

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

NMOCD - ACOI- 170

IN THE MATTER OF DB&G GAS & OIL, LLC,

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") and OCD Rule 1227.E [19.15.14.1227(E) NMAC], the Director of the Oil Conservation Division ("OCD") and DB&G Gas & Oil, LLC ("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 pursuant to 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 limited liability company operating wells in New Mexico under OGRID 243356.
3. Operator has requested a change of operator, to become the operator of record for the following wells, located in San Juan County, New Mexico:

Barbara #001	30-045-24263
Davie #001	30-045-25092
4. The wells identified in Findings Paragraph 3 are currently operated by Northstar Oil & Gas (Northstar), OGRID 159020, and are the subject of Order No. R-12779, issued July 5, 2007.
5. Order No. R-12779 found that the wells identified in Findings Paragraph 3 are out of compliance with Rule 19.15.4.201 NMAC (Rule 201), and requires Northstar to plug the wells identified in Findings Paragraph 3 or otherwise return the wells to compliance with Rule 201 on or before September 5, 2007. Northstar has requested de novo review of the order, but has not requested a stay of the order.

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6. Rule 201 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."

7. Rule 19.15.3.100.E(3) NMAC (Rule 103.E(3)) provides that the OCD may deny a change of operator if the new operator is acquiring wells subject to a compliance order requiring compliance with Rule 201, and the new operator has not entered into an agreed compliance order setting a schedule for compliance with the existing order.
8. Operator has agreed to return the wells identified in Findings Paragraph 3 to compliance with Rule 201 by November 15, 2007, if it becomes operator of record for the wells.
9. 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.
10. NMSA 1978, Section 70-2-33(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 Findings Paragraph 3 are out of compliance with Rule 201
3. If Operator becomes operator of record for the wells identified in Findings Paragraph 3, it will be responsible for bringing those wells into compliance with Rule 201.

4. Operator is a "person" as defined by NMSA 1978, Section 70-2-33(A) 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 that if it becomes operator of record of the wells identified in Findings Paragraph 3, it will bring those wells into compliance with OCD Rule 201 by November 15, 2007 by
 - (a) restoring the well to production or other OCD-approved beneficial use;
 - (b) causing the wellbore to be plugged in accordance with OCD Rule 202.B(2) [19.15.4.202(B)(2) NMAC]; or
 - (c) placing the well on approved temporary abandonment status pursuant to OCD Rule 203 [19.15.4.203 NMAC].
2. If Operator becomes operator of record of the wells identified in Findings Paragraph 3, and fails to bring those wells into compliance with Rule 201 by November 15, 2007, Operator agrees to pay a penalty of \$1000 for each well it failed to bring into compliance. In addition, the OCD will immediately file an application for hearing seeking an order imposing additional penalties and requiring Operator to return the wells to compliance by a date certain, and authorizing the OCD to plug the wells and forfeit the applicable financial assurances if the Operator fails to meet that deadline.
3. 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 by November 15, 2007 the wells identified in Findings Paragraph 3;
 - (c) agrees to pay penalties as set out in Ordering Paragraph 2 if it fails to return the wells identified in Findings Paragraph 3 to compliance by November 15, 2007;
 - (d) recognizes that if it fails to return the wells identified in Findings Paragraph 3 to compliance by November 15, 2007, the OCD will immediately file an application for hearing seeking an order imposing additional penalties and requiring Operator to return the wells to compliance by a date certain, and authorizing the OCD to plug the wells and forfeit the applicable financial assurances if the Operator fails to meet that deadline;
 - (e) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order; and
 - (f) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the

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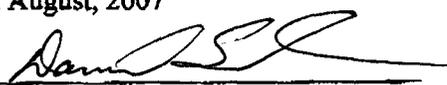
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same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.

- 4. This Order applies only to the enforcement of OCD Rule 201 [19.15.4.201 NMAC] against those wells identified in Findings Paragraph 3. Other wells operated by Operator out of compliance with OCD Rule 201 [19.15.4.201 NMAC] may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells identified in Findings Paragraph 3 out of compliance with the Oil and Gas Act or OCD Rules other than Rule 201 [19.15.4.201 NMAC] may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.
- 5. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Findings Paragraph 3 and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 15th day of August, 2007

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

ACCEPTANCE

DB&G Gas & Oil, LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

DB&G Gas & Oil, LLC

By: 
 (Please print name) Cecil Guston
 Title: Officer
 Date: 8/15/07