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

NMOCD ACOI 185

IN THE MATTER OF CIMAREX ENERGY CO. OF COLORADO,

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 1227.E [19.15.14.1227(E) NMAC], the Director of the Oil Conservation Division ("OCD") and Cimarex Energy Co. of Colorado ("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 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 corporation doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 162683 for the wells identified in Exhibit "A," 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. 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 under OCD Rule 202 [19.15.4.202 NMAC]; and
 - (c) are not on approved temporary abandonment status under OCD Rule 203 [19.15.4.203 NMAC] or are on approved temporary abandonment status but that status will expire within the next six months.
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 and willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.
7. NMSA 1978, Section 70-2-33(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. The wells identified in Exhibit "A" are either out of compliance with Rule 201 [19.15.4.201 NMAC] or will fall out of compliance with Rule 201 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 Rule 201 [19.15.4.201 NMAC].
4. Operator is a "person" as defined by NMSA 1978, Section 70-2-33(A) 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 **three** of the wells identified in Exhibit "A" into compliance with OCD Rule 201 [19.15.4.201 NMAC] by September 1, 2008 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) [19.15.4.202(B)(2) NMAC] **and filing a C-103 describing the completed work;** or
- (c) placing the well on approved temporary abandonment status pursuant to OCD Rule 203 [19.15.4.203 NMAC].

The three wells brought into compliance by September 1, 2008 must include the following wells:

- **Skelly Penrose A Unit No. 59 (30-025-10679)**
 - **Skelly Penrose A Unit No. 30 (30-025-10614).**
2. 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 September 1, 2008.
 3. When the OCD receives a timely compliance report indicating that Operator has returned at least **three** wells to compliance by September 1, 2008, including the Skelly Penrose A Unit No. 30 and the Skelly Penrose A Unit No. 59, and verifies the accuracy of that report, and verifies that Operator is in compliance with OCD's financial assurance requirements, the OCD shall issue an amendment to this Order extending its terms for an additional six-month period, and requiring Operator to return **six** additional wells from Exhibit "A" to compliance. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 100.C [19.15.3.100(C) NMAC]. If, in any six-month period, Operator returns more wells to compliance than the number required under this Order for that six-month period, the wells in excess of the number required will count towards the Operator's requirements for the next six-month period.
 4. If Operator returns at least **six** wells to compliance in the second six-month period, files a timely compliance report and is in compliance with OCD's financial assurance requirements, OCD shall issue an amendment to this Order extending its term for a third six-month period, and require Operator to return at least **six** additional wells to compliance. If Operator returns at least **six** wells to compliance in the third six-month period, files a timely compliance report and is in compliance with the OCD's financial assurance requirements, OCD shall issue

an amendment to this Order extending its term for a fourth and final period not to exceed six months, and require Operator to return **six** additional wells to compliance. The total length of this Agreed Compliance Order, including the initial six-month period and any amendments, shall not exceed two years. At the end of two years, Operator and the OCD may negotiate a new agreed compliance order.

5. If Operator fails to bring the number of wells into compliance required in a period covered by this Order or amendments issued to this Order, or fails to bring both the Skelly Penrose A Unit No. 30 and the Skelly Penrose A Unit No. 59 to compliance by September 1, 2008, Operator agrees to pay a penalty of \$1000 times the number of wells it failed to bring into compliance under its schedule during the applicable period, subject to the terms of this Order. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its goal within any period covered by this Order or amendments issued to this Order, Operator may apply for a waiver or reduction of the penalty by making the request in writing to the OCD's Enforcement and Compliance Manager. If the Enforcement and Compliance Manager concurs with the Operator's request, the request for waiver or reduction of penalties may be granted administratively. If the Enforcement and Compliance Manager does not concur with the Operator's request or fails to respond within 10 days, the Operator may file an application for hearing on the request. Any application for hearing on a request for waiver or reduction of penalty must be filed within 30 days of the date the compliance report is due. Once Operator pays the penalty or applies for a waiver or reduction of the penalty, the OCD may, in its discretion, issue an amendment to this Order extending its terms for an additional six-month period.

Example A: Operator X enters into an agreed compliance order under which it agrees to bring 5 wells into compliance in each period. At the end of the first 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 a second six-month period, again requiring Operator X to bring at least 5 wells into compliance. During the second 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 a third six-month period.

Example B: Operator Y enters into an agreed compliance order under which it agrees to bring 10 wells into compliance in each 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 applies for a waiver of the \$7000 penalty. The Enforcement and Compliance Manager does not agree to waive the full amount of the penalty, and the Operator files an application for hearing on the request for waiver of penalty. While the application is pending, the OCD exercises its discretion and issues an

amendment to extend the terms of the agreed compliance order for a second period.

6. Thirty days after the compliance deadline set by this Order or any amendments to this Order, any wells on Exhibit "A" not in compliance with OCD Rule 201 [19.15.4.201 NMAC] still operated by Operator will appear on the Operator's inactive well list kept pursuant to OCD Rule 40.F [19.15.1.40(F) NMAC].
7. 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 3 of the wells identified in Exhibit "A" by September 1, 2008 (including in the 3 the Skelly Penrose A Unit No. 30 and the Skelly Penrose A Unit No. 59), 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 by the compliance deadline set by any amendments to this Order;
 - (d) agrees to pay penalties as set out in and limited by Ordering Paragraph 5 if it fails to return the required number of wells to compliance under the deadlines set by this Order or any amendments to this Order;
 - (e) 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 other than a hearing on a request for waiver or reduction of penalties; 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.
8. This Order applies only to the enforcement of OCD Rule 201 [19.15.4.201 NMAC] against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 201 [19.15.4.201 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 Rule 201 [19.15.4.201 NMAC] may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.
9. 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 28th day of February 2008

By: Mark Fesmire
Mark Fesmire, P.E.
Director, Oil Conservation Division

ACCEPTANCE

Cimarex Energy Co. of Colorado hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Cimarex Energy Co. of Colorado

By: Stephen P. Bell
(Please print name) Stephen P. Bell
Title: Senior Vice President
Date: 2/22/2008

Exhibit A to Agreed Compliance Order for Cimarex Energy Co. of Colorado

District	API	Well	Operator	Lease Type	Well Type	Last Production	TA Exp Date
2	30-015-25718	BENSON 3 FEDERAL #001	CIMAREX ENERGY CO. OF COLORADO	F	G	04/2000	
1	30-025-31218	BONDURANT FEDERAL #003	CIMAREX ENERGY CO. OF COLORADO	F	O	11/1999	2/28/2005
1	30-025-05966	BRITT A #001	CIMAREX ENERGY CO. OF COLORADO	F	O	07/1981	5/20/2000
1	30-025-11790	CARLSON #002	CIMAREX ENERGY CO. OF COLORADO	F	O	06/1999	4/24/2005
1	30-025-25399	CITGO LM STATE #001	CIMAREX ENERGY CO. OF COLORADO	S	G	02/2003	
1	30-025-08716	COLEMAN #001	CIMAREX ENERGY CO. OF COLORADO	P	G	10/2002	
1	30-025-11006	COURTLAND	CIMAREX	F	G	06/1998	

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		MYERS #002	ENERGY CO. OF COLORADO				
1	30-025-25600	D B BOREN #003	CIMAREX ENERGY CO. OF COLORADO	P	O	11/1993	
2	30-015-23464	EMPIRE 20 FEDERAL #001	CIMAREX ENERGY CO. OF COLORADO	F	G	02/2004	
2	30-015-23102	EMPIRE FEDERAL COM #001	CIMAREX ENERGY CO. OF COLORADO	F	G	05/2001	
1	30-025-24098	HUMBLE A STATE #001	CIMAREX ENERGY CO. OF COLORADO	S	G	06/2003	
1	30-025-09552	J W COOPER A #003	CIMAREX ENERGY CO. OF COLORADO	P	G	06/2001	
1	30-025-36524	KAREN 1 STATE #002	CIMAREX ENERGY CO. OF COLORADO	S	O	07/2004	
1	30-025-02775	LEA A STATE #002	CIMAREX ENERGY CO. OF COLORADO	S	O	12/2003	
1	30-025-02777	LEA A STATE #004	CIMAREX ENERGY CO. OF COLORADO	S	O	07/2004	
	30-025-28165	LEA AQ STATE 1					
1	30-025-34031	LUSK WEST DELAWARE UNIT #016	CIMAREX ENERGY CO. OF COLORADO	F	O	09/2000	5/13/2005
	30-025-33589	MALLON 34 FEDERAL #015					

1	30-025-32782	MALLON 34 FEDERAL #007	CIMAREX ENERGY CO. OF COLORADO	F	O	10/1998	6/9/2002
1	30-025-32785	MALLON 34 FEDERAL #010	CIMAREX ENERGY CO. OF COLORADO	F	O	03/2006	6/9/2002
2	30-015-29371	MALLON PECOS RIVER 28 FEDERAL #001	CIMAREX ENERGY CO. OF COLORADO	F	O	05/2000	10/9/2003
1	30-025-23503	MESCALERO RIDGE UNIT #003	CIMAREX ENERGY CO. OF COLORADO	F	O	11/2004	
1	30-025-30985	MITCHELL 16 STATE #003	CIMAREX ENERGY CO. OF COLORADO	S	O	10/1991	
1	30-025-12024	MOBERLY C #003	CIMAREX ENERGY CO. OF COLORADO	F	I	04/1997	8/31/2006
1	30-025-12027	MOBERLY RHODES WF PROJECT #009	CIMAREX ENERGY CO. OF COLORADO	F	I	04/1997	8/31/2006
2	30-015-05664	MONTEREY B STATE #003	CIMAREX ENERGY CO. OF COLORADO	S	O	07/1986	8/8/2006
2	30-015-05659	MONTEREY STATE #001	CIMAREX ENERGY CO. OF COLORADO	S	O	11/1988	8/8/2006
2	30-015-10195	MONTEREY STATE #005	CIMAREX ENERGY CO. OF COLORADO	S	I	12/1992	8/1/2006
1	30-025-27661	NEW MEXICO DA STATE #002	CIMAREX ENERGY CO. OF COLORADO	S	G	05/2006	
2	30-015-10492	NEW MEXICO Y STATE #004	CIMAREX ENERGY CO. OF COLORADO	S	O	04/1986	8/8/2006

2	30-015-26374	NORTH SHUGART FEDERAL #001	CIMAREX ENERGY CO. OF COLORADO	F	G	11/2003	
2	30-015-22309	PALMILLO STATE COM #001	CIMAREX ENERGY CO. OF COLORADO	S	G	01/2006	
2	30-015-23818	PARKWAY C STATE COM #001	CIMAREX ENERGY CO. OF COLORADO	S	O	04/2004	1/22/2004
1	30-025-25913	PIPELINE DEEP UNIT FEDERAL #004	CIMAREX ENERGY CO. OF COLORADO	F	G	02/1990	2/10/2005
1	30-025-11948	RHODES FEDERAL UNIT #042	CIMAREX ENERGY CO. OF COLORADO	F	O	04/1986	1/14/2006
1	30-025-11967	RHODES FEDERAL UNIT #091	CIMAREX ENERGY CO. OF COLORADO	F	G	08/2003	
1	30-025-12031	RHODES FEDERAL UNIT #211	CIMAREX ENERGY CO. OF COLORADO	F	G	03/1999	
1	30-025-33205	RHODES FEDERAL UNIT #265	CIMAREX ENERGY CO. OF COLORADO	F	G	03/1999	
1	30-025-33248	RHODES FEDERAL UNIT #271	CIMAREX ENERGY CO. OF COLORADO	F	G	02/1997	
1	30-025-22261	ROCK ISLAND B STATE #001	CIMAREX ENERGY CO. OF COLORADO	S	O	07/2003	
2	30-015-24822	ROY RENFRO #001	CIMAREX ENERGY CO. OF COLORADO	P	O	02/1999	2/2/2004
1	30-025-06315	SHELL STATE #006	CIMAREX ENERGY CO. OF COLORADO	S	G	04/2004	
2	30-015-05630	SHUGART	CIMAREX	F	O	06/2003	8/1/2006

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ENERGY CO.
OF
COLORADO

1	30-025-10559	SKELLY PENROSE A UNIT #007	CIMAREX ENERGY CO. OF COLORADO	P	O	02/2005	
1	30-025-10616	SKELLY PENROSE A UNIT #032	CIMAREX ENERGY CO. OF COLORADO	F	I	12/1992	2/15/2003
1	30-025-10623	SKELLY PENROSE A UNIT #033	CIMAREX ENERGY CO. OF COLORADO	P	O	10/1991	6/4/1997
1	30-025-10596	SKELLY PENROSE A UNIT #038	CIMAREX ENERGY CO. OF COLORADO	P	O	01/2002	2/21/2006
1	30-025-10599	SKELLY PENROSE A UNIT #040	CIMAREX ENERGY CO. OF COLORADO	P	I	10/2000	2/21/2006
1	30-025-10698	SKELLY PENROSE A UNIT #053	CIMAREX ENERGY CO. OF COLORADO	F	I	06/1996	
1	30-025-10701	SKELLY PENROSE A UNIT #055	CIMAREX ENERGY CO. OF COLORADO	F	I	02/1995	2/15/2003
2	30-015-23041	STATE 14 A COM #001	CIMAREX ENERGY CO. OF COLORADO	S	G	02/2001	
1	30-025-30095	STATE 2	CIMAREX	F	O	05/2002	

		#001	ENERGY CO. OF COLORADO			
1	30-025-32024	STATE A-20 #003	CIMAREX ENERGY CO. OF COLORADO	S	G	02/1999
1	30-025-28174	STATE LF 32 #001	CIMAREX ENERGY CO. OF COLORADO	S	G	01/1996
1	30-025-01276	STATE LG 26 #001	CIMAREX ENERGY CO. OF COLORADO	S	O	07/1989
	30-015-22395	SUPERIOR FEDERAL #004				
1	30-025-11034	TOBY #002	CIMAREX ENERGY CO. OF COLORADO	P	G	08/1998
2	30-015-30870	WEST SHUGART 29 FEDERAL #004	CIMAREX ENERGY CO. OF COLORADO	F	O	11/2000
	30-025-11059	Hodge #003				
	30-025-22366	Hudson Brown 29 Federal #001				
	30-025-34309	New Mexico L 61 State #002				
	30-015-22326	Pennzoil 10 Federal #002				
	30-015-29764	Wadi 15 Federal #001				
	30-015-29818	Wadi 9 Federal #002				
	30-025-27070	Pennzoil Ridge Com #001				
	30-025-06192	State A20 #2				
	30-025-10614	Skelly Penrose A Unit No. 30				
	30-025-10679	Skelly Penrose A Unit No. 59				

Cimarex Energy Co. of Colorado

By: 

Title: Sean Lee Penrose

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