

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

NMOCD - ACOI 5-B

IN THE MATTER OF MAR OIL & GAS CORP.,

Respondent.

**SECOND AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 3 of Amended Agreed Compliance Order 5-A, the Director of the Oil Conservation Division (OCD) hereby amends that order as follows:

FINDINGS

1. Amended Agreed Compliance Order 5-A (ACOI 5-A) requires Mar Oil & Gas Corp. (Operator) to return to compliance with OCD Rule 201 at least ten of the wells identified in Findings Paragraphs 6 and 7 by November 30, 2006, and file a compliance report by that date. According to Ordering Paragraph 2(a) of ACOI 5-A, Operator may return a well to compliance by restoring the well to production or other OCD-approved beneficial use and filing a C-115 documenting such production or use.

2. ACOI 5-A further provides that if Operator returns to compliance with OCD Rule 201 at least ten of the wells identified in Findings Paragraphs 6 and 7 by November 30, 2006, and files a timely compliance report, the OCD shall issue an amendment extending the terms of ACOI 5-A for an additional six-month period, requiring Operator to return an additional ten wells to compliance by that deadline.

3. ACOI 5-A further provides that if Operator fails to return at least ten of the wells identified in Findings Paragraph 6 and 7 by November 30, 2006, Operator agrees to pay a penalty of \$1,000 times the number of wells it failed to bring into compliance under its schedule. ACOI 5-A provides that the OCD may waive or reduce the penalty administratively.

4. Operator filed a timely compliance report, and the OCD has verified that OCD records indicate that Operator has returned the following nine wells identified in Findings Paragraphs 6 and 7 to compliance:

- | | |
|--------------------------|--------------|
| • Eumont Hardy Unit #004 | 30-025-06265 |
| • SFPRR #13 | 30-025-23591 |
| • Sawyer 4 State #001 | 30-025-23169 |
| • MalMar #310 | 30-025-00518 |
| • Eumont Hardy Unit #016 | 30-025-06217 |
| • Eumont Hardy Unit #018 | 30-025-06225 |

- Eumont Hardy Unit #020 30-025-06226
- Eumont Hardy Unit #046 30-025-06679
- Eumont Hardy Unit #032 30-025-04434

5. Operator's compliance report showed the following wells as returned to production and Operator has filed sundry notices reporting production. The C-115 production reports are not yet due, or filed, showing production from these wells:

- Eumont Hardy Unit #028 30-025-06423
- Mal Mar Unit #106 30-025-01469

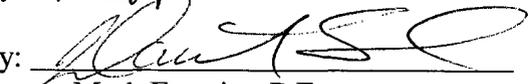
CONCLUSIONS

1. Operator failed to meet its goal of returning ten of the wells identified in Findings Paragraphs 6 and 7 of ACOI 5-A by November 30, 2006, missing its goal by one well.
2. Operator has demonstrated a good faith effort to meet its goal by returning nine wells to compliance and by doing work on two additional wells.
3. The OCD should amend ACOI 5-A to extend its terms through May 31, 2007 and require Operator to return to compliance by that date ten wells identified in Findings Paragraphs 6 and 7 of ACOI 5-A, but not identified in Findings Paragraph 3, above.
4. The OCD should waive the \$1,000 penalty due under ACOI 5-A.

ORDER

1. Operator shall return to compliance by May 31, 2007 ten wells identified in Findings Paragraphs 6 and 7 of ACOI 5-A, but not identified in Findings Paragraph 3, above.
2. Operator shall file a compliance report by May 31, 2007 using the Oil Conservation Division's web-based on-line application.
3. The OCD waives the \$1,000 penalty due under ACOI 5-A.
4. The terms of ACOI 5-A otherwise remain in effect.

Done at Santa Fe, New Mexico this 20th day of November, 2006

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