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

2008 APR 17 PM 2:08

NMOCD ACOI 188

IN THE MATTER OF FOREST OIL CORPORATION,

Respondent.

INACTIVE WELL  
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 Forest Oil Corporation ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI") 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 corporation doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 8041 for the wells identified in Exhibit "A," attached.
4. OCD Rule 201 [19.15.4.201 NMAC] 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."
5. The wells identified in Exhibit "A"
  - (a) have been continuously inactive for a period of one year plus 90 days (or within the next six months will become continuously inactive for a period of one year plus 90 days if no action is taken on the wells);

(b) are not plugged or abandoned under OCD Rule 202 [19.15.4.202 NMAC]; and  
(c) are not on approved temporary abandonment status under OCD Rule 203 [19.15.4.203 NMAC] or are on approved temporary abandonment status but that status will expire within the next six months.

6. 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.
7. 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 Exhibit "A" are either out of compliance with Rule 201 [19.15.4.201 NMAC] or will fall out of compliance with Rule 201 in the next six months if they are not returned to production or other beneficial use, plugged and abandoned, or placed on approved temporary abandonment status.
3. As operator of the wells identified in Exhibit "A," Operator is responsible for bringing those wells into compliance with Rule 201 [19.15.4.201 NMAC].
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 to bring at least 6 of the wells identified in Exhibit "A" into compliance with OCD Rule 201 [19.15.4.201 NMAC] by October 1, 2008 by
  - (a) restoring the well to production or other OCD-approved beneficial use **and filing a C-115 documenting such production or use;**
  - (b) causing the wellbore to be plugged in accordance with OCD Rule 202.B(2) [19.15.4.202(B)(2) NMAC] **and filing a C-103 describing the completed work;** or
  - (c) placing the well on approved temporary abandonment status pursuant to OCD Rule 203 [19.15.4.203 NMAC].
2. Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status.) Transfer of a well identified on Exhibit "A" to another operator does not count towards Operator's obligation to return wells to compliance under the terms of this Order, but does reduce the

total number of wells for which Operator is responsible under the terms of this Order. The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is **received by** the compliance deadline of October 1, 2008.

3. When the OCD receives a timely compliance report indicating that Operator has returned at least 6 wells to compliance and verifies the accuracy of that report, and verifies that Operator is in compliance with OCD's financial assurance requirements, the OCD shall issue an amendment to this Order extending its terms for an additional six-month period. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 100.C [19.15.3.100(C) NMAC]. If, in any six-month period, Operator returns more wells to compliance than the number required under this Order for that six-month period, the wells in excess of the number required will count towards the Operator's requirements for the next six-month period.
4. If Operator returns at least 6 wells to compliance in the second six-month period, files a timely compliance report and is in compliance with OCD's financial assurance requirements, OCD shall issue an amendment to this Order extending its term for a third six-month period. If Operator returns at least 6 wells to compliance in the third six-month period, files a timely compliance report and is in compliance with the OCD's financial assurance requirements, OCD shall issue an amendment to this Order extending its term for a fourth and final period not to exceed six months. The total length of this Agreed Compliance Order, including the initial six-month period and any amendments, shall not exceed two years. At the end of two years, Operator and the OCD may negotiate a new agreed compliance order.
5. If Operator fails to bring the number of wells into compliance required in a period covered by this Order or amendments issued to this Order, Operator agrees to pay a penalty of \$1000 times the number of wells it failed to bring into compliance under its schedule during the applicable period, subject to the terms of this Order. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its goal within any period covered by this Order or amendments issued to this Order, Operator may apply for a waiver or reduction of the penalty by making the request in writing to the OCD's Enforcement and Compliance Manager. If the Enforcement and Compliance Manager concurs with the Operator's request, the request for waiver or reduction of penalties may be granted administratively. If the Enforcement and Compliance Manager does not concur with the Operator's request or fails to respond within 10 days, the Operator may file an application for hearing on the request. Any application for hearing on a request for waiver or reduction of penalty must be filed within 30 days of the date the compliance report is due. Once Operator pays the penalty or applies for a waiver or reduction of the penalty, the OCD may, in its discretion, issue an amendment to this Order extending its terms for an additional six-month period.

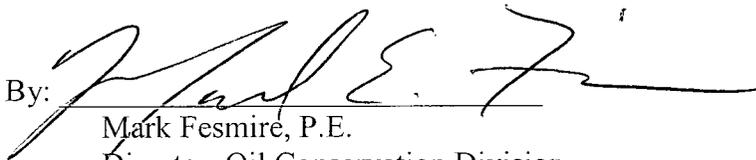
*Example A: Operator X enters into an agreed compliance order under which it agrees to bring 5 wells into compliance in each period. At the end of the first six-month period, Operator X has brought only 3 wells into compliance. Operator X pays the \$2000 penalty. The OCD exercises its discretion to issue an amendment extending the term of the agreed compliance order for a second six-month period, again requiring Operator X to bring at least 5 wells into compliance. During the second six-month period, Operator brings only one well into compliance. Operator X pays a \$4000 penalty. Although Operator*

*X pays the \$4000 penalty, the OCD exercises its discretion and declines to issue an amendment to extend the terms of the agreed compliance order for a third six-month period.*

*Example B: Operator Y enters into an agreed compliance order under which it agrees to bring 10 wells into compliance in each period. Although Y has made arrangements for plugging the 10 wells, due to adverse weather conditions and mechanical difficulties with the available plugging rig, Y is able to plug only 3 wells. Y applies for a waiver of the \$7000 penalty. The Enforcement and Compliance Manager does not agree to waive the full amount of the penalty, and the Operator files an application for hearing on the request for waiver of penalty. While the application is pending, the OCD exercises its discretion and issues an amendment to extend the terms of the agreed compliance order for a second period.*

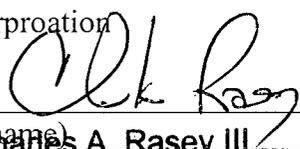
6. Thirty days after the compliance deadline set by this Order or any amendments to this Order, any wells on Exhibit "A" not in compliance with OCD Rule 201 [19.15.4.201 NMAC] still operated by Operator will appear on the Operator's inactive well list kept pursuant to OCD Rule 40.F [19.15.1.40(F) NMAC].
7. 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 6 of the wells identified in Exhibit "A" by October 1, 2008, and agrees to comply with the compliance deadlines set by any amendments to this Order;
  - (c) agrees to submit a compliance report as required in Ordering Paragraph 2 by the compliance deadline set by any amendments to this Order;
  - (d) agrees to pay penalties as set out in and limited by Ordering Paragraph 5 if it fails to return the required number of wells to compliance under the deadlines set by this Order or any amendments to this Order;
  - (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 other than a hearing on a request for waiver or reduction of penalties; and
  - (f) agrees that the Order and amendments to the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the 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.
8. This Order applies only to the enforcement of OCD Rule 201 [19.15.4.201 NMAC] against those wells identified in Exhibit "A." 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 Exhibit "A" that are 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.
9. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibit "A" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 24<sup>th</sup> day of March, 2008

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

**ACCEPTANCE**

Forest Oil Corporation hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Forest Oil Corporation  
 By:   
 (Please print name) Charles A. Rasey III  
 Title: Land Manager  
 Date: Forest Oil Corporation 3-12-08

**Exhibit A to Agreed Compliance Order for Forest Oil Corporation**

District	API	Well	ULSTR	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-015-24954	BARCLAY FEDERAL #001	N-1 -23S-31E	F	G	12/2002		T	4/8/2004
2	30-015-25534	BARCLAY STATE #001	I-2 -23S-31E	S	G	05/2002			
1	30-025-01466	CAPROCK MALJAMAR UNIT #026	N-18-17S-33E	S	I	10/2005	G-SA / CONVERTED TO WIW		
1	30-025-00662	CAPROCK MALJAMAR UNIT #049	H-24-17S-32E	F	I	04/2006			
1	30-025-00676	CAPROCK MALJAMAR UNIT #060	L-24-17S-32E	F	O	03/2005	CONV INJ TO PROD/ SI 1/04 NO C104		
1	30-025-01490	CAPROCK MALJAMAR UNIT #070	J-20-17S-33E	S	I	10/2005			
1	30-025-01494	CAPROCK MALJAMAR UNIT #084	P-20-17S-33E	S	I	12/2002			
1	30-025-01529	CAPROCK MALJAMAR UNIT #089	C-28-17S-33E	S	O	04/2003			

1	30-025-32923	CAPROCK MALJAMAR UNIT #140	H-18-17S-33E	S	O	08/2004	GRAYBURG-SAN ANDRES		
1	30-025-32924	CAPROCK MALJAMAR UNIT #143	J-17-17S-33E	S	O	07/2000	GRAYBURG-SAN ANDRES	T	1/12/2006
1	30-025-32422	CAPROCK MALJAMAR UNIT #153	N-17-17S-33E	S	O	10/2000	GRAYBURG SAN ANDRES	T	10/16/2006
1	30-025-32893	CAPROCK MALJAMAR UNIT #154	P-17-17S-33E	S	O	06/2001	GRAYBURG-SAN ANDRES	T	9/26/2006
1	30-025-32425	CAPROCK MALJAMAR UNIT #165	M-17-17S-33E	S	O	01/2002	GRAYBURG SAN ANDRES	T	1/12/2006
1	30-025-32043	CAPROCK MALJAMAR UNIT #166	O-17-17S-33E	S	O	08/1997	GRAYBURG SAN ANDRES	T	2/22/2006
1	30-025-33083	CAPROCK MALJAMAR UNIT #175	1-19-17S-33E	S	O	08/2004	GRAYBURG-SAN ANDRES	T	2/11/2008
1	30-025-32549	CAPROCK MALJAMAR UNIT #178	D-20-17S-33E	S	O	01/1998	GRAYBURG SAN ANDRES	T	2/22/2006
1	30-025-32427	CAPROCK MALJAMAR UNIT #192	G-19-17S-33E	S	O	04/2003	INT TO P&A APPVD 5-27-04		
1	30-025-32841	CAPROCK MALJAMAR UNIT #195	G-20-17S-33E	S	O	02/2002	TA CHART 3-8-02	T	5/22/2007
1	30-025-33281	CAPROCK MALJAMAR UNIT #210	O-20-17S-33E	S	O	04/2003	GRAYBURG-SAN ANDRES	T	10/15/2007
1	30-025-33821	CAPROCK MALJAMAR UNIT #266	E-24-17S-32E	F	O	11/2003	QUEEN NACC BLM APPVD ZA 2-7-05		
1	30-025-34224	CAPROCK MALJAMAR UNIT #400	I-17-17S-33E	S	O	11/2001	SAN ANDRES	T	2/11/2007
1	30-025-03629	CROSSROADS SILURO DEVONIAN UNIT #101	A-34-09S-36E	P	O	01/1990		T	12/12/2007
1	30-025-23472	CROSSROADS SILURO DEVONIAN UNIT #105	B-34-09S-36E	P	O	02/1992		T	3/12/1997
1	30-025-24143	CROSSROADS SILURO DEVONIAN UNIT #106	H-34-09S-36E	P	O	05/1988			
1	30-025-03612	CROSSROADS SILURO	F-27-09S-36E	P	O	07/2006	DEVONIAN		

		DEVONIAN UNIT #202							
1	30-025-24188	CROSSROADS F-27-09S-36E SILURO DEVONIAN UNIT #202Y		P	O	12/1996			
1	30-025-24144	CROSSROADS C-27-09S-36E SILURO DEVONIAN UNIT #203		P	O	09/2006			
1	30-025-03608	CROSSROADS I-27-09S-36E SILURO DEVONIAN UNIT #302		P	O	05/2003			
1	30-025-24100	CROSSROADS J-27-09S-36E SILURO DEVONIAN UNIT #307		P	O	05/2003			
1	30-025-24919	DOWNES B #003	4-5 -22S-37E	P	O	03/2003	BLINEBRY		
1	30-025-20173	LEA 4011 STATE #001	N-8 -18S-35E	S	O	05/1995		T	7/9/2007
1	30-025-20378	LEA 403 STATE #004	D-17-18S-35E	S	O	12/2005	ABO REEF		
2	30-015-05413	LEA D #003	H-26-17S-31E	F	I	05/2006			
2	30-015-05414	LEA D #004	G-26-17S-31E	F	I	05/2006			
2	30-015-05415	LEA D #005	I-26-17S-31E	F	I	05/2006			
2	30-015-05416	LEA D #006	J-26-17S-31E	F	I	05/2006			
2	30-015-20658	LEA D #007	F-26-17S-31E	F	I	05/2006			
2	30-015-29704	LEA D #010	A-26-17S-31E	F	O	03/2003	SAN ANDRES	T	7/23/2003
2	30-015-29701	LEA D #020	A-26-17S-31E	F	O	02/2003	SAN ANDRES	T	5/17/2003
2	30-015-29702	LEA D #022	F-26-17S-31E	F	O	02/2003	SAN ANDRES		
1	30-025-20762	MALJAMAR GRAYBURG UNIT #004	G-3 -17S-32E	F	O	04/2003	INT TO TA APPVD 12-23-03 / BLM		
1	30-025-00449	MALJAMAR GRAYBURG UNIT #010	M-3 -17S-32E	F	I	01/2002	GRAYBURG-SAN ANDRES / CONVERTED TO WIW	T	11/26/2004
1	30-025-00444	MALJAMAR GRAYBURG UNIT #013	P-3 -17S-32E	F	I	04/2003	MALJAMAR GRAYBURG SAN ANDRES		
1	30-025-00459	MALJAMAR GRAYBURG UNIT #025	M-4 -17S-32E	F	I	01/2002	INT TO TA APPVD 12-23-03 / BLM	T	10/17/2004
1	30-025-00453	MALJAMAR GRAYBURG UNIT #027	O-4 -17S-32E	F	I	10/2003	INT TO TA APPVD 12-23-03/ BLM		
1	30-025-00462	MALJAMAR	P-4 -17S-32E	P	I	03/2003	GRAYBURG-SAN		

		GRAYBURG UNIT #028					ANDRES		
1	30-025-20279	MALJAMAR GRAYBURG UNIT #030	I-8 -17S-32E	F	O	03/2003			
1	30-025-00499	MALJAMAR GRAYBURG UNIT #051	C-10-17S-32E	F	I	10/2005			
1	30-025-20760	MALJAMAR GRAYBURG UNIT #059	K-10-17S-32E	F	O	01/1999	GRAYBURG	T	11/2/2003
1	30-025-21374	MALJAMAR GRAYBURG UNIT #061	M-10-17S-32E	F	O	08/2004			
1	30-025-33365	MALJAMAR GRAYBURG UNIT #088	K-4 -17S-32E	F	O	08/2004	GRAYBURG-SAN ANDRES		
1	30-025-33048	MALJAMAR GRAYBURG UNIT #089	O-4 -17S-32E	F	O	04/2003	GRAYBURG-SAN ANDRES		
1	30-025-33380	MALJAMAR GRAYBURG UNIT #090	O-4 -17S-32E	F	O	04/2003	GSA / TA CHART 6-7-02	T	6/7/2003
1	30-025-32039	MALJAMAR GRAYBURG UNIT #095	B-10-17S-32E	F	O	08/2004	GRAYBURG SAN ANDRES	T	1/8/2005
1	30-025-33381	MALJAMAR GRAYBURG UNIT #099	O-4 -17S-32E	F	O	01/1999	GRAYBURG-SAN ANDRES	T	8/18/2004
1	30-025-33628	MALJAMAR GRAYBURG UNIT #154	L-4 -17S-32E	F	I	03/2003	INT TO TA APVD 12-23-03 / BLM		
1	30-025-33874	MALJAMAR GRAYBURG UNIT #155	F-10-17S-32E	F	I	03/2003	INT TO TA APPVD 12-23-03 / BLM		
2	30-015-05152	SKELLY UNIT #001	N-15-17S-31E	F	I	06/2004			
2	30-015-05330	SKELLY UNIT #011	I-21-17S-31E	F	O	08/2004			
2	30-015-05153	SKELLY UNIT #017	B-15-17S-31E	F	I	05/2004			
2	30-015-05154	SKELLY UNIT #018	D-15-17S-31E	F	I	05/2004			
2	30-015-05161	SKELLY UNIT #020	G-15-17S-31E	F	I	06/2004			
2	30-015-05158	SKELLY UNIT #021	H-15-17S-31E	F	I	10/2005			
2	30-015-05141	SKELLY UNIT #022	J-14-17S-31E	F	I	06/2004			
2	30-015-05145	SKELLY UNIT #023	K-14-17S-31E	F	I	10/2005			

2	30-015-05144	SKELLY UNIT #024	L-14-17S-31E	F	I	06/2004		
2	30-015-05160	SKELLY UNIT #025	I-15-17S-31E	F	I	06/2004		
2	30-015-05157	SKELLY UNIT #026	J-15-17S-31E	F	I	09/2006		
2	30-015-05159	SKELLY UNIT #027	K-15-17S-31E	F	I	06/2004		
2	30-015-05156	SKELLY UNIT #028	L-15-17S-31E	F	I	06/2004		
2	30-015-05162	SKELLY UNIT #032	P-15-17S-31E	F	I	06/2004		
2	30-015-05140	SKELLY UNIT #033	M-14-17S-31E	F	I	06/2004		
2	30-015-10773	SKELLY UNIT #035	O-14-17S-31E	F	I	10/2005		
2	30-015-05362	SKELLY UNIT #037	A-23-17S-31E	F	O	09/1993	T	2/2/2004
2	30-015-10770	SKELLY UNIT #038	B-23-17S-31E	F	I	11/2000	T	1/31/2006
2	30-015-05361	SKELLY UNIT #039	C-23-17S-31E	F	I	06/2004		
2	30-015-05360	SKELLY UNIT #040	D-23-17S-31E	F	I	06/2004		
2	30-015-05343	SKELLY UNIT #041	A-22-17S-31E	F	I	06/2004		
2	30-015-10500	SKELLY UNIT #043	C-22-17S-31E	F	I	10/2005		
2	30-015-05364	SKELLY UNIT #047	E-23-17S-31E	F	I	06/2004		
2	30-015-05345	SKELLY UNIT #052	J-22-17S-31E	F	I	06/2004		
2	30-015-05320	SKELLY UNIT #059	A-21-17S-31E	F	I	07/2004		
2	30-015-05315	SKELLY UNIT #061	C-21-17S-31E	F	I	07/2004		
2	30-015-05316	SKELLY UNIT #062	D-21-17S-31E	F	I	06/2004		
2	30-015-05339	SKELLY UNIT #067	J-21-17S-31E	F	I	06/2004		
2	30-015-05340	SKELLY UNIT #077	P-21-17S-31E	F	I	05/2006		
2	30-015-05369	SKELLY UNIT #079	N-23-17S-31E	F	I	05/2006		
2	30-015-05417	SKELLY UNIT #082	C-26-17S-31E	F	I	05/2006		

2	30-015-05421	SKELLY UNIT #086	C-27-17S-31E	F	I	05/2006		
2	30-015-05426	SKELLY UNIT #088	A-28-17S-31E	F	I	05/2006		
2	30-015-04884	SKELLY UNIT #094	G-28-17S-31E	F	I	05/2006	SAN ANDRES	
2	30-015-05358	SKELLY UNIT #101	E-22-17S-31E	F	I	06/2004		
2	30-015-05147	SKELLY UNIT #102	B-14-17S-31E	F	I	10/2005		
2	30-015-05148	SKELLY UNIT #103	C-14-17S-31E	F	I	10/2005		
2	30-015-05146	SKELLY UNIT #104	E-14-17S-31E	F	I	06/2004		
2	30-015-05149	SKELLY UNIT #105	F-14-17S-31E	F	I	06/2004		
2	30-015-20410	SKELLY UNIT #107	E-27-17S-31E	F	I	05/2006		
2	30-015-22253	SKELLY UNIT #119	E-23-17S-31E	F	O	04/1996		T 2/2/2003
2	30-015-22255	SKELLY UNIT #121	M-23-17S-31E	F	I	05/2006		
2	30-015-22257	SKELLY UNIT #123	M-22-17S-31E	F	O	08/2004		
2	30-015-22261	SKELLY UNIT #127	O-15-17S-31E	F	I	08/2004		
2	30-015-28965	SKELLY UNIT #181	C-15-17S-31E	F	O	02/2003	GRAYBURG- JACKSON	T 11/3/2004
2	30-015-29219	SKELLY UNIT #203	N-14-17S-31E	F	O	03/2003	SAN ANDRES	T 4/30/2004
2	30-015-29184	SKELLY UNIT #263	D-27-17S-31E	F	O	08/2004	SAN ANDRES	
2	30-015-28999	SKELLY UNIT #264	C-27-17S-31E	F	O	08/2004	GRAYBURG JACKSON	

Forest Oil Corporation

By: \_\_\_\_\_



**Charles A. Rasey III**

Title: \_\_\_\_\_

**Land Manager**

ACO I **Forest Oil Corporation**

Forest Oil Corporation