

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

NMOCD – ACOI-229

IN THE MATTER OF CONOCOPHILLIPS COMPANY,

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 ConocoPhillips Company ("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 217817 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:
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 - (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;
- (b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
- (c) with the exception of the

Vacuum ABO Unit #057	(30-025-02990), TA expires 5/11/11,
Vacuum Glorieta East Unit #001	(30-025-24806), TA expires 6/23/11,
Vacuum Glorieta East Unit #001	(30-025-20793), TA expires 5/15/11,
Vacuum Glorieta East Unit #001	(30-025-21096), TA expires 5/15/11,
Vacuum Glorieta East Unit #002	(30-025-20370), TA expires 5/30/11, and
Vacuum Glorieta East Unit #008	(30-025-02971), TA expires 5/15/11,

are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.

- i) The exception wells named in above Paragraph (c) are wells whose approved temporary abandonment status will be expiring within the next six months. Operator has identified these wells as wells that are part of waterflood projects that may become non-complaint while the waterflood projects are completed.
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 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 the Vacuum ABO Unit #61 (30-025-03003), Vacuum Glorieta East Unit #001 (30-025-24806), Vacuum Glorieta East Unit #001 (30-025-20793), Vacuum Glorieta East Unit #002 (30-025-20370), Vacuum Glorieta East Unit #008, and 4 additional wells identified in Exhibit "A" into compliance with OCD Rule 19.15.25.8 NMAC by July 1, 2011 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. The **current temporary abandonment status** of the six wells identified in Paragraph (c) of Findings Paragraph 5 **shall not count** towards the wells that Operator is required to bring to compliance under Ordering Paragraph 1 (i.e., if Operator submits any of the six wells identified in Paragraph (c) of Findings Paragraph 5 as being in compliance **based on the well's current temporary abandonment status period.** For example, if Operator submits the Vacuum Glorieta East Unit #001 (30-025-24806) as being in compliance with OCD Rule 19.15.25.8 NMAC based on the well's current approved temporary abandonment status period of June 23, 2011, then it **will not count** towards the wells that Operator is required to bring to compliance under Ordering Paragraph 1. In order for any of these wells to count, Operator must take appropriate compliance action with the well that will keep the well in compliance with OCD Rule 19.15.25.8 NMAC beyond its current temporary abandonment status period.).

3. Oil and gas produced during swabbing does not count as production for purposes of this Order.

4. 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 **July 1, 2011**. The total length of this Agreed Compliance Order is six months.

5. If Operator either fails to bring the Vacuum ABO Unit #61 (30-025-03003), Vacuum Glorieta East Unit #001 (30-025-24806), Vacuum Glorieta East Unit #001 (30-025-20793), Vacuum Glorieta East Unit #002 (30-025-20370), Vacuum Glorieta East

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Unit #008, and 4 additional wells identified in Exhibit "A" into compliance by July 1, 2011, or file a compliance report by July 1, 2011, Operator agrees to pay a penalty of \$1000 times the number of wells it failed to report or bring into compliance by July 1, 2011, subject to the terms of this Order. In the event the Operator encounters unanticipated circumstances that prevent it from bringing the Vacuum ABO Unit #61 (30-025-03003), Vacuum Glorieta East Unit #001 (30-025-24806), Vacuum Glorieta East Unit #001 (30-025-20793), Vacuum Glorieta East Unit #002 (30-025-20370), Vacuum Glorieta East Unit #008, and 4 additional wells identified in Exhibit "A" into compliance by July 1, 2011, 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

6. Thirty days after the compliance deadline set by 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.
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 the Vacuum ABO Unit #61 (30-025-03003), Vacuum Glorieta East Unit #001 (30-025-24806), Vacuum Glorieta East Unit #001 (30-025-20793), Vacuum Glorieta East Unit #002 (30-025-20370), Vacuum Glorieta East Unit #008, and 4 additional wells identified in Exhibit "A" to compliance by July 1, 2011;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 4 by the July 1, 2011 compliance deadline set by this Order;
 - (d) agrees to pay penalties as set out in and limited by Ordering Paragraph 5 if it fails to either return the Vacuum ABO Unit #61 (30-025-03003), Vacuum Glorieta East Unit #001 (30-025-24806), Vacuum Glorieta East Unit #001 (30-025-20793), Vacuum Glorieta East Unit #002 (30-025-20370), Vacuum Glorieta East Unit #008, and 4 additional wells identified in Exhibit "A" to compliance or file a compliance report by the July 1, 2011 compliance deadline set out in the 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 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 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.
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 22nd day of December, 2010.

By: 
 Mark Fesmire
 Acting OCD Director

ACCEPTANCE

ConocoPhillips Company hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

ConocoPhillips Company

By: 
 (Please print name) Eileen Danni Dey
 Title: Regulatory Manager, MCBU
 Date: 12/21/10

Exhibit A to Agreed Compliance Order for ConocoPhillips Company

<u>Well</u>	<u>API Number</u>	<u>Last Production</u>
MCA UNIT #060	30-025-08035	04/2009
SEMU MCKEE #062	30-025-07835	07/2000
VACUUM ABO UNIT #002	30-025-03064	07/2009
VACUUM ABO UNIT #005	30-025-02991	02/2004
VACUUM ABO UNIT #057	30-025-02990	05/1994
VACUUM ABO UNIT #061	30-025-03003	02/1977
VACUUM ABO UNIT #065	30-025-03005	03/2009
VACUUM GLORIETA EAST UNIT #001	30-025-24806	01/1980
VACUUM GLORIETA EAST UNIT #001	30-025-20793	08/1987
VACUUM GLORIETA EAST UNIT #001	30-025-21096	12/1992

VACUUM GLORIETA EAST UNIT #002	30-025-20822	07/2005
VACUUM GLORIETA EAST UNIT #002	30-025-20370	03/1986
VACUUM GLORIETA EAST UNIT #008	30-025-02971	10/1974
WARREN UNIT BLINEBRY TUBB WF #040	30-025-25204	01/1996
WARREN UNIT BLINEBRY TUBB WF #068	30-025-26210	06/1995
WARREN UNIT BLINEBRY TUBB WF #084	30-025-27105	04/1993
WARREN UNIT BLINEBRY TUBB WF #091	30-025-27566	04/1993
WARREN UNIT BLINEBRY TUBB WF #093	30-025-27584	07/1996

ConocoPhillips Company

By:

Title:

William Carrick
Regulatory Manager 12/21/10