



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

1 November 2005

LETTER OF VIOLATION

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

RE: Eddy "GF" State # 1

API # 30-015-22220

Location C-16-23-27

VIOLATION OF OCD RULE 202.B

Dear Sir or Madam:

The Artesia Division of the OCD received a signed clean-up letter dated 10-14-05 (copy attached). An inspection revealed that not all conditions of OCD Rule 19.15.4.202.B were satisfied as reported in the letter. The inspection found:

1. Drilling pit is improperly closed.
2. Trash and rod protectors on location.
3. Boards and other metal trash.
4. Ground contamination.
5. Location not level.
6. Tank battery improperly closed.

If this matter is not satisfactorily resolved in the time period set out above we may assess penalties against you for each violation of OCD Rules, in accordance with NMSA 1978, Section 70-2-31(A). Section 70-2-31(A) authorizes penalties of up to \$1,000.00 per day per violation for any knowing and willful violation of any provision of the Oil and Gas Act or any rule adopted pursuant to the Act. Alternatively or in addition to the penalties the OCD may seek other remedies deemed appropriate for the situation.

This location must be brought into physical compliance on or before 19 November, 2005. Paperwork must be in this office to reflect the work done on or before 22 November, 2005.

Van Barton
Field Supervisor

cc: well file



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

JAN 29 2004

RECEIVED

OCT 17 2005

OCD-AM/ESA

26 January 2004

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

Form C-103 Report of Plugging for your Eddy "GF" State # 1 C-16-23-27 API 30-015-22220
Cannot be approved until an NMOCD representative has made an inspection of the location and found it to be cleared to comply with OCD rules and regulations. Please check each item in the space provided to indicate that the work has been accomplished and the location is ready for final inspection.

- ☒ 1. All pits have been filled and leveled.
- ☒ 2. Rat hole and cellar have been filled and leveled.
- ☒ 3. A steel marker 4" in diameter and approximately 4' above mean ground level has been set in concrete to mark the exact location of the plugged well. (Marker must have operator name, lease name, well number and location including quarter/quarter section or unit letter, section, township, range and API well ID number permanently welded, stamped or otherwise engraved into the metal marker.)
- ☒ 4. The location has been leveled as nearly as possible to original top ground contour and has been cleared of all junk and equipment.
- ☒ 5. The dead men and tie downs have been cut and removed.
- ☒ 6. If a one well lease or last remaining well on lease, the battery and burn pit locations have been leveled and cleared of all junk & equipment.
- ☒ 7. All environmental concerns have been addressed as per OCD guidelines.

The above are minimum requirements and no plugging bond will be cancelled until all locations for plugged and abandoned wells have been inspected and Form C-103 approved.

When all of the work outlined above has been done, please notify this office by completing, signing and returning this letter to us so that our representative will not have to make more than one trip to the location.

I certify that the above work has been done and the above-mentioned lease is ready for OCD inspection and approval.

Angei Crauzgul
Name

Production Analyst
Title

10/14/05

Van Barton
Field Rep. II