



February 19, 2009

VIA HAND-DELIVERY

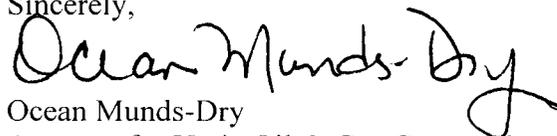
Ms. Florene Davidson
Secretary
Oil Conservation Commission
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Case 14106: Amended Pre-Hearing Statement

Dear Ms. Davidson:

Xeric Oil & Gas Corporation submits the attached Amended Pre-Hearing Statement for Case 14106 which is scheduled to be heard by the Oil Conservation Commission on February 24, 2009. Xeric timely filed its original Pre-Hearing Statement on Tuesday, February 17, 2009. Xeric has discussed the submittal of an amended pre-hearing statement with counsel for the Oil Conservation Division, Ms. Mikal Altomare, and she has no objection.

Sincerely,



Ocean Munds-Dry
Attorney for Xeric Oil & Gas Corporation

cc: Mikal Altomare, Esq.

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OIL CONSERVATION
COMMISSION
SANTA FE, NM

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

**IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION COMMISSION FOR THE PURPOSES
OF CONSIDERING:**

CASE NO. 14106 De Novo

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR A
COMPLIANCE ORDER AGAINST XERIC OIL & GAS CORPORATION (“XERIC”).**

AMENDED PRE-HEARING STATEMENT

This Amended Pre-Hearing Statement is submitted by Holland & Hart LLP, as required by the Oil Conservation Commission.

APPEARANCES OF PARTIES

APPLICANT

Oil Conservation Division

Ronald St. John
Xeric Oil & Gas Corp.
14781 Memorial Drive Ste 1754
Houston, Texas 77079

ATTORNEY

Mikal Altomare, Esq.
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3480

Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

STATEMENT OF CASE

APPLICANT

The Applicant seeks an Order finding that Operator Xeric is in violation of OCD Rule 101 as to 69 wells and Rule 201 &/or 1115 as to 80 wells, that such violations are knowing and willful, assessing an appropriate civil penalty and requiring Xeric to bring all such wells into full compliance with OCD Rules by a date certain. The Division further seeks authority to forfeit any

associated financial assurances, and to plug and abandon the subject wells should the Operator fail to meet the deadline established by the order. The subject wells are all located in Lea County. The Crosby Deep and Gregory Units are located approximately 2 miles South/Southeast of Jal; the Mesa Queen Unit is located approximately 4 miles North of Maljamar and 2 miles East of the Eddy County line; the South Pearl Queen, West Pearl Queen and the East Pearl Queen Units are located between 12 and 20 miles Northwest of Eunice and 10 to 20 miles Southwest of Hobbs; and the Mexico U wells are located just Southwest of Hobbs (within 3 miles). The specific wells involved in this matter include the following:

Crosby Deep #002	30-025-24287	South Pearl Queen Unit #006	30-025-03315
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East Pearl Queen Unit #001	30-025-03189	West Pearl Queen Unit #103	30-025-03247
East Pearl Queen Unit #004	30-025-03186	West Pearl Queen Unit #107	30-025-03231
East Pearl Queen Unit #007	30-025-03183	West Pearl Queen Unit #108	30-025-03234
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East Pearl Queen Unit #039	30-025-03295	West Pearl Queen Unit #140	30-025-03283
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East Pearl Queen Unit #057	30-025-23409	West Pearl Queen Unit #163	30-025-22870
East Pearl Queen Unit #059	30-025-23427	West Pearl Queen Unit #164	30-025-23083
East Pearl Queen Unit #077	30-025-31106	West Pearl Queen Unit #169	30-025-25365
Mesa Queen Unit #010	30-025-20340	West Pearl Queen Unit #191	30-025-30861
Mesa Queen Unit #011	30-025-20230	West Pearl Queen Unit #192	30-025-30867
Mesa Queen Unit #018	30-025-20313	West Pearl Queen Unit #195	30-025-31021
Mesa Queen Unit #020	30-025-20269	West Pearl Queen Unit #202	30-025-31125
Mexico U #001	30-025-12512	30-025-23891 Crosby Deep #001	
Mexico U #003	30-025-30954	30-025-24287 Crosby Deep #002	
South Pearl Queen Unit #003	30-025-21772	30-025-11870 Crosby Deep #003	
		30-025-25985 Crosby Deep #004	

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RESPONDENT

Xeric was purchased by new owners in March 2008. On the same day of closing, the Division filed its application for a compliance order. Since the transfer of ownership, Xeric has been working to bring its properties into compliance with its priority being to first address any environmental issues that existed when the new owners purchased the company. Xeric is willing to enter into an agreed compliance order with the Division to address its non-compliant wells. However, because Xeric is a small company with limited resources, it is unable to post the financial assurance AND perform the work necessary to bring each well into compliance. Xeric objects to the imposition of any civil penalty.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	ESTIMATED TIME	EXHIBITS
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RESPONDENT

WITNESSES	ESTIMATED TIME	EXHIBITS
Ronald St. John	30 minutes	Approx. 5
Adam Hirschfeld	30 minutes	Approx. 10
Kelly Fielder	20 minutes	

PROCEDURAL MATTERS

Xeric has none at this time.

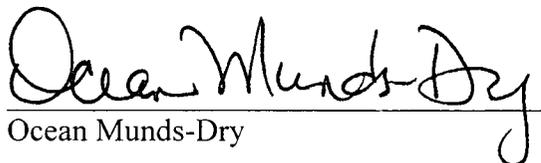

Ocean Munds-Dry
Attorney for Xeric Oil & Gas Corporation

CERTIFICATE OF SERVICE

I certify that on February 19, 2009 I served a copy of the foregoing document to the following by

- U.S. Mail, postage prepaid
- Hand Delivery
- Fax
- Electronic Service by LexisNexis File & Serve

Mikal Altomare, Esq.
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3480


Ocean Munds-Dry

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

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RESPONDENT'S ENTRY OF APPEARANCE AND PRE-HEARING STATEMENT

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APPEARANCES OF PARTIES

APPLICANT

Oil Conservation Division

Ronald St. John
Xeric Oil & Gas Corp.
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APPLICANT

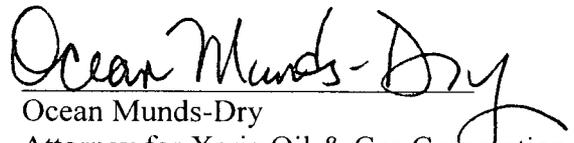
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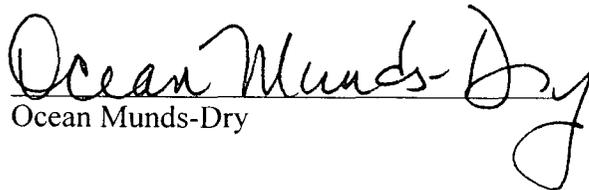

Ocean Munds-Dry
Attorney for Xeric Oil & Gas Corporation

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Mikal Altomare, Esq.
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Ocean Munds-Dry