

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

NMOCD – ACOI- 223

**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"). This ACOI replaces ACOI 211.

**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. In 2009, OGX contacted the OCD about becoming the operator of record of the State HL #001, API 30-025-26492, which was then operated by Pronghorn Management Corp., OGRID 122811 ("Pronghorn").
4. The State HL #001 well was 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.
5. When a well is subject to a compliance order requiring the operator to return the well to compliance with 19.15.25.8 NMAC, the OCD may deny a change of operator unless the new operator enters into an agreed compliance order setting a schedule for compliance with the existing order.
6. On August 5, 2009, the OCD and OGX executed ACOI 211.
7. ACOI 211 required OGX to post a single well financial assurance for the State HL #001 in the form of a cash bond or a letter of credit, and if OGX became operator of record for the well it agreed to 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.

8. ACOI 211 further provided that if OGX became operator of record for the State HL #001, the OCD would remove the well from the list of wells to be plugged by the state, and the well would not appear on the inactive well list kept by the OCD for 19.15.5.9 NMAC as out of compliance with 19.15.25.8 NMAC until after expiration of the order on August 1, 2010.
9. Under ACOI 211, if OGX became 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 agreed that the OCD may plug and abandon the State HL #001 well and forfeit the applicable financial assurance. OGX waived its right to notice and hearing prior to that plugging and forfeiture.
10. OGX posted financial assurance for the State HL #001, but did not immediately apply to become operator of record for the well. The well remained on the list of wells to be plugged by the OCD. The OCD twice moved the well to the bottom of the list, giving OGX time to become operator of record for the well.
11. On October 15, 2009, the OCD moved in a rig and began plugging the State HL #001.
12. On October 20, 2009, OGX submitted its application for change of operator for the State HL #001.
13. On October 26, 2009, the OCD stopped its plugging procedures when it learned that OGX had applied to become operator of record for the well.
14. On October 28, 2010, the OCD approved the change of operator, making OGX the operator of record for the State HL #001.
15. The plugging procedure for the State HL #001 has not been completed.
16. Prior to the expiration of ACOI 211, OGX contacted the OCD and requested that the August 1, 2010 be extended. At that time the OCD began investigating the status of State HL #001, but was not able to complete that investigation prior to the expiration of ACOI 211.
17. ACOI 211 expired on August 1, 2010. The State HL #001 has not been plugged and abandoned or returned to production or injection. Under the terms of ACOI 211, the State HL #001 is eligible for plugging by the OCD without further notice or hearing, and the financial assurance may be forfeited. The well currently appears on the inactive well list kept by the OCD for 19.15.5.9 NMAC as out of compliance with 19.15.25.8 NMAC.
18. OGX and the OCD enter into this ACOI to replace ACOI 211, to keep the State HL #001 off the plugging list and the inactive well list kept pursuant to 19.15.5.9 NMAC for an additional time period so that OGX can work to return the well to compliance.

### AGREEMENT

1. The OCD and OGX agree to the following:

ACOI  
OGX Resources LLC  
OGRID 217955  
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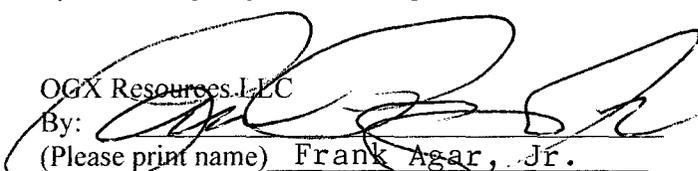
- By **August 1, 2011** OGX will plug and abandon the State HL #001 and obtain its release pursuant to 19.15.25.10 and 19.15.25.11 NMAC, or return the well to production or injection and report that production or injection on a C-115.
- The OCD will remove the State HL #001 well from its list of wells to be plugged by the state until after expiration of this order on **August 1, 2011**.
- The State HL #001 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, 2011**.
- If the State HL #001 well is not plugged and abandoned or reporting injection or production by **August 1, 2011** 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 9<sup>th</sup> day of September 2010

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: September 8, 2010