

2008
TAB 22

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF THE NEW MEXICO
OIL CONSERVATION DIVISION, THROUGH
THE ENFORCEMENT AND COMPLIANCE
MANAGER, FOR A COMPLIANCE ORDER
AGAINST XERIC OIL & GAS CORPORATION,
FINDING THAT THE OPERATOR IS IN VIOLATION
OF 19.15.3.101.B NMAC AS TO 69 WELLS AND
19.15.4.201 NMAC AND/OR 19.15.13.1115 NMAC AS TO
80 WELLS; DETERMINING THAT THE REFERENCED
VIOLATIONS ARE KNOWING AND WILLFUL AND
IMPOSING PENALTIES; REQUIRING OPERATOR
TO POST THE REQUIRED SINGLE-WELL FINANCIAL
ASSURANCES FOR THE 69 NON-COMPLIANT WELLS
BY A DATE CERTAIN; REQUIRING OPERATOR TO
BRING THE 80 INACTIVE WELLS BACK INTO
COMPLIANCE WITH RULE 201 AND/OR RULE 1115
BY A DATE CERTAIN; AND IN THE EVENT OF
NON-COMPLIANCE WITH ANY ASPECT OF THE
ORDER, DECLARING THE WELLS ABANDONED,
AUTHORIZING THE DIVISION TO PLUG THE
WELLS AND FORFEITING ANY APPLICABLE
FINANCIAL ASSURANCE, LEA COUNTY, NEW
MEXICO.

CASE NO. 14106 (De Novo)
ORDER NO. R-13005-A

ORDER OF THE COMMISSION

THIS MATTER, having come before the New Mexico Oil Conservation Commission (Commission) on February 24 and 25, 2009 at Santa Fe, New Mexico, on the application of the New Mexico Oil Conservation Division (Division), through its enforcement and compliance manager, for a compliance order against Xeric Oil and Gas Corporation (Xeric); OGRID No. 25482, finding that Xeric is in violation of Subsection B of 19.15.3.101 NMAC (now Subsection C of 19.15.8.9 NMAC) as to 69 wells and 19.15.4.201 NMAC (now 19.15.25.8 NMAC) or 19.15.13.1115 NMAC (now 19.15.7.24 NMAC) as to 80 wells, determining that the violations were knowing and willful, imposing penalties requiring Xeric to post single-well financial assurances for the 69 non-compliant well by a date certain, requiring Xeric to bring the 80 inactive wells into

compliance with 19.15.4.201 NMAC (now 19.15.25.8 NMAC) or 19.15.13.1115 (now 19.15.7.24 NMAC) by a date certain, and in the event of non-compliance declare the wells abandoned, authorizing the Division to plug the wells and forfeiting any financial assurance, and the Commission, having carefully considered the evidence and other materials the parties submitted, now, on this 12th day of March 2009,

FINDS THAT:

1. Due public notice has been given, and the Commission has jurisdiction of this case and its subject matter.

2. Xeric is the operator of the following 88 oil and gas wells in Lea County, New Mexico:

Name	API No.
Crosby Deep #001	30-025-23891
Crosby Deep #002	30-025-24287
Crosby Deep #003	30-025-11870
Crosby Deep #004	30-025-25985
East Pearl Queen Unit #001	30-025-03189
East Pearl Queen Unit #004	30-025-03186
East Pearl Queen Unit #007	30-025-03183
East Pearl Queen Unit #008	30-025-03182
East Pearl Queen Unit #009	30-025-03185
East Pearl Queen Unit #011	30-025-03175
East Pearl Queen Unit #012	30-025-03174
East Pearl Queen Unit #014	30-025-03184
East Pearl Queen Unit #015	30-025-03181
East Pearl Queen Unit #016	30-025-03180
East Pearl Queen Unit #018	30-025-03216
East Pearl Queen Unit #021	30-025-03237
East Pearl Queen Unit #022	30-025-03235
East Pearl Queen Unit #023	30-025-03236
East Pearl Queen Unit #026	30-025-03222
East Pearl Queen Unit #028	30-025-03215
East Pearl Queen Unit #029	30-025-03208
East Pearl Queen Unit #030	30-025-03213
East Pearl Queen Unit #036	30-025-03221
East Pearl Queen Unit #037	30-025-03219
East Pearl Queen Unit #039	30-025-03295
East Pearl Queen Unit #042	30-025-03298
East Pearl Queen Unit #046	30-025-03302
East Pearl Queen Unit #056	30-025-23302
East Pearl Queen Unit #057	30-025-23409
East Pearl Queen Unit #059	30-025-23427
East Pearl Queen Unit #077	30-025-31106
East Pearl Queen Unit #084	30-025-30869
Gregory A #005	30-025-11884
Gregory A #007	30-025-11867

Gregory C #001	30-025-11865
Gregory El Paso Federal #004	30-025-11871
Mesa Queen Unit #006	30-025-00396
Mesa Queen Unit #010	30-025-20340
Mesa Queen Unit #011	30-025-20230
Mesa Queen Unit #015	30-025-20347
Mesa Queen Unit #018	30-025-20313
Mesa Queen Unit #020	30-025-20269
Mesa Queen Unit #025	30-025-23483
Mexico U #001	30-025-12512
Mexico U #003	30-025-30954
South Pearl Queen Unit #003	30-025-21772
South Pearl Queen Unit #005	30-025-03328
South Pearl Queen Unit #006	30-025-03315
South Pearl Queen Unit #007	30-025-03316
South Pearl Queen Unit #008	30-025-03317
South Pearl Queen Unit #011	30-025-03325
South Pearl Queen Unit #016	30-025-03321
South Pearl Queen Unit #019	30-025-03319
South Pearl Queen Unit #021	30-025-03342
South Pearl Queen Unit #022	30-025-03341
West Pearl Queen Unit #103	30-025-03247
West Pearl Queen Unit #107	30-025-03231
West Pearl Queen Unit #108	30-025-03234
West Pearl Queen Unit #110	30-025-03254
West Pearl Queen Unit #112	30-025-03244
West Pearl Queen Unit #117	30-025-03241
West Pearl Queen Unit #118	30-025-03248
West Pearl Queen Unit #119	30-025-03240
West Pearl Queen Unit #120	30-025-03224
West Pearl Queen Unit #121	30-025-03225
West Pearl Queen Unit #122	30-025-03228
West Pearl Queen Unit #124	30-025-03229
West Pearl Queen Unit #125	30-025-03227
West Pearl Queen Unit #126	30-025-03226
West Pearl Queen Unit #127	30-025-03242
West Pearl Queen Unit #128	30-025-03249
West Pearl Queen Unit #129	30-025-03243
West Pearl Queen Unit #130	30-025-03250
West Pearl Queen Unit #134	30-025-03262
West Pearl Queen Unit #135	30-025-03261
West Pearl Queen Unit #140	30-025-03283
West Pearl Queen Unit #143	30-025-03286
West Pearl Queen Unit #153	30-025-03265
West Pearl Queen Unit #154	30-025-03266
West Pearl Queen Unit #163	30-025-22870
West Pearl Queen Unit #164	30-025-23083
West Pearl Queen Unit #167	30-025-23313
West Pearl Queen Unit #169	30-025-25365
West Pearl Queen Unit #180	30-025-30868
West Pearl Queen Unit #191	30-025-30861

West Pearl Queen Unit #192	30-025-30867
West Pearl Queen Unit #195	30-025-31021
West Pearl Queen Unit #202	30-025-31125

3. The Division filed this application seeking an order pursuant to NMSA 1978, Section 70-2-14 and Subsection H of 19.15.3.101 NMAC (now 19.15.8.13 NMAC) directing Xeric to properly plug and abandon 80 wells, or otherwise bring them into compliance with 19.15.4.201 NMAC (now 19.15.25.8 NMAC), by a date certain, and to file single-well financial assurance as required by Subsection B of 19.15.3.101 (now Subsection C of 19.15.8.9 NMAC). The Division further seeks assessment of civil penalties by reason of Xeric's failure to bring the 80 wells into compliance with 19.15.4.201 NMAC (now 19.15.25.8 NMAC) and failure to file production reports as required by 19.15.13.1115 NMAC (now 19.5.7.24 NMAC). In the event of Xeric's failure to comply with such order, the Division seeks an authorization to plug said wells and forfeiture of Xeric's applicable financial assurance.

4. The Division appeared through counsel and presented the following testimony and evidence:

a. Xeric had not filed production reports on any of the wells identified above in paragraph 2 for more than two years at the time the Division filed its application on March 5, 2008.

b. As of the date of the Division's application, March 5, 2008, the following wells had been inactive for more than two years and had not been plugged and abandoned in accordance with 19.15.4.202 NMAC (now 19.15.25.9 through 19.15.25.11 NMAC), nor were any of them in approved temporary abandonment status in accordance with 19.15.4.203 NMAC (now 19.15.25.12 through 19.15.25.14 NMAC). As of February 16, 2009, 73 of the listed wells had not been plugged and abandoned or placed in approved temporary abandonment status and two additional wells had become inactive.

<u>Name</u>	<u>API No.</u>
Crosby Deep #001	30-025-23891
Crosby Deep #002	30-025-24287
Crosby Deep #003	30-025-11870
Crosby Deep #004	30-025-25985
East Pearl Queen Unit #001	30-025-03189
East Pearl Queen Unit #004	30-025-03186
East Pearl Queen Unit #007	30-025-03183
East Pearl Queen Unit #008	30-025-03182
East Pearl Queen Unit #009	30-025-03185
East Pearl Queen Unit #011	30-025-03175
East Pearl Queen Unit #012	30-025-03174
East Pearl Queen Unit #014	30-025-03184
East Pearl Queen Unit #015	30-025-03181
East Pearl Queen Unit #016	30-025-03180
East Pearl Queen Unit #018	30-025-03216

East Pearl Queen Unit #021	30-025-03237
East Pearl Queen Unit #022	30-025-03235
East Pearl Queen Unit #023	30-025-03236
East Pearl Queen Unit #026	30-025-03222
East Pearl Queen Unit #028	30-025-03215
East Pearl Queen Unit #029	30-025-03208
East Pearl Queen Unit #030	30-025-03213
East Pearl Queen Unit #036	30-025-03221
East Pearl Queen Unit #037	30-025-03219
East Pearl Queen Unit #039	30-025-03295
East Pearl Queen Unit #042	30-025-03298
East Pearl Queen Unit #046	30-025-03302
East Pearl Queen Unit #056	30-025-23302
East Pearl Queen Unit #057	30-025-23409
East Pearl Queen Unit #059	30-025-23427
East Pearl Queen Unit #077	30-025-31106
East Pearl Queen Unit #084	30-025-30869
Gregory A #005	30-025-11884
Gregory A #037	30-025-11867
Gregory C #001	30-025-11865
Gregory El Paso Federal #004	30-025-11871
Mesa Queen Unit #006	30-025-00396
Mesa Queen Unit #010	30-025-20340
Mesa Queen Unit #011	30-025-20230
Mesa Queen Unit #015	30-025-20347
Mesa Queen Unit #018	30-025-20313
Mesa Queen Unit #020	30-025-20269
Mesa Queen Unit #025	30-025-23483
Mexico U #001	30-025-12512
Mexico U #003	30-025-30954
South Pearl Queen Unit #003	30-025-21772
South Pearl Queen Unit #005	30-025-03328
South Pearl Queen Unit #006	30-025-03315
South Pearl Queen Unit #007	30-025-03316
South Pearl Queen Unit #008	30-025-03317
South Pearl Queen Unit #011	30-025-03325
South Pearl Queen Unit #016	30-025-03321
South Pearl Queen Unit #019	30-025-03319
South Pearl Queen Unit #021	30-025-03342
South Pearl Queen Unit #022	30-025-03341
West Pearl Queen Unit #103	30-025-03247
West Pearl Queen Unit #107	30-025-03231
West Pearl Queen Unit #108	30-025-03234
West Pearl Queen Unit #112	30-025-03244
West Pearl Queen Unit #117	30-025-03241
West Pearl Queen Unit #118	30-025-03248
West Pearl Queen Unit #119	30-025-03240
West Pearl Queen Unit #120	30-025-03224
West Pearl Queen Unit #122	30-025-03228
West Pearl Queen Unit #124	30-025-03229
West Pearl Queen Unit #125	30-025-03227

West Pearl Queen Unit #126	30-025-03226
West Pearl Queen Unit #127	30-025-03242
West Pearl Queen Unit #128	30-025-03249
West Pearl Queen Unit #129	30-025-03243
West Pearl Queen Unit #134	30-025-03262
West Pearl Queen Unit #135	30-025-03261
West Pearl Queen Unit #140	30-025-03283
West Pearl Queen Unit #143	30-025-03286
West Pearl Queen Unit #153	30-025-03265
West Pearl Queen Unit #154	30-025-03266
West Pearl Queen Unit #164	30-025-23083
West Pearl Queen Unit #167	30-025-23313
West Pearl Queen Unit #169	30-025-25365
West Pearl Queen Unit #180	30-025-30868

c. Xeric has on file with the Division, as blanket financial assurance, cash bond No. OCD-218, secured by an assignment of cash collateral on deposit with Wells Fargo Bank, Hobbs, New Mexico.

d. Xeric has not filed single-well financial assurance for its wells that require a single well bond pursuant to Subsection B of 19.15.3.101 NMAC (now Subsection C of 19.15.8.9 NMAC). As of the date of the Division's application on March 5, 2008, 69 of Xeric's wells required single-well financial assurance. Sixty-seven of Xeric's wells, which are listed below, required single-well financial assurance as of February 16, 2009.

<u>Name</u>	<u>API No.</u>
Crosby Deep #002	30-025-24287
Crosby Deep #004	30-025-25985
East Pearl Queen Unit #001	30-025-03189
East Pearl Queen Unit #004	30-025-03186
East Pearl Queen Unit #007	30-025-03183
East Pearl Queen Unit #008	30-025-03182
East Pearl Queen Unit #009	30-025-03185
East Pearl Queen Unit #011	30-025-03175
East Pearl Queen Unit #012	30-025-03174
East Pearl Queen Unit #014	30-025-03184
East Pearl Queen Unit #015	30-025-03181
East Pearl Queen Unit #016	30-025-03180
East Pearl Queen Unit #018	30-025-03216
East Pearl Queen Unit #021	30-025-03237
East Pearl Queen Unit #022	30-025-03235
East Pearl Queen Unit #023	30-025-03236
East Pearl Queen Unit #026	30-025-03222
East Pearl Queen Unit #028	30-025-03215
East Pearl Queen Unit #029	30-025-03208
East Pearl Queen Unit #030	30-025-03213
East Pearl Queen Unit #036	30-025-03221
East Pearl Queen Unit #037	30-025-03219
East Pearl Queen Unit #039	30-025-03295

East Pearl Queen Unit #042	30-025-03298
East Pearl Queen Unit #046	30-025-03302
East Pearl Queen Unit #056	30-025-23302
East Pearl Queen Unit #057	30-025-23409
East Pearl Queen Unit #059	30-025-23427
Mesa Queen Unit #006	30-025-00396
Mesa Queen Unit #010	30-025-20340
Mesa Queen Unit #011	30-025-20230
Mesa Queen Unit #015	30-025-20347
Mesa Queen Unit #018	30-025-20313
Mesa Queen Unit #020	30-025-20269
Mexico U #001	30-025-12512
Mexico U #003	30-025-30954
South Pearl Queen Unit #006	30-025-03315
West Pearl Queen Unit #103	30-025-03247
West Pearl Queen Unit #107	30-025-03231
West Pearl Queen Unit #108	30-025-03234
West Pearl Queen Unit #110	30-025-03254
West Pearl Queen Unit #112	30-025-03244
West Pearl Queen Unit #117	30-025-03241
West Pearl Queen Unit #118	30-025-03248
West Pearl Queen Unit #119	30-025-03240
West Pearl Queen Unit #121	30-025-03225
West Pearl Queen Unit #122	30-025-03228
West Pearl Queen Unit #124	30-025-03229
West Pearl Queen Unit #125	30-025-03227
West Pearl Queen Unit #126	30-025-03226
West Pearl Queen Unit #127	30-025-03242
West Pearl Queen Unit #128	30-025-03249
West Pearl Queen Unit #129	30-025-03243
West Pearl Queen Unit #130	30-025-03250
West Pearl Queen Unit #134	30-025-03262
West Pearl Queen Unit #135	30-025-03261
West Pearl Queen Unit #140	30-025-03283
West Pearl Queen Unit #143	30-025-03286
West Pearl Queen Unit #153	30-025-03265
West Pearl Queen Unit #163	30-025-22870
West Pearl Queen Unit #164	30-025-23083
West Pearl Queen Unit #169	30-025-25365
West Pearl Queen Unit #180	30-025-30868
West Pearl Queen Unit #191	30-025-30861
West Pearl Queen Unit #192	30-025-30867
West Pearl Queen Unit #195	30-025-31021
West Pearl Queen Unit #202	30-025-31125

e. Despite having been notified multiple times of the implementation of 19.15.3.101 NMAC (now 19.15.8 NMAC) and its specific obligation to post additional financial assurances, Xeric has failed to do so.

f. Xeric has therefore knowingly and willfully violated Subsection B of 19.5.3.101 NMAC (now Subsection C of 19.15.8.9 NMAC).

5. NMSA 1978, Section 70-2-12 gives the Division the authority to collect data, and to provide for the keeping of records and the making of reports and for the checking of the accuracy of the records and reports.

6. 19.15.13.1115 NMAC (now 19.15.7.24 NMAC) requires operators to file a monthly report, form C-115, for each non-plugged well completion for which the Division has approved a C-104 authorization to transport, and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well, setting forth complete information and data indicated on the form in the order, format, and style that the Division Director prescribes.

7. In this case, Xeric has violated the requirements of 19.15.13.1115 NMAC (now 19.15.7.24 NMAC), which was promulgated pursuant to the Oil and Gas Act, by failing to file required production reports.

8. Paragraph (3) of Subsection B of 19.15.4.201 NMAC (now 19.15.25.8 NMAC) requires that the operator of a well that has been continuously inactive for a period of one year and 90 days to plug and abandon the well or place the well in Division-approved temporary abandonment status.

9. As of March 5, 2008, the following 80 wells that Xeric operates had not produced for a period of more than one year plus 90 days and had not been properly plugged and abandoned in accordance with 19.15.4.202 NMAC (now 19.15.25.9 through 19.15.25.11 NMAC) or placed in approved temporary abandonment in accordance with 19.15.4.203 NMAC (now 19.15.25.12 through 19.15.25.14 NMAC) and were therefore not in compliance with Subsection B of 19.15.4.201 NMAC (now 19.15.25.8 NMAC).

<u>Name</u>	<u>API No.</u>
Crosby Deep #001	30-025-23891
Crosby Deep #002	30-025-24287
Crosby Deep #003	30-025-11870
Crosby Deep #004	30-025-25985
East Pearl Queen Unit #001	30-025-03189
East Pearl Queen Unit #004	30-025-03186
East Pearl Queen Unit #007	30-025-03183
East Pearl Queen Unit #008	30-025-03182
East Pearl Queen Unit #009	30-025-03185
East Pearl Queen Unit #011	30-025-03175
East Pearl Queen Unit #012	30-025-03174
East Pearl Queen Unit #014	30-025-03184
East Pearl Queen Unit #015	30-025-03181
East Pearl Queen Unit #016	30-025-03180
East Pearl Queen Unit #018	30-025-03216
East Pearl Queen Unit #021	30-025-03237
East Pearl Queen Unit #022	30-025-03235

East Pearl Queen Unit #023	30-025-03236
East Pearl Queen Unit #026	30-025-03222
East Pearl Queen Unit #028	30-025-03215
East Pearl Queen Unit #029	30-025-03208
East Pearl Queen Unit #030	30-025-03213
East Pearl Queen Unit #036	30-025-03221
East Pearl Queen Unit #037	30-025-03219
East Pearl Queen Unit #039	30-025-03295
East Pearl Queen Unit #042	30-025-03298
East Pearl Queen Unit #046	30-025-03302
East Pearl Queen Unit #056	30-025-23302
East Pearl Queen Unit #057	30-025-23409
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East Pearl Queen Unit #077	30-025-31106
East Pearl Queen Unit #084	30-025-30869
Gregory A #005	30-025-11884
Gregory A #007	30-025-11867
Gregory C #001	30-025-11865
Gregory El Paso Federal #004	30-025-11871
Mesa Queen Unit #006	30-025-00396
Mesa Queen Unit #010	30-025-20340
Mesa Queen Unit #011	30-025-20230
Mesa Queen Unit #015	30-025-20347
Mesa Queen Unit #018	30-025-20313
Mesa Queen Unit #020	30-025-20269
Mesa Queen Unit #025	30-025-23483
Mexico U #001	30-025-12512
Mexico U #003	30-025-30954
South Pearl Queen Unit #003	30-025-21772
South Pearl Queen Unit #005	30-025-03328
South Pearl Queen Unit #006	30-025-03315
South Pearl Queen Unit #007	30-025-03316
South Pearl Queen Unit #008	30-025-03317
South Pearl Queen Unit #011	30-025-03325
South Pearl Queen Unit #016	30-025-03321
South Pearl Queen Unit #019	30-025-03319
South Pearl Queen Unit #021	30-025-03342
South Pearl Queen Unit #022	30-025-03341
West Pearl Queen Unit #103	30-025-03247
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West Pearl Queen Unit #108	30-025-03234
West Pearl Queen Unit #112	30-025-03244
West Pearl Queen Unit #117	30-025-03241
West Pearl Queen Unit #118	30-025-03248
West Pearl Queen Unit #119	30-025-03240
West Pearl Queen Unit #120	30-025-03224
West Pearl Queen Unit #122	30-025-03228
West Pearl Queen Unit #124	30-025-03229
West Pearl Queen Unit #125	30-025-03227
West Pearl Queen Unit #126	30-025-03226
West Pearl Queen Unit #127	30-025-03242

West Pearl Queen Unit #128	30-025-03249
West Pearl Queen Unit #129	30-025-03243
West Pearl Queen Unit #134	30-025-03262
West Pearl Queen Unit #135	30-025-03261
West Pearl Queen Unit #140	30-025-03283
West Pearl Queen Unit #143	30-025-03286
West Pearl Queen Unit #153	30-025-03265
West Pearl Queen Unit #154	30-025-03266
West Pearl Queen Unit #164	30-025-23083
West Pearl Queen Unit #167	30-025-23313
West Pearl Queen Unit #169	30-025-25365
West Pearl Queen Unit #180	30-025-30868

10. NMSA 1978, Section 70-2-14, as amended, provides that if any of the requirements of the Oil and Gas Act (Act) or the rules promulgated pursuant to the Act have not been complied with, the Division Director may order that the operator plug and abandon the well in accordance with Division rules, and if the operator fails to comply with the order, authorize the Division to plug the well and decree forfeiture of applicable financial assurance.

11. Subsection H of 19.15.3.101 NMAC (now 19.15.8.13 NMAC) authorizes the Division Director to order the operator to plug and abandon any well not in compliance with 19.15.4.201 NMAC (now 19.15.25.8 NMAC), and to restore the location thereof, by a date certain, and further authorizes the Division Director to forfeit the operator's financial assurance upon failure or refusal of the operator to comply.

12. The 80 wells listed above in Paragraph 9 that Xeric operates had not produced for a period of more than one year plus 90 days and had not been properly plugged and abandoned in accordance with 19.15.4.202 NMAC (now 19.15.25.9 through 19.15.25.11 NMAC) or placed in approved temporary abandonment in accordance with 19.15.4.203 NMAC (now 19.15.25.12 through 19.15.25.14 NMAC) at the time the Division filed its application on March 5, 2008 and were therefore not in compliance with Subsection B of 19.15.4.201 NMAC (now 19.15.25.8 NMAC).

13. Because of Xeric's continued failure to bring approximately 73 of the 80 wells listed above in Paragraph 9 into compliance with 19.15.4.201 NMAC (now 19.15.25.8 NMAC), Xeric should be ordered to properly plug and abandon the wells in accordance with 19.15.4.202 NMAC (now 19.15.25.9 through 19.15.25.11 NMAC) and with a plugging procedure approved by the Division's Hobbs District Office, or otherwise bring each well into compliance with 19.15.4.201 NMAC (now 19.15.25.8 NMAC) by placing them in approved temporary abandonment status pursuant to 19.15.4.203 NMAC (now 19.15.25.12 through 19.15.25.14 NMAC) or returning them to production.

14. NMSA 1978, Section 70-2-12(B)(18) and NMSA 1978, Section 70-2-38 authorize the Division to plug and abandon wells, and restore and remediate the location of abandoned wells.

15. NMSA 1978, Section 70-2-6(B) provides that the Commission shall have concurrent jurisdiction or authority with the Division to the extent necessary for the Commission to perform its duties.

16. Subsection B of 19.15.3.101 NMAC (now Subsection C of 19.15.8.9 NMAC) requires an operator to cover a well that is located on state-owned or privately-owned land and that has been in temporary abandonment for more than two years by a one-well financial assurance.

17. Xeric has not filed single-well financial assurance for any of the wells listed in Paragraph 4.d, as required by 19.15.3.101 NMAC (now 19.15.8 NMAC).

18. The evidence in this case demonstrates that Xeric's failure to plug inactive wells or otherwise bring them into compliance, failure to post the required single-well financial assurance, and failure to file production reports were knowing and willful violations of the applicable Division rules.

IT IS THEREFORE ORDERED THAT:

1. Xeric shall file each and every single-well financial assurance required by Subsection C of 19.15.8.9 NMAC (formerly Subsection B of 19.15.3.101 NMAC), on or before June 12, 2009.

2. If Xeric posts the single-well financial assurance required by Subsection C of 19.15.8.9 NMAC on or before June 12, 2009, Xeric shall properly plug and abandon each of the wells of the 80 wells listed below that remain inactive in accordance with 19.15.25.9 through 19.15.25.11 NMAC (formerly 19.15.4.202 NMAC) and with a plugging procedure approved by the Division's Hobbs District Office, or shall otherwise bring each such well into compliance with 19.15.25.8 NMAC (formerly 19.15.4.201 NMAC) by placing them in approved temporary abandonment status pursuant to 19.15.25.12 through 19.15.25.14 NMAC (formerly 19.15.4.203 NMAC) or returning them to production, on or before March 12, 2011. No well shall be deemed in compliance with 19.15.25.8 NMAC or this Order until Xeric shall have filed true and accurate production reports, form C-115, with the Division with respect to such well for all months for which such reports are due.

<u>Name</u>	<u>API No.</u>
Crosby Deep #001	30-025-23891
Crosby Deep #002	30-025-24287
Crosby Deep #003	30-025-11870
Crosby Deep #004	30-025-25985
East Pearl Queen Unit #001	30-025-03189
East Pearl Queen Unit #004	30-025-03186
East Pearl Queen Unit #007	30-025-03183
East Pearl Queen Unit #008	30-025-03182
East Pearl Queen Unit #009	30-025-03185
East Pearl Queen Unit #011	30-025-03175

East Pearl Queen Unit #012	30-025-03174
East Pearl Queen Unit #014	30-025-03184
East Pearl Queen Unit #015	30-025-03181
East Pearl Queen Unit #016	30-025-03180
East Pearl Queen Unit #018	30-025-03216
East Pearl Queen Unit #021	30-025-03237
East Pearl Queen Unit #022	30-025-03235
East Pearl Queen Unit #023	30-025-03236
East Pearl Queen Unit #026	30-025-03222
East Pearl Queen Unit #028	30-025-03215
East Pearl Queen Unit #029	30-025-03208
East Pearl Queen Unit #030	30-025-03213
East Pearl Queen Unit #036	30-025-03221
East Pearl Queen Unit #037	30-025-03219
East Pearl Queen Unit #039	30-025-03295
East Pearl Queen Unit #042	30-025-03298
East Pearl Queen Unit #046	30-025-03302
East Pearl Queen Unit #056	30-025-23302
East Pearl Queen Unit #057	30-025-23409
East Pearl Queen Unit #059	30-025-23427
East Pearl Queen Unit #077	30-025-31106
East Pearl Queen Unit #084	30-025-30869
Gregory A #005	30-025-11884
Gregory A #007	30-025-11867
Gregory C #001	30-025-11865
Gregory El Paso Federal #004	30-025-11871
Mesa Queen Unit #006	30-025-00396
Mesa Queen Unit #010	30-025-20340
Mesa Queen Unit #011	30-025-20230
Mesa Queen Unit #015	30-025-20347
Mesa Queen Unit #018	30-025-20313
Mesa Queen Unit #020	30-025-20269
Mesa Queen Unit #025	30-025-23483
Mexico U #001	30-025-12512
Mexico U #003	30-025-30954
South Pearl Queen Unit #003	30-025-21772
South Pearl Queen Unit #005	30-025-03328
South Pearl Queen Unit #006	30-025-03315
South Pearl Queen Unit #007	30-025-03316
South Pearl Queen Unit #008	30-025-03317
South Pearl Queen Unit #011	30-025-03325
South Pearl Queen Unit #016	30-025-03321
South Pearl Queen Unit #019	30-025-03319
South Pearl Queen Unit #021	30-025-03342
South Pearl Queen Unit #022	30-025-03341
West Pearl Queen Unit #103	30-025-03247
West Pearl Queen Unit #107	30-025-03231
West Pearl Queen Unit #108	30-025-03234
West Pearl Queen Unit #112	30-025-03244
West Pearl Queen Unit #117	30-025-03241
West Pearl Queen Unit #118	30-025-03248

West Pearl Queen Unit #119	30-025-03240
West Pearl Queen Unit #120	30-025-03224
West Pearl Queen Unit #122	30-025-03228
West Pearl Queen Unit #124	30-025-03229
West Pearl Queen Unit #125	30-025-03227
West Pearl Queen Unit #126	30-025-03226
West Pearl Queen Unit #127	30-025-03242
West Pearl Queen Unit #128	30-025-03249
West Pearl Queen Unit #129	30-025-03243
West Pearl Queen Unit #134	30-025-03262
West Pearl Queen Unit #135	30-025-03261
West Pearl Queen Unit #140	30-025-03283
West Pearl Queen Unit #143	30-025-03286
West Pearl Queen Unit #153	30-025-03265
West Pearl Queen Unit #154	30-025-03266
West Pearl Queen Unit #164	30-025-23083
West Pearl Queen Unit #167	30-025-23313
West Pearl Queen Unit #169	30-025-25365
West Pearl Queen Unit #180	30-025-30868

3. If Xeric fails to post the single-well financial assurance as provided in Ordering Paragraph 1 on or before June 12, 2009, Xeric shall plug and abandon all of the wells listed above in Finding Paragraph 2 in accordance with 19.15.25.9 through 19.15.25.11 NMAC on or before March 12, 2010.

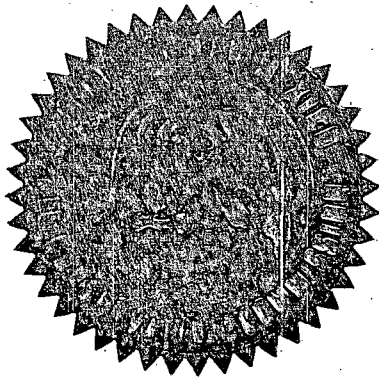
4. Xeric shall comply with 19.5.7.24 NMAC (formerly 19.15.13.1115 NMAC) and file any delinquent reports electronically on form C-115 for all of its wells. The reports shall reflect any unreported production. Xeric shall file the reports no later than April 12, 2009.

5. In the event that Xeric fails to comply with any of Ordering Paragraphs 1 through 4 within the times provided, the Division may proceed to plug and abandon any or all of Xeric's wells, and to restore the well sites, and any applicable financial assurance shall be forfeited to the Division. If the Division incurs costs in plugging the wells or restoring the well sites exceeding the amount recoverable from applicable financial assurance, the Division may bring suit to recover the excess costs incurred from Xeric.

6. Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico on the 12th of March 2009.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY, CPG, Member

WILLIAM OLSON, Member

MARK E. FESMIRE, P.E., Chair

SEAL