

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

NMOCD - ACOI 164-A

IN THE MATTER OF MELROSE OPERATING COMPANY

Respondent.

**AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraph 3 of Agreed Compliance Order 164 (“ACOI 164” or “Order”), the Director of the Oil Conservation Division (“OCD”) hereby amends that Order as follows:

FINDINGS

1. ACOI 164 requires Melrose Operating Company (“Operator”) to return to compliance with OCD Rule 201 at least six of the wells identified in ACOI 164 by September 20, 2007, and file a compliance report by that date.
2. ACOI 164 further provides that if Operator returns to compliance with OCD Rule 201 at least six of the wells identified in ACOI 164 by September 20, 2007, and files a timely compliance report, the OCD shall issue an amendment extending the terms of ACOI 164 for a second six-month period, requiring Operator to return an additional six wells to compliance by that deadline.
3. Operator filed a timely compliance report, and the OCD has verified that Operator has returned the following six wells identified in ACOI 164 to compliance:

- | | |
|-----------------------------------|--------------|
| • Rotary State #005 | 30-015-01968 |
| • State 647 AC 713 #122 | 30-015-02017 |
| • Northeast Pearl Queen Unit #003 | 30-025-03163 |
| • Northeast Pearl Queen Unit #009 | 30-025-21114 |
| • Northeast Pearl Queen Unit #011 | 30-025-20984 |
| • Northeast Pearl Queen Unit #010 | 30-025-20983 |

CONCLUSIONS

1. Operator has returned six of the wells identified in ACOI 164 to compliance.

2. The OCD should amend ACOI 164 to extend its terms through March 20, 2008 and require Operator to return to compliance by March 20, 2008 at least six additional wells identified in the Order.

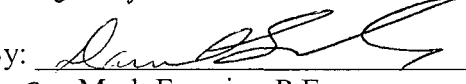
ORDER

1. Operator shall return to compliance by March 20, 2008 at least six of the wells identified in ACOI 146 not identified in Findings Paragraph 3, above, to meet its goal for the second period.

2. Operator shall file a written compliance report by March 20, 2008.

3. The terms of ACOI 164 otherwise remain in effect.

Done at Santa Fe, New Mexico this 18th day of October, 2007

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