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

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 & 19.15.4.201 NMAC &/OR 19.15.13.1115 NMAC AS TO 80 WELLS; DETERMINING THAT THE REFERENCED VIOLATIONS ARE KNOWING & 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 &/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

PRE-HEARING STATEMENT

The Oil Conservation Division submits this pre-hearing statement pursuant to OCD Rule 1211 [19.15.14.1211 NMAC].

APPEARANCES

APPLICANT

OIL CONSERVATION DIVISION

APPLICANT'S ATTORNEY

MIKAL ALTOMARE

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RESPONDENT

XERIC OIL & GAS CORP.

RESPONDENT

XERIC OIL & GAS CORP.

Attn: Walter King & Joe Cook
P.O. Box 7288
Odessa, TX 79760
(432) 682-3130 or (432) 557-1989

STATEMENT OF THE CASE

The Oil Conservation Division (OCD) seeks a compliance order and penalties against Xeric Oil & Gas Corporation ("Xeric"). Xeric is the Operator of Record for the 88 wells identified and referenced by the Application. **Division Rule 201** [19.15.4.201 NMAC] requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity, and **Division Rule 101.B** [19.15.3.101.B NMAC] requires that Operators post additional financial assurances/one-well financial assurances for all state or fee wells that have been inactive/in temporary abandonment for more than two years.

Based upon production reports and data submitted by Xeric to the OCD, Xeric has 69 wells currently in violation of Rule 101.B and 80 wells currently in violation of Rule 201, with some wells falling into both categories [for a total of 88 wells]. If, however, it is Xeric's contention that the wells are, indeed, active and thus not in violation of one or both of these two Rules, then Xeric has violated **Division Rule 1115** [19.15.13.1115 NMAC], which requires Operators to accurately report production on a monthly basis to the OCD.

The OCD made great effort to attempt to advise Xeric of the existing violations and attempt to obtain compliance from Xeric, to no avail. It is the position of the OCD that the violations alleged in the Application in this matter were knowing and willful on the part of Xeric.

The OCD seeks an Order stating the following in this case:

1. Requiring Xeric to submit any and all delinquent C115s reflecting any as-yet unreported production for the subject 80 wells by a date certain.
2. Requiring that, by a date certain, Xeric plug and abandon each of the specified 80 wells.
3. Requiring that Xeric pay a monetary penalty assessment in an amount consistent with the severity (80 wells) and duration (over ten years in some cases) of Xeric's willful violations, pursuant to NMSA 1978, Section 70-2-31(A), specifically for its knowing and willful violations of Rule 201 and/or Rule 1115 NMAC (independent of and in addition to any other penalty assessment(s) Ordered in this matter for other violations of the OCD Rules and/or the New Mexico Oil and Gas Act).
4. Further, if the subject wells are not plugged and abandoned by the deadline set by the Order:
 - (1) Assessing a penalty against Xeric of not less than \$1,000.00 for each full week of non-compliance with the Order;
 - (2) Authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program;
 - (3) Authorizing the Division to forfeit any applicable financial assurances posted in relation to the subject wells; and

(4) For such other and further relief as the Director deems just and proper under the circumstances.

APPLICANT'S PROPOSED EVIDENCE

WITNESS:

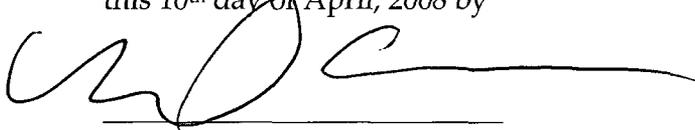
ESTIMATED TIME:

Larry "Buddy" Hill, Compliance Officer	30 minutes
Daniel Sanchez, Enforcement & Compliance Manager	30 minutes
Jane Prouty, Automation and Records Bureau	10 minutes
Dorothy Phillips, Financial Assurance Administrator	Affidavit

PROCEDURAL MATTERS

None.

Respectfully submitted
this 10th day of April, 2008 by

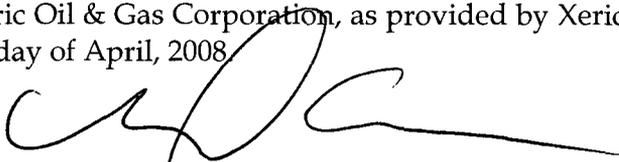


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Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was mailed via First Class U.S. Mail to the address of record for Xeric Oil & Gas Corporation, as provided by Xeric Oil and Gas. Corp. to the OCD, this 10th day of April, 2008.



Mikal Altomare