

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

NMOCD - ACO 01-04-003-A

IN THE MATTER OF *InFlow Petroleum Resources, LP*

Respondent.

**AMENDED
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 Paragraph 9 of Agreed Compliance Order 01-04-003, the Director of the Oil Conservation Division ("OCD") and *InFlow Petroleum Resources, LP* ("Operator") enter into this amended Order ("Amended Order") that replaces Order 01-04-003, entered into by Operator and the OCD on November 3, 2004.

Under this Amended Order, Operator agrees to pay penalties for its failure to comply with Order 01-04-003, agrees to post an additional \$50,000 surety bond to secure the plugging and abandonment of its wells located in New Mexico, agrees that the wells identified in Exhibit "A" to this Amended Order shall be brought into compliance with the Act and OCD Rule 201 [19.15.4.201 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 Amended 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 limited partnership doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 225789 for the wells identified in Exhibit "A," attached.
4. The wells identified in Exhibit "A":
 - a. have been continuously inactive for a period of one year plus ninety days;
 - b. are not properly plugged and abandoned under OCD Rule 202 [19.15.4.202 NMAC]; and
 - c. have not been placed on approved temporary abandonment status under OCD Rule 203 [19.15.4.203 NMAC].

5. The wells identified in Exhibit "A" include 22 wells that were subject to Order 01-04-003, and 4 wells that fell out of compliance with OCD Rule 201 [19.15.4.201 NMAC] after the execution of Order 01-04-003.
6. OCD Rule 201 [19.15.4.201 NMAC] states, in relevant part:

"A. The operator of any well drilled for oil, gas or injection; for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof.

B. A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within ninety (90) days after:

....

....

(3) a period of one (1) year in which a well has been continuously inactive."

7. 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 or willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.
8. NMSA 1978, Section 70-2-3(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..."
9. On November 3, 2004, the OCD executed Order 01-04-003 with Operator, under which Operator agreed to bring the 76 wells identified in that order into compliance with Rule 201 at a rate of two wells per month starting with the month of December 2004, agreed to pay penalties if it failed to meet the schedule, and agreed to file monthly compliance reports starting in January 2005.
10. Operator filed compliance reports in January, February and March 2005, indicating that it had brought the following 6 wells identified in Order 01-04-003 into compliance in accordance with the schedule set out in that order:

New Mexico AN State #011 API 30-025-28236

New Mexico AN State #019, API 30-025-35297

Sholes B-30 #2, API 30-025-11840

Sholes B-19 #1, API 30-025-11623

Ascarte D-24 #1, API 30-025-09794

State Federal 6 Com #2, API 30-025-22866

11. In a March 2005 telephone call with an OCD field representative, Operator stated that it had encountered difficulties in placing 12 wells on temporary abandonment

status when it discovered that the wells were equipped with full tubing strings that would have to be pulled.

12. In a confirming e-mail to Operator dated March 24, 2005, the OCD field representative indicated that if the wells were not finished by the end of the month, the OCD would not impose penalties.

13. Operator did not file monthly compliance reports for April, May, June, July, August or September 2005. In October 2005 Operator filed a compliance report indicating that it had brought the following two additional wells into compliance:

New Mexico AT State #005, API 30-025-01126
State KT 24 #002, API 30-025-22866

14. Operator submitted a written request for an amendment pursuant to Paragraph 9 of Order 01-04-003 on November 3, 2005.

15. On November 30, Operator filed a monthly compliance report indicating that it had brought the following two additional wells into compliance:

Federal 6 #2J, API 30-025-28074
Cities Service Federal #2, API 30-025-09692

16. Under the terms of Order 01-04-003, and not imposing penalties for March or April 2005, Operator is subject to a total of \$48,000 in penalties, calculated as follows:

May 2005	6 wells short of schedule	\$6000
June 2005	8 wells short of schedule	\$8000
July 2005	10 wells short of schedule	\$10,000
August 2005	12 wells short of schedule	\$12,000
September 2005	12 wells short of schedule	\$12,000

Total:		\$48,000
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17. Operator acquired many of the wells on Exhibit "A" in 2004, taking on the responsibility for bringing a large number of inactive wells into compliance. Operator has provided information to the OCD regarding its efforts to obtain equipment to continue work on the wells identified in Exhibit "A," including contracting a pulling unit in the Jalmat/Langlie Mattix area to work on the wells they were unable to place on temporary abandonment status earlier in the year, and being put on the call list with another well service.

18. Operator also indicated that its ability to keep to the schedule set in Order 01-04-003 was impaired by a change in personnel and the effect of the 2005 hurricane season on its Louisiana operations.

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.
3. Operator is a "person" as defined by OCD Rule 7.P(2) subject to civil penalties for knowing and willful violations of the Oil and Gas Act or rules or orders adopted pursuant to the Act.
4. Operator is subject to civil penalties for its failure to comply with order 01-04-003.

ORDER

1. Taking into account both aggravating and mitigating circumstances, Operator is hereby assessed a penalty of \$5,000 for its failure to comply with ACO 01-04-003. The \$5,000 penalty shall be paid at the time this Amended Order is executed, by check payable to "Oil Conservation Division," and mailed or hand-delivered to the following address:

Oil Conservation Division, EMNRD
1220 S. St. Francis Drive
Santa Fe, NM 87505
Attn: Gail MacQuesten

2. Operator shall post an additional \$50,000 surety bond within 15 days of the date the Amended Order is executed.
3. Operator shall bring at least 4 of the wells identified in Exhibit "A" into compliance with OCD Rule 201 by August 10, 2006 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 202 and filing a C-103 describing the completed work;
 - (c) placing the well on approved temporary abandonment status pursuant to OCD Rule 203.

Transfer of a well identified on Exhibit "A" to another operator does not constitute bringing the well into compliance under the terms of this Amended Order, but will reduce the number of wells for which Operator is responsible under this Amended Order.

4. Operator shall file a compliance report by August 10, 2006 using the OCD's web-based on-line application, 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).
5. When the OCD receives a timely compliance report indicating that Operator has returned at least 4 wells to compliance and verifies the accuracy of that report, the OCD shall issue an amendment to this Amended Order extending its terms for an additional six-month period. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 100.C. If, in any six-month period, Operator returns more than 4 wells to compliance, the wells in excess of the number required will count towards the Operator's requirements for the next six-month period.
6. If Operator continues to return wells to compliance at a rate of at least 4 wells each six-month period, OCD shall continue to issue amendments to this Amended Order extending its term for an additional six-month period. The total length of this Amended Agreed Compliance Order, including the initial six-month period and any extensions, shall not exceed two years. At the end of two years, Operator and the OCD may negotiate a new agreed compliance order.
7. If Operator fails to bring at least 4 wells into compliance in any six-month period covered by this Amended Order or amendments issued pursuant to Ordering Paragraphs 5, 6 and 7, Operator agrees to pay a penalty of \$1000 times the number of wells it failed to bring into compliance under its schedule. Once Operator pays the penalty, the OCD may, in its discretion, issue an amendment to this Amended Order extending its terms for an additional six-month period.

Example: Operator X enters into an agreed compliance order under which it agrees to bring 5 wells into compliance in a six-month period. At the end of the six-month period, Operator X has brought only 3 wells into compliance. Operator X must pay a penalty of \$2000. Upon payment of the \$2000 penalty, the OCD exercises its discretion to issue an amendment extending the term of the agreed compliance order for an additional six-month period, again requiring Operator X to bring at least 5 wells into compliance. During this additional six-month period, Operator brings only one well into compliance. Operator X must pay a \$4000 penalty. Although Operator X pays the \$4000 penalty, the OCD exercises its discretion and declines to issue an amendment to extend the terms of the agreed compliance order for an additional six-month period.

8. Thirty days after the expiration of the term of this Amended Order and any amendments issued pursuant to Ordering Paragraphs 5, 6 and 7, any wells on Exhibit "A" not in compliance with OCD Rule 201 will appear on the inactive well list kept pursuant to OCD Rule 40.F.

9. By signing this Amended Order, Operator expressly:
- (a) acknowledges the correctness of the Findings and Conclusions set forth in this Amended Order;
 - (b) agrees to pay a \$5,000 penalty as set out in Ordering Paragraph 1 for its failure to comply with Order 01-04-003;
 - (c) agrees to post an additional \$50,000 surety bond within 15 days of the date the Amended Order is executed;
 - (d) agrees to return to compliance 4 of the wells identified in Exhibit "A" by August 10, 2006, and agrees to comply with the compliance deadlines set by any amendments issued pursuant to Ordering Paragraphs 5, 6 or 7;
 - (e) agrees to submit a compliance report as required in Ordering Paragraph 4 and the deadline set by any amendments issued pursuant to Ordering Paragraphs 5, 6 or 7;
 - (f) agrees to pay penalties as set out in Ordering Paragraph 7 if it fails to return 4 wells to compliance under the deadlines set by this Amended Order or any amendments issued pursuant to Ordering Paragraphs 5, 6 or 7;
 - (g) waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Amended Order or to an appeal from this Amended Order; and
 - (h) agrees that the Amended Order and amendments issued pursuant to Ordering Paragraphs 5, 6 or 7 above may be enforced by Division or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the Division or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.
9. This Amended Order applies only to those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with Rule 201 may be subject to immediate enforcement action under the Oil and Gas Act.
10. This Amended Order shall not be admissible against Operator in a civil proceeding unless the proceeding is brought by the OCD to (1) enforce the terms of this Amended Order, or (2) pursue violation of a statute within the OCD's jurisdiction, or of a rule or an order or permit issued by the OCD under such statute.
11. This Amended Order is effective February 10, 2006.

Done at Santa Fe, New Mexico this 14th day of Feb, 2006

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division

ACCEPTANCE

InFlow Petroleum Resources LP, a limited partnership, hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Amended Order.

InFlow Petroleum Resources, LP


By: 
Title: REY A. BARIBAULT
Date: CEO - GENERAL PARTNER
2/3/06

Exhibit "A"
To Amended Agreed Compliance Order
For InFlow Petroleum Resources, LP

API #	Well and number
1. 30-025-09724	Arnott Ramsey A # 002
2. 30-025-09725	Arnott Ramsey A # 003
3. 30-025-09722	Arnott Ramsey A # 004
4. 30-025-23575	Cook # 003
5. 30-025-11853	Dyer # 001
6. 30-025-11854	Dyer # 002
7. 30-025-09779	Exxon # 001
8. 30-025-03510	Gulf Orcutt # 001
9. 30-025-03511	Gulf Orcutt # 002
10. 30-025-11676	Hadfield # 001
11. 30-025-11684	Lanehart # 003
12. 30-025-26760	Possh # 001
13. 30-025-27044	Possh # 003
14. 30-025-26536	Possh # 004
15. 30-025-26631	Shahan # 001
16. 30-025-11875	Shahan 33 # 001
17. 30-025-11877	Shahan 33 # 003
18. 30-025-27143	Sholes B 19 # 004
19. 30-025-09707	State W # 001
20. 30-025-24740	State W # 003
21. 30-025-09459	Stevens A 34 # 001
22. 30-025-25429	Woolworth # 002
23. 30-025-09723	Arnott Ramsey A #001
24. 30-025-09736	EJ Wells #002
25. 30-025-11830	Gutman SWD #002
26. 30-025-27905	Stevens A 34 #005

InFlow Petroleum Resources, LP
By: IPR Energy, LLC,
Its General Partner

Title CEO
Signature Ray A. Bainbault 2/3/06
InFlow Petroleum Resources, LP