

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

NMOCD – ACOI- 141

IN THE MATTER OF PETROHAWK OPERATING COMPANY,

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 Petrohawk Operating Company ("Operator") enter into this Agreed Compliance Order ("Order") under which Operator agrees to bring wells identified herein 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 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 Texas corporation and a wholly-owned subsidiary of Petrohawk Energy Corporation, doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 194849 for the wells identified in Exhibit "A," attached.
4. OCD Rule 201 [19.15.4.201 NMAC] states, in relevant part:

"A. The operator of any of the following wells, whether cased or uncased, shall be responsible for the plugging thereof: wells drilled for oil or gas; or service wells including but not limited to seismic, core, exploration or injection wells.

B. A well shall be either properly plugged and abandoned or placed in approved temporary abandonment in accordance with these rules 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" have been inactive for a continuous period in excess of 15 months, and are not plugged and abandoned or on approved temporary abandonment status.
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 or willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.
7. NMSA 1978, Section 70-2-3(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..."

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 Rule 201.
3. As operator of the wells identified in Exhibit "A," Operator is responsible for bringing those wells into compliance with Rule 201.
4. Operator is a "person" as defined by OCD Rule 7.P(2) 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 201 by February 28, 2007 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.B(2) and filing a C-103 describing the completed work; or
 - (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 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.

2. Operator shall file a compliance report by February 28, 2007 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).
3. 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, the OCD shall issue an amendment to this Order extending its terms through August 31, 2007, and requiring Operator to return to compliance by that date all non-compliant wells identified on Exhibit A that Operator still operates. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 100.C.
4. If Operator fails to bring 6 of the wells identified on Exhibit A into compliance by February 28, 2007, or if an amendment is issued pursuant to Ordering Paragraphs 3 and Operator fails to bring all remaining non-compliant wells identified on Exhibit A still operated by Operator into compliance by August 31, 2007, Operator agrees to pay a penalty of \$1000 times the number of wells it failed to bring into compliance by the applicable deadline. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its compliance deadlines, Operator may file an administrative application with the OCD to request a waiver or reduction of the penalty and/or an amendment extending the terms of the Order for an additional period not to exceed six months. Operator shall serve the OCD's Enforcement and Compliance Manager with a copy of the application. If the Enforcement and Compliance Manager concurs with the Operator's request(s), the request(s) may be granted administratively. Requests not granted administratively shall be set for hearing.
5. Thirty days after the expiration of the term of this Order and any amendments to this Order issued pursuant to Ordering Paragraphs 3 or 4, 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.
6. 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 6 of the wells identified in Exhibit "A" by February 28, 2007, and agrees to comply with the compliance deadlines set by any amendments to this Order issued pursuant to Ordering Paragraphs 3 or 4;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 2 and the deadline set by any amendments to this Order issued pursuant to Ordering Paragraphs 3 or 4;

- (d) agrees to pay penalties as set out in Ordering Paragraph 4 if it fails to return the required number of wells to compliance under the deadline set by this Order or by any amendments to this Order issued pursuant to Ordering Paragraphs 3 or 4;
 - (e) waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior to or subsequent to the entry of this Order or to an appeal from this Order; 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.
7. This 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.
8. The Oil Conservation Division 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 25th day of August, 2006

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

ACCEPTANCE

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

Petrohawk Operating Company

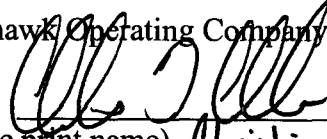
By: 
(Please print name) Christian D. Morco
Title: Production Manager, Permian Basin
Date: 8/24/06

Exhibit A to Agreed Compliance Order for Petrohawk Operating Company

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	Days i
	1 30-025-09311	STATE A A/C 1 #034	K-11-23S-36E	K	194849	PETROHAWK OPERATING COMPANY	S	G		Dec-03 YATES 7 RVRS		
	1 30-025-09258	STATE A A/C 1 #044	2-4 -23S-36E	B	194849	PETROHAWK OPERATING COMPANY	S	O		May-97 7 RVRS QUEEN GRAYBURG		
	1 30-025-10715	STATE A A/C 1 #078	G-14-23S-36E	G	194849	PETROHAWK OPERATING COMPANY	S	O		Nov-96		
	1 30-025-09296	STATE A A/C 1 #086	F-10-23S-36E	F	194849	PETROHAWK OPERATING COMPANY	S	O		Aug-81		
	1 30-025-20974	STATE A A/C 1 #106	A-13-23S-36E	A	194849	PETROHAWK OPERATING COMPANY	S	G		Dec-03		
	1 30-025-20976	STATE A A/C 1 #108	M-24-23S-36E	M	194849	PETROHAWK OPERATING COMPANY	S	G		Dec-04		
	1 30-025-35556	STATE A A/C 1 #131	I-9 -23S-36E	I	194849	PETROHAWK OPERATING COMPANY	S	G		Jan-04 7RQGB / NEEDS ACREAGE		
	1 30-025-08832	STATE A A/C 2 #023	H-8 -22S-36E	H	194849	PETROHAWK OPERATING COMPANY	S	O		Jan-04 7 RVRS QUEEN		
	1 30-025-08797	STATE A A/C 2 #044	F-5 -22S-36E	F	194849	PETROHAWK OPERATING COMPANY	S	O		Dec-04 RECLASSIFY GAS TO OIL 4-10-1999		
	1 30-025-34682	STATE A A/C 3 #014	O-10-23S-36E	O	194849	PETROHAWK OPERATING COMPANY	S	O		Aug-03 TY7R		
	1 30-025-09300	STATE A A/C 3 COM A #004	B-10-23S-36E	B	194849	PETROHAWK OPERATING COMPANY	S	G		Aug-03 YTS 7 RVRS		
	1 30-025-20245	STATE A A/C 3 COM A #008	P-10-23S-36E	P	194849	PETROHAWK OPERATING COMPANY	S	G		Mar-05 YTS 7 RVRS		

Petrohawk Operating Company
By: 