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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER PURSUANT TO 19.15.3.100 NMAC REQUIRING XERIC OIL AND GAS CORPORATION TO COMPLY WITH OCD RULE 19.15.2.50 NMAC AND WITH THE CONDITIONS OF APD PERMIT NO. 1237 AS TO THE WEST PEARL QUEEN UNIT #301 WELL; AUTHORIZING THE DIVISION TO PLUG THE SUBJECT WELL AND FORFEIT ANY APPLICABLE/AVAILABLE SECURITY IN THE EVENT XERIC OIL AND GAS CORPORATION FAILS TO COMPLY; AND ASSESSING AN APPROPRIATE CIVIL PENALTY; LEA COUNTY, NEW MEXICO.

CASE NO. 14107

BASIC STATEMENT OF APPLICATION:

COMES NOW the Oil Conservation Division, and respectfully presents this, its Application for an Order requiring Operator Xeric Oil & Gas Corporation ("Xeric") to comply with Rule 19.15.2.50 NMAC at the West Pearl Unit #301 well, or alternatively authorizing the division to plug the well and forfeit any applicable/available security in the event that Xeric fails to comply, and assessing an appropriate civil penalty. In support of these requests, the Division states as follows:

I. FACTUAL BACKGROUND

1. The well at issue in this matter is the **West Pearl Queen Unit #301, API# 30-025-36791** (State Lease).
2. Xeric posted a \$50,000 cash bond, number OCD-218, through Wells Fargo Bank (1910 North Turner, Hobbs, NM 88240, account numbers

1100061035; 1100060900 and 1199961182), to secure its obligation to plug and abandon wells in compliance with Division rules.

3. Operator Xeric Oil and Gas Corporation ("Xeric"), OGRID 25482, filed its C-101 Application for Drilling Permit for this well on July 27, 2004, which was granted by the OCD (Permit No. 1237) on August 2, 2004. In approving the Permit to Drill, the Division imposed three specific, additional conditions upon Xeric. One of the specifically-articulated conditions upon which the Permit approval was based was that, with regard to the pit construction and closure for the site, Xeric was required to satisfy all requirements of Rule 19.50.2.15 NMAC, as well as the standards imposed by the OCD's "Pit and Below-Grade Tank Guidelines." *Id.*

4. Xeric reported that the casing was set on the well on August 23, 2004.

5. OCD records reflect that Xeric did not file a request with the OCD for an extension of time to close the pit.

6. OCD records reflect that Xeric did not notify and/or seek approval from the OCD for deviation from its originally-filed pit-closure plan.

7. On March 2, 2005, an OCD Inspector noted that the drilling pit at this location was still open, that the "stuffing box" was leaking, and that there were large oil puddles around the well. A Letter of Violation was issued at this time.

8. On May 6, 2005, at a follow-up inspection, it was noted that while the stuffing box and oil puddle messes had apparently been cleaned up, the drilling pit was still open.

9. On April 4, 2006, another inspection of the site was conducted, and it was discovered that Xeric had still not closed the drilling pit at the location. Another Letter of Violation was issued, and Xeric was informed that the pit had to be closed per NMOCD Rule 50.

10. On April 21, 2006, Xeric filed a "Pit or Below-Grade Tank Registration or Closure"/Form C-144 with the OCD. On that form, Xeric represented that depth to groundwater at the site was "one-hundred or more." *Id.*

11. Included with the above-referenced Form C-144, submitted by Xeric, was an attached "Work Plan to Clean up the West Pearl Queen Unit #301" ("Work Plan") for the pit closure, prepared by Phoenix Environmental, LLC ("Phoenix"). Phoenix made the following observations, conclusions and/or recommendations:

- a. Noting that any potential contamination at the site would have been the result of activities associated with the drilling and production of oil and gas, Phoenix stated that the site was to be re-mediated pursuant to the standards of the NMOCD. *Id.*

- b. Phoenix noted that "available groundwater depth data" suggested that there was either no groundwater or that groundwater at that location was at more than 100 feet BGS.¹ *Id.*
- c. Phoenix estimated that there was approximately two-thousand cubic yards of impacted soil and mud that would need to be addressed by the remediation plan for purposes of achieving closure. *Id.*
- d. Phoenix recommended that the impacted soils at the site be excavated and placed in a lined tomb, which was to be dug at the site to certain, recommended specifications. *Id.* Phoenix recommended that the tomb be dug to be the size of 150 by 27 by 20 feet, so as to be large enough to accommodate three-thousand cubic yards of soil, two-thousand cubic yards of which would be the "impacted" soils.

12. The closure plan submitted by Xeric, of which the Phoenix Work Plan was a part, was approved by the OCD Hobbs Field Office on April 25, 2006.

Id.

13. On April 25, 2007, an inspection revealed that, not only was the pit still open, but the liner was no longer intact. Some of the pit contents were no longer being contained by the liner. It was further noted that a deep trench

¹ It is unknown at this time what "groundwater data" is being relied upon here, and whether Phoenix is simply relying upon the data initially recorded/represented by the Operator, or if Phoenix obtained this

(presumably the "tomb" referenced by Phoenix) had been dug at the site, but that it had apparently not been utilized. *Id.* Another Letter of Violation was issued to the Operator at this time, and photos were taken to document the violations.

14. On June 26, 2007, the site was noted by OCD personnel to have further deteriorated with the drilling pit still remaining open and the liner not being intact. A hole was also observed in the one-inch nipple at the well-head, resulting in blowing oil and water on the ground. Another Letter of Violation was issued and photos were taken to document the violations.

15. At the request of OCD counsel, an OCD Inspector again visited the site on August 28, 2007 to determine what, if anything had been done to address the ongoing violations. At that time it was noted that the drilling pit was still open and the liner was still torn. It was also observed that there was a rod in the middle of the pit that had punctured the liner and appeared to have been used to drain the contents of the pit.

II. RELEVANT LEGAL AUTHORITY

16. The subparts embodied by Rule 19.15.2.50 NMAC that are relevant to this matter regarding the requirements for *Pits and Below-Grade Tanks* are as follows:

A. Permit required. Discharge into, or construction of, any pit or below-grade tank is prohibited absent possession of a permit issued by the division, unless otherwise herein

information from an independent source.

provided or unless the division grants an exemption pursuant to Subsection G of 19.15.2.50 NMAC.

C. Design, construction and operational standards.

(1) In general. Pits, sumps and below-grade tanks shall be designed, constructed and operated so as to contain liquids and solids to prevent contamination of fresh water and protect public health and the environment.

(2) Special requirements for pits.

(a) Location. No pit shall be located in any watercourse, lakebed, sinkhole or playa lake. Pits adjacent to any such watercourse or depression shall be located safely above the ordinary high-water mark of such watercourse or depression. No pit shall be located in any wetland. The division may require additional protective measures for pits located in groundwater sensitive areas or wellhead protection areas.

(b) Liners.

(i) Drilling pits, workover pits. Each drilling pit or workover pit shall contain, at a minimum, a single liner appropriate for conditions at the site. The liner shall be designed, constructed and maintained so as to prevent the contamination of fresh water, and protect public health and the environment. Pits used to vent or flare gas during drilling or workover operations that are designed to allow liquids to drain to a separate pit do not require a liner.

F. Closure and restoration.

(1) Closure. Except as otherwise specified in Section 50 of 19.15.2 NMAC, a pit or below-grade tank shall be properly closed within six months after cessation of use. As a condition of a permit, the division may require the operator to file a detailed closure plan before closure may commence. The division for good cause shown may grant a six-month extension of time to accomplish closure. Upon completion of closure a closure report (form C- 144), or sundry notices and reports on wells shall be submitted to the division. Where the pit's contents will likely migrate and cause ground water or surface water to exceed water quality control commission standards, the pit's contents and the liner shall be removed and disposed of in a manner approved by the division.

(2) Surface restoration. Within one year of the completion of closure of a pit, the operator shall contour the surface where the pit was located to prevent erosion and ponding of rainwater.

17. Xeric's permit for this well was specifically conditioned, at least in part, upon its compliance with the OCD's "Pit and Below-Grade Tank Guidelines" ("Guidelines"). The Guidelines, and Xeric's degree of compliance or noncompliance with them, is therefore relevant to the determinations in this matter. The portions of the "Pit and Below-Grade Tank Guidelines" applicable

to this matter provide the following standards and guidelines in addition to those already discussed by the Rule, cited above:

I.
C. CLOSURE PLANS

* * * *

Prior to final closure, the operator of an unlined pit, or a pit or below-grade tank that has had a release into the environment will perform an assessment to evaluate the extent to which soils and/or ground water may have been impacted by its operation. Assessment results will form the basis of any required remediation. Sites at which there have been releases will be assessed for the severity of contamination and potential environmental and public health threats, and remediated in accordance with the OCD's August 13, 1993 "GUIDELINES FOR REMEDIATION OF LEAKS, SPILLS AND RELEASES".

At a minimum, a closure plan will include the following elements:

1. Procedures that will be used to assess the extent of contamination if the closure involves an unlined pit, or a pit or below-grade tank that has had a release into the environment.
2. Procedures to be used to manage, remediate, or dispose of all contaminated soil and wastes.
3. Schedules for submission of closure reports on each pit or below-grade tank.

D. CLOSURE REPORTS

Closure of pits and below-grade tanks must be reported on OCD Form C-144, or sundry notices and reports on wells accompanied by the information necessary to evaluate the closure. If a pit or below-grade tank closure report is made on sundry notices and reports on wells, the operator shall include the same information as would be filed with OCD Form C-144.

* * * *

IV. WASTE MANAGEMENT

The following discussion summarizes alternatives for management of pit and below grade tank wastes. All procedures used are to be approved by OCD prior to commencement. Separate OCD-approval is not required if the OCD has approved a general closure plan which includes the techniques used at any particular site. All procedures that deviate from the general closure plan, however, must be approved by OCD prior to commencement. RCRA exempt or RCRA nonhazardous oil and natural gas related wastes will be remediated and managed according to the criteria described below.

A. RESIDUAL WASTES

Residual wastes remaining in any pit or below-grade tank will be handled in the following manner:

1. Remaining liquids will be removed from the pit or below-grade tank to the maximum extent practicable; and
2. Remaining solid wastes (i.e. buckets, cans, miscellaneous trash, debris, contaminated solids, etc.) will be removed from the pit or below-grade tank, except for dried mud and cuttings, cement, and frac materials in drilling and

reserve pits which have been approved by the OCD for encapsulation under Section IV.B.2. and Section IV.B.3.

V. FINAL CLOSURE

Upon termination of any required actions, the surface where the pit or below-grade tank was located will be contoured to prevent erosion and ponding of rainwater over the site.

18. NMSA 1978, Section 70-2-14(B) provides:

If any of the requirements of the Oil and Gas Act [70-2-1 NMSA 1978] or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

19. The Oil and Gas Act ("Act") provides that any person who knowingly and willfully violates any provision of the Act, or any Rule or Order issued pursuant to the Act, shall be subject to a civil penalty of not more than one thousand dollars per day for each violation. NMSA 1978, Section 70-2-31(A).

20. NMSA 1978, Section 70-2-33(A) defines "person" as used in the Oil and Gas Act to include corporations.

II. **ARGUMENT: XERIC HAS FAILED TO COMPLY WITH RULE 19.15.2.50 NMAC, THE "PIT & BELOW GRADE TANK GUIDELINES" &/OR THE CONDITIONS OF PERMIT NO. 1237, AND SHOULD NOW BE COMPELLED TO SO COMPLY AND TO PAY AN APPROPRIATE PENALTY ASSESSMENT**

A. **XERIC IS IN VIOLATION OF RULES 19.15.2.50.F(1) NMAC & 19.15.2.50.F(2) NMAC BECAUSE IT FAILED TO CLOSE THE PIT WITHIN SIX MONTHS OF CESSATION OF USE, AND FAILED TO RE-CONTOUR THE SITE WITHIN ONE YEAR OF CLOSURE.**

21. Pursuant to Rule 19.15.2.50.F(1) NMAC, the Guidelines and the terms of the APD approval, and given that the casing was set on August 23, 2004, the drilling pit at this site should have been properly and fully closed no later than February 23, 2005, six months later.

22. Pursuant to Rule 19.15.2.50.F(2) NMAC, the Guidelines and the terms of the APD approval, the surface of the site should have been re-contoured and reseeded with a mixture approved by the surface owner within a year of the date of closure. In this case, the latest date for the completion of re-contouring given the completion date of the well would have been February 23, 2006.

23. Xeric was notified on numerous occasions over the course of two and a half years (beginning in March of 2005) regarding the numerous violations observed and documented by OCD at this well site.

24. At least four formal letters of violation were sent to Xeric, officially putting Xeric on notice of violations at the site and inviting Xeric to contact the District office to discuss remedying those violations.

25. Despite the fact that the OCD repeatedly notified Xeric of the ongoing violations at this site, Xeric chose not to take any action regarding the pit violations until April of 2006, when Xeric apparently engaged the services of Phoenix Environmental, LLC to generate the Work Plan described in Paragraph 10, above.

26. While it appears that Xeric excavated a deep trench at the location, which was one of the recommendations made by Phoenix, it does not appear that Xeric has performed any of the other recommendations made by Phoenix.

27. The most recent inspections indicate that the contents of the pit now appear to have been permitted to drain into the ground through a pipe that has pierced the liner and is protruding from the middle of the pit.

28. Xeric knowingly and willfully violated Rules 19.15.2.50.F(1) and 50.F(2) NMAC because, in spite of being notified repeatedly by the OCD regarding its failure to meet its obligations with regard to timely and proper closure of the pit and re-contouring of the site, Xeric failed and refused to fulfill these obligations.

WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an Order:

29. Requiring Xeric to submit a Closure Plan per OCD Pit and Below-Grade Tank Guidelines by a date certain.

30. Requiring that, by a date certain, Xeric perform an assessment to evaluate the extent to which soils and/or ground water may have been impacted and perform any necessary remediation indicated by the assessment and pursuant to OCD "Pit and Below-Grade Tank Guidelines" and OCD "Guidelines for Remediation of Leaks, Spills and Releases."

31. Requiring that any remaining waste materials in or related to the pit be excavated and hauled away from the site to an appropriate disposal facility by a date certain.

32. Requiring that Xeric file a C-144 or other acceptable Closure Report in accordance with OCD Rules and the Guidelines by a date certain.

33. Ordering that Xeric properly (per OCD Rules, the Guidelines, and any other applicable state or federal law or regulation) close the deep trench that has been excavated on the site, and re-contour the surface of the area to return it to the contour that existed prior to the excavation being performed.

34. Requiring that Xeric complete surface restoration in compliance with Rule 19.15.2.50.F, the Guidelines and the Conditions of Permit No. 1237, including reseedling of the site with a mixture that is approved or authorized by the surface owner.

35. Requiring that Xeric pay a monetary penalty assessment in an amount consistent with the severity and duration of its ongoing, willful violations, pursuant to NMSA 1978, Section 70-2-31(A), specifically for its

knowing and willful violations of Rules 19.15.2.50.F(1) and 50.F(2) 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).

36. Further, if the subject well is not brought into compliance with
19.15.2.50 NMAC, the terms of Permit No. 1237, the standards imposed by the
Guidelines and/or Xeric fails to meet any of the deadlines 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) Ordering the Operator to plug and abandon the subject wells
by a date certain;
- (3) if the Operator fails to plug and abandon the subject wells by
the date specified, authorizing the Division to plug the subject
wells in accordance with a Division-approved plugging program
and authorizing the Division to forfeit any applicable security
posted in relation to the subject wells; and
- (4) For such other and further relief as the Director deems just and
proper.

B. XERIC IS IN VIOLATION OF RULES 19.15.2.50.C(1) NMAC & 19.15.2.50.C(2)(b)(i) NMAC BECAUSE IT FAILED TO DESIGN, CONSTRUCT AND/OR OPERATE THE PIT AND/OR LINER OF THE PIT SO AS TO "CONTAIN LIQUIDS AND SOLIDS TO PREVENT CONTAMINATION OF FRESH WATER AND PROTECT PUBLIC HEALTH AND THE ENVIRONMENT."

37. Xeric was repeatedly notified that, not only was it in violation of Rule 50.F for failing to close the pit, but Xeric was also in violation of Rules 19.15.2.50.C(1) & C(2)(b)(i) NMAC because the liner of the pit was no longer intact and properly containing the pit contents such that contamination was being prevented. Xeric was first notified of these violations by the OCD in April of 2007, and was notified on at least one occasion thereafter. The observations made by the OCD (and thereafter conveyed to Xeric) indicated that the ground may have been contaminated by the contents of the pit.

38. The pit liner has been observed by OCD personnel to have been actually penetrated by a large pipe that is standing in the middle of the pit, and the contents of the pit appear to have been drained.

39. Despite having been notified of these pit-liner violations on at least two occasions, Xeric has knowingly and willfully failed and/or refused to repair the liner of the pit and/or otherwise bring the pit into compliance with Rules 19.15.2.50.C(1) & C(2)(b)(i) NMAC.

WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an Order:

50. Requiring Xeric to submit a Closure Plan per OCD Pit and Below-Grade Tank Guidelines by a date certain.

51. Requiring that, by a date certain, Xeric perform an assessment to evaluate the extent to which soils and/or ground water may have been impacted and perform any necessary remediation indicated by the assessment and pursuant to OCD "Pit and Below-Grade Tank Guidelines" and OCD "Guidelines for Remediation of Leaks, Spills and Releases."

52. Requiring that any remaining waste materials in or around the pit be excavated and hauled away to an appropriate disposal facility by a date certain.

53. Requiring that Xeric file a C-144 or other acceptable Closure Report in accordance with OCD Rules and the Guidelines by a date certain.

54. Requiring that Xeric pay a monetary penalty assessment in an amount consistent with the severity and duration of its ongoing, willful violations, pursuant to NMSA 1978, Section 70-2-31(A), specifically for its knowing and willful violations of Rules 19.15.2.50.C(1) & C(2)(b)(i) 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).

55. Further, if the subject well is not brought into compliance with 19.15.2.50 NMAC, the terms of Permit No. 1237, the standards imposed by the Guidelines and/or Xeric fails to meet any of the deadlines 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 well in accordance with a Division-approved plugging program;
- (3) Authorizing the Division to forfeit any applicable security posted in relation to the subject well; and
- (4) For such other and further relief as the Director deems just and proper under the circumstances.

C. XERIC IS IN VIOLATION OF RULE 19.15.2.50.A NMAC BECAUSE IT PROCEEDED TO CONSTRUCT AND/OR DISCHARGE INTO A PIT WITHOUT POSSESSION OF A VALID PERMIT ISSUED BY THE STATE.

45. As discussed in Paragraph 2, above, the OCD approved the C-101 Application for Permit to Drill (Permit No. 1237) with the approval being expressly conditioned upon the addition of three specific "Permit Conditions of Approval." The three specified conditions imposed included the following:

- a. Re-seeding mixture must be approved or authorized by surface owner.
- b. Notice is given to the OCD prior to construction of the pit(s).

- c. Pit construction and closure must satisfy all requirements of OCD Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines.

(Emphasis Added).

46. Re-seeding at this site has never occurred, and therefore, the "re-seeding mixture" used cannot have been "approved or authorized by surface owner," as was required by the first of the three Permit Conditions of Approval.

47. There is nothing in the records of the OCD reflecting that Xeric provided the OCD with notice prior to its construction of the pit at this site, as was required by the second of the three Permit Conditions of Approval.

48. As discussed in Sections A. and B., above, Xeric has failed to comply with a number of the requirements imposed by OCD Rule 19.15.2.50 NMAC and its various subparts. Such compliance is not only imposed upon operators, generally, through issuance of the Rule, but was specifically imposed upon Xeric in this case as it was made a Permit Condition of Approval for Permit NO. 1237.

49. In addition to the requirements imposed by Rule 50, the approval of Permit 1237 was conditioned upon Xeric satisfying the requirements of the Pit and Below-Grade Tank Guidelines. Xeric has likewise failed to satisfy the requirements of the Guidelines for (and thus failed to meet the third of the three Permit Conditions of Approval), at a minimum, the following reasons:

- d. Xeric failed to satisfy the requirements of Guideline Part I(C) *Closure Plans*, which requires that "prior to final closure, the operator of ...a pit...that has had a release into the environment

will perform an assessment to evaluate the extent to which soils and/or ground water may have been impacted by its operation." The same section then requires that remediation be performed based upon the results of this assessment and in accordance with the OCD's "Guidelines for Remediation of Leaks, Spills and Releases."

- e. Xeric further failed to satisfy Guideline Part I(C) because it did not submit a closure plan that included specification of the procedures for assessing contamination, specification of the procedures for management, remediation or disposition of contaminated substances and specification of the schedule for the submission of a closure report for the pit.
- f. Xeric failed to satisfy Guideline Part I(D) because it failed to properly file a closure report for the subject pit.

50. Because Xeric failed to satisfy the Permit Conditions of Approval, Permit 1237 was not valid, and the drilling activity, including the construction of and the discharge into the drilling pit at the West Pearl Unit #301, were therefore performed without a permit and in violation of OCD Rule 19.15.2.50.A NMAC. [I'm not sure how failing to comply with the permit after construction of the pit makes the construction of the pit outside the permit.] - my thinking was→ failure to notify prior to construction per conditions of permit renders

construction outside of permit, failure to meet other criteria/conditions of permit renders usage of pit (discharge into pit) outside of permit – do you disagree, and if not, how can I make this correlation clearer for the reader?

51. Xeric was informed at the time of the approval of Permit 1237 that the approval was contingent upon the satisfaction of the enumerated conditions. Thus, Xeric's actions in constructing and using the pit despite not having complied with the requirements of the permit constitute a knowing and willful violation of OCD Rule 19.15.2.50.A NMAC.

WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an Order:

52. Requiring Xeric to submit a Closure Plan per OCD Pit and Below-Grade Tank Guidelines by a date certain.

53. Requiring that, by a date certain, Xeric perform an assessment to evaluate the extent to which soils and/or ground water may have been impacted and perform any necessary remediation indicated by the assessment and pursuant to OCD "Pit and Below-Grade Tank Guidelines" and OCD "Guidelines for Remediation of Leaks, Spills and Releases."

54. Requiring that any remaining waste materials in or around the pit be excavated and hauled away to an appropriate disposal facility by a date certain.

55. Requiring that Xeric file a C-144 or other acceptable Closure Report in accordance with OCD Rules and the Guidelines by a date certain.

56. Requiring that Xeric pay a monetary penalty assessment in an amount consistent with the severity and duration of its ongoing, willful violations, pursuant to NMSA 1978, Section 70-2-31(A), specifically for its knowing and willful violations of Rules 19.15.2.50.A (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).

57. Further, if the subject well is not brought into compliance with 19.15.2.50 NMAC, the terms of Permit No. 1237, the standards imposed by the Guidelines and/or Xeric fails to meet any of the deadlines 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 well in accordance with a Division-approved plugging program;
- (3) Authorizing the Division to forfeit any applicable security posted in relation to the subject well; and
- (4) For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 5th day of March, 2008 by



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Conservation Division

CASE NO. 14107. Application of the New Mexico Oil Conservation Division for a Compliance Order against **Xeric Oil & Gas Corporation** ("Xeric"). The Applicant seeks an Order finding that Operator Xeric Oil & Gas Corporation ("Xeric") is in violation of Rule 19.15.2.50 NMAC and the terms of APD Permit No. 1237 with regard to the West Pearl Unit #301 well and requiring Operator Xeric to comply with both the terms of the referenced Rule and Permit, or alternatively authorizing the division to plug the well and forfeit any applicable/available security in the event that Xeric fails to comply, and assessing an appropriate civil penalty. The subject well is located approximately 16 miles Southwest of Hobbs in Lea County and is identified as follows:

West Pearl Queen Unit #301 - API No. 30-025-36791