

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

NMOCD – ACOI- 103

**IN THE MATTER OF BP AMERICA PRODUCTION COMPANY,**

**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 BP America Production Company ("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 corporation doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 778 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" 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.
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. The wells identified in Exhibit "A" 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 Exhibit "A," 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 11 of the wells identified in Exhibit "A" 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;
  - (c) placing the well on approved temporary abandonment status pursuant to OCD Rule 203.

Transfer of a well identified on Exhibit "A" to another operator does not count towards Operator's obligation to return 11 wells to compliance under the terms of

this Order but will reduce the number of wells for which Operator is responsible under 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 11 wells to compliance and verifies the accuracy of that report, the OCD shall issue an amendment to this Order extending its terms for an additional six-month period. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 100.C. If, in any six-month period, Operator returns more than 11 wells to compliance, the wells in excess of the number required will count towards the Operator's requirements for the next six-month period.
4. If Operator continues to return wells to compliance at a rate of at least 11 wells each six-month period, OCD shall continue to issue amendments to this Order extending its term for an additional six-month period. 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 at least 11 wells into compliance in any six-month period covered by this Order or amendments issued to this Order, and wells identified in Exhibit "A" remain out of compliance and operated by Operator, Operator agrees to pay a penalty equal to \$1000 times the number of wells it failed to bring into compliance under its schedule during the applicable six month period. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its 11-well goal, 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. Once Operator pays the penalty or files an administrative application to request a waiver or reduction of the penalty, the OCD may, after the exercise of reasonable 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 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

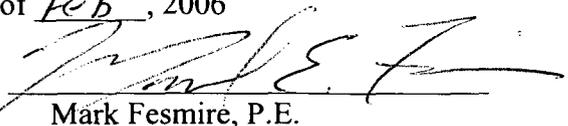
amendment extending the term of the agreed compliance order for an additional six-month period, again requiring Operator X to bring at least 5 wells into compliance. During this additional six-month period, Operator brings only one well into compliance. Operator X pays a \$4000 penalty. Although Operator 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.

6. Thirty days after the expiration of the term of this Order and any amendments to this Order, any wells on Exhibit "A" not in compliance with OCD Rule 201 will appear on the inactive well list kept pursuant to OCD Rule 40.F.
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 11 of the wells identified in Exhibit "A" 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 and the deadline set by any amendments to this Order;
  - (d) agrees to pay penalties as set out in Ordering Paragraph 5 if it fails to return 11 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 a hearing either prior to or subsequent to the entry of this Order or to an appeal from this Order except as set forth in this Order; 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 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.
9. The Oil Conservation Division 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.
10. This Order is effective February 10, 2006.

Done at Santa Fe, New Mexico this 17<sup>th</sup> day of Feb, 2006

By: 

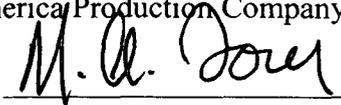
Mark Fesmire, P.E.

Director, Oil Conservation Division

#### ACCEPTANCE

BP America Production Company hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

BP America Production Company

By: 

M. A. Toner

Title: Asset Manager – Permian Basin

Date: February 6, 2006

**EXHIBIT "A"**  
**to Agreed Compliance Order for BP America Production Company**

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes
2	30-015-00703	EMPIRE ABO UNIT #017A	L-1-18S-27E	L	778	BP AMERICA PRODUCTION COMPANY	F	O	Dec-2002	
2	30-015-00710	EMPIRE ABO UNIT #018C	3-1-18S-27E	C	778	BP AMERICA PRODUCTION COMPANY	F	O	Jul-2004	
2	30-015-00719	RIVERWOLF UNIT #005	3-2-18S-27E	C	778	BP AMERICA PRODUCTION COMPANY	S	O	Aug-2005	ABO
2	30-015-00741	EMPIRE ABO UNIT #015B	G-2-18S-27E	G	778	BP AMERICA PRODUCTION COMPANY	S	O	Mar-2005	
2	30-015-00898	EMPIRE ABO UNIT #009G	D-15-18S-27E	D	778	BP AMERICA PRODUCTION COMPANY	F	O	Aug-2005	
2	30-015-00900	EMPIRE ABO UNIT #006D	C-16-18S-27E	C	778	BP AMERICA PRODUCTION COMPANY	S	O	Oct-2005	
2	30-015-00908	EMPIRE ABO UNIT #007G	B-16-18S-27E	B	778	BP AMERICA PRODUCTION COMPANY	S	O	Apr-2003	
2	30-015-00912	EMPIRE ABO UNIT #008G	A-16-18S-27E	A	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2005	
2	30-015-01646	EMPIRE ABO UNIT #022A	N-31-17S-28E	N	778	BP AMERICA PRODUCTION COMPANY	S	O	Oct-2003	
2	30-015-01660	EMPIRE ABO UNIT #025	M-32-17S-28E	M	778	BP AMERICA PRODUCTION COMPANY	S	O	Feb-2004	
2	30-015-01669	EMPIRE ABO UNIT #028C	I-32-17S-28E	I	778	BP AMERICA PRODUCTION COMPANY	S	O	Dec-2004	
2	30-015-01690	WASHINGTON 33 STATE #025	N-33-17S-28E	N	778	BP AMERICA PRODUCTION COMPANY	S	O	Oct-2005	
2	30-015-02604	EMPIRE ABO UNIT #028E	1-5-18S-28E	A	778	BP AMERICA PRODUCTION COMPANY	S	O	Jan-2005	
2	30-015-02605	EMPIRE ABO UNIT #027E	2-5-18S-28E	B	778	BP AMERICA PRODUCTION COMPANY	S	O	Jul-2004	
2	30-015-02628	EMPIRE ABO UNIT #023D	J-6-18S-28E	J	778	BP AMERICA PRODUCTION COMPANY	S	O	Nov-2000	
2	30-015-21541	EMPIRE ABO UNIT #291	M-33-17S-28E	M	778	BP AMERICA PRODUCTION COMPANY	S	O	Mar-2005	
2	30-015-21736	EMPIRE ABO UNIT #211A	2-5-18S-28E	B	778	BP AMERICA PRODUCTION COMPANY	S	O	Dec-2002	
2	30-015-21737	EMPIRE ABO UNIT #232	G-6-18S-28E	G	778	BP AMERICA PRODUCTION COMPANY	S	O	May-2004	
2	30-015-21783	EMPIRE ABO UNIT #202	H-1-18S-27E	H	778	BP AMERICA PRODUCTION COMPANY	F	O	Sep-2003	
2	30-015-21963	EMPIRE ABO UNIT #361A	H-34-17S-28E	H	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2005	
2	30-015-22010	EMPIRE ABO UNIT #293	M-33-17S-28E	M	778	BP AMERICA PRODUCTION COMPANY	S	O	Mar-2005	
2	30-015-22051	EMPIRE ABO UNIT #141A	K-2-18S-27E	K	778	BP AMERICA PRODUCTION COMPANY	S	O	Oct-2005	
2	30-015-22062	EMPIRE ABO UNIT #121	P-3-18S-27E	P	778	BP AMERICA PRODUCTION COMPANY	S	O	Jun-2005	
2	30-015-22227	EMPIRE ABO UNIT #341A	F-34-17S-28E	F	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2005	
2	30-015-22464	WASHINGTON 33 STATE #026	N-33-17S-28E	N	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2005	
2	30-015-22526	EMPIRE ABO UNIT #272A	2-5-18S-28E	B	778	BP AMERICA PRODUCTION COMPANY	S	O	Mar-2005	
2	30-015-22597	EMPIRE ABO UNIT #281	P-32-17S-28E	P	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2003	
2	30-015-22607	EMPIRE ABO UNIT #291B	4-4-18S-28E	D	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2004	
2	30-015-22628	EMPIRE ABO UNIT #352F	G-34-17S-28E	G	778	BP AMERICA PRODUCTION COMPANY	S	O	Jul-2005	
2	30-015-22630	EMPIRE ABO UNIT #362	H-34-17S-28E	H	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2005	
2	30-015-22657	EMPIRE ABO UNIT #193	J-1-18S-27E	J	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2003	
2	30-015-22815	EMPIRE ABO UNIT #171	M-1-18S-27E	M	778	BP AMERICA PRODUCTION COMPANY	F	O	Feb-2005	
2	30-015-22821	WASHINGTON 33 STATE #017	J-33-17S-28E	J	778	BP AMERICA PRODUCTION COMPANY	S	O	Aug-2005	
2	30-015-23547	EMPIRE ABO UNIT #241	H-6-18S-28E	H	778	BP AMERICA PRODUCTION COMPANY	S	O	Mar-2005	
2	30-015-23548	EMPIRE ABO UNIT #211A	6-6-18S-28E	L	778	BP AMERICA PRODUCTION COMPANY	S	O	Jan-2005	
2	30-015-29450	HAMMOND 17 FEDERAL COM #001	J-17-18S-27E	J	778	BP AMERICA PRODUCTION COMPANY	F	G	Jul-2004	RED LAKE
2	30-015-30224	LITTLE BOX STATE #002	N-36-20S-21E	N	778	BP AMERICA PRODUCTION COMPANY	S	G	May-2005	MORROW
2	30-015-30348	WASHINGTON 33 STATE #012	G-33-17S-28E	G	778	BP AMERICA PRODUCTION COMPANY	S	O	Oct-2004	YESO
2	30-015-30842	B & C 25 FEDERAL #001	M-25-20S-21E	M	778	BP AMERICA PRODUCTION COMPANY	F	G	Mar-2004	MORROW
2	30-015-31566	JAGUAR 26 FEDERAL #001	A-26-20S-21E	A	778	BP AMERICA PRODUCTION COMPANY	F	G	Oct-2005	LITTLE BOX CANYON MORROW
2	30-015-32196	WEST BRUSHY 4 FEDERAL #003	C-4-26S-29E	C	778	BP AMERICA PRODUCTION COMPANY	F	O	Dec-2004	BRUSHY DRAW DELAWARE
2	30-015-32271	SPARKPLUG RIDGE 17 FEDERAL COM #001	G-17-18S-27E	G	778	BP AMERICA PRODUCTION COMPANY	F	O	Jan-2004	RED LAKE GLOYESO

BP America Production Co.

By: M. A. Jolley

Title: Asset Manager - Permian Basin

Date: February 6, 2006

EXHIBIT "A"  
to Agreed Compliance Order for BP America Production Company

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2	30-015-00719	RIVERWOLF UNIT #005	3-2-18S-27E	C	778	BP AMERICA PRODUCTION COMPANY	S	O	Aug-2005	ABO
2	30-015-00741	EMPIRE ABO UNIT #015B	G-2-18S-27E	G	778	BP AMERICA PRODUCTION COMPANY	S	O	Mar-2005	
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2	30-015-00900	EMPIRE ABO UNIT #006D	C-16-18S-27E	C	778	BP AMERICA PRODUCTION COMPANY	S	O	Oct-2005	
2	30-015-00908	EMPIRE ABO UNIT #007G	B-16-18S-27E	B	778	BP AMERICA PRODUCTION COMPANY	S	O	Apr-2003	
2	30-015-00912	EMPIRE ABO UNIT #008G	A-16-18S-27E	A	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2005	
2	30-015-01646	EMPIRE ABO UNIT #022A	N-31-17S-28E	N	778	BP AMERICA PRODUCTION COMPANY	S	O	Oct-2003	
2	30-015-01660	EMPIRE ABO UNIT #025	M-32-17S-28E	M	778	BP AMERICA PRODUCTION COMPANY	S	O	Feb-2004	
2	30-015-01669	EMPIRE ABO UNIT #028C	I-32-17S-28E	I	778	BP AMERICA PRODUCTION COMPANY	S	O	Dec-2004	
2	30-015-01690	WASHINGTON 33 STATE #025	N-33-17S-28E	N	778	BP AMERICA PRODUCTION COMPANY	S	O	Oct-2005	
2	30-015-02804	EMPIRE ABO UNIT #028E	1-5-18S-28E	A	778	BP AMERICA PRODUCTION COMPANY	S	O	Jan-2005	
2	30-015-02805	EMPIRE ABO UNIT #027E	2-5-18S-28E	B	778	BP AMERICA PRODUCTION COMPANY	S	O	Jul-2004	
2	30-015-02828	EMPIRE ABO UNIT #023D	J-6-18S-28E	J	778	BP AMERICA PRODUCTION COMPANY	S	O	Nov-2000	
2	30-015-21541	EMPIRE ABO UNIT #291	M-33-17S-28E	M	778	BP AMERICA PRODUCTION COMPANY	S	O	Mar-2005	
2	30-015-21737	EMPIRE ABO UNIT #232	G-6-18S-28E	G	778	BP AMERICA PRODUCTION COMPANY	S	O	Dec-2002	
2	30-015-21738	EMPIRE ABO UNIT #271A	2-5-18S-28E	B	778	BP AMERICA PRODUCTION COMPANY	S	O	May-2004	
2	30-015-21737	EMPIRE ABO UNIT #232	G-6-18S-28E	G	778	BP AMERICA PRODUCTION COMPANY	S	O	Dec-2002	
2	30-015-21783	EMPIRE ABO UNIT #202	H-1-18S-27E	H	778	BP AMERICA PRODUCTION COMPANY	F	O	Sep-2003	
2	30-015-21983	EMPIRE ABO UNIT #261A	H-34-17S-28E	H	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2005	
2	30-015-22010	EMPIRE ABO UNIT #293	M-33-17S-28E	M	778	BP AMERICA PRODUCTION COMPANY	S	O	Mar-2005	
2	30-015-22051	EMPIRE ABO UNIT #141A	K-2-18S-27E	K	778	BP AMERICA PRODUCTION COMPANY	S	O	Oct-2005	
2	30-015-22082	EMPIRE ABO UNIT #121	P-3-18S-27E	P	778	BP AMERICA PRODUCTION COMPANY	S	O	Jun-2005	
2	30-015-22227	EMPIRE ABO UNIT #341A	F-34-17S-28E	F	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2005	
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2	30-015-22607	EMPIRE ABO UNIT #291B	4-4-18S-28E	D	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2004	
2	30-015-22628	EMPIRE ABO UNIT #35F	G-34-17S-28E	G	778	BP AMERICA PRODUCTION COMPANY	S	O	Jul-2005	
2	30-015-22630	EMPIRE ABO UNIT #382	H-34-17S-28E	H	778	BP AMERICA PRODUCTION COMPANY	S	O	Sep-2005	
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2	30-015-30842	B & C 25 FEDERAL #001	M-25-20S-21E	M	778	BP AMERICA PRODUCTION COMPANY	F	G	Mar-2004	LITTLE BOX CANYON MORROW
2	30-015-31568	JAGUAR 28 FEDERAL #001	A-28-20S-21E	A	778	BP AMERICA PRODUCTION COMPANY	F	G	Oct-2005	BRUSHY DRAW DELAWARE
2	30-015-32196	WEST BRUSHY 4 FEDERAL #003	C-4-28S-29E	C	778	BP AMERICA PRODUCTION COMPANY	F	O	Dec-2004	
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