

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

NMOCD – ACOI- 157

IN THE MATTER OF PRIDE ENERGY 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") and OCD Rule 1227.E [19.15.14.1227(E) NMAC], the Director of the Oil Conservation Division ("OCD") and Pride Energy Company ("Operator") enter into this Agreed Compliance Order ("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 general partnership operating 70 wells in New Mexico under OGRID 151323.
3. Three of Operator's wells appear on the inactive well list kept pursuant to OCD Rule 40 [19.15.1.40 NMAC], including the following well: South Four Lakes Unit #008, API 30-025-29533. The listing of a well on the Rule 40 inactive well list as a well inactive for more than one year plus 90 days creates a rebuttable presumption that the well is out of compliance with Rule 201 [19.15.4.201 NMAC].
4. Rule 201 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. As an operator of 70 wells in New Mexico, Operator will be out of compliance with Rule 40 if it has more than two wells on the Rule 40 inactive well list.

6. Operator has conducted a successful mechanical integrity test on the South Four Lakes Unit #008, and intends to file an application for a permit to use the well as a salt water disposal well. If Operator obtains a permit to use the well as a salt water disposal well and begins injection, The South Four Lakes Unit #008 will be an active well in compliance with Rule 201.
7. Operator will not be able to obtain an injection permit for the South Four Lakes Unit #008 if it is in violation of Rule 40. See 19.15.9.701 NMAC.
8. 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.
9. 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

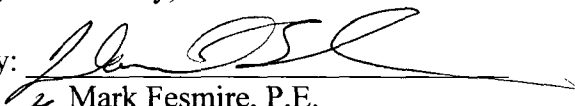
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. To enable Operator to apply for a permit to use the South Four Lakes Unit #008 as a salt water injection well and return it to compliance with Rule 201, the South Four Lakes Unit #008 should be removed from the Rule 40 inactive well list for sufficient time to allow the Operator to complete the application process.

ORDER

1. The South Four Lakes Unit #008 shall be removed from the Rule 40 inactive well list until August 31, 2007.
2. By August 31, 2007, Operator must
 - a. obtain an injection permit for the South Four Lakes Unit #008, place the well on injection and file a C-115 return showing injection;
 - b. otherwise return the South Four Lakes Unit #008 to compliance with Rule 201 by plugging the well or placing it on approved temporary abandonment status; or
 - c. negotiate a new agreed compliance order, setting a schedule for returning the well to compliance with Rule 201 and imposing penalties if Operator fails to meet that schedule.

3. On September 1, 2007, if Operator is still operator of record of the South Four Lakes Unit #008 and it is out of compliance with Rule 201 and not subject to an agreed compliance order, the well will appear on the Rule 40 inactive well list for Operator and Operator will be subject to a penalty of \$1,000.
4. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to pay penalties as set out in Ordering Paragraph 3;
 - (c) 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
 - (d) 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.
5. This Order applies only to the enforcement of OCD Rule 201 [19.15.4.201 NMAC] against the South Four Lakes Unit #008. Other wells operated by Operator out of compliance with OCD Rule 201 [19.15.4.201 NMAC] may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.
6. The OCD reserves the right to file an application for hearing to obtain authority to plug the South Four Lakes Unit #008 and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

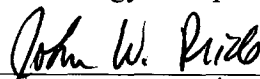
Done at Santa Fe, New Mexico this 12th day of February, 2007

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

ACCEPTANCE

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

Pride Energy Company

By: 
(Please print name) John W. Pride
Title: President of Pride Oil & Gas Co., Inc. as
Date: 2/9/07 General Partner of Pride Energy
Company