

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

NMOCD – ACOI- 108

IN THE MATTER OF YATES PETROLEUM CORPORATION,

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 Yates Petroleum Corporation ("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 25575 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 18 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; or
 - (b) causing the wellbore to be plugged in accordance with OCD Rule 202.B(2) and filing a C-103 describing the completed work; or
 - (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 18 wells to compliance under the terms of

this Order; however said well will be removed from Exhibit "A" by the action of the OCD approving the change of operator.

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 18 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 18 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 18 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 18 wells into compliance in any six-month period covered by this Order or amendments issued to this Order, 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 six month period. Operator may file an administrative application with the OCD to request a waiver or reduction of the penalty on the ground that the Operator attempted in good faith to meet its goal, 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. Operator may apply for a de novo hearing before the Oil Conservation Commission from an adverse decision, and may appeal an adverse decision from the Oil Conservation Commission. Once Operator pays the penalty or files an administrative application to request 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 a 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

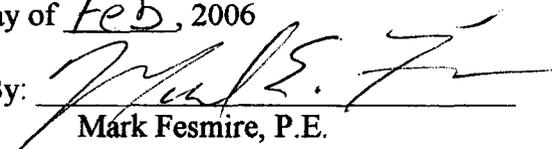
amendment extending the term of the agreed compliance order for an additional six-month period, again requiring Operator X to bring at least 5 wells into compliance. During this additional six-month period, Operator brings only one well into compliance. Operator X pays a \$4000 penalty. Although Operator 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 18 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 Paragraphs 5 if it fails to return 18 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 other than the hearings and appeals described in Ordering Paragraph 5; 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 10th day of Feb, 2006

By: 

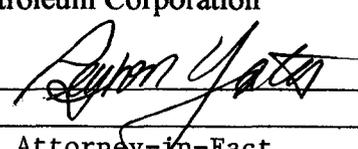
Mark Fesmire, P.E.

Director, Oil Conservation Division

ACCEPTANCE

Yates Petroleum Corporation hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Yates Petroleum Corporation

By: 

Title: Attorney-in-Fact

Date: 2-09-06

YATES PETROLEUM CORPORATION
 AGREED COMPLIANCE ORDER DATED EFFECTIVE 2/10/06
 Exhibit "A"

Number	Category Number	API	Well Name
Inactive Wells			
1	1	30-015-25337	AGAVE AAJ STATE #002
2	2	30-045-28989	ALAMITO ANR FEDERAL #001
3	3	30-005-61356	ALKALI FEDERAL COM #010
4	4	30-015-23145	ALLISON CQ FEDERAL #005
5	5	30-015-23211	ALLISON CQ FEDERAL #006
6	6	30-015-23591	AMOCO QT FEDERAL #001
7	7	30-025-33354	APRIL APZ STATE #001
8	8	30-015-21472	ARCO EC STATE #001
9	9	30-005-63679	BARACUDA STATE UNIT #001
10	10	30-015-24775	BENSON DEEP AAZ FEDERAL #004
11	11	30-015-21103	BIG BUCK POUNDS COM #001
12	12	30-015-25234	BIG EDDY UNIT #109Y
13	13	30-025-36223	BIG HAT STATE UNIT #003
14	14	30-015-33680	BODDINGTON FEDERAL UNIT #002
15	15	30-015-28558	BOYD BN #002
16	16	30-015-29501	BOYD BN #006
17	17	30-015-26289	BURTON FLAT FEDERAL COM #001
18	18	30-025-28871	CHALUPA AAD STATE #001
19	19	30-025-29031	CHALUPA AAD STATE #002
20	20	30-025-29159	CHALUPA AAD STATE #003
21	21	30-005-20566	CHAVELEA BBL STATE COM #001
22	22	30-015-26071	CHOLLA AGE FEDERAL #001
23	23	30-025-20428	CONTINENTAL APJ FEDERAL #001
24	24	30-005-62312	COMANCHE PQ FEDERAL #002Y
25	25	30-015-20457	CONOCO AGK FEDERAL #002
26	26	30-015-10430	CREEK AL FEDERAL #001
27	27	30-015-04540	CREEK AL FEDERAL #002
28	28	30-015-20247	CREEK AL FEDERAL #004
29	29	30-015-20271	CREEK AL FEDERAL #006
30	30	30-015-20284	CREEK AL FEDERAL #007
31	31	30-015-20289	CREEK AL FEDERAL #008
32	32	30-015-20290	CREEK AL FEDERAL #009
33	33	30-015-20720	CREEK AL FEDERAL #011
34	34	30-005-61618	CROSBY TV DEEP FEDERAL #001
35	35	30-015-26185	DEE 36 SW STATE #002
36	36	30-015-23272	DIXON YATES LM FEDERAL #001
37	37	30-025-27993	DOVE VK STATE #001
38	38	30-025-28138	DOVE VK STATE #002
39	39	30-025-28150	DOVE VK STATE #003
40	40	30-025-28564	DOVE VK STATE #004
41	41	30-025-29780	EBENEZER BBZ STATE #001
42	42	30-025-34790	EAST SAND SPRINGS BFX STATE COM #001
43	43	30-015-24191	ENG TX FEDERAL #001
44	44	30-015-24366	FEDERAL BQ #009
45	45	30-015-21157	FEDERAL BW #005
46	46	30-015-23603	FEDERAL BW #010
47	47	30-015-24235	FEDERAL BW #013
48	48	30-015-24290	FEDERAL BW #015
49	49	30-015-22027	FLINT GU #002
50	50	30-015-02523	FLOWER AGA STATE #002
51	51	30-005-63550	GASBY BCD STATE COM #001
52	52	30-015-24540	GISSLER AV #038
53	53	30-015-31604	GRAHAM AKB STATE #003
54	54	30-015-23023	GREASEWOOD BD STATE COM #003
55	55	30-015-20038	GREASEWOOD BD STATE COM #001
56	56	30-025-28284	HANLADDIE WR STATE #002
57	57	30-025-28326	HANLADDIE WR STATE #003
58	58	30-025-29079	HARRIS AAU STATE #002
59	59	30-005-61517	HELEN FEDERAL COM #002
60	60	30-043-20832	HENRY AGC FEDERAL #001
61	61	30-015-10566	HICKORY ALV FEDERAL #001
62	62	30-015-26810	HILL VIEW AHE FEDERAL COM #011
63	63	30-015-27125	HILL VIEW AHE FEDERAL COM #016
64	64	30-015-23259	IRISH HILLS YESO JE STATE #005
65	65	30-005-60645	IWANOWSKI MM FEDERAL COM #001
66	66	30-015-22799	JACKSON AT COM #009
67	67	30-015-20462	JACKSON ESTATE BY #002
68	68	30-015-20467	JACKSON ESTATE BY #003
69	69	30-015-20482	JACKSON ESTATE BY #004
70	70	30-015-23397	JACKSON ESTATE BY #011
71	71	30-015-24323	JACKSON ESTATE BY #016
72	72	30-015-26469	JENNY COM #001
73	73	30-015-26861	JOHN AGU #005
74	74	30-025-31616	JUANDELL ALG #001
75	75	30-025-28872	KELLER ATF STATE #001

YATES PETROLEUM CORPORATION
 AGREED COMPLIANCE ORDER DATED EFFECTIVE 2/10/06
 Exhibit "A"

Number	Category Number	API	Well Name
76	76	30-015-22548	KENNEDY JQ COM #001
77	77	30-045-25087	KINBETO RG FEDERAL #001
78	78	30-025-36564	KRIS STATE UNIT #002
79	79	30-015-00088	LARUE XX FEDERAL #001
80	80	30-015-22351	LECHUGUILLA CANYON UNIT #007
81	81	30-015-23738	LINCOLN PC FEDERAL #001
82	82	30-015-24746	LOAFER DRAW FEDERAL #001
83	83	30-005-20692	LOVELESS LQ STATE #001
84	84	30-005-20826	LOVELESS LQ STATE #003
85	85	30-025-30808	LUSK AHB FEDERAL #001
86	86	30-015-28853	MARSHALL APH #003
87	87	30-015-26625	MARY AIV STATE #001
88	88	30-015-26591	MEDANO VA STATE #003
89	89	30-005-63544	MICHAEL BBS FEDERAL COM #001
90	90	30-015-00055	MIMOSA AHS FEDERAL #005
91	91	30-015-20140	NICKSON BM #001
92	92	30-015-21393	NICKSON BM #003
93	93	30-015-22293	NICKSON BM #004
94	94	30-015-21430	NIX CURTIS BH #004
95	95	30-041-10095	NIX YATES FEDERAL #001
96	96	30-015-21934	NORTH MILLMAN UNIT #001
97	97	30-025-35327	NORTH PAPALOTES BFP STATE #001
98	98	30-015-25172	NORTHWESTERN SHORES AAL FEDERAL #001
99	99	30-015-24600	NORTHWESTERN SHORES XR FEDERAL #001
100	100	30-015-27184	OCOTILLO ACI FED #002
101	101	30-015-27155	PAULINE ALB STATE #007
102	102	30-015-23188	PENNZOIL MZ FEDERAL #001
103	103	30-005-62813	PUFFER BDF STATE COM #001
104	104	30-005-63552	QUICKSILVER BCC STATE COM #001
105	105	30-005-63059	QUINCY AMQ STATE #014
106	106	30-005-60964	REDMAN OY STATE #001Y
107	107	30-015-21889	RIO PECOS GB COM #001
108	108	30-015-22492	RIO PECOS GB COM #002
109	109	30-015-22899	RIO PECOS KO FEDERAL #001
110	110	30-015-23150	RIO PECOS MH FEDERAL COM #001
111	111	30-015-23496	RIO PENASCO OJ COM #001
112	112	30-015-23305	ROUTH NU #001
113	113	30-015-29432	SACAHUISTE KE FED #002
114	114	30-015-26737	SAGUARO AGS FEDERAL COM #009
115	115	30-015-32439	SAND TANK 18 FEDERAL COM #001
116	116	30-025-29761	SANMAL QUEEN UNIT #001
117	117	30-025-29860	SANMAL QUEEN UNIT #007
118	118	30-025-29977	SANMAL QUEEN UNIT #009
119	119	30-015-26920	SARA AHA COM #006
120	120	30-025-33755	SAWYER AQN STATE #002
121	121	30-015-00155	SCOUT EH FEDERAL #001
122	122	30-015-27145	SEDGE UNIT #001
123	123	30-025-31584	SNYDER AKY #001
124	124	30-015-10828	STATE AU #001
125	125	30-015-20883	STATE CO #001
126	126	30-015-26795	STATE CO COM #006
127	127	30-015-22002	STONEWALL EP STATE #002
128	128	30-015-28160	SUNFLOWER AHW FEDERAL #005
129	129	30-015-27140	THISTLE AKT #001
130	130	30-025-33530	THYME APY FEDERAL #003
131	131	30-005-20869	UNION SI FEDERAL #006
132	132	30-015-27028	VANDIVER AIM #001
133	133	30-005-21086	VEST RANCH RE FEDERAL #001
134	134	30-015-10305	WALT CANYON AMA FEDERAL #001
135	135	30-015-10282	WEST INDIAN BASIN UNIT GAS COM #002
136	136	30-005-20739	WESTERN RESERVES 34 FEDERAL #003
137	137	30-005-20760	WESTERN RESERVES 34 FEDERAL #004
138	138	30-041-20646	WILCOX TS #001
139	139	30-015-20137	WILKINSON AZ #002
140	140	30-015-22049	WILLIAMSON BC #004
141	141	30-025-23639	WINGS AUT STATE #001
142	142	30-025-27712	WOODPECKER SY STATE #001
143	143	30-025-27811	WOODPECKER SY STATE #002
144	144	30-025-27963	WOODPECKER SY STATE #005
145	145	30-025-28172	WOODPECKER SY STATE #006
146	146	30-025-28262	WOODPECKER SY STATE #007
147	147	30-025-28529	WOODPECKER SY STATE #008
148	148	30-015-20016	YATES AS FEE #002
149	149	30-015-22272	YATES AS FEE #005Y

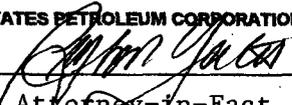
YATES PETROLEUM CORPORATION
AGREED COMPLIANCE ORDER DATED EFFECTIVE 2/10/06
Exhibit "A"

Number	Category	Number	API	Well Name
Temporarily Abandoned Wells				
150	1	30-015-21591	ARCO EI FEDERAL #1	
151	2	30-015-26101	BRANNIGAN ANF FEDERAL #3	
152	3	30-015-26735	CONOCO AGK FED #4	
153	4	30-015-26623	DEE 36 SE STATE #6	
154	5	30-015-28179	DOMINO AOJ FEDERAL #2	
155	6	30-015-26983	HILLVIEW AHE FED COM #12	
156	7	30-015-23541	HILLVIEW AHE FED COM #2	
157	8	30-015-26600	HILLVIEW AHE FED COM #5	
158	9	30-015-27133	HILLVIEW AHE FED #13	
159	10	30-015-27027	JOHN AGU #6	
160	11	30-015-20064	KINCAID BI #1	
161	12	30-015-22893	LUCAS STORE KT ST COM #1	
162	13	30-005-61676	MIKE HARVEY TR FED #4	
163	14	30-005-20031	MOBIL BB #1	
164	15	30-015-00239	NIX & CURTIS #1	
165	16	30-015-20334	POLO AOP FED COM #2	
166	17	30-015-20370	RODEN GD FED #1	
167	18	30-015-26207	RODEN GD FEDERAL #5	
168	19	30-015-26420	SAGUARO AGS FED COM #4	
169	20	30-015-26475	SAGUARO AGS FED COM #5	
170	21	30-015-26517	SAGUARO AGS FED COM #8	
171	22	30-005-63388	STATE 25 COM #2	
172	23	30-005-61859	TESQUE TQ FEDERAL #1	
173	24	30-015-28786	WARREN ANW FEDERAL #6	
174	25	30-015-21628	WILLIAMSON BC FEDERAL #3	
175	26	30-015-21065	YATES FEDERAL #2	
176	27	30-015-22116	YATES FEDERAL #3	
177	1	30-005-61369	EDDLEMAN FEDERAL #2	
178	2	30-005-61752	FAIRCLOTH VD STATE #1	

Returned to list

179	1	30-005-62554	EAST WIND AHE STATE COM #1
180	2	30-025-31272	EIDSON RANCH UNIT #001
181	3	30-015-28413	NDDUP #002
182	4	30-015-21863	NDDUP #016
183	5	30-015-28552	NDDUP #042
184	6	30-015-26674	NDDUP #085
185	7	30-015-28372	NDDUP #139
186	8	30-025-26952	WEST LYNCH DEEP UNIT #001

YATES PETROLEUM CORPORATION

By: 
Title: Attorney-in-Fact

Date: 9-Feb-06