

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

NMOCD – ACOI- 102

IN THE MATTER OF CHEVRON USA, INC.,

Respondent.

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"), the Director of the Oil Conservation Division ("OCD") and CHEVRON USA, INC. ("Operator") enter into this Agreed Compliance Order ("Order") to recognize that certain identified wells have been returned to production and are in compliance with OCD Rule 201 [19.15.4.201 NMAC], and to remove those wells from the inactive well list kept pursuant to OCD Rule 40 [19.15.1.40 NMAC] until such time as production reports for the wells are due pursuant to OCD Rule 1115 [19.15.13.1115 NMAC].

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and orders adopted pursuant to the Act.
2. Operator operates over 1000 wells in New Mexico under OGRID 4323.
3. OCD Rule 40.A provides, in relevant part, that an operator who operates more than 1000 wells is in compliance with OCD Rule 40.A if the operator has no more than 10 wells out of compliance with OCD Rule 201 that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with Rule 201 and imposing sanctions if the schedule is not met. OCD Rule 40 will take effect February 13, 2006.
4. OCD Rule 201 provides, in relevant part, that the operator of a well shall either plug and abandon the well or temporarily abandon the well in accordance with OCD rules within ninety days after a period of one year in which the well has been continuously inactive.
5. OCD Rule 40.F requires the OCD to make available on its website an "inactive well list" listing inactive well that according to division records does not have its wellbore plugged, is not in approved temporary abandonment status, and is not subject to an agreed compliance order setting a schedule for bringing the well into compliance and imposing a sanction if the operator does not meet the schedule.

Pursuant to OCD Rule 40.F.(2), the listing of a well on the inactive well list as inactive for more than one year plus ninety days creates a rebuttable presumption that the well is out of compliance with OCD Rule 201.

6. When an inactive well is returned to production or other beneficial use, the operator files a C-115 report showing the production or other beneficial use. The filing of a C-115 showing production or other beneficial use for a well results in the well's removal from the OCD Rule 40 inactive well list. OCD Rule 1115 does not require the filing of a C-115 until the 15th day of the second month following the month of production.
7. According to documents filed with the OCD by the Operator, the wells identified in Exhibit A to this agreed compliance order are wells operated by Operator that have been returned to production in December 2005 or January 2006. According to those documents the wells are in compliance with OCD Rule 201 because the Operator has returned the wells to production, and the wells are in compliance with OCD Rule 1115 because the C-115 reports are not yet due. The wells currently appear on the OCD Rule 40 inactive well list because the OCD Rule 40 inactive well list reports activity based on the C-115 filings and Operator has not yet filed C-115 reports for December 2005 or January 2006 production. Reports for December 2005 production are due February 15, 2006; reports for January 2006 production are due March 15, 2006.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. As operator of the wells identified in Exhibit "A," Operator is responsible for bringing those wells into compliance with Rule 201 and Rule 40.A.
3. Operator has presented evidence that it has returned the wells identified in Exhibit "A" to compliance with OCD Rule 201 by returning the wells to production in December 2005 and January 2006.
4. Operator is currently in compliance with OCD Rule 1115 because the C-115 production reports for the wells identified in Exhibit "A" are not yet due for December 2005 or January 2006 production.
5. The OCD should enter into this agreed compliance order to remove the wells identified in Exhibit "A" from the OCD Rule 40 inactive well list until such time as the C-115 production reports are due.

ORDER

1. The OCD shall remove the wells identified in Exhibit "A" from the Operator's OCD Rule 40 inactive well list until March 16, 2006, to give Operator the time allowed under OCD Rule 1115 to file the C-115 production reports for the wells.
2. On March 16, 2006 any wells identified in Exhibit "A" for which the OCD has not received a C-115 production report indicating that the well has been returned to production or other beneficial use shall reappear on the OCD Rule 40 inactive well list, unless according to OCD records the well has had its wellbore plugged or is in approved temporary abandonment status.
3. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order; and
 - (b) waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order.
4. This Order applies only to those wells identified in Exhibit "A."

Done at Santa Fe, New Mexico this 7th day of Feb, 2006

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division

ACCEPTANCE

Chevron USA, Inc. hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Chevron USA, Inc.

By: 

Title: Att-En-For

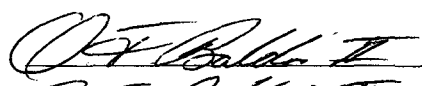
Date: 2/14/06

EXHIBIT "A"

To Inactive well agreed compliance order for Chevron USA, Inc.

1. R E Cole NCT A #022	API 30-025-26784
2. G L Erwin B Federal NCT-2 #001	API 30-025-11362
3. G L Erwin B Federal NCT-2 #009	API 30-025-33384
4. C C Fristoe A Federal NCT 1 #001	API 30-025-11368
5. J N Carson NCT A #005	API 30-025-06814
6. CH Weir A #007	API 30-025-06073
7. Mexico L 27	API 30-025-35336
8. G W Sims #004	API 30-025-32900

Chevron USA, Inc.

By: 
O. F. Baldwin II
Title: Atty - In - Fact
Date: 2/4/06