



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

June 14, 2002

Xeric Oil & Gas Corporation
P.O.Box 352
Midland, TX 79702

CERTIFIED MAIL

Re: Case No. 12908⁸⁹⁶
**Application of the New Mexico Oil Conservation Division for an Order
Requiring Xeric Oil & Gas Corporation to Bring One Hundred Twenty-Five
(125) Wells into Compliance with Rule 201.B, and Assessing Appropriate
Civil Penalties; Lea, Roosevelt and Eddy Counties, New Mexico.**

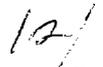
Ladies and Gentlemen:

You are hereby notified that the New Mexico Oil Conservation Division has filed the referenced Application, a copy of which is enclosed herewith, seeking an order requiring you to bring specified inactive wells in Lea, Roosevelt and Eddy Counties, New Mexico into compliance with Division Rule 201.B, by either restoring such wells to production or beneficial use, permanently plugging and abandoning or temporarily abandoning them. In addition, the Division seeks assessment of civil penalties for your failure to comply with previous administrative notices to bring these wells into compliance.

A hearing on this Application will take place before a Division hearing officer on Thursday, August 1, 2002, at 8:15 a.m., in the Division Hearing Room, First Floor, 1220 South St. Francis Drive in Santa Fe, New Mexico. At that hearing you will have an opportunity to show cause, if any there be, why an order should not be entered as requested in the Application. **The Division will not seek assessment of a penalty if all of your wells are in full compliance on or before the day of the hearing.**

Should you have questions, you may contact the undersigned in the Santa Fe office of the Oil Conservation Division, at (505)-476-3450.

Very truly yours,


David K. Brooks
Assistant General Counsel

cc: Lori Wrotenbery, Director