

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

ACO 07- 218

IN THE MATTER OF POGO PRODUCING COMPANY,

Respondent.

**AGREED ORDER DIRECTING COMPLIANCE
AND ASSESSING CIVIL PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico ("OCD") issues this Order to Pogo Producing Company (hereinafter "Operator") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

I. FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. On November 6, 2007, Operator effectively merged with and into PXP Acquisition, LLC, a limited liability company organized and existing under the laws of the State of Delaware. PXP Acquisition, LLC, has since changed its name to Pogo Producing Company, LLC. Pogo Producing Company, LLC, is the successor to Pogo Producing Company. Pogo Producing Company, LLC, is a wholly owned subsidiary of Plains Exploration & Production Company.
3. Before the merger, Operator was a foreign for-profit corporation authorized to do business in New Mexico under SCC No. 0962274.
4. Operator's successor Pogo Producing Company, LLC, is a foreign limited liability company authorized to do business in New Mexico under SCC No. 2971851. The mailing and principal address of Pogo Producing Company, LLC, is 700 Milam, Suite 3100, Houston, Texas 77002.
5. Operator is the Operator of Record of the following wells:
 - Pure Gold A Federal No. 006; API No. 30-015-35293; D-21-23S-31E, Eddy County, New Mexico
 - Pure Gold B Federal No. 008; API No. 30-015-35297; H-20-23S-31E, Eddy County, New Mexico

- Pure Gold B Federal No. 011; API No. 30-015-35302; K-20-23S-31E, Eddy County, New Mexico
6. On September 11, 2007, OCD Deputy Oil and Gas Inspector Ron Harvey inspected the above identified wells and observed the drilling pit at each location to have a breached liner. The pit liner for the Pure Gold A Federal No. 006 well drilling pit had a breach in the south wall of the pit. The pit liner for the Pure Gold B Federal No. 008 well drilling pit and the Pure Gold B Federal No. 011 well drilling pit had a breach in several locations in the liner.
 7. On September 11, 2007, Inspector Harvey sent Operator Letter of Violation No. 0218607. The letter informed Operator that the pit liner at each drilling pit was in non-compliance with OCD Rule 19.15.2.50(C)(2)(b)(i) NMAC (“Rule 50”), which provides that pit liners “shall be designed, constructed and maintained so as to prevent the contamination of fresh water, and protect public health and the environment.” Operator was asked to correct the Rule 50 pit liner violation for each drilling pit by October 12, 2007.
 8. On October 19, 2007, Inspector Harvey re-inspected each drilling pit. The liners for each drilling pit were in the same condition as they were when Inspector Harvey inspected them on September 11.
 9. As a result, on November 1, 2007 OCD issue Notice of Violation No. 02-07-26 to Operator, alleging knowing and willful violations of OCD Rule 50.
 10. On November 27, 2007, an administrative conference was held on the notice of violation. Operator was represented by Pat Ellis, Environmental Health and Safety Advisor for Operator. Mr. Ellis participated in the administrative conference by telephone.
 11. Mr. Ellis said the letter of violation was received on September 18, 2007, but that it went to an engineer that was new to the position and did not know what to do. The engineer told another employee about the letter. That employee then told Mr. Ellis about the letter. Mr. Ellis learned of the letter’s existence on October 12, 2007. Mr. Ellis immediately spoke with the new engineer about the letter. On October 15, 2007, Mr. Ellis called Inspector Harvey about the violation. Mr. Ellis was unable to reach Inspector Harvey so he left a message on Inspector Harvey’s voicemail. Mr. Ellis never heard back from Inspector Harvey. Mr. Ellis said pit closure procedures were initiated on October 12, 2007, and that pit closure forms were sent to the OCD on October 23, 2007. On October 31, 2007, Mr. Ellis called Inspector Harvey again. Mr. Ellis left a message on Inspector Harvey’s voicemail after he was unable to reach Inspector Harvey. Mr. Ellis received the notice of violation on November 11, 2007.

III. CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.

2. Operator is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. Operator is subject to civil penalties under NMSA 1978, § 70-2-31(A) for one violation of Rule 50 at each well--the Pure Gold A Federal No. 006 well, the Pure Gold B Federal No. 008 well, and the Pure Gold B Federal No. 011 well.

IV. ORDER & CIVIL PENALTY ASSESSMENT

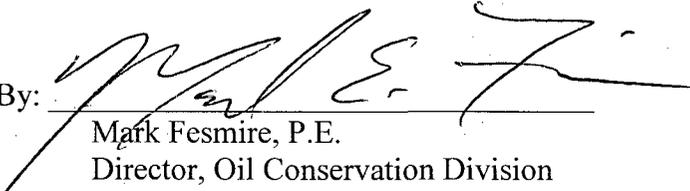
1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Operator totaling Three Thousand Dollars (\$3,000.00) for one violation of OCD Rule 50 at each well.
2. The Three Thousand Dollars civil penalty shall be waived in its entirety on the following conditions:
 - a. If analyticals of a pit have been taken, Operator shall submit those analyticals to OCD by December 7, 2007;
 - b. If no analyticals of a pit have been taken, Operator shall submit the analyticals to OCD by December 27, 2007;
 - c. Operator shall close each pit within 30-days of OCD approval of the analyticals/work plan.
3. If Operator does not meet any of the conditions of Ordering Paragraph No. 2, the Three Thousand Dollars civil penalty shall become immediately due. Payment shall be made by certified or cashier's check payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505.
4. By signing this Order, Operator expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to comply with the Order;
 - c. waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order;
 - d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act;

5. For good cause shown, Operator may request an extension to complete the requirements as set out in Ordering Paragraph 2. Such notification ("notice") shall reasonably describe the circumstances encountered by Operator that prohibits it from meeting the deadlines set out herein.

Within ten (10) days of receipt of this notice, the OCD shall either approve the extended time requested by Operator by executing a written amendment to this Order, or notify Operator that it will not extend the deadline. The OCD's approval of a time extension shall not be unreasonably withheld.

6. Nothing in this Order relieves Operator of its liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves Operator of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 31st day of Dec. 2007.

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

ACCEPTANCE

Pogo Producing Company, LLC, is the successor to Pogo Producing Company and hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

Pogo Producing Company, LLC

By: 
Title: VP OPERATIONS

Date: 12/19/07