

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

NMOCD – ACOI-218

IN THE MATTER OF SANDRIDGE EXPLORATION AND PRODUCTION,
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 SandRidge Exploration and Production, LLC ("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 19.15.25.8 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 270265 for the wells identified in Exhibit "A," attached.
4. OCD Rule 19.15.25.8 NMAC states, in relevant part:

"A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.

B. The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC 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 in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
 - (c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
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 out of compliance with OCD Rule 19.15.25.8 NMAC or will fall out of compliance with OCD Rule 19.15.25.8 NMAC 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 OCD Rule 19.15.25.8 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

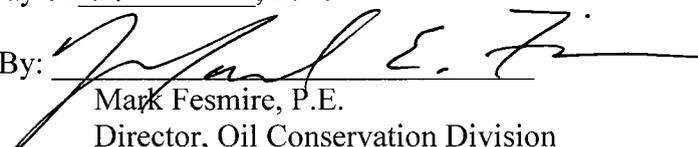
1. Operator agrees to bring at least 6 of the wells identified in Exhibit "A" into compliance with OCD Rule 19.15.25.8 NMAC by September 1, 2010 by
 - (a) restoring the well to production or other OCD-approved beneficial use **and filing a C-115 documenting such production or use;**
 - (b) causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC **and filing a C-103 describing the completed work;** or
 - (c) placing the well on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
2. Oil and gas produced during swabbing does not count as production for purposes of this Order.
3. 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 September 1, 2010.
4. 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 a second six-month period, requiring Operator to return at least 6 additional wells identified in Exhibit "A" to compliance by March 1, 2011. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 19.15.9.8(C) NMAC. If Operator returns more wells to compliance than the number required under this Order for the first six-month period, the wells in excess of the number required will count towards the Operator's requirements for the second six-month period.
5. The total length of this Agreed Compliance Order, including the initial six-month period and any amendments, shall not exceed one year. At the end of one year, Operator and the OCD may negotiate a new agreed compliance order.
6. If Operator fails to bring the number of wells into compliance required in a six-month period covered by this Order or amendments issued to this Order, or fails to file a compliance report by September 1, 2010 or any deadline set by any amendments 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 six month 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 six-month 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.

7. 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 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC.
8. 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 at least 6 of the wells identified in Exhibit "A" by September 1, 2010, 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 3, and 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 6 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, or fails to file a compliance report by September 1, 2010 or any deadline set by 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.

9. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 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 OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.
10. 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.

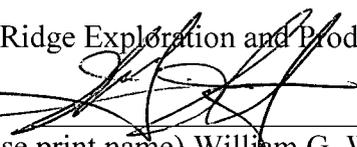
Done at Santa Fe, New Mexico this 22nd day of March, 2010

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

ACCEPTANCE

SandRidge Exploration and Production, LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

SandRidge Exploration and Production, LLC

By: 

(Please print name) William G. West

Title: Vice President

Date: 3/15/10

Exhibit A to Agreed Compliance Order for SandRidge Exploration and Production, LLC

30-025-01442	CAPROCK MALJAMAR UNIT #003
30-025-01460	CAPROCK MALJAMAR UNIT #017
30-025-01455	CAPROCK MALJAMAR UNIT #019
30-025-01485	CAPROCK MALJAMAR UNIT #038
30-025-00662	CAPROCK MALJAMAR UNIT #049
30-025-01480	CAPROCK MALJAMAR UNIT #052
30-025-01509	CAPROCK MALJAMAR UNIT #058
30-025-00676	CAPROCK MALJAMAR UNIT #060
30-025-32731	CAPROCK MALJAMAR UNIT #067

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30-025-01496 CAPROCK MALJAMAR UNIT #069
30-025-01490 CAPROCK MALJAMAR UNIT #070
30-025-01494 CAPROCK MALJAMAR UNIT #084
30-025-01529 CAPROCK MALJAMAR UNIT #089
30-025-01526 CAPROCK MALJAMAR UNIT #093
30-025-01531 CAPROCK MALJAMAR UNIT #094
30-025-01538 CAPROCK MALJAMAR UNIT #100
30-025-32923 CAPROCK MALJAMAR UNIT #140
30-025-32924 CAPROCK MALJAMAR UNIT #143
30-025-33264 CAPROCK MALJAMAR UNIT #147
30-025-32422 CAPROCK MALJAMAR UNIT #153
30-025-32893 CAPROCK MALJAMAR UNIT #154
30-025-32931 CAPROCK MALJAMAR UNIT #164
30-025-32425 CAPROCK MALJAMAR UNIT #165
30-025-33083 CAPROCK MALJAMAR UNIT #175
30-025-32549 CAPROCK MALJAMAR UNIT #178
30-025-32427 CAPROCK MALJAMAR UNIT #192
30-025-32841 CAPROCK MALJAMAR UNIT #195
30-025-33281 CAPROCK MALJAMAR UNIT #210
30-025-33620 CAPROCK MALJAMAR UNIT #262
30-025-33821 CAPROCK MALJAMAR UNIT #266
30-025-34224 CAPROCK MALJAMAR UNIT #400
30-025-24919 DOWNES B #003
30-015-05412 LEA D #002
30-015-05413 LEA D #003
30-015-05414 LEA D #004
30-015-05415 LEA D #005
30-015-05416 LEA D #006
30-015-20658 LEA D #007
30-015-29704 LEA D #010
30-015-29701 LEA D #020
30-015-29702 LEA D #022
30-025-00445 MALJAMAR GRAYBURG UNIT #012
30-025-00456 MALJAMAR GRAYBURG UNIT #019
30-025-00499 MALJAMAR GRAYBURG UNIT #051

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30-025-00497	MALJAMAR GRAYBURG UNIT #053
30-025-32976	MALJAMAR GRAYBURG UNIT #092
30-025-32039	MALJAMAR GRAYBURG UNIT #095
30-025-33381	MALJAMAR GRAYBURG UNIT #099
30-015-05152	SKELLY UNIT #001
30-015-05327	SKELLY UNIT #007
30-015-05330	SKELLY UNIT #011
30-015-05153	SKELLY UNIT #017
30-015-05154	SKELLY UNIT #018
30-015-05160	SKELLY UNIT #025
30-015-05159	SKELLY UNIT #027
30-015-05162	SKELLY UNIT #032
30-015-05140	SKELLY UNIT #033
30-015-10773	SKELLY UNIT #035
30-015-05362	SKELLY UNIT #037
30-015-05361	SKELLY UNIT #039
30-015-05360	SKELLY UNIT #040
30-015-05343	SKELLY UNIT #041
30-015-10500	SKELLY UNIT #043
30-015-05346	SKELLY UNIT #045
30-015-05357	SKELLY UNIT #046
30-015-05364	SKELLY UNIT #047
30-015-05345	SKELLY UNIT #052
30-015-05349	SKELLY UNIT #055
30-015-05355	SKELLY UNIT #058
30-015-05338	SKELLY UNIT #068
30-015-05340	SKELLY UNIT #077
30-015-05369	SKELLY UNIT #079
30-015-05423	SKELLY UNIT #084
30-015-05422	SKELLY UNIT #085
30-015-05421	SKELLY UNIT #086
30-015-05426	SKELLY UNIT #088
30-015-05429	SKELLY UNIT #089
30-015-04884	SKELLY UNIT #094
30-015-05358	SKELLY UNIT #101

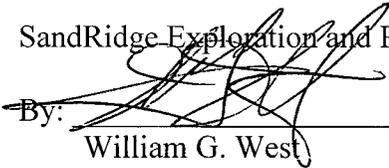
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30-015-05147 SKELLY UNIT #102
30-015-05148 SKELLY UNIT #103
30-015-05146 SKELLY UNIT #104
30-015-20366 SKELLY UNIT #106
30-015-20410 SKELLY UNIT #107
30-015-20468 SKELLY UNIT #109
30-015-20469 SKELLY UNIT #110
30-015-22255 SKELLY UNIT #121
30-015-22257 SKELLY UNIT #123
30-015-22261 SKELLY UNIT #127
30-015-28965 SKELLY UNIT #181
30-015-29219 SKELLY UNIT #203
30-015-29236 SKELLY UNIT #230
30-015-29184 SKELLY UNIT #263
30-015-28999 SKELLY UNIT #264

SandRidge Exploration and Production, LLC

By: 

William G. West

Title: Vice President