I         | Fix Tubing Leak                | Passed MIT 2/20/02                                               | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| South Pearl Queen Unit | 13     | I         |                                | P&A                                                              | 7/26/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| South Pearl Queen Unit | 15     | I         | Casing Leak (P&A)              | Passed MIT 2/20/02                                               | 7/25/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| South Pearl Queen Unit | 19     | I         |                                | Passed MIT 2/20/02                                               | 7/25/02 | C-103-Sub. | TA Status, MIT Results |  |  |  |  |
| South Pearl Queen Unit | 21     | I         |                                | P&A                                                              |         |            |                        |  |  |  |  |
| South Pearl Queen Unit | 23     | I         | Casing Leak (P&A)              | Well Is Plugged                                                  |         |            |                        |  |  |  |  |
| South Pearl Queen Unit | 24     | O         |                                | P&A                                                              |         |            |                        |  |  |  |  |
| South Pearl Queen Unit | 25     | I         | Casing Leak (P&A)              |                                                                  |         |            |                        |  |  |  |  |
| Horton Federal Unit    | 8      | O         |                                |                                                                  |         |            |                        |  |  |  |  |
| Horton Federal Unit    | 9      | I         | Pressure Test                  |                                                                  |         |            |                        |  |  |  |  |

| Xeric Oil & Gas Corp.                             |        |      |                           |                                         |                                                 |
|---------------------------------------------------|--------|------|---------------------------|-----------------------------------------|-------------------------------------------------|
| Schedule of Wells for NMOCD                       |        |      |                           |                                         |                                                 |
|                                                   |        | Well |                           |                                         |                                                 |
| Lease                                             | Well # | Type | Instructions              | Remarks                                 | REGULATORY FILINGS<br>DATE FORM DETAILS         |
| Horton Federal Unit                               | 10     | O    | Return to Prod, MIT or TA |                                         |                                                 |
| Horton Federal Unit                               | 13     | O    | Return to Prod, MIT or TA |                                         |                                                 |
| Horton Federal Unit                               | 18     | O    | Return to Prod, MIT or TA |                                         |                                                 |
| Horton Federal Unit                               | 19     | O    | Return to Prod, MIT or TA |                                         |                                                 |
| Horton Federal Unit                               | 21     | I    |                           |                                         |                                                 |
| Horton Federal Unit                               | 26     | I    |                           |                                         |                                                 |
| Horton Federal Unit                               | 28     | I    |                           |                                         |                                                 |
| Horton Federal Unit                               | 30     | O    | Return to Prod, MIT or TA |                                         |                                                 |
| Horton Federal Unit                               | 32     | I    |                           |                                         |                                                 |
| Horton Federal Unit                               | 33     | O    | Return to Prod, MIT or TA |                                         |                                                 |
| Horton Federal Unit                               | 35     | O    | Return to Prod, MIT or TA |                                         |                                                 |
| Mesa Queen Unit                                   | 2      | I    | Repair Wellhead           | Repair Wellhead Retest                  |                                                 |
| Mesa Queen Unit                                   | 5      | I    | Casing Leak               | P&A                                     |                                                 |
| Mesa Queen Unit                                   | 9      | I    | Repair Tubing Leak        | Passed MIT 7/31/02                      | 7/31/02 C-103-Sub TA Status MIT Results         |
| Mesa Queen Unit                                   | 11     | I    | Pressure Test             | Failed test repair or P&A               |                                                 |
| Mesa Queen Unit                                   | 12     | O    | Set CIBP & T/A            | Failed test repair or P&A               |                                                 |
| Mesa Queen Unit                                   | 14     | I    |                           | Failed test repair or P&A               |                                                 |
| Mesa Queen Unit                                   | 16     | I    | Casing Leak               | P&A                                     |                                                 |
| Mesa Queen Unit                                   | 17     | O    | Set CIBP & T/A            | Failed test repair or P&A               |                                                 |
| Mesa Queen Unit                                   | 19     | O    | Tubing Parted             | Repair and return to production         |                                                 |
| Mesa Queen Unit                                   | 20     | I    | Pressure Test             | Failed test repair or P&A               |                                                 |
| Mesa Queen Unit                                   | 21     | O    | Set CIBP & T/A            | Failed test repair or P&A               |                                                 |
| Mesa Queen Unit                                   | 22     | O    | Set CIBP & T/A            | Failed test repair or P&A               |                                                 |
| Mesa Queen Unit                                   | 23     | O    |                           | Failed test repair or P&A               |                                                 |
| Mesa Queen Unit                                   | 24     | O    |                           | Failed test repair or P&A               |                                                 |
| Mesa Queen Unit                                   | 25     | I    |                           | Failed test repair or P&A               |                                                 |
| Eddy GF State                                     | 1      | G    | P & A                     | P&A                                     |                                                 |
| Gregory C                                         | 1      | O    | Producing                 | File C-103 to put back in to production | 7/25/02 3160-Sub Reperf & Acidize, Return to P. |
| Jordan B                                          | 2      | O    | Producing                 | File C-103 to put back in to production |                                                 |
| Kochrane B Federal                                | 1      | G    | Well sold in 1999         | clean up paperwork                      |                                                 |
| Mexico U                                          | 1      | I    | Active injection well     | clean up paperwork                      |                                                 |
| Mexico U                                          | 3      | O    | convert to injection      | file paperwork                          |                                                 |
| State BD 36                                       | 1      | O    | junk in hole              | repair, test or P&A                     |                                                 |
| 54 have passed MIT                                |        |      |                           |                                         |                                                 |
| 32 wells will be P&A                              |        |      |                           |                                         |                                                 |
| 9 wells returned to production                    |        |      |                           |                                         |                                                 |
| 1 well sold                                       |        |      |                           |                                         |                                                 |
| 1 well P&A'd                                      |        |      |                           |                                         |                                                 |
| 1 well convert to inj.                            |        |      |                           |                                         |                                                 |
| 3 wells testing today (7/31/02)                   |        |      |                           |                                         |                                                 |
| 13 wells on Horton Federal to be tested this week |        |      |                           |                                         |                                                 |
| Total Wells = 1715                                |        |      |                           |                                         |                                                 |