

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

2006 JUN 8 AM 11 49

NMOCD-ACOI-132

IN THE MATTER OF WILLOW CREEK RESOURCES, INC.
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, (the Act) the Director of the Oil Conservation Division (OCD) and Willow Creek Resources, Inc. (Operator) enter into this Agreed Compliance Order pursuant to which Operator agrees to bring the well 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 provided in this order.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and of rules and orders adopted pursuant to the Act.
2. Operator is a corporation doing business in New Mexico and has been assigned OGRID 25265.
3. Operator is the operator of record of the Maudie Rickman Well No. 1 (API No. 30-015-21064) in Eddy County, New Mexico (the subject well).
4. OCD Rule 201 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 injections 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.

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OCD Exhibit No. 6

5. The subject well has been inactive for a continuous period of more than one year plus ninety days and has not been plugged or placed in approved temporary abandonment status.
6. NMSA 1978, Section 70-2-31(A) authorizes 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 Act or any rule or order adopted pursuant to the Act.
7. NMSA 1978, Section 70-2-3(A) defines the word "person" as including a corporation.

CONCLUSIONS

1. The OCD has jurisdiction of the parties and subject matter of this proceeding.
2. The subject well is out of compliance with Rule 201.
3. As operator of the subject well, Operator is responsible for bringing the well into compliance with Rule 201.
4. Operator is a person as defined in NMSA 1978 Section 70-2-3(A) and may be subject to civil penalties for knowing and willful violations of the Act or rules or orders adopted pursuant to the Act.

ORDER

1. Operator agrees to bring the subject well into compliance with OCD Rule 201 by November 30, 2006 by:
 - (a) causing the wellbore to be plugged in accordance with OCD Rule 202.B(2) and an OCD-approved plugging procedure, and filing a Form C-103 describing the completed work;
 - (b) restoring the well to production or other OCD-approved beneficial use, and filing a Form C-115 documenting such production or use; or
 - (c) placing the well in approved temporary abandonment status pursuant to OCD Rule 203.
2. If Operator fails to bring the subject well into compliance by November 30, 2006, Operator agrees to pay a penalty of \$1,000. If Operator encounters unanticipated circumstances that prevent it from bringing the subject well into compliance by November 30, 2006, Operator may file an administrative application with OCD to request a waiver or reduction of the penalty, and an amendment extending the terms of this order

for a period not to exceed six months. Operator shall mail or deliver a copy of such application to the OCD's Enforcement and Compliance Manager in the OCD's Santa Fe office. If the Enforcement and Compliance Manager concurs with the Operator's request, the application may be granted administratively. Otherwise, the application shall be set for a hearing before an OCD hearing examiner.

3. If the subject well is not returned to compliance by the date specified in this order (or in any amendment to this order issued pursuant to Ordering Paragraph 2), then the subject well shall again appear on the inactive well list maintained pursuant to OCD Rule 40.F.
4. By signing this order, Operator expressly:
 - (a) acknowledges the correctness of the findings and conclusions set forth in this order;
 - (b) agrees to return the subject well to compliance by November 30, 2006, or if an amendment is issued pursuant to Ordering Paragraph 2, by the deadline provided in such amendment.
 - (c) agrees to pay the penalty provided in Ordering Paragraph 2 if it fails to comply with clause (b) of this Ordering Paragraph 4;
 - (d) waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order; and
 - (e) agrees that this 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 Act, or alternatively may be enforced by any means available for enforcement of contracts.
5. The OCD reserves the right to file an application for a hearing to obtain authority to plug the subject well and forfeit any applicable financial assurance prior to the deadline for compliance provided in this Order if the well poses an immediate danger to the environment.

Done at Santa Fe, New Mexico this 5 day of June, 2006

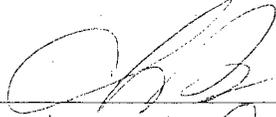
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P.E.
Director

ACCEPTANCE

Willow Creek Resources, Inc. hereby accepts the foregoing order, and agrees to all of the terms and provisions therein set forth.

Willow Creek Resources, Inc.

By: 
(Please print name.) Chris Pickett
Title: Production Manager
Date June 5, 2006