

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

NMOCD - ACOI 78-B

IN THE MATTER OF SLAYTON RESOURCES, INC.,

Respondent.

**AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 3 of Amended Agreed Compliance Order 78-A, the Director of the Oil Conservation Division ("OCD") hereby amends that order as follows:

FINDINGS

1. Amended Agreed Compliance Order 78-A (hereinafter "ACOI 78-A" or "Order") requires Slayton Resources, Inc. (hereinafter "Operator") to return to compliance with OCD Rule 201 at least six of the wells identified in Findings Paragraph 7 of the Order by September 30, 2006, and file a compliance report by that date.

2. The Order further provides that if Operator returns to compliance with OCD Rule 201 at least six of the wells identified in Findings Paragraph 7 of the Order by September 30, 2006, and files a timely compliance report, the OCD shall issue an amendment extending the terms of the Order for an additional six-month period, requiring Operator to return to compliance by that date the remaining wells identified in Findings Paragraph 7 of the Order. The Order defines compliance to include filing the appropriate paperwork to document the compliance action taken.

3. The Order further provides that if Operator fails to return six of the wells identified in Findings Paragraph 7 of the Order to compliance by September 30, 2006, penalties apply, and the OCD has the discretion to decide whether to amend the Order to extend its terms for an additional six month period.

4. Operator filed a timely compliance report, and the OCD has verified that OCD records indicate that Operator has returned to compliance the following wells identified in Findings Paragraph 7 of the Order:

- | | |
|-------------------------|---------------|
| 1. Honolulu State #007 | 30-005-002630 |
| 2. McAlester State #005 | 30-005-600120 |
| 3. Sinclair State #001 | 30-005-100030 |
| 4. State E 92 #011 | 30-005-012240 |
| 5. State E 92 #013 | 30-005-105530 |

4. Operator stated in its compliance report that it also returned the following well identified in Findings Paragraph 7 to compliance by returning it to production in September 2006: Hanlad #001, API 30-005-60400. C-115 production reports are not yet due for September production.

5. The following wells identified in Findings Paragraph 7 remain out of compliance under the terms of the Order:

- | | |
|----------------------|---------------|
| 1. Federal 14 #001 | 30-005-604910 |
| 2. Federal 14 #002 | 30-005-602580 |
| 3. Hanlad #001 | 30-005-604000 |
| 4. Hanlad #002 | 30-005-604490 |
| 5. Howell #001 | 30-005-619590 |
| 6. Lura Federal #001 | 30-005-620810 |
| 7. Lura Federal #002 | 30-005-621580 |

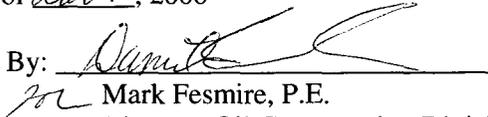
CONCLUSIONS

1. Operator failed to meet its goal of returning six of the wells identified in Findings Paragraph 7 of the Order to compliance under the terms of the Order by September 30, 2006.
2. Operator has demonstrated good faith efforts to comply with the terms of the Order by returning five of the wells to compliance under the terms of the Order, and has represented that it has returned a sixth well to production.
3. The OCD should amend ACOI 106 to extend its terms through March 31, 2007.
4. The OCD should waive the \$1000 penalty otherwise due under the terms of the Order.

ORDER

1. OCD waives the \$1,000 penalty Operator would otherwise be subject to under the terms of the Order.
2. Operator shall return to compliance by March 31, 2007 all wells identified in Findings Paragraph 5, above.
3. Operator shall file a compliance report by March 31, 2007 using the Oil Conservation Division's web-based on-line application.
4. The terms of ACOI 78-A otherwise remain in effect and are extended through March 31, 2007.

Done at Santa Fe, New Mexico this 12th day of October, 2006

By: 
Mark Fesmire, P.E.
Director, Oil Conservation Division