



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

February 3, 2003

Lori Wrotenberg

Director

Oil Conservation Division

Xeric Oil and Gas Corporation
P.O. Box 352
Midland, TX 79702

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Re: Case No. 12896: Application of the New Mexico Oil Conservation Division for an Order Requiring Xeric Oil and Gas Corporation to Bring One Hundred Twenty-Five (125) Wells into Compliance with Rule 201.B and Assessing Appropriate Civil Penalties; Lea, Roosevelt and Eddy Counties, New Mexico

Ladies and Gentlemen:

You are hereby notified that on January 22, 2003, the New Mexico Oil Conservation Division entered the enclosed order directing you to bring each of the seventy-four (74) wells identified on Exhibits B and C to said order into compliance no later than 180 days from the date of the order. A well may be brought into compliance by (a) plugging the well, (b) restoring the well to production or injection, or (c) temporarily abandoning the well in accordance with Rule 203.

Failure to comply with this order may result in assessment of civil penalties.

You should contact the district office of the Oil Conservation Division for the district in which a well is located prior to commencing work, to obtain the approved procedure and to file your form C-103 Notice of Intent.

You may appeal this order by filing an application for review by the Oil Conservation Commission within thirty (30) days from the date of the enclosed order.

Very truly yours,

David K. Brooks
Assistant General Counsel

cc: Chris Williams, OCD Hobbs
Tim Gum, OCD Artesia

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

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

**CASE NO. 12896
ORDER NO. R-11888**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR
AN ORDER REQUIRING XERIC OIL AND GAS CORPORATION TO BRING
ONE HUNDRED TWENTY-FIVE WELLS INTO COMPLIANCE WITH RULE
201.B AND ASSESSING APPROPRIATE CIVIL PENALTIES; LEA,
ROOSEVELT AND EDDY COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 1, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 22nd day of January, 2003, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) Xeric Oil and Gas Corporation ("Xeric") is the current owner and operator of one hundred twenty-five (125) wells, collectively shown on Exhibits "A", "B" and "C" attached to this order, located in Lea, Roosevelt and Eddy Counties, New Mexico.
- (3) The New Mexico Oil Conservation Division ("Division") seeks an order directing Xeric to bring these wells into compliance with Division Rule 201.B, either by: (i) restoring these wells to production, injection or other Division-approved beneficial use; (ii) causing these wells to be properly plugged and abandoned in accordance with Division Rule 202.B; or (iii) securing Division authority to maintain these wells in temporary abandonment status in accordance with Division Rule 203.

(4) The Division appeared in this matter through legal counsel and presented evidence to support its application.

(5) In accordance with the provisions of Division Rule No. 1207, notice of this application was provided to Xeric; however, Xeric did not appear at the hearing.

(6) Legal counsel for the Division stated that on July 31, 2002, Mr. R. C. (Rob) Barnett, an employee of Xeric, provided the Division a list of the wells in question, complete with a description of the work that has been performed by Xeric on these wells.

(7) The Division presented Xeric's well data at the hearing as Division Exhibit No. (2).

(8) The evidence presented by the Division demonstrates that:

- (a) all of the wells that are the subject of this case are owned and operated by Xeric;
- (b) of the one hundred twenty-five (125) subject wells, sixty-four (64) are injection wells and sixty-one (61) are producing wells;
- (c) the latest date that any of these wells was actively used for production or injection was November, 2000, however, the vast majority of these wells (approximately 88%) have not been used for production or injection for at least six years;
- (d) in May, 2000, the Division initiated its inactive well program. The purpose of the program was to:
 - (i) identify wells statewide that were not in compliance with Rule No. 201.B; and
 - (ii) direct the operators to bring these wells into compliance with Division rules;
- (e) although the Division presented no evidence to show when Xeric was initially requested to take

action on these inactive wells, it is likely that this occurred in May, 2000;

- (f) the Division further stated that in implementing the inactive well program, those operators who had less than one hundred (100) inactive wells were handled by the appropriate Division District Office, and those operators who had more than one hundred (100) inactive wells were handled directly by the Division Director; and
- (g) the Division presented no evidence relating to contacts, discussions, or negotiations conducted between the Division Director and Xeric.

(9) Xeric's evidence in this case demonstrates that a list of one hundred fourteen (114) inactive wells was provided to Xeric by the Division Director in late 2001.

(10) The evidence provided by Xeric and the Division and the records contained within the Santa Fe Office of the Division demonstrate that:

- (a) mechanical integrity casing pressure tests have been conducted on forty-three (43) of the subject wells. All forty-three (43) of the wells passed the test and Xeric has submitted Division Form C-103's (Sundry Notices) and obtained approval from the Division to temporarily abandon these wells. Consequently, these forty-three (43) wells should be dismissed from this case;
- (b) eight wells have been returned to production. In addition, Xeric has filed Form C103's and obtained Division approval for this action. Consequently, these eight wells should be dismissed from this case;
- (c) Xeric has taken no action on sixty-four (64) of the wells in the list of one hundred fourteen (114) inactive wells provided to Xeric in late 2001;
- (d) the Division provided notice to Xeric of the need to bring ten of the subject wells into compliance with

Division rules in the notice of the hearing.

(11) The fifty-one (51) wells shown on Exhibit "A" are in compliance with Division rules and should therefore be dismissed from this case.

(12) The sixty-four (64) wells shown on Exhibit "B" and the ten (10) wells shown on Exhibit "C" are currently not in compliance with Division rules.

(13) Xeric should be ordered to bring the wells shown on Exhibits "B" and "C" into compliance with Division Rule 201.B.

(14) At the request of the Division, no civil penalties for non-compliance should be assessed against Xeric in this matter.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of the Division, Xeric Oil and Gas Corporation is hereby ordered, no later than one hundred and eighty (180) days from the date of issuance of this Order, to bring each of the wells shown on Exhibits "B" and "C" into compliance with Rule 201.B by accomplishing one of the following with respect to each well:

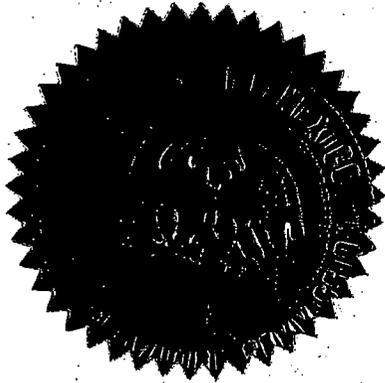
- (a) causing said well to be plugged and abandoned in accordance with Rule 202, and in accordance with a Division-approved plugging program;
- (b) restoring the well to production if the well is an oil or gas well;
- (c) restoring the well to injection if the well is an injection well; or
- (d) causing the well to be temporarily abandoned with Division approval in accordance with Rule 203.

(2) As to any wells that the operator fails to bring into compliance within the time period prescribed by this order, the supervisor of the Hobbs and/or Artesia District Office and Division counsel may commence proceedings to order that said wells be permanently plugged and abandoned by the operator or by the Division, to forfeit the financial assurance, if any, provided by such operator pursuant to NMSA 1978 Section 70-2-14, as amended, and Division Rule 101, and to assess an appropriate civil penalty against the operator, or take other action as appropriate.

(3) The fifty-one (51) wells shown on Exhibit "A", by virtue of being in compliance with Division rules, are hereby dismissed from this case.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads "Lori Wrottenbery".

LORI WROTENBERY
Director

Exhibit "A"
 Xeric Oil & Gas Corporation
 Wells in Compliance
 Case No. 12896
 Division Order No. R-11888

<u>API #</u>	<u>WELL NAME AND NUMBER</u>	<u>ULSTR</u>	<u>COUNTY</u>
30-025-03189	East Pearl Queen Unit #001	B-22-19S-35E	Lea
30-025-03186	East Pearl Queen Unit #004	E-22-19S-35E	Lea
30-025-03183	East Pearl Queen Unit #007	J-22-19S-35E	Lea
30-025-03182	East Pearl Queen Unit #008	K-22-19S-35E	Lea
30-025-03185	East Pearl Queen Unit #009	L-22-19S-35E	Lea
30-025-03175	East Pearl Queen Unit #011	N-21-19S-35E	Lea
30-025-03174	East Pearl Queen Unit #012	O-21-19S-35E	Lea
30-025-03184	East Pearl Queen Unit #014	M-22-19S-35E	Lea
30-025-03181	East Pearl Queen Unit #015	N-22-19S-35E	Lea
30-025-03180	East Pearl Queen Unit #016	O-22-19S-35E	Lea
30-025-03216	East Pearl Queen Unit #018	B-27-19S-35E	Lea
30-025-03217	East Pearl Queen Unit #020	D-27-19S-35E	Lea
30-025-03237	East Pearl Queen Unit #021	A-28-19S-35E	Lea
30-025-03235	East Pearl Queen Unit #022	B-28-19S-35E	Lea
30-025-03236	East Pearl Queen Unit #023	G-28-19S-35E	Lea
30-025-03222	East Pearl Queen Unit #026	F-27-19S-35E	Lea
30-025-03215	East Pearl Queen Unit #028	H-27-19S-35E	Lea
30-025-03213	East Pearl Queen Unit #030	I-27-19S-35E	Lea
30-025-03219	East Pearl Queen Unit #037	O-27-19S-35E	Lea
30-025-03295	East Pearl Queen Unit #039	A-34-19S-35E	Lea
30-025-03298	East Pearl Queen Unit #042	D-34-19S-35E	Lea
30-025-03302	East Pearl Queen Unit #046	H-34-19S-35E	Lea
30-025-23302	East Pearl Queen Unit #056	F-34-19S-35E	Lea
30-025-23409	East Pearl Queen Unit #057	K-34-19S-35E	Lea
30-025-23427	East Pearl Queen Unit #059	H-27-19S-35E	Lea
30-025-31106	East Pearl Queen Unit #077	I-28-19S-35E	Lea
30-025-31121	East Pearl Queen Unit #082	K-27-19S-35E	Lea
30-025-11865	Gregory C #001	C-33-25S-37E	Lea
30-025-20230	Mesa Queen Unit #011	K-17-16S-32E	Lea
30-025-20269	Mesa Queen Unit #020	P-17-16S-32E	Lea
30-025-03325	South Pearl Queen Unit #011	K-04-20S-35E	Lea
30-025-03247	West Pearl Queen Unit #103	C-29-19S-35E	Lea
30-025-03231	West Pearl Queen Unit #107	C-28-19S-35E	Lea
30-025-03244	West Pearl Queen Unit #112	F-29-19S-35E	Lea
30-025-03241	West Pearl Queen Unit #117	K-29-19S-35E	Lea
30-025-03248	West Pearl Queen Unit #118	J-29-19S-35E	Lea
30-025-03240	West Pearl Queen Unit #119	I-29-19S-35E	Lea
30-025-03228	West Pearl Queen Unit #122	J-28-19S-35E	Lea
30-025-03229	West Pearl Queen Unit #124	O-28-19S-35E	Lea

<u>API #</u>	<u>WELL NAME AND NUMBER</u>	<u>ULSTR</u>	<u>COUNTY</u>
30-025-03242	West Pearl Queen Unit #127	P-29-19S-35E	Lea
30-025-03243	West Pearl Queen Unit #129	N-29-19S-35E	Lea
30-025-03250	West Pearl Queen Unit #130	M-29-19S-35E	Lea
30-025-03262	West Pearl Queen Unit #134	B-31-19S-35E	Lea
30-025-03283	West Pearl Queen Unit #140	D-33-19S-35E	Lea
30-025-03286	West Pearl Queen Unit #143	A-33-19S-35E	Lea
30-025-23083	West Pearl Queen Unit #164	F-32-19S-35E	Lea
30-025-25365	West Pearl Queen Unit #169	N-28-19S-35E	Lea
30-025-30861	West Pearl Queen Unit #191	M-28-19S-35E	Lea
30-025-30867	West Pearl Queen Unit #192	J-28-19S-35E	Lea
30-025-31125	West Pearl Queen Unit #202	B-32-19S-35E	Lea
30-025-03316	South Pearl Queen Unit #007	F-03-20S-35E	Lea

<u>API #</u>	<u>WELL NAME AND NUMBER</u>	<u>ULSTR</u>	<u>COUNTY</u>
30-025-03273	West Pearl Queen Unit #137	C-32-19S-35E	Lea
30-025-03285	West Pearl Queen Unit #142	B-33-19S-35E	Lea
30-025-03288	West Pearl Queen Unit #146	F-33-19S-35E	Lea
30-025-03264	West Pearl Queen Unit #152	H-31-19S-35E	Lea
30-025-03267	West Pearl Queen Unit #156	J-31-19S-35E	Lea
30-025-20114	West Pearl Queen Unit #157	I-31-19S-35E	Lea
30-025-03269	West Pearl Queen Unit #159	K-32-19S-35E	Lea
30-025-22870	West Pearl Queen Unit #163	D-33-19S-35E	Lea
30-025-23084	West Pearl Queen Unit #165	K-29-19S-35E	Lea
30-025-08551	East Pearl Queen Unit #033	L-27-19S-35E	Lea
30-041-10201	Horton Federal #008	K-30-08S-35E	Roosevelt
30-041-10105	Horton Federal #009	J-30-08S-35E	Roosevelt
30-041-10106	Horton Federal #010	A-30-08S-35E	Roosevelt
30-041-10109	Horton Federal #013	O-30-08S-35E	Roosevelt
30-041-10203	Horton Federal #018	E-29-08S-35E	Roosevelt
30-041-10113	Horton Federal #019	C-31-08S-35E	Roosevelt
30-041-10115	Horton Federal #021	L-29-08S-35E	Roosevelt
30-041-10120	Horton Federal #026	B-29-08S-35E	Roosevelt
30-041-10123	Horton Federal #029	H-29-08S-35E	Roosevelt
30-041-10130	Horton Federal #030	K-29-08S-35E	Roosevelt
30-041-20756	Horton Federal #032	H-30-08S-35E	Roosevelt
30-041-20757	Horton Federal #033	G-30-08S-35E	Roosevelt
30-041-20753	Horton Federal #035	C-30-08S-35E	Roosevelt
30-015-22220	Eddy Gf State #1	C-16-23S-27E	Eddy
30-015-22408	Keohane Et Al B Federal #1	E-28-18S-31E	Eddy

Exhibit "C"
Xeric Oil & Gas Corporation
Additional Non-Compliant Wells
Case No. 12896
Division Order No. R-11888

<u>API #</u>	<u>WELL NAME AND NUMBER</u>	<u>ULSTR</u>	<u>COUNTY</u>
30-025-34134	Union State Ab #002	B-30-20S-36E	Lea
30-025-11884	Gregory A #005	I-33-25S-37E	Lea
30-025-34621	Lisa State #002	B-19-20S-36E	Lea
30-025-20209	Mesa Queen Unit #003	A-16-16S-32E	Lea
30-025-30864	West Pearl Queen Unit #194	P-29-19S-35E	Lea
30-041-10126	Horton Federal #001	1-30-08S-35E	Roosevelt
30-041-10128	Horton Federal #006	3-30-08S-35E	Roosevelt
30-041-10114	Horton Federal #020	D-29-08S-35E	Roosevelt
30-041-10122	Horton Federal #028	A-29-08S-35E	Roosevelt
30-041-20754	Horton Federal #036	B-30-08S-35E	Roosevelt