

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

NMOCD - ACOI 124-B

IN THE MATTER OF JOHN R. STEARNS, DBA STEARNS,

Respondent.

**SECOND AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 4 of Agreed Compliance Order 124 (“ACOI 124” or “Order”), the Director of the Oil Conservation Division (“OCD”) hereby amends that Order as follows:

FINDINGS

1. ACOI 124 required John R. Stearns, dba Stearns (“Operator”) to return at least six of the wells identified in Exhibit “A” to the Order to compliance with OCD Rule 201 by September 25, 2006 (the first period) and file a compliance report by that date. Operator filed a timely compliance report, and the OCD verified that Operator returned the following six wells to compliance in the first period:

- | | |
|-------------------------|--------------|
| • Amoco Federal #001 | 30-005-20609 |
| • Amoco Federal #002 | 30-005-20620 |
| • Hahn A Federal #002 | 30-005-20802 |
| • Hahn Federal #007 | 30-005-20774 |
| • Miller Federal #005 | 30-005-20122 |
| • Mountain Federal #002 | 30-041-20462 |

2. Because Operator met its six-well goal for the first period, the OCD amended the Order to extend its terms by 6 months, and required Operator to return six additional wells identified in “Exhibit A” to the Order to compliance by March 25, 2007 to meet its 4-well goal for the second period.

3. Operator filed a timely compliance report for the second period, and the OCD verified that Operator returned the following four wells to compliance in the second period:

- | | |
|-----------------------|--------------|
| • Amoco Federal #009 | 30-005-20763 |
| • Amoco Federal #010 | 30-005-20790 |
| • Miller Federal #006 | 30-005-20530 |
| • Wattam Federal #004 | 30-005-20813 |

4. Operator reported that it brought two additional wells into compliance in the second period by returning the wells to production. The C-115 production reports showing production for those wells have not yet been filed.

CONCLUSIONS

1. Operator failed to meet its goal of returning six wells identified in Exhibit "A" into compliance in the second period, falling short of its goal by two wells.

2. The OCD should waive the \$2,000 penalty that would be due under the Order, because Operator has demonstrated good faith in its efforts to meet its compliance goals, performing work on two additional wells.

3. The OCD should amend ACOI 124 to extend its terms through September 25, 2007 and require Operator to return to compliance by that date six wells identified in Exhibit "A" to the Order that are not identified in Findings Paragraphs 2 and 3, above.

ORDER

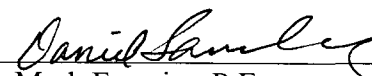
1. The OCD waives the \$2,000 penalty that would otherwise be due under the Order for Operator's failure to return six wells to compliance in the second period.

2. Operator shall return to compliance by September 25, 2007 (the third period) six wells identified in Exhibit "A" to the Order that are not identified in Findings Paragraphs 2 and 3, above.

3. Operator shall file a written compliance report identifying the well(s) it returned to compliance in the third period, and stating how the well(s) were returned to compliance (returned to production or other beneficial use; wellbore plugged; or placed on approved temporary abandonment status). The report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager so that it is received by September 25, 2007.

4. The terms of ACOI 124 otherwise remain in effect.

Done at Santa Fe, New Mexico this 9th day of April, 2007

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