

1/3/06

PWTJ060 2032235

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

XERIC OIL & GAS CORPORATION

P. O. Box 352, Midland, TX 79702

Operator **Beretta "26" State Com.** 1 Address **B, Sec. 26, 18S, 28E** **Eddy** *DHC-3616*

Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 025482 Property Code 301196 API No. 30-015-33628 Lease Type: Federal State Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|---|--|-------------------|--|
| Pool Name | <i>EAST</i> Illinois Camp Bone Spring | | Loco Hills N.W. Wolfcamp |
| Pool Code | <i>96632</i> OK <i>96632</i> OK | | 97092 |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 6506'-6820' | | 8718'-9188' |
| Method of Production (Flowing or Artificial Lift) | Artificial Lift | | Flow |
| Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone) | N/A | | N/A |
| Oil Gravity or Gas BTU (Degree API or Gas BTU) | 42.8 | | 42.2 |
| Producing, Shut-In or New Zone | Producing | | SI |
| Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.) | Date: 12/24/05 Rates: 3 BO, 5 MCF -0- BW | Date: Rates: | Date: 6/28/05 Rates: 22 BO, 180 MCF -0- BW |
| Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.) | Oil 12 % Gas 3 % | Oil % Gas % | Oil 88 % Gas 97 % |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes N/A No

Are all produced fluids from all commingled zones compatible with each other? Yes No

Will commingling decrease the value of production? Yes No

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No

NMOCD Reference Case No. applicable to this well: _____

- Attachments:
- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
 - Production curve for each zone for at least one year. (If not available, attach explanation.)
 - For zones with no production history, estimated production rates and supporting data.
 - Data to support allocation method or formula.
 - Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
 - Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE *Angie Crawford* TITLE Production Analyst DATE 12/28/05

TYPE OR PRINT NAME Angie Crawford TELEPHONE NO. (432) 683-3171

E-MAIL ADDRESS Acrawford@xericoil.com

XERIC OIL & GAS CORPORATION

1801 W. Texas, P. O. Box 352
Midland, Texas 79702
(432)683-3171, Fax: (432)683-6348

December 28, 2005

New Mexico Oil Conservation Division
Attn: Richard Azanium
1220 S. St. Francis Drive
Santa Fe, NM 87505

New Mexico State Land Office
Oil, Gas & Minerals Division
P. O. Box 1148
Santa Fe, NM 87504-1148

Re: Application for DHC, API #30-015-33628
Beretta "26" State Com. #1, Unit B, Sec. 26, 18S, 28E, Eddy County

Gentlemen:

Xeric Oil & Gas Corporation respectfully requests an exemption to New Mexico Statewide Rule 303 for the above captioned well. The final single completion is in the Illinois Camp Bone Spring (Oil-96632) August of 2005. The well was previously completed and tested in the Loco Hills N. W. Wolfcamp (Oil-97092) April 2005.

Xeric proposes the following production allocation based on the most recent tests from each zone as follows:

| | <u>OIL</u> | <u>GAS</u> | <u>WATER</u> |
|---------------------------|------------|------------|--------------|
| Loco Hills N.W. Wolfcamp | 88% | 97% | 0% |
| Illinois Camp Bone Spring | 12% | 3% | 100% |

Please find enclosed for your review and approval our Application to Downhole Commingle with supporting documentation as follows:

1. Copy of the previously submitted C-102's each pool.
2. Production history for the Loco Hills N.W. Wolfcamp and Illinois Camp Bone Spring with most recent well tests for each pool. No production curve is available due to less than 1-year production in each pool.
3. Allocation method.

Ownership and revenue are identical in the both pools.

Thank you for your attention to this matter. Should you have any questions or need additional information, please contact me at the number above.

Yours truly,


Angie Crawford

2006 JAN 3 PM 3

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
811 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|--------------------------------------|
| API Number 30-015-33628 | Pool Code 97092 | Pool Name Loco Hills NW; Wolfcamp |
| Property Code 301196 | Property Name BERETTA "26" STATE COM. | Well Number 1 |
| OGRID No. 025482 | Operator Name Xeric Oil & Gas Corporation | Elevation 3476 |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 26 | 18S | 28E | | 660 | NORTH | 1650 | EAST | EDDY |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|-----------------------|-----------------|--------------------|-----------|
| Dedicated Acres 40 | Joint or Infill | Consolidation Code | Order No. |
|-----------------------|-----------------|--------------------|-----------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | |
|--|--|--|
| | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Angie Crawford</i> Signature</p> <p>Angie Crawford Printed Name</p> <p>Production Analyst Title</p> <p>5/25/05 Date</p> | |
| | <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>8/25/2004 Date Surveyed</p> | |
| | <p>Signature of Professional Surveyor</p> <p><i>Herschel Jones</i></p> <p>3640</p> <p>Certificate No. Herschel Jones RLS 3640</p> <p>BERETTA 26 PROFESSIONAL LAND SURVEYOR GENERAL SURVEYING COMPANY</p> | |
| | <p>0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'</p> | |

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State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|--|--|
| API Number 30-015-33628 | Pool Code | Pool Name Illinois Camp Wildcat Bone Spring |
| Property Code | Property Name BERETTA "26" STATE COM. | Well Number 1 |
| OGRID No. 025482 | Operator Name XERIC OIL & GAS CORPORATION | Elevation 3476 |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| B | 26 | 18S | 28E | | 660 | NORTH | 1650 | EAST | EDDY |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|-----------------------|-----------------------|--------------------|-----------|
| Dedicated Acres 40 | Joint or Infill NO | Consolidation Code | Order No. |
|-----------------------|-----------------------|--------------------|-----------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | |
|--|--|--|
| | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Angie Crawford</i> Signature</p> <p>ANGIE CRAWFORD Printed Name</p> <p>PRODUCTION ANALYST Title</p> <p>3/31/05 Date</p> | |
| | <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>8/25/2004 Date Surveyed</p> | |
| | <p>Signature of Professional Surveyor <i>Herschel Jones</i></p> | |
| | <p>Certificate No. Herschel Jones RLS 3640 BERETTA 26 GENERAL SURVEYING COMPANY</p> | |

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

XERIC OIL & GAS CORPORATION
APPLICATION FOR DOWNHOLE COMMINGLE

Beretta "26" State Com. #1

API # 30-015-33628

ALLOCATION OF PRODUCTION

| | BBLs OIL | %OF TOTAL | MCF | %OF TOTAL | BBLs WATER | %OF TOTAL | SOURCE |
|------------------------------|---------------------|----------------------|------------|----------------------|-----------------------|----------------------|----------------------------------|
| Loco Hills N.W. Wolfcamp | 22 | 88% | 180 | 97% | 0 | 0% | Well Tests 4/5/05 and 6/28/05 |
| Illinois Camp Bone Spring | 3 | 12% | 5 | 3% | 0 | 100% | Well Test 12/24/05 |
| TOTAL | 25 | | 185 | | 0 | | |

**XERIC OIL & GAS CORPORATION APPLICATION FOR DHC
BERETTA "26" STATE COM. #1 WELL**

API #30-015-33628

Unit B, Section 26, 18S, 28E, Eddy County, NM

PRODUCTION HISTORY

Pool Name: LOCO HILLS N.W. WOLFCAMP (97092)

(Production from Upper Loco Hills N.W. Wolfcamp only)

| Month/Year | BO/Day | MCF/Day | BW/Day | Oil(BBLS) | Gas(MCF) | Water(BBLS) | Days Produced |
|--------------|--------------|--------------|-------------|-------------|-------------|-------------|---------------|
| April 2005 | 37.67 | 19.77 | 0.00 | 1130 | 593 | 0 | 30 |
| May 2005 | 17.10 | 92.03 | 0.00 | 530 | 2853 | 0 | 31 |
| June 2005 | 5.78 | 21.78 | 0.00 | 52 | 196 | 0 | 9 |
| July 2005 | 0.20 | 11.80 | 0.00 | 1 | 59 | 0 | 5 |
| Total | 22.84 | 49.35 | 0.00 | 1713 | 3701 | 0 | 75 |

NO PRODUCTION CURVE AVAILABLE (LESS THAN 1 YEAR PRODUCTION)

ALLOCATION FOR LOCO HILLS N.W. WOLFCAMP BASED ON TESTS AS FOLLOWS:

| TEST | BO/Day | MCF/Day | BW/Day | | | | |
|---------------|-----------|------------|----------|--|--|--|--|
| 4/5/05 Lower | 14 | 155 | 0 | | | | |
| 6/28/05 Upper | 8 | 25 | 0 | | | | |
| TOTAL | 22 | 180 | 0 | | | | |

**XERIC OIL & GAS CORPORATION APPLICATION FOR DHC
BERETTA "26" STATE COM. #1 WELL**

API #30-015-33628

Unit B, Section 26, 18S, 28E, Eddy County, NM

PRODUCTION HISTORY

Pool Name: Illinois Camp Bonespring (96632)

| Month/Year | BO/Day | MCF/Day | BW/Day | Oil(BBLS) | Gas(MCF) | Water(BBLS) | Days Produced |
|----------------|-------------|-------------|-------------|------------|-------------|-------------|---------------|
| August 2005 | 10.69 | 14.50 | 4.35 | 278 | 377 | 113 | 26 |
| September 2005 | 2.30 | 9.37 | 1.37 | 69 | 281 | 41 | 30 |
| October 2005 | 2.03 | 6.58 | 1.55 | 63 | 204 | 48 | 31 |
| November 2005 | 1.83 | 5.77 | 0.27 | 55 | 173 | 8 | 30 |
| Total | 3.97 | 8.85 | 1.79 | 465 | 1035 | 210 | 117 |

NO PRODUCTION CURVE AVAILABLE (LESS THAN 1 YEAR PRODUCTION)

ALLOCATION FOR ILLINOIS CAMP BONESPRING BASED ON TEST AS FOLLOWS:

| TEST | BO/Day | MCF/Day | BW/Day | | | | |
|---------------|--------|---------|--------|--|--|--|--|
| 12/24/05 Pump | 3 | 5 | 0 | | | | |