

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

NMOCD – ACOI- 2460

IN THE MATTER OF RESACA OPERATING COMPANY,

Respondent.

**INACTIVE WELL
AGREED COMPLIANCE ORDER**

Pursuant to the New Mexico Oil and Gas Act, NMSA. 1978, Sections 70-2-1 through 70-2-38, as amended ("Act") and OCD Rule 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and Resaca Operating Company ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI") under which Operator agrees to plug, place on approved temporary abandonment status or restore to production or other beneficial use the wells identified herein pursuant to the Act and OCD Rule 19.15.25.8 NMAC in accordance with the following agreed schedule and procedures, and understands that the OCD may decide not to enter into any further agreed compliance orders with Operator if Operator fails to meet the schedule set out in this Order.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
2. Operator is a corporation doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 263848 for the wells identified in Exhibit "A," attached.
4. OCD Rule 19.15.25.8 NMAC states, in relevant part:

 "A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.
 B. The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

....
....

(3) a period of one year in which a well has been continuously inactive.”

5. The wells identified in Exhibit “A”

- (a) have been continuously inactive for a period of one year plus 90 days (or within the next six months will become continuously inactive for a period of one year plus 90 days if no action is taken on the wells);
- (b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
- (c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. The wells identified in Exhibit “A” are either out of compliance with OCD Rule 19.15.25.8 NMAC or will fall out of compliance with OCD Rule 19.15.25.8 NMAC in the next six months if they are not returned to production or other beneficial use, plugged and abandoned, or placed on approved temporary abandonment status.
3. As operator of the wells identified in Exhibit “A,” Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.

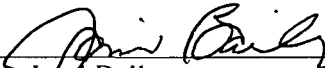
ORDER

1. Operator agrees to bring 7 wells identified in Exhibit “A” into compliance with OCD Rule 19.15.25.8 NMAC by June 17, 2012 by
 - (a) restoring the well to production or other OCD-approved beneficial use **and filing a C-115 documenting such production or use;**
 - (b) causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC **and filing a C-103 describing the completed work;** or
 - (c) placing the well on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
2. Oil and gas produced during swabbing does not count as production for purposes of this Order.
3. Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved

beneficial use, plugged wellbore, approved temporary abandonment status.) Transfer of a well identified on Exhibit "A" to another operator does not count towards Operator's obligation to return wells to compliance under the terms of this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order. The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is received by the compliance deadline of June 17, 2012. The total length of this Agreed Compliance Order is six months.

4. Operator understands that if it fails to meet the terms of this Order, the OCD may decide not to enter into any further agreed compliance orders with Operator.
5. Thirty days after the compliance deadline set by this Order, any wells on Exhibit "A" not in compliance with OCD Rule 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC.
6. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to return to compliance 7 wells identified in Exhibit "A" by June 17, 2012;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 by the June 17, 2012 compliance deadline set by this Order;
 - (d) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order; and
 - (e) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.
7. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells identified in Exhibit "A" that are out of compliance with the Oil and Gas Act or OCD Rules other than OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.
8. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibit "A" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 28 day of November, 2011

By: 
Jami Bailey
Director, Oil Conservation Division

ACCEPTANCE

Resaca Operating Company hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Resaca Operating Company

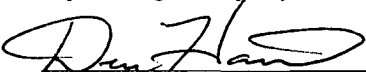
By: 
(Please print name) DENNIS HAMMOND
Title: PRESIDENT
Date: 11-18-11

Exhibit A to Agreed Compliance Order for Resaca Operating Company

30-025-11153	COOPER JAL UNIT #124
30-025-24837	LANGLIE JAL UNIT #002
30-025-24839	LANGLIE JAL UNIT #008
30-025-11303	LANGLIE JAL UNIT #012
30-025-23865	LANGLIE JAL UNIT #013
30-025-11323	LANGLIE JAL UNIT #019
30-025-23866	LANGLIE JAL UNIT #023
30-025-11442	LANGLIE JAL UNIT #039
30-025-11461	LANGLIE JAL UNIT #045
30-025-11453	LANGLIE JAL UNIT #046
30-025-23868	LANGLIE JAL UNIT #049
30-025-24890	LANGLIE JAL UNIT #050
30-025-11451	LANGLIE JAL UNIT #063
30-025-23869	LANGLIE JAL UNIT #071
30-025-11506	LANGLIE JAL UNIT #072
30-025-11495	LANGLIE JAL UNIT #082
30-025-11634	LANGLIE JAL UNIT #087
30-025-27842	LANGLIE JAL UNIT #097
30-025-28404	LANGLIE JAL UNIT #101

30-025-28406

LANGLIE JAL UNIT #103

30-025-28963

LANGLIE JAL UNIT #106

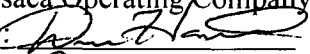
30-025-29448

LANGLIE JAL UNIT #109

30-025-35681

LANGLIE JAL UNIT #126

Resaca Operating Company

By: 

Title: PRESIDENT

ACOI

Resaca Operating Company OGRID 263848

Page 5 of 5