

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

NMOCD - ACOI 78-C

IN THE MATTER OF SLAYTON RESOURCES, INC.,

Respondent.

**AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 3 of Agreed Compliance Order 78-A (“ACOI 78-A” or “Order”), the Director of the Oil Conservation Division (“OCD”) hereby amends that Order as follows:

FINDINGS

1. ACOI 78-A required Slayton Resources, Inc. (“Operator”) to return at least six of the wells identified in Findings Paragraph 7 of the Order to compliance with OCD Rule 201 by September 30, 2006 (the first period) and file a compliance report by that date. Operator filed a timely compliance report, and the OCD verified that Operator returned the following five wells to compliance in the first period:

- | | |
|------------------------|---------------|
| • Honolulu State #007 | 30-005-002630 |
| • McAlester State #005 | 30-005-600120 |
| • Sinclair State #001 | 30-005-100030 |
| • State E 92 #011 | 30-005-012240 |
| • State E 92 #013 | 30-005-105530 |

2. Although Operator failed to meet its six-well goal for the first period, falling short by one well, the OCD waived the applicable \$1,000 penalty and amended the Order to extend its terms by six months, and required Operator to return the remaining wells identified in Findings Paragraph 7 of the Order to compliance by March 31, 2007 to meet its goal for the second period.

3. Operator filed a timely compliance report for the second period, and the OCD verified that Operator returned the following two wells to compliance in the second period:

- | | |
|---------------|---------------|
| • Hanlad #001 | 30-005-604000 |
| • Hanlad #002 | 30-005-604490 |

4. Operator reported that it brought one additional well into compliance in the second period by returning the well to production. The C-115 production reports showing production for this well have not yet been filed.

5. The following wells covered by ACOI 78-A remain out of compliance:

- Federal 14 #001 30-005-60491
- Federal 14 #002 30-005-60258
- Howell #001 30-005-61959
- Lura Federal #001 30-005-62081
- Lura Federal #002 30-005-62158

6. Operator has requested an extension of the Order until September 30, 2007, to return the remaining wells to compliance.

CONCLUSIONS

1. Operator failed to meet its goal of returning the remaining seven wells identified in Findings Paragraph 7 of the Order to compliance in the second period, falling short of its goal by five wells.

2. The OCD should waive the \$5,000 penalty that would be due under the Order, because Operator has demonstrated good faith in its efforts to meet its compliance goals.

3. The OCD should amend ACOI 78-A to extend its terms through September 30, 2007 and require Operator to return to compliance by that date the wells identified in Findings Paragraph 5, above.

ORDER

1. The OCD waives the \$5,000 penalty that would otherwise be due under the Order for Operator's failure to return the remaining seven wells to compliance in the second period.

2. Operator shall return to compliance by September 30, 2007 (the third period) the seven wells identified in Findings Paragraph 7, above. **No further extensions shall be granted.**

3. Operator shall file a written compliance report identifying the well(s) it returned to compliance in the third period, and stating how the well(s) were returned to compliance (returned to production or other beneficial use; wellbore plugged; or placed on approved temporary abandonment status). The report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager so that it is received by September 30, 2007.

4. The terms of ACOI 78-A otherwise remain in effect.

Done at Santa Fe, New Mexico this 9th day of April, 2007

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