



NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

July 28, 1999

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

Attention: Glenda Hunt

RE: C-142 Application for New Well Status
Cain No. 2, API No. 30-025-26305

Dear Ms. Hunt:

Division Rule 34, New Well Tax Incentive, states:

34.A. Applicability

These rules apply to any new natural gas or oil well for which drilling commenced after January 1, 1999 and before July 1, 2000.

34.B. Definitions

"New well" means a crude oil or natural gas producing well for which drilling commenced after January 1, 1999 and before July 1, 2000, or a horizontal crude oil or natural gas well that was recompleted from a vertical well by drilling operations that commenced after January 1, 1999 and before July 1, 2000, that has been approved and certified as such by the Division.

Pursuant to Division Rule 34, vertical recompletions/reentries do not qualify as new wells, therefore your application is hereby denied.

If you have any questions, please contact me at (505) 827-8183.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Ashley", written over a horizontal line.

Mark Ashley
Petroleum Engineering Specialist