



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

Field Inspection Program

"Preserving the Integrity of Our Environment"

27-Feb-09

XERIC OIL & GAS CORP

14781 MEMORIAL DRIVE STE. 1754

HOUSTON TX 77079

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

WEST PEARL QUEEN UNIT No.120

L-28-19S-35E

30-025-03224-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
02/26/2009	Routine/Periodic	Mark Whitaker	Yes	No	3/31/2009	iMAW0905742402

Violations

Substandard Equipment and/or Needs Repair

Comments on Inspection:

T/A status expired 07/2007. Valve on tubing leaking oil. No record if tubing in well. Potential casing leak. NEED TO IDENTIFY CAUSE OF PROBLEM AND REPAIR. ALSO NEED TO RETEST FOR T/A STATUS, PLUG AND ABANDON, OR RETURN WELL TO ACTIVE STATUS. 1st letter of non-compliance. MW

MEXICO U No.001

B-8-19S-38E

30-025-12512-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
02/26/2009	Routine/Periodic	Mark Whitaker	Yes	No	3/31/2009	iMAW0905729898

Violations

Substandard Equipment and/or Needs Repair

Comments on Inspection: Tubing chained down to wellhead. Changeover nipple below valve on tbg seeping fluid and in poor condition. Changeover should be replaced before leak occurs. NEED TO REPAIR NIPPLE IMMEDIATELY TO PREVENT MAJOR LEAK FROM OCCURING. REMOVE ALL SURPLUS EQUIPMENT AND DEBRIS FROM LOCATION (GENERAL HOUSEKEEPING RULE 114). AFTER REPAIR, NEED TO T/A, PLUG AND ABANDON, OR RETURN WELL TO PRODUCTION. 1st letter on non-compliance. MW

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,

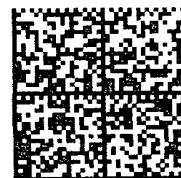

COMPLIANCE OFFICER

Hobbs OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



HASLER	017H15554612	US POSTAGE
	\$0.420	
	02/27/2009	
	Mailed From 88240	

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14781 MEMORIAL DRIVE SUITE 1754
HOUSTON, TX 77079