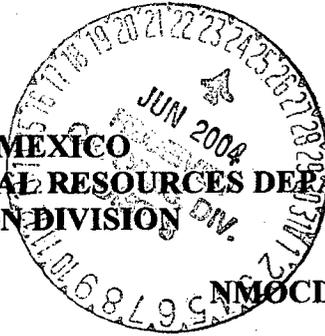


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



NMOCD - OGA 04-15

IN THE MATTER OF HART OIL AND GAS 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 ("Act"), the Director of the Oil Conservation Division ("OCD") and HART OIL AND GAS INC. ("Operator") enter into this Order under which Operator agrees that the wells identified herein shall be brought 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. Operator is the operator of record for the wells identified in Exhibit "A," attached.
4. The wells identified in Exhibit "A":
 - a. have been continuously inactive for a period of one year plus ninety days;
 - b. are not properly plugged and abandoned under OCD Rule 202 [19.15.4.202 NMAC]; and
 - c. have not been placed on temporary abandonment status under OCD Rule 203 [19.15.4.203 NMAC].
5. OCD Rule 201 [19.15.4.201 NMAC] states, in relevant part:
 - "A. The operator of any well drilled for oil, gas or injection; for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof.
 - B. A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within ninety (90) days after:

....
(3) a period of one (1) year in which a well has been continuously inactive.”

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. OCD Rule 7.P (2) [19.15.1.7.P (2) NMAC] defines “person” as
“. . . an individual or any other entity including partnerships, corporation, associations, responsible business or association agents or officers, the state or a political subdivision of the state or any agency, department or instrumentality of the United States and any of its officers, agents or employees.”

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. As operator of the wells identified in Exhibit “A,” Operator is responsible for bringing those wells into compliance with Rule 201.
3. Operator is a “person” as defined by OCD Rule 7.P (19.15.1.7.P NMAC) 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 is hereby directed to bring each of the wells identified in Exhibit “A” into compliance with OCD Rule 201 no later than September 30, 2004, by either:
 - (a) restoring such well to production or other OCD-approved beneficial use;
 - (b) causing the well to be plugged and abandoned in accordance with OCD Rule 202; or
 - (c) securing OCD approval for temporary abandonment of the well in accordance with OCD Rule 203.
2. Operator shall, beginning with the month of May, bring a minimum of four (4) of the wells identified in Exhibit “A” per calendar month into compliance with Rule 201. If more than four (4) wells are brought into compliance during any month, the wells in excess of the number agreed to herein shall be credited to Operator’s obligation hereunder for succeeding months, provided that all of the wells identified in Exhibit “A” shall be brought into compliance by September 30, 2004, according to the following schedule (hereinafter “schedule”):

<u>Date:</u>	<u>Minimum Number of Wells from Exhibit "A"</u>	
		<u>Brought into Compliance:</u>
last day of	May	4
	June	8
	July	12
	August	16
	September	18

final date: September 30, 2004

A well shall be considered in compliance when Operator has completed all of the acts necessary under the appropriate OCD rules to bring the well into compliance, and filed all necessary reports with the appropriate district office of the OCD, and when:

- (a) in the case of a well to be restored to production or other beneficial use, actual production or other beneficial use has commenced;
 - (b) in the case of a well to be plugged and abandoned under Rule 202, Operator has contacted the appropriate district office to arrange for a final inspection of the well and location; or
 - (c) in the case of a well to be temporarily abandoned under Rule 203, the well has successfully passed the mechanical integrity test required under Rule 203 and Operator has filed the request for temporary abandonment with the appropriate district office.
3. Operator shall file a written compliance report with the appropriate district office, and send a copy to the OCD's attorney, by the 10th day of each month starting with June 2004 listing the wells identified in Exhibit "A" that it has brought into compliance. For each well listed, the Operator shall indicate the date the well was brought into compliance, and whether the well was restored to production or other beneficial use, plugged and abandoned under Rule 202, or temporarily abandoned under Rule 203. Operator shall file monthly compliance reports until all wells identified in Exhibit "A" have been brought into compliance. If, at any time, the OCD determines that a well identified as compliant in the Operator's compliance report is not in compliance with the applicable OCD rules, the OCD shall promptly notify the Operator. Wells determined by the OCD to be out of compliance with applicable OCD rules shall not be credited toward the Operator's obligations under this Order until they are brought into compliance.
4. If, at the end of any month, the total number of wells the Operator has brought into compliance is less than the number required under the schedule, Operator shall have a one-month grace period in which to become current. If, at the end of that one-month grace period, Operator has not brought into compliance the number of wells required under the schedule, Operator shall pay a penalty of \$1000 times the number of wells it is short of the total required for the current month. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to

the appropriate district office with the next month's report. Penalties are calculated, and payable, each month.

Example A: ABC Company's agreed compliance order requires it to bring a minimum of 6 wells into compliance each month. ABC Company meets or exceeds its obligations in months 1-4. The agreed schedule calls for a total of 30 wells to be brought into compliance by the end of month 5. But at the end of month 5, ABC Company is two wells behind schedule with a total of 28 wells brought into compliance. ABC Company will have a one-month grace period in which to become current. At the end of month 6, however, ABC Company has brought a total of 35 wells into compliance, one well short of the 36 required by the schedule. ABC Company must pay a penalty of \$1000 when it files its report for month 6. At the end of month 7, ABC Company is 4 wells short of the 42 required by the schedule. ABC Company must pay a penalty of \$4000 when it files its report for month 7.

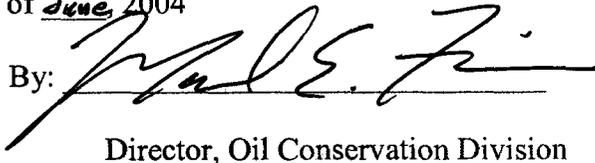
Example B: XYZ Company's agreed compliance order requires it to bring a minimum of 5 wells into compliance each month. XYZ Company files compliance reports each month indicating that it is meeting its agreed schedule. In month 3, the OCD inspects the site of one of the wells listed as "plugged and abandoned" in XYZ Company's compliance report for month 1, and determines that the well has not been properly plugged and abandoned under 19.15.4.202.B(3) because the location has not been leveled and rusted equipment remains at the site. Because the well is not in compliance, it will not count towards fulfilling XYZ Company's obligations under the schedule. XYZ Company will be responsible for calculating, and paying, any additional penalties that apply.

5. If Operator fails to bring all the wells identified in Exhibit "A" into compliance by September 30, 2004, Operator shall pay a penalty of \$2000 per well for each full month the well remains out of compliance after that date. No grace period applies. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the appropriate district office with the next month's report. Penalties are calculated, and payable, each month.
6. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to bring the wells identified in Exhibit "A" into compliance with Rule 201 under the schedule set out in Ordering Paragraph (2);
 - (c) agrees to file monthly compliance reports as required in Ordering Paragraph (3);
 - (d) agrees to pay penalties as set out in Ordering Paragraphs (4) and (5) if it fails to meet the schedule set out in Ordering Paragraph (2);

- (e) 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
- (f) agrees that the Order may be enforced by Division or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the Division 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 Exhibit "A." Other wells operated by Operator out of compliance with Rule 201 may be subject to immediate enforcement action under the Oil and Gas Act.

Done at Santa Fe, New Mexico this 21st day of June, 2004

By: 
Director, Oil Conservation Division

ACCEPTANCE

HART OIL AND GAS INC. hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

HART OIL AND GAS INC.

By:



Andy Saied

Title:

President

Date:

5-18-04

30-045-11477	O	03-2001	NAVAJO AA #006	HART OIL C-18-32N-17W	C	980N	2137W	*16M
30-045-20709	O	01-2002	NAVAJO AA #008Y	HART OIL M-17-32N-17W	M	860S	830W	*16M
30-045-20797	O	06-2001	NAVAJO AA #019	HART OIL B-19-32N-17W	B	500N	2105E	*16M
30-045-21669	G	02-2002	NAVAJO AA #022	HART OIL N-17-32N-17W	N	330S	1650W	*16M
30-045-10975	O	02-2002	NAVAJO TRIBE OF IND F #001	HART OIL D-10-31N-17W	D	990N	990W	*16M
30-045-11040	O	02-2002	NAVAJO TRIBE OF IND F #131	HART OIL N-03-31N-17W	N	660S	1980W	*16M
30-045-11048	I	09-2002	NAVAJO TRIBE OF IND F #132	HART OIL L-03-31N-17W	L	1980S	660W	*16M
30-045-10987	I	02-2002	NAVAJO TRIBE OF IND F #133	HART OIL D-09-31N-17W	D	660N	660W	*16M
30-045-23961	O	02-2002	NAVAJO TRIBE OF IND F #148	HART OIL B-09-31N-17W	B	1200N	1410E	*16M
30-045-24708	O	02-2002	NAVAJO TRIBE OF IND F #153	HART OIL K-10-31N-17W	K	1330S	1330W	*16M
30-045-25415	O	02-2002	NAVAJO TRIBE OF IND F #155	HART OIL H-09-31N-17W	H	2630N	10E	*16M
30-045-25771	O	02-2002	NAVAJO TRIBE OF IND F #158	HART OIL F-04-31N-17W	F	1330N	2630W	*16M
30-045-25772	O	02-2002	NAVAJO TRIBE OF IND F #159	HART OIL K-04-31N-17W	K	2630S	1330W	*16M
30-045-25780	O	02-2002	NAVAJO TRIBE OF IND F #166	HART OIL L-10-31N-17W	L	1330S	10W	*16M
30-045-10887	I	04-2002	NAVAJO TRIBE OF IND G #204	HART OIL M-11-31N-17W	M	660S	660W	*16M
30-045-10941	I	02-2002	NAVAJO TRIBE OF IND G #206	HART OIL E-11-31N-17W	E	2300N	660W	*16M
30-045-11086	I	02-2002	NAVAJO TRIBE OF IND G #218	HART OIL H-02-31N-17W	H	1980N	660E	*16M
30-045-11121	O	03-2002	NAVAJO TRIBE OF IND M #304	HART OIL A-05-31N-17W	A	330N	330E	*16M