

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

NMOCD – ACOI- 107

IN THE MATTER OF OCCIDENTAL PERMIAN LIMITED PARTNERSHIP,

Respondent.

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"), the Director of the Oil Conservation Division ("OCD") and Occidental Permian Limited Partnership ("Operator") enter into this Agreed Compliance Order ("Order") under which Operator agrees to bring wells identified herein into compliance with the Act and OCD Rule 201 [19.15.4.201 NMAC] in accordance with the following agreed schedule and procedures, and agrees to pay penalties as set out below if it 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 limited partnership doing business in the state of New Mexico.
3. According to OCD records, Operator is the operator of record under OGRID 157984 for the wells identified in Exhibits "A" and "B" attached.
4. OCD Rule 201 [19.15.4.201 NMAC] states, in relevant part:

"A. The operator of any of the following wells, whether cased or uncased, shall be responsible for the plugging thereof: wells drilled for oil or gas; or service wells including but not limited to seismic, core, exploration or injection wells.

B. A well shall be either properly plugged and abandoned or placed in approved temporary abandonment in accordance with these rules within 90 days after:

....

....

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

5. OCD records indicate that the wells identified in Exhibits "A" and "B" are currently out of compliance with Rule 201 or will fall out of compliance with Rule 201 in the next several months if no action is taken on the wells. According to Operator's records, the wells identified in Exhibit "A" will require physical work in order to bring them into compliance, while the wells identified in Exhibit "B" require updates or corrections in reporting to bring them into compliance.
6. NMSA 1978, Section 70-2-31(A) authorizes the assessment of civil penalties of up to one thousand dollars per day per violation against any person who knowingly or willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.
7. NMSA 1978, Section 70-2-3(A) defines "person" in relevant part as
"any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity..."

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Based on OCD records, the wells identified in Exhibits "A" and "B" are either out of compliance with Rule 201 or will fall out of compliance with Rule 201 in the next several 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 Exhibits "A" and "B" as indicated by OCD records, Operator is responsible for bringing those wells into compliance with Rule 201.
4. Operator is a "person" as defined by OCD Rule 7.P(2) and may be subject to civil penalties for knowing and willful violations of the Oil and Gas Act or rules or orders adopted pursuant to the Act.

ORDER

1. Operator agrees to bring at least 8 of the 14 wells identified in Exhibits "A" and "B" into compliance with OCD Rule 201 by August 10, 2006 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 202.B(2) and filing a C-103 describing the completed work; or

- (c) placing the well on approved temporary abandonment status pursuant to OCD Rule 203.

Transfer of a well identified on Exhibits "A" or "B" to another operator does not count towards Operator's obligation to return 8 wells to compliance by August 10, 2006 under the terms of this Order.

2. Operator shall file a compliance report by August 10, 2006 using the OCD's web-based on-line application, 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).
3. When the OCD receives a timely compliance report indicating that Operator has returned at least 8 of the 14 wells identified in Exhibits "A" and "B" to compliance and verifies the accuracy of that report, the OCD shall issue an amendment to this Order extending its terms for an additional twelve month period, requiring Operator to return to compliance by August 10, 2007 any wells identified in Exhibits "A" and "B" still operated by Operator that remain out of compliance. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 100.C.
4. If Operator fails to bring at least 8 of the 14 wells identified in Exhibits "A" and "B" into compliance by August 10, 2006, or fails to bring the remaining wells into compliance by August 10, 2007 under an amendment to this Order, Operator agrees to pay a penalty totaling \$1,000 times the number of wells it failed to bring into compliance under its schedule during the applicable time period. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its goal during either time period, Operator may file an administrative application with the OCD to request a waiver or reduction of the penalty, and serve the OCD's Enforcement and Compliance Manager with a copy of the application. If the Enforcement and Compliance Manager concurs with the Operator's request, the application may be granted administratively. If the Enforcement and Compliance Manager does not concur with the Operator's request, the application shall be set for hearing. If Operator fails to bring at least 8 of the 14 wells identified in Exhibits "A" and "B" into compliance by August 10, 2006 but either pays the applicable penalty or files an administrative application to request a waiver or reduction of the penalty, the OCD may, in its discretion, issue the amendment described in Ordering Paragraph 3.

Example A: Operator X enters into an agreed compliance order under which it agrees to bring 5 wells into compliance in a six-month period. At the end of the six-month period, Operator X has brought only 3 wells into compliance. Operator X pays the \$2000 penalty. The OCD exercises its discretion to issue an amendment extending the term of the agreed compliance order for an additional six-month period, again requiring Operator X to bring at least 5 wells into

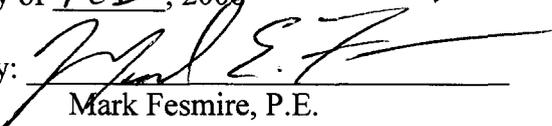
compliance. During this additional six-month period, Operator brings only one well into compliance. Operator X pays a \$4000 penalty. Although Operator X pays the \$4000 penalty, the OCD exercises its discretion and declines to issue an amendment to extend the terms of the agreed compliance order for an additional six-month period.

Example B: Operator Y enters into an agreed compliance order under which it agrees to bring 10 wells into compliance in a six-month period. Although Y has made arrangements for plugging the 10 wells, due to adverse weather conditions and mechanical difficulties with the available plugging rig, Y is able to plug only 3 wells. Y files an administrative application for hearing seeking to waive the \$7000 penalty, and serves the Enforcement and Compliance Manager with a copy of the application. The Enforcement and Compliance Manager does not concur with the application's request to waive the full amount of the penalty, so the application is set for hearing. The OCD exercises its discretion and issues an amendment to extend the terms of the agreed compliance order for an additional six-month period.

5. Thirty days after the expiration of the term of this Order and any amendments to this Order, any wells on Exhibit "A" and "B" not in compliance with OCD Rule 201 will appear on the inactive well list kept pursuant to OCD Rule 40.F.
6. By signing this Order, Operator expressly:
 - (a) acknowledges that the Findings and Conclusions set forth in this Order are correct based upon the OCD's records as they exist as of the date of the signing of this Order;
 - (b) agrees to return to compliance 8 of the 14 wells identified in Exhibits "A" and "B" by August 10, 2006, and agrees to comply with the compliance deadlines set by any amendments to this Order;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 2;
 - (d) agrees to pay penalties as set out in Ordering Paragraph 4 if it fails to return wells to compliance in accordance with the schedule set by this Order or any amendments to this Order;
 - (e) waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior to or subsequent to the entry of this Order or to an appeal from this Order, except as provided for in Paragraph 5; and
 - (f) agrees that the Order and amendments to 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 those wells identified in Exhibits "A" and "B." Other wells operated by Operator out of compliance with Rule 201 may be subject to immediate enforcement action under the Oil and Gas Act.

8. The Oil Conservation Division reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibits "A" and "B" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.
9. This Order is effective February 10, 2006.

Done at Santa Fe, New Mexico this 10th day of Feb, 2006

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division

ACCEPTANCE

Occidental Permian Limited Partnership hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Occidental Permian Limited Partnership

By: 

Greg Hardin

Title: Manager HES

Date: 2/9/06

EXHIBIT A
AGREED COMPLIANCE ORDER NO. _____
OCCIDENTAL PERMIAN LIMITED PARTNERSHIP #157984

NMOCD Inactive Well List 2/9/06

API	Well	U/STR	OCD Unit	Operator	Lease Type	Last Production	Formation - Notes	Status	Days TA	OXY Status
1	30-025-04310 GILLULLY FEDERAL GAS COM #007	O-24-20S-36E	O 157984	OCCIDENTAL PERMIAN LTD	F G	06/01/1999				2/4/06 Plugged and abandoned. Preparing paperwork
1	30-025-25866 GILLULLY FEDERAL GAS COM #015	E-24-20S-36E	E 157984	OCCIDENTAL PERMIAN LTD	F G	10/01/2000				2/2/06 Plugged and abandoned. Preparing paperwork
1	30-025-04751 STATE I COM #002	C-22-21S-36E	C 157984	OCCIDENTAL PERMIAN LTD	S G	05/01/2002				Plan to return to production. Waiting on rig.
1	30-025-12504 STATE A #001	G-32-18S-38E	G 157984	OCCIDENTAL PERMIAN LTD	S G	Jan-2005				
1	30-025-23919 NORTH HOBBS G/SA UNIT #111	D-29-18S-38E	D 157984	OCCIDENTAL PERMIAN LTD	F O	Apr-2000				Returned to production 12/14/05. Filed w/BLM 1/10/06. Forms Rec'd by OCD 1/11/06 and the form is in the on-line well file. Well test should be filed for December volumes.
1	30-025-07077 NORTH HOBBS G/SA UNIT #111	I-30-18S-38E	D 157984	OCCIDENTAL PERMIAN LTD	P I	Oct-1998	G-SA / CONV TO INJ			Converted to injection 10/05. Checking on well tests/ reporting status.
1	30-025-23007 NORTH HOBBS G/SA UNIT #121	E-32-18S-38E	E 157984	OCCIDENTAL PERMIAN LTD	P O	Jan-2005	GRAYBURG SAN ANDRES			
1	30-025-34869 NORTH HOBBS G/SA UNIT #623	K-29-18S-38E	K 157984	OCCIDENTAL PERMIAN LTD	S O	Dec-2004	SAN ANDRES			

Signed by: *Greg Hardin*
 Greg Hardin / Manager HES
 Date: 2/9/06

For: Occidental Permian Limited Partnership

EXHIBIT B
AGREED COMPLIANCE ORDER NO. _____
OCCIDENTAL PERMIAN LIMITED PARTNERSHIP #157984

NMOCD Inactive Well List 2/9/06

DAI	API	Well	VLSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation - Notes	Status	Days TA	YR TA	OXY Status
1	30-025-05476	NORTH HOBBS G/SA UNIT #121	E-24-18S-37E	E 157984	OCCIDENTAL PERMIAN LTD	OCCIDENTAL PERMIAN LTD	S	I	04/01/1994					Reactivated as an injection well in 2004. MIT current 1/16 OCD is entering revised injection data.
1	30-025-05484	NORTH HOBBS G/SA UNIT #131	L-24-18S-37E	L 157984	OCCIDENTAL PERMIAN LTD	OCCIDENTAL PERMIAN LTD	S	I	Sep-2004	CONV TO WTW 10-14-04				1/16 OCD is entering revised injection.
1	30-025-05539	NORTH HOBBS G/SA UNIT #411	A-36-18S-37E	A 157984	OCCIDENTAL PERMIAN LTD	OCCIDENTAL PERMIAN LTD	S	I	08/01/1995	GSA		0.0		Reactivated as an injection well in 2004. MIT Current 1/16. OCD is entering revised injection.
1	30-025-28878	NORTH HOBBS G/SA UNIT #442	P-13-18S-37E	P 157984	OCCIDENTAL PERMIAN LTD	OCCIDENTAL PERMIAN LTD	P	I	08/01/1993	GO-SA				Return to Injection well. 8/6/04 MIT Current 1/16. OCD is entering revised injection data.
1	30-025-29522	SOUTH HOBBS G/SA UNIT #209	D-8-19S-38E	D 157984	OCCIDENTAL PERMIAN LTD	OCCIDENTAL PERMIAN LTD	S	I	10/01/1992					Active injection well. 4/1/05 MIT Current 1/16. OCD is entering injection data.

1	30-025-25865	GILLULLY B FEDERAL RA A #018	A-21-20S-37E	A 157984	OCCIDENTAL PERMIAN LTD	OCCIDENTAL PERMIAN LTD	F	O	05/01/2001					0.0 OXY databases are being amended to reflect the correct well and pool status. Amended C-11's will be filed beginning when the well was reactivated.
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Signed by:



Greg Hardin / Manager HES

Date:

2/9/06

For:

Occidental Permian Limited Partnership