



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

20-Dec-07

XERIC OIL & GAS CORP

PO BOX 352

MIDLAND TX 79702-

LETTER OF VIOLATION - Inactive Well(s)

Dear Operator:

A review of our records and recent inspection(s) indicate that the subject well(s) has been shut-in for an extended period of time. Rule 201 of the Rules and Regulation of the Oil Conservation Division provides that a well may be shut-in no longer than sixty days after suspension of drilling operations, upon determining that the well is no longer usable (e.g., a dry hole), or one year after last production. To comply with guidelines as established in the Rules and Regulations, corrective actions must be taken immediately and the well(s) brought into compliance.

The detail section below indicates preliminary findings and/or probable nature of the violation.

The following options are available:

1. Immediately restore the well(s) to production, injection or disposal as applicable.
2. Request 'Temporary Abandoned' status pursuant to Rule 203, which requires that you set a plug and conduct a mechanical integrity test.
3. Submit a proposal to 'Plug and Abandon' the well(s) pursuant to Rule 202, proceed with plugging procedures on a timely basis after the proposal has been evaluated, amended and/or approved.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

IDLE WELL INSPECTION DETAIL SECTION

WEST PEARL QUEEN UNIT 117 K-29-19S-35E 30-025-03241-00-00 Inspection No. iLWH0735235852

Inspection Date: 12/18/2007 9:57:28 AM

Corrective Action Due by: 3/22/2008

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Compliance Verification

Buddy Hill

Yes

No

Comments on Inspection:

WELL SIGN OK ! T/A HAS EXPIRED. NEEDS TO BE T/A TESTED, P/A OR PUT BACK IN USE,,FIRST NOTICE

WEST PEARL QUEEN UNIT 129 N-29-19S-35E 30-025-03243-00-00 Inspection No. iLWH0735235587

Inspection Date: 12/18/2007 9:53:03 AM

Corrective Action Due by: 3/22/2008

Type Inspection

Inspector

Violation?

*Significant Non-Compliance?

Routine/Periodic

Buddy Hill

Yes

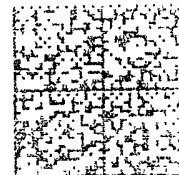
No

Comments on Inspection:

T/A HAS EXPIRED ! WELL NEEDS TO BE T/A, P/A OR PUT BACK IN USE..FIRST NOTICE

WEST PEARL QUEEN UNIT 112 F-29-19S-35E 30-025-03244-00-00 Inspection No. iLWH0735236055

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



POSTAGE

\$0.410

POSTAGE

XERIC OIL & GAS CO
P O BOX 352
MIDLAND, TX 79702