

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

NMOCD – ACOI- 147

IN THE MATTER OF APACHE 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 Apache Corporation ("Operator") enter into this Agreed Compliance Order ("Order"), under which Operator agrees to plug, place on approved temporary abandonment status, or restore to production or other beneficial use the wells identified herein under 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 873 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. Apache, the “Operator” under this Order, operates over 1,200 wells in the State of New Mexico. There are just 22 wells identified in Exhibit “A.” Operator makes the following representations regarding the wells identified in Exhibit “A.”
 - a. Eleven of the wells identified in Exhibit “A” have been continuously inactive for a period of one year plus 90 days, are not plugged or abandoned under OCD Rule 202 [19.15.4.202 NMAC], and are not on approved temporary abandonment status under OCD Rule 203 [19.15.4.203 NMAC]. Of these eleven wells, seven were recently acquired by Apache from third party operators who are not affiliated with Apache, and two were recently converted to injection wells (with proper regulatory approval) and merely await the start-up of the injection plant. The two remaining wells represent less than two-tenths of one percent (0.2%) of the wells operated by Apache in the State of New Mexico.
 - b. The remaining eleven wells identified in Exhibit “A” could, within the next five months, become continuously inactive for a period of one year plus 90 days, but only if they are not returned to production or other beneficial use, plugged or abandoned, or placed on approved temporary abandonment status. In other words, these eleven wells are not out of compliance with Rule 201 [19.15.4.201 NMAC] as of the date of this Order. Of these eleven wells, seven were recently acquired by Apache from third party operators who are not affiliated with Apache, and one was recently converted to an injection well (with proper regulatory approval) and merely awaits the start-up of the injection plant.
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) and OCD Rule 7.P(2) [19.15.1.7(P)(2)] define “person” in relevant part as including a “corporation”.

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 several months if they are not returned to production or other beneficial use, plugged or abandoned, or placed on approved temporary abandonment status.
3. Operator is the operator of the wells identified in Exhibit “A,” and as such is responsible for bringing the wells it operates into compliance with Rule 201 [19.15.4.201 NMAC].

4. Operator is a "person" as defined by NMSA 1978, Section 70-2-3(A) and OCD Rule 7.P(2) [19.15.1.7(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 5 of the wells identified in Exhibit "A" into compliance with OCD Rule 201 [19.15.4.201 NMAC] by March 15, 2007, by either:
 - (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].

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.

2. Operator shall file a compliance report by March 15, 2007, 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 5 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 through September 15, 2007. 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 continues to return wells to compliance at a rate of at least 5 wells for the second six-month period, OCD shall issue an amendment to this Order extending its term for a third six-month period through March 15, 2008. If Operator continues to return wells to compliance at a rate of at least 5 wells for the third six-month period, OCD shall issue an amendment to this Order extending its term for a fourth six-month period through September 15, 2008.

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.

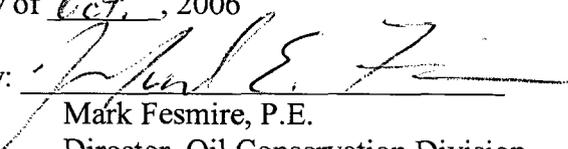
5. If Operator fails to bring at least the number of wells into compliance required in a six-month period covered by this Order or amendments issued to this Order, Operator agrees to pay a penalty of \$1000 times the number of wells it failed to bring into compliance under its schedule during the applicable six month period, subject to the terms of this Order. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its goal within any six-month period covered by this Order or amendments issued to this Order, 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, in its discretion, issue an amendment to this Order extending its terms for an additional six-month period. Delays by the OCD will be considered in determining whether a waiver or reduction of a penalty will be granted under this provision.

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. Immediately upon the execution of this Order the OCD shall remove the wells on Exhibit "A" from the inactive well list kept pursuant to OCD Rule 40.F [19.15.1.40(F) NMAC]. 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 [19.15.4.201 NMAC] will re-appear on the 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 5 of the wells identified in Exhibit "A" by March 15, 2007, 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 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 a hearing challenging the entry of this Order (either prior to or subsequent to the entry of this Order) or to an appeal from the entry of 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 enforcement of Rule 201 [19.15.4.201 NMAC] as to those wells identified in Exhibit "A."
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. Except as otherwise provided in Ordering Paragraphs 3 and 4, this Order shall not be modified or amended except by mutual agreement in writing signed by the Operator and the OCD.

Done at Santa Fe, New Mexico this 5th day of Oct., 2006

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division

ACCEPTANCE

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

Apache Corporation

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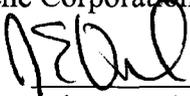
By: 
(Please print name) THOMAS E. VOYTONICH
Title: VP EXPLOATION & PRODUCTION
Date: 10/3/06

Exhibit A to Agreed Compliance Order for Apache Corporation

<u>API</u>	<u>Well</u>
30-025-06330	EAST BLINEBRY DRINKARD UNIT #002
30-025-06325	EAST BLINEBRY DRINKARD UNIT #003
30-025-06327	EAST BLINEBRY DRINKARD UNIT #004
30-025-06326	EAST BLINEBRY DRINKARD UNIT #005
30-025-06335	EAST BLINEBRY DRINKARD UNIT #008
30-025-34937	EAST BLINEBRY DRINKARD UNIT #009
30-025-06336	EAST BLINEBRY DRINKARD UNIT #010
30-025-06337	EAST BLINEBRY DRINKARD UNIT #011
30-025-06548	EAST BLINEBRY DRINKARD UNIT #029
30-025-06546	EAST BLINEBRY DRINKARD UNIT #036
30-025-28011	EAST BLINEBRY DRINKARD UNIT #042
30-025-06550	EAST BLINEBRY DRINKARD UNIT #048
30-025-35952	HAWK A #018
30-025-10747	NEW MEXICO BZ STATE NCT-8 #002
30-025-05809	NORTH MONUMENT G/SA UNIT #001
30-025-05935	NORTH MONUMENT G/SA UNIT #002
30-025-26608	NORTH MONUMENT G/SA UNIT #003
30-025-05616	NORTH MONUMENT G/SA UNIT #015
30-025-04174	NORTH MONUMENT G/SA UNIT #017
30-025-12478	NORTH MONUMENT G/SA UNIT #032
30-025-06380	STATE SECTION 2 #014
30-025-24423	STATE T #008

Apache Corporation

By: 

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