

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

NMOCD – ACOI- 211

**IN THE MATTER OF OGX RESOURCES, LLC,
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 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and OGX Resources, LLC ("OGX") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI").

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. OGX is a limited liability company operating wells in New Mexico under OGRID 217955.
3. OGX seeks to become operator of record of the State HL #001, API 30-025-26492.
4. The current operator of record of the State HL #001 well is Pronghorn Management Corp., OGRID 122811 ("Pronghorn").
5. The State HL #001 well is subject to hearing Order No. R-12768-C, issued to Pronghorn on June 23, 2008. The order required Pronghorn to plug all its wells pursuant to 19.15.25.8 NMAC, including the State HL #001, by December 31, 2008, and authorized the OCD to plug the wells if Pronghorn failed to plug the wells by that date.
6. The State HL #001 well is currently on OCD's list of wells to be plugged by the state.

AGREEMENT

7. The OCD and OGX agree to the following:
 - OGX will post with the OCD a single well financial assurance in the form of a cash bond or a letter of credit for the State HL #001 well in the amount required under 19.15.8.9 NMAC. If OGX becomes the operator of record of the State HL #001 well that financial assurance shall remain in place until OGX completes one of the following actions: plugs and abandons the well and obtains its release pursuant to 19.15.25.10 and 19.15.25.11 NMAC; returns the well to production or injection and reports that production or injection on a C-115; or transfers the well to another operator.

ACOI
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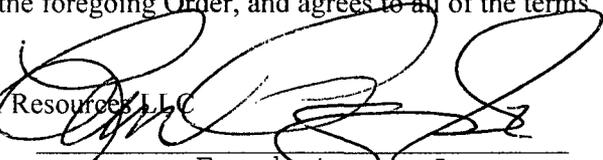
- Once OGX has posted a cash bond or letter of credit in the required amount for the State HL #001 well the OCD will not prevent the transfer from occurring based on Order No. R-12768-C. OGX must meet all other regulatory requirements for becoming the operator of record for the State HL #001 well before the OCD will approve the transfer.
- If OGX becomes operator of record for the State HL #001 well, it will take one of the following actions by **August 1, 2010**: plug and abandon the well and obtain its release pursuant to 19.15.25.10 and 19.15.25.11 NMAC, or return the well to production or injection and report that production or injection on a C-115.
- If OGX becomes operator of record of the State HL #001 well, the OCD will remove the well from its list of wells to be plugged by the state.
- If OGX becomes operator of record of the State HL #001 well, the well will not appear on the inactive well list kept by OCD for 19.15.5.9 NMAC as out of compliance with 19.15.25.8 NMAC until after the expiration of this order on **August 1, 2010**.
- If OGX becomes operator of record of the State HL #001 and the well is not plugged and abandoned or reporting injection or production by **August 1, 2010** OGX agrees that the OCD may plug and abandon the State HL #001 well and forfeit the applicable financial assurance. OGX further agrees that it waives any right to notice and hearing prior to that plugging and forfeiture.

Done at Santa Fe, New Mexico this 5th day of August 2009

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

ACCEPTANCE

OGX Resources LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

OGX Resources LLC
 By: 
 (Please print name) Frank Agar, Jr.
 Title: Manager
 Date: August 4, 2009