

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

NMOCD - ACOI 117-C

IN THE MATTER OF PALADIN ENERGY CORP.,

Respondent.

**THIRD AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 4 of Agreed Compliance Order 117 (“ACOI 117” or “Order”), the Director of the Oil Conservation Division (“OCD”) hereby amends that Order as follows:

FINDINGS

1. ACOI 117 required Paladin Energy Corp. (“Operator”) to return at least 4 of the wells identified in the Order to compliance with OCD Rule 201 by September 20, 2006 (the first period). Operator returned the following six wells to compliance in the first period:

- | | |
|----------------------------|--------------|
| • Howard Fleet #005 | 30-025-30855 |
| • Lowe #001 | 30-025-30702 |
| • New Mexico BH State #001 | 30-025-08007 |
| • State C #003 | 30-025-34239 |
| • WW Hamilton A #002 | 30-025-12485 |
| • WE Mathers A #002 | 30-025-01048 |

2. Because Operator met and exceeded its 4-well goal for the first 6-month period, the OCD amended the Order to extend its terms by 6 months, and required Operator to return 2 additional wells identified in the Order to compliance by March 20, 2007 to meet its 4-well goal for the second period.

3. Operator returned the following wells identified in the Order to compliance in the second period:

- | | |
|----------------------|--------------|
| • State ECC #001 | 30-025-00104 |
| • C.W. Robinson #001 | 30-025-00053 |

4. Because Operator met its 4-well goal for the second 6-month period, the OCD amended the Order to extend its terms by 6 months, and required Operator to return the final 2 wells identified in the Order to compliance by September 20, 2007 to meet its goal for the third period.

Paladin Energy Corp.

ACOI 117-C

Page 1 of 2

5. Operator reported that it returned the NM BH State #2 to production in the third six-month period, and that it is continuing to work on the NM C State #2 well, but has encountered mechanical problems. The production reports for the NM BH State #2 have not yet been filed.

CONCLUSIONS

1. Operator failed to meet its goal of returning 2 wells to compliance in the third period, and is subject to a penalty of \$2,000.

2. Operator has demonstrated good faith in its attempts to meet its goal for the third period, and the OCD should waive the \$2,000 penalty and amend the Order to extend its terms for a fourth six-month period.

ORDER

1. The OCD waives the \$2,000 penalty that would otherwise be due under the terms of the Order.

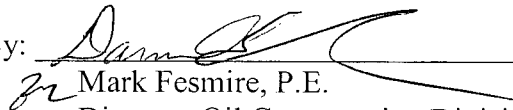
2. Operator shall return to compliance by March 20, 2008 the NM BH State #2 and the NM C State #2 wells.

2. Operator shall file a written compliance report identifying the well(s) it returned to compliance in the fourth period, and stating how the well(s) were returned to compliance (returned to production or other beneficial use; wellbore plugged; or placed on approved temporary abandonment status). The report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager so that it is received by March 20, 2008.

3. The terms of ACOI 117 otherwise remain in effect.

Done at Santa Fe, New Mexico this 18th day of October, 2007

By:



Mark Fesmire, P.E.

Director, Oil Conservation Division