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

APPLICATION OF CHAPARRAL ENERGY, LLC
FOR APPROVAL OF A SALT-WATER DISPOSAL
WELL, LEA COUNTY, NEW MEXICO

CASE NO. 13695

De novo

ENTRY OF APPEARANCE AND
PRE-HEARING STATEMENT

The Oil Conservation Division submits this entry of appearance and pre-hearing statement pursuant to OCD Rule 1211 [19.15.14.1211 NMAC].

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

Gail MacQuesten
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451
FAX: 476-3462
Gail.macquesten@state.nm.us

RESPONDENT

Chaparral Energy, LLC

Gary Larson
Hinkle, Hensley, Shanor & Martin,
LLP
Post Office Box 2068
Santa Fe, NM 87504-2068
Fax: 982-8623

STATEMENT OF THE CASE

Chaparral Energy, LLC (Chaparral) seeks a permit for a salt water disposal well. Rule 19.15.9.701.A NMAC provides, in relevant part: "The division shall grant a permit for injection under 19.15.9.701 NMAC only to an operator who is in compliance with Subsection A of 19.15.1.40 NMAC." The Oil Conservation Division (OCD) enters its appearance in this case to inform the Oil Conservation Commission that Chaparral is out of compliance with that Subsection, and that the injection permit cannot be granted until Chaparral comes into compliance.

Subsection A of 19.15.1.40 NMAC (Rule 40.A) provides, in relevant part, that an operator who operates between 101 and 500 wells may have no more than five wells out of compliance with 19.15.4.201 NMAC: the inactive well rule. For purposes of Rule 40.A, the listing of a well on the OCD's 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 the inactive well rule. 19.15.1.40.F NMAC. The inactive well list does not include wells that are subject to an inactive well agreed compliance order, under which the operator agrees to return the identified wells to compliance under an agreed schedule. Chaparral does not currently have an inactive well agreed compliance order. Chaparral's inactive well list identifies nine wells out of compliance with the inactive well rule: more than the five wells permitted under Rule 40.A.

Chaparral had two inactive well agreed compliance orders to address its inactive wells. Both have now expired. When the most recent order expired, the OCD offered Chaparral the opportunity to enter into a new inactive well agreed compliance order. That offer was made by letter dated July 24, 2007. Chaparral did not respond.

APPLICANT'S PROPOSED EVIDENCE

WITNESS:

ESTIMATED TIME:

Daniel Sanchez

10 minutes

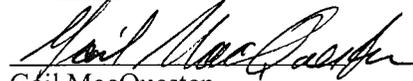
PROCEDURAL MATTERS

None.

EXHIBITS

The OCD's exhibits are attached.

Respectfully submitted
this 1st day of November 2007 by



Gail MacQuesten
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451

Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon Gary Larson, attorney for Chaparral Energy, LLC by FAX at 505 982-8623 this 1st day of November 2007.


Gail MacQuesten

Inactive Well List

Total Well Count: 128 Inactive Well Count: 9 Since: 8/8/2006

Printed On: Thursday, November 01 2007

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-26257	BELL LAKE UNIT #019	B-12-24S-33E	B	4115	CHAPARRAL ENERGY LLC	F	G	10/1982		T	7/5/2006
2	30-015-24496	DD 24 FEDERAL #001	P-24-19S-24E	P	4115	CHAPARRAL ENERGY LLC	F	O	10/1997		T	1/20/2007
1	30-025-12276	WEST DOLLARHIDE QUEEN SAND UNIT #024	B-31-24S-38E	B	4115	CHAPARRAL ENERGY LLC	F	I	07/1996	QUEEN-TA EXP 9/1/07	T	9/1/2007
1	30-025-30083	WEST DOLLARHIDE QUEEN SAND UNIT #086	A-31-24S-38E	A	4115	CHAPARRAL ENERGY LLC	F	O	05/1995	TA EXP 09/1/07	T	9/1/2007
1	30-025-30132	WEST DOLLARHIDE QUEEN SAND UNIT #093	F-32-24S-38E	F	4115	CHAPARRAL ENERGY LLC	S	O	07/1995		T	12/19/2002
1	30-025-30152	WEST DOLLARHIDE QUEEN SAND UNIT #097	K-32-24S-38E	K	4115	CHAPARRAL ENERGY LLC	S	O	03/1994	QUEEN		
1	30-025-30288	WEST DOLLARHIDE QUEEN SAND UNIT #126	N-32-24S-38E	N	4115	CHAPARRAL ENERGY LLC	S	I	07/1997		T	8/19/2007
1	30-025-30299	WEST DOLLARHIDE QUEEN SAND UNIT #142	P-32-24S-38E	P	4115	CHAPARRAL ENERGY LLC	S	I	11/1993		T	8/19/2007
1	30-025-35113	WEST DOLLARHIDE QUEEN SAND UNIT #156	M-32-24S-38E	M	4115	CHAPARRAL ENERGY LLC	S	O	08/2005	QUEEN		

WHERE Ogrid:4115, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

Before the OCC
Case 13695
OCD Ex. A

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

NMOCD - ACO 01-04-009__

IN THE MATTER OF *Chaparral Energy LLC*

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 *Chaparral Energy LLC*. ("Operator") enter into this Order under which Operator agrees that the wells identified herein 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 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 *Foreign Domestic Limited Liability Corporation* (SCC # 1439793) (Ogrid # 4115) doing business in the state of New Mexico.
3. Operator is the operator of record 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 temporary abandonment status under OCD Rule 203 [19.15.4.203 NMAC].
5. 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:

.....

Before the OCC
Case 13695
OCD Ex. B

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

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. OCD Rule 7.P (2) [19.15.1.7.P (2) NMAC] defines “person” as
“an individual or any other entity including partnerships, corporation, associations, responsible business or association agents or officers, the state or a political subdivision of the state or any agency, department or instrumentality of the United States and any of its officers, agents or employees.”

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.

ORDER

1. Operator is hereby directed to bring each of the wells identified in Exhibit “A” into compliance with OCD Rule 201 by either:
 - (a) restoring such wells to production or other OCD-approved beneficial use by December 31,2005
 - (b) causing the wellbore to be plugged in accordance with OCD Rule 202 by December 31,2005 and causing the site to be remediated in accordance with OCD Rule 202 within one year of plugging the wellbore; or
 - (c) securing OCD approval for temporary abandonment of the well in accordance with OCD Rule 203 by December 31,2005.
2. Operator shall, beginning with the month of March, 2005, plug, temporarily abandon or restore to production or other approved beneficial use a minimum of two of the wells identified in Exhibit “A” per calendar month.. If more than 2 wells are plugged, temporarily abandoned or restored to production or other approved beneficial use during any month, the wells in excess of the number agreed to herein shall be credited to Operator’s obligation hereunder for succeeding months, provided

that all of the wells identified in Exhibit "A" shall be plugged, temporarily abandoned or restored to production or other approved beneficial use by December 31, 2005 according to the following schedule (hereinafter "schedule"):

<u>Date:</u>	<u>Number of Wells from Exhibit "A"</u>
March 31, 2005	2
April 30, 2005	4
May 31, 2005	6
June 30, 2005	8
July 31, 2005	10
August 31, 2005	12
September 30, 2005	14
October 31, 2005	16
November 30, 2005	18
December 31, 2005	20
January 31, 2006	Any remaining wells
Total	20

3. A well shall be considered "plugged" for purposes of the schedule set out in paragraph 2, above, when the Operator has plugged the wellbore in accordance with Rule 202.A and B (1) and (2), and filed a sundry notice with the appropriate district office notifying them that the wellbore has been plugged. The wellsite must be remediated in accordance with Rule 202.B.(3) within one year of plugging the wellbore. Upon completion of the remediation, the Operator must contact the appropriate district office to arrange for an inspection of the well and location.
4. A well shall be considered "temporarily abandoned" for purposes of the schedule set out in paragraph 2, above, when the well has successfully passed the mechanical integrity test required by Rule 203 and the Operator has filed the request for temporary abandonment with the appropriate district office.
5. A well shall be considered "restored to production or other approved beneficial use" for purposes of the schedule set out in Paragraph 2, above, when actual production or other approved beneficial use has commenced.
6. Operator shall file a written compliance report with the appropriate district office, and send a copy to the OCD's attorney, by the 10th day of each month starting with April 10th, 2005 listing the wells identified in Exhibit "A" that it has plugged, temporarily abandoned or restored to production or other approved beneficial use. For each well listed, the Operator shall identify each well plugged, temporarily abandoned or restored to production or other approved beneficial use, and the date that work was completed. Operator shall file monthly compliance reports until all wells identified in Exhibit "A" have been plugged, temporarily

abandoned or restored to production or other approved beneficial use. If, at any time, the OCD determines that a well identified in the Operator's compliance report is not plugged, temporarily abandoned or restored to production or other approved beneficial use according to the definitions set out in this agreement, the OCD shall promptly notify the Operator, and those wells shall not be credited toward the Operator's obligations under this Order until they are plugged, temporarily abandoned or restored to production or other approved beneficial use as defined in this agreement.

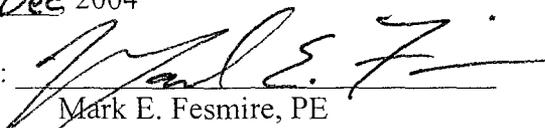
7. If, at the end of any month, the total number of wells the Operator has plugged, temporarily abandoned or restored to production or other beneficial use is less than the number required under the schedule, Operator shall have a one-month grace period in which to become current. If, at the end of that one-month grace period, Operator has not become current under the schedule, Operator shall pay a penalty of \$1000 times the number of wells it is short of the total required for the current month. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the appropriate district office with the next month's report. Penalties are calculated, and payable, each month.

Example A: ABC Company's agreed compliance order requires it to plug, temporarily abandon or restore to production or other approved beneficial use a minimum of 6 wells each month. ABC Company meets or exceeds its obligations in months 1-4. The agreed schedule calls for a total of 30 wells to be plugged, temporarily abandoned or restored to production or other approved beneficial use by the end of month 5. But at the end of month 5, ABC Company is two wells behind schedule. ABC Company will have a one-month grace period in which to become current. At the end of month 6, however, ABC Company has plugged, temporarily abandoned or restored to production or other approved beneficial use a total of 35 wells: one well short of the 36 required by the schedule. ABC Company must pay a penalty of \$1000 when it files its report for month 6. At the end of month 7, ABC Company is 4 wells short of the 42 required by the schedule. ABC Company must pay a penalty of \$4000 when it files its report for month 7.

Example B: XYZ Company's agreed compliance order requires it to plug, temporarily abandon or restore to production or other approved beneficial use a minimum of 5 wells each month. XYZ Company files compliance reports each month indicating that it is meeting its agreed schedule. In month 3, the OCD inspects the site of one of the wells listed as "plugged" in XYZ Company's compliance report for month 1, and determines that the wellbore has not been properly plugged under Rule 202.B(2) because the marker has not been placed on the site. Because the well has not been properly "plugged" as defined by this agreement, it will not count towards fulfilling XYZ Company's obligations under the schedule. XYZ Company will be responsible for calculating, and paying, any additional penalties that apply.

8. If Operator fails to plug, temporarily abandon or restore to production or other approved beneficial use all the wells identified in Exhibit "A" by December 31, 2005. Operator shall pay a penalty of \$2000 per well for each full month the well remains out of compliance with this order after that date. No grace period applies. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the appropriate district office with the next month's report. Penalties are calculated, and payable, each month.
9. For each plugged well, if the Operator fails to remediate the site and request inspection by the appropriate district office within one year of plugging the wellbore, the Operator shall pay a penalty of \$1000 for each full month that the well remains out of compliance with the remediation requirements of Rule 202.B(3). No grace period applies. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the appropriate district office. Penalties are calculated, and payable, each month.
10. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to plug, temporarily abandon or restore to production or other approved beneficial use the wells identified in Exhibit "A" under the schedule set out in Ordering Paragraph (2), and remediate plugged wells within one year of plugging the wellbore as set out in Ordering Paragraph (3);
 - (c) agrees to file monthly compliance reports as required in Ordering Paragraph (6);
 - (d) agrees to pay penalties as set out in Ordering Paragraphs (7), (8) and (9) if it fails to meet the schedule set out in Ordering Paragraph (2) and the remediation requirements set out in Ordering Paragraph (3);
 - (e) waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order; and
 - (f) agrees that the Order 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 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.

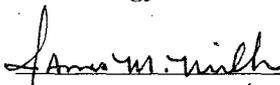
Done at Santa Fe, New Mexico this 7th day of Dec 2004

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

ACCEPTANCE

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

Chaparral Energy LLC

By:  
JAMES M. MILLER

Title: Company Operations Manager

Date: 11/23/04

Chaparral Energy LLC (Ogrid # 4115) Exhibit A

	Well and Number		API #	Date/Last Production or injection
1	WDQSU	150	30-025-30274	Mar-94
2	WDQSU	149	30-025-30273	Mar-94
3	WDQSU	148	30-025-30305	Mar-94
4	WDQSU	136	30-025-30345	Dec-03
5	WDQSU	134	30-025-30272	Apr-91
6	WDQSU	128	30-025-30290	Dec-95
7	WDQSU	121	30-025-30232	Jul-95
8	WDQSU	122	30-025-30253	Feb-93
9	WDQSU	120	30-025-30242	Nov-92
10	WDQSU	116	30-025-30240	Jul-93
11	WDQSU	113	30-025-30231	Sep-98
12	WDQSU	106	30-025-30157	Jul-96
13	WDQSU	103	30-025-30154	Jun-95
14	WDQSU	99	30-025-30144	Dec-94
15	WDQSU	97	30-025-30152	Mar-94
16	WDQSU	86	30-025-30083	May-95
17	WDQSU	84	30-025-30007	Dec-94
18	WDQSU	21	30-025-12270	Feb-96
19	State K	1	30-025-22049	Nov-91
20	State K	2	30-025-22478	Dec-01

Chaparral Energy

Title Company Operations Manager

By Jason M. Miller

Date 11/23/04



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

April 20, 2006

Mr. Randy Johnson
Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, OK 73114

Re: Agreed Compliance Order (ACO-9)

Dear Mr. Johnson:

I am writing to follow up on the agreed compliance order regarding inactive wells operated by Chaparral Energy, LLC (Chaparral), and to review the status of Chaparral's inactive wells.

Chaparral's agreed compliance order required it to bring 20 wells into compliance by December 31, 2005. To date, one of the 20 wells remains out of compliance (West Dollarhide Queen Sand Unit #097, 30-025-30152).

The Rule 40 inactive well list for Chaparral currently shows 14 wells out of compliance. Chaparral operates 121 wells and it may have no more than 5 wells on the Rule 40 inactive well list. While Chaparral is in violation of Rule 40 [19.15.1.40 NMAC], the Oil Conservation Division (OCD) may deny APDs and well transfers to Chaparral, and must deny requests for allowables and authorization to transport.

If Chaparral enters into an agreed compliance order setting a schedule for bringing its inactive wells into compliance, those wells will be removed from the Rule 40 inactive well list. Before the OCD will enter into a new agreed compliance order for Chaparral inactive wells, Chaparral will need to complete its obligations under the original order by returning the West Dollarhide Queen Sand Unit #097 to compliance. If Chaparral brings that well into compliance in the next 30 days, the OCD will waive the penalty due under the original order. If Chaparral fails to bring that well into compliance in the next 30 days, Chaparral will be required to pay a penalty under the original order before the OCD will enter into a new agreed compliance order.

In reviewing the relevant well files, I noticed that Chaparral has placed a large number of wells on approved temporary abandonment status. Please note that OCD's financial assurance rule has changed. Effective January 1, 2008, any state or fee well that has been inactive for more than 2 years (including wells on approved temporary abandonment status) must be covered by a single well financial assurance. See Rule 101 [19.15.3.101 NMAC].

If you have any questions, or if I can help you in any way, please do not hesitate to call. My direct line is (505) 476-3451.

Sincerely,

Gail MacQuesten
Assistant General Counsel
Oil Conservation Division

cc: Chris Williams, Supervisor OCD District 1
Daniel Sanchez, Enforcement and Compliance Manager
Encl: Rule 40 inactive well list, Chaparral wells inactive 15 months or more

*Before the OCC
Case 13695
OCD Ex. C*

Inactive Well List

Total Well Count:121 Inactive Well Count:14 Since:1/25/2005

Printed On: Thursday, April 20 2006

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	Count
2	30-015-24496	DD 24 FEDERAL #001	P-24-19S-24E	P	4115	CHAPARRAL ENERGY LLC	F	O	10/1997			
2	30-015-27212	DD 24 FEDERAL #003	O-24-19S-24E	O	4115	CHAPARRAL ENERGY LLC	F	O	11/2004			
1	30-025-12212	WEST DOLLARHIDE QUEEN SAND UNIT #001	O-19-24S-38E	O	4115	CHAPARRAL ENERGY LLC	F	I	07/1996		T	1
1	30-025-12268	WEST DOLLARHIDE QUEEN SAND UNIT #020	N-30-24S-38E	N	4115	CHAPARRAL ENERGY LLC	P	I	10/1997	QUEEN/ SI STATUS PER FLD INSP		
1	30-025-30011	WEST DOLLARHIDE QUEEN SAND UNIT #081	H-30-24S-38E	H	4115	CHAPARRAL ENERGY LLC	F	O	07/1995	TA EXPIRED 3-31-02	T	1
1	30-025-30014	WEST DOLLARHIDE QUEEN SAND UNIT #083	E-29-24S-38E	E	4115	CHAPARRAL ENERGY LLC	S	O	07/1993			
1	30-025-30152	WEST DOLLARHIDE QUEEN SAND UNIT #097	K-32-24S-38E	K	4115	CHAPARRAL ENERGY LLC	S	O	03/1994	QUEEN		
1	30-025-30172	WEST DOLLARHIDE QUEEN SAND UNIT #102	G-30-24S-38E	G	4115	CHAPARRAL ENERGY LLC	F	O	05/1995		T	1
1	30-025-30293	WEST DOLLARHIDE QUEEN SAND UNIT #131	C-30-24S-38E	C	4115	CHAPARRAL ENERGY LLC	P	I	07/1996	DOLLARHIDE QUEEN		
1	30-025-30294	WEST DOLLARHIDE QUEEN SAND UNIT #132	E-30-24S-38E	E	4115	CHAPARRAL ENERGY LLC	P	I	11/1993		T	2
1	30-025-30355	WEST DOLLARHIDE QUEEN SAND UNIT #133	D-31-24S-38E	D	4115	CHAPARRAL ENERGY LLC	F	I	12/2003			
1	30-025-30295	WEST DOLLARHIDE QUEEN SAND UNIT #135	F-32-24S-38E	F	4115	CHAPARRAL ENERGY LLC	S	I	12/2003	QUEEN		
1	30-025-30275	WEST DOLLARHIDE QUEEN SAND UNIT #137	H-31-24S-38E	H	4115	CHAPARRAL ENERGY LLC	F	I	07/2003			
1	30-025-30297	WEST DOLLARHIDE QUEEN SAND UNIT #140	K-32-24S-38E	K	4115	CHAPARRAL ENERGY LLC	S	I	12/2003	QUEEN		

WHERE Ogrid:4115, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

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

August 8, 2006

Mr. Gary Larson
Hinkle, Hensley, Shanor & Martin, LLP
P.O. Box 2068
Santa Fe, NM 87504
e-mail: glarson@hinklelawfirm.com

Re: Agreed Compliance Order for Inactive Wells, ACOI-139
Chaparral Energy LLC, OGRID 4115

Dear Mr. Larson,

Thank you for returning two signed originals of the agreed compliance order regarding inactive wells operated by Chaparral Energy LLC (Chaparral), together with a check for \$1000 in payment of the penalty assessed in that order. Enclosed is a fully executed original order.

The order requires Chaparral to bring at least **five** of the identified wells into compliance by **January 30, 2007**. Please remember that to bring a well into compliance under the order, Chaparral must not only plug the wellbore, place the well on approved temporary abandonment, or return it to production or other beneficial use, it must also file the appropriate paperwork. For example, if Chaparral returns a well to production or injection, it must file a C-115 reporting that production or injection. The Oil Conservation Division (OCD) hopes to add a status column to its general well list to reflect the status of each well, so that operators will be able to confirm that OCD records accurately reflect the current status. Until that system is in place, Chaparral may wish to confirm the status of each well on the list with the appropriate district office prior to the expiration of the order.

The order also requires Chaparral to file a compliance report by **January 30, 2007**, using the OCD's web-based online application. The OCD's Compliance and Enforcement Manager, Daniel Sanchez, will review the report and determine whether to issue an amendment extending the order for an additional 6-month period. If you have questions about how to file a compliance report, or questions about obtaining an amendment, please contact Mr. Sanchez at (505) 476-3493.

As Chaparral works to fulfill its obligations under the order, it should also monitor the status of its other wells to ensure that wells do not remain inactive for a period exceeding 15 months. Remember that you can search the OCD's Inactive Well List for wells that are inactive, but not yet out of compliance.

The OCD appreciates Chaparral's commitment to bringing its inactive wells into compliance. If you have any questions, or if I can help you in any way, please do not hesitate to call. My direct line is (505) 476-3451.

Sincerely,


Gail MacQuesten
Assistant General Counsel
Oil Conservation Division

cc: Chris Williams, District I
Tim Gum, District II
Charlie Perrin, District III
Daniel Sanchez, Enforcement and Compliance Manager

*Before the OCC
Case 13695
OCD Ex. D*

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

NMOCD – ACOI- 139

IN THE MATTER OF CHAPARRAL ENERGY LLC,

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 Chaparral Energy LLC ("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 limited liability corporation doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 4115 for the following wells located in New Mexico:
 - DD 24 Federal #001 30-015-24496
 - DD 24 Federal #003 30-015-27212
 - West Dollarhide Queen Sand Unit #001 30-025-12212
 - West Dollarhide Queen Sand Unit #081 30-025-30011
 - West Dollarhide Queen Sand Unit #083 30-025-30014
 - West Dollarhide Queen Sand Unit #097 30-025-30152
 - West Dollarhide Queen Sand Unit #102 30-025-30172
 - West Dollarhide Queen Sand Unit #107 30-025-30173
 - West Dollarhide Queen Sand Unit #133 30-025-30355
 - West Dollarhide Queen Sand Unit #137 30-025-30275
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 Findings Paragraph 3 have been inactive for a continuous period in excess of one year plus ninety days and are not on approved temporary abandonment status and have not been plugged and abandoned.
6. One of the wells identified in Findings Paragraph 3, the West Dollarhide Queen Sand Unit #097, was subject to inactive well agreed compliance order number 9 (ACOI-9). ACOI-9 required Operator to bring all the wells covered by the order into compliance by December 31, 2005, and provided for penalties if the Operator failed to bring the wells into compliance by the deadline.
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..."

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. The wells identified in Findings Paragraph 3 are out of compliance with Rule 201.
3. As operator of the wells identified in Findings Paragraph 3, 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.
5. Operator is subject to penalties for failing to bring the West Dollarhide Queen Sand Unit #097 into compliance by December 31, 2005, as Operator agreed under ACOI-9.

ORDER

1. Operator will pay a penalty of \$1000 for failing to bring the West Dollarhide Queen Sand Unit #097 into compliance by December 31, 2005, as Operator agreed under ACOI-9. Payment shall be made prior to execution of this Order, by check made out to "Oil Conservation Division," and delivered to the following address:

EMNRD- Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

2. Operator agrees to bring at least 5 of the wells identified in Findings Paragraph 3 into compliance with OCD Rule 201 by January 30, 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 in Findings Paragraph 3 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.

3. Operator shall file a compliance report by January 30, 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).
4. When the OCD receives a timely compliance report indicating that Operator has returned at least 5 wells to compliance and verifies the accuracy of that report, the OCD shall issue an amendment to this Order extending its terms for an additional six-month period and requiring Operator to bring all non-compliant wells identified in Findings Paragraph 3 still operated by Operator into compliance by

July 30, 2007. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 100.C.

5. If Operator fails to bring at least 5 wells identified in Findings Paragraph 3 into compliance by January 30, 2007 or, if an amendment is issued pursuant to Ordering Paragraph 4, fails to bring all the wells identified in Findings Paragraph 3 into compliance by July 30, 2007, Operator agrees to pay a penalty of \$1000 times the number of wells it failed to bring into compliance under its schedule during the applicable time period. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its goals, Operator may file an administrative application with the OCD to request a waiver or reduction of the penalty, and 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, the application may be granted administratively. If the Enforcement and Compliance Manager does not concur with the Operator's request, the application shall be set for hearing. Once Operator pays the penalty or files an administrative application to request a waiver or reduction of the penalty, the OCD may, in its discretion, issue an amendment pursuant to Ordering Paragraph 4.

Example A: 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 pays 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 pays 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.

Example B: Operator Y enters into an agreed compliance order under which it agrees to bring 10 wells into compliance in a six-month period. Although Y has made arrangements for plugging the 10 wells, due to adverse weather conditions and mechanical difficulties with the available plugging rig, Y is able to plug only 3 wells. Y files an administrative application for hearing seeking to waive the \$7000 penalty, and serves the Enforcement and Compliance Manager with a copy of the application. The Enforcement and Compliance Manager does not concur with the application's request to waive the full amount of the penalty, so the application is set for hearing. The OCD exercises its discretion and issues an amendment to extend the terms of the agreed compliance order for an additional six-month period.

6. Thirty days after the expiration of the term of this Order and any amendment to this Order, any wells identified in Findings Paragraph 3 not in compliance with

ACOF

Chaparral Energy LLC

Page 4 of 6

OCD Rule 201 will appear on the inactive well list kept pursuant to OCD Rule 40.F.

7. By signing this Order, Operator expressly:
- (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to pay a \$1,000 penalty for failing to bring the West Dollarhide Queen Sand Unit #097 into compliance by December 31, 2005, as Operator agreed under ACOI-9;
 - (c) agrees to return to compliance at least 5 of the wells identified in Findings Paragraph 3 by January 30, 2007, and agrees to comply with the compliance deadline set by any amendment to this Order issued pursuant to Ordering Paragraph 4;
 - (d) agrees to submit a compliance report as required in Ordering Paragraph 2;
 - (e) agrees to pay penalties as set out in Ordering Paragraph 5 if it fails to comply with this Order or any amendment to this Order issued pursuant to Ordering Paragraph 4;
 - (f) 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
 - (g) 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.
8. This Order applies only to those wells identified in Findings Paragraph 3. Other wells operated by Operator out of compliance with Rule 201 may be subject to immediate enforcement action under the Oil and Gas Act.
9. The Oil Conservation Division reserves the right to file an application for hearing to obtain authority to plug any well identified in Findings Paragraph 3 and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 7th day of August, 2006

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

ACCEPTANCE

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

Chaparral Energy LLC

By: _____
(Please print name) _____
Title: _____
Date: _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

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

January 3, 2007

Mr. Randy Johnson
Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, OK 73114
[address of record]

Mr. Gary Larson
Hinkle, Hensley, Shanor & Martin, LLP
P.O. Box 2068
Santa Fe, NM 87504

Re: Inactive well agreed compliance order 139

Dear Operator:

Under the terms of your agreed compliance order for inactive wells, you will soon need to file a compliance report indicating which wells were returned to compliance.

The terms of the order require you to file the report using the Oil Conservation Division (OCD) web-based online application. Unfortunately, the online application may not be available in time for you to use it for your initial report.

If you need or wish to file a compliance report before the online application is available, you may submit the report in writing. For each well returned to compliance please 1) identify the well by name and API number; 2) indicate how the well was returned to compliance (plugged and abandoned, placed on approved temporary abandonment status, or returned to production or other approved beneficial use); and 3) indicate the month in which the well was returned to compliance. Please remember that to return a well to compliance under the terms of the order, you must file the appropriate paperwork. For example, if you return a well to production, you must file a C-115 showing production. When indicating the month in which the well was returned to compliance, please use the month in which you filed the appropriate paperwork.

Here is an example of the information required to report a well returned to compliance by plugging, when the subsequent report showing the plugging of the wellbore was filed in June 2006.

State Well #003, API 30-025-01582, PA'd, June 2006

Please send the report to OCD Enforcement and Compliance Manager Daniel Sanchez by mail or e-mail so that it is received by the deadline set in your order:

Daniel Sanchez
EMNRD – Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Daniel.sanchez@state.nm.us

*Before the OCC
Case 13695
OCD EX. F*

If you have returned to compliance the number of wells required by your order, and your order provides for an amendment extending its terms, you should receive an amendment from Mr. Sanchez. The amendment will be sent to the address of record for the operator provided pursuant to OCD Rule 100.C. Please make sure that the address of record shown above is current. **If you do not receive a timely amendment from Mr. Sanchez, please contact him at (505) 476-3493.**

If you have not returned to compliance the number of wells required by your order, you may wish to request a waiver or reduction or penalties. Please make such requests in writing to Mr. Sanchez. Please explain why you were not able to meet your goal, and provide any available documentation to support your request. For example, if you planned to plug 3 wells, but were unable to do so due to difficulties obtaining a rig, it would be helpful to provide copies of any letters you sent to rig operators, and any written responses you received from those operators, to show that you acted diligently and promptly to obtain a rig. It would also be helpful to demonstrate that you obtained approved plugging procedures for the wells from the OCD, to show that you were ready to do the plugging if a rig had been available.

You can check the current status of your wells according to OCD records by accessing the inactive well list on the OCD website. Go to <http://www.emnrd.state.nm.us/ocd>; go to "OCD Online;" go to "E-Permitting;" and then go to "Inactive Well List." Enter your operator name or OGRID number. Scroll down to "ACOI." The default setting for this category is "Exclude wells under ACOI." Use the "down" arrow and select "Include wells under ACOI." Then hit "Get Report." You will see a list of wells operated by your company that according to OCD records have been inactive for 15 months, do not have a plugged wellbore and are not on approved temporary abandonment status. If you believe that a well appears on this list in error, please contact the OCD. If you believe that a well should not appear on the list because you have returned it to production or injection, please contact David Bradshaw at (505) 476-3484. If you believe that a well should not appear on this list because you have returned it to compliance by plugging the wellbore or placing the well on approved temporary abandonment status, please contact the appropriate district office.

The OCD will contact you when our online compliance reporting process is available. In the meantime, we thank you for your patience. If you have any questions about the compliance report process, please contact Enforcement and Compliance Manager Daniel Sanchez at (505) 476-3493, Daniel.sanchez@state.nm.us, or OCD attorney Gail MacQuesten at (505) 476-3451, gail.macquesten@state.nm.us.

Sincerely,



Theresa Duran-Saenz,
OCD Legal Assistant

cc: Daniel Sanchez, Enforcement and Compliance Manager
Gail MacQuesten, OCD Attorney

Chaparral

Energy, L.L.C.

January 29, 2007

State of New Mexico
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Agreed Compliance Order #139
Lea Co., NM

Mr. Sanchez:

Please accept this letter as the compliance report for five of the wells listed on the Agreed Compliance Order #139 that Chaparral Energy, LLC has with the State of New Mexico. The following wells were returned to compliance:

West Dollarhide Queen Sand Unit #1, API 30-025-12212, TA'd, January 2007
West Dollarhide Queen Sand Unit #102, API 30-025-30172, TA'd, January 2007
West Dollarhide Queen Sand Unit #107, API 30-025-30173, TA'd, January 2007
West Dollarhide Queen Sand Unit #133, API 30-025-30355, TA'd, January 2007
West Dollarhide Queen Sand Unit #137, API 30-025-30275, TA'd, January 2007

Form 3160-5 and the respective charts have been submitted to the BLM and State of New Mexico.

If you have any questions or require any further information please contact me @ 405/426-4451 or traci@chaparralenergy.com. Thank you.

Respectfully,

Traci Cornish

Traci Cornish
Engineering Tech

Enclosures
tc

*Before the OCC
Case 13695
OCD EX G*



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

February 9, 2007

Traci Cornish, Engineering Tech.
Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, OK 73114

Re: Chaparral Energy LLC, OGRID 4115
Agreed Compliance Order for Inactive Wells 139 (ACOI-139)

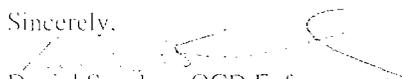
Dear Ms. Cornish,

Thank you for submitting a timely compliance report for ACOI 139. Please note that the Oil Conservation Division (OCD) was not able to verify one of the five wells reported as returned to compliance: the West Dollarhide Queen Sand Unit #102.

Although Chaparral Energy, LLC (Chaparral) failed to meet its goal of returning five wells to compliance by January 30, 2007, the OCD has decided to waive the \$1,000 penalty that would be due under the terms of the order, and issue an amendment extending the terms of the order for six months. A copy of the amendment is enclosed. Please note that Chaparral will be required to return all non-compliant wells identified in ACOI 139 to compliance with Rule 201 by July 31, 2007, and file a compliance report by that date.

The OCD would like to take this opportunity to remind Chaparral that new financial assurance rules will take effect January 1, 2008. After that date, any state or fee well that has been inactive for more than two years will and has not been plugged and released will require a single well financial assurance. See Rule 101.B [19.15.3.101.B NMAC]. The additional financial assurance requirement applies to wells that are on approved temporary abandonment status, and to wells that have a plugged wellbore if the site has not been remediated and released in accordance with Rule 202 [19.15.4.202 NMAC].

Sincerely,


Daniel Sanchez, OCD Enforcement and Compliance Manager

Cc: Gail MacQuesten, OCD Attorney
Chris Williams, Division I
Tim Gum, Division II
Charlie Perrin, Division III

*Before the OCC
Case 13695
OCD Ex H*

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

NMOCD – ACOI- 139-A

IN THE MATTER OF CHAPARRAL ENERGY LLC,

Respondent.

AMENDED
AGREED COMPLIANCE ORDER

Pursuant to Ordering Paragraph 4 of Agreed Compliance Order 139, the Director of the Oil Conservation Division (“OCD”) hereby amends that order as follows:

FINDINGS

1. Agreed Compliance Order 139 (ACOI 139) requires Chaparral Energy LLC (Operator) to return to compliance with OCD Rule 201 at least five of the wells identified in ACOI 139 by January 30, 2007, and file a compliance report by that date.

2. ACOI 139 further provides that if Operator returns to compliance with OCD Rule 201 at least five of the identified wells by January 30, 2007, and files a timely compliance report, the OCD shall issue an amendment extending the terms of ACOI 139 for an additional six-month period, requiring Operator to return the remaining non-compliant wells identified in ACOI 139 to compliance by that deadline.

3. ACOI 139 further provides that if Operator fails to return to compliance with OCD Rule 201 at least five of the identified wells, Operator shall be subject to penalties, and the OCD will have the discretion to issue, or not issue, an amendment to ACOI 139 extending its terms. Operator may seek a waiver or reduction of the penalty.

4. Operator filed a timely compliance report, stating that it returned the following wells to compliance by placing the wells on approved temporary abandonment status in January 2007:

- | | |
|--|--------------|
| • West Dollarhide Queen Sand Unit #1 | 30-025-12212 |
| • West Dollarhide Queen Sand Unit #102 | 30-025-30172 |
| • West Dollarhide Queen Sand Unit #107 | 30-025-30173 |
| • West Dollarhide Queen Sand Unit #133 | 30-025-30355 |
| • West Dollarhide Queen Sand Unit #137 | 30-025-30275 |

5. OCD well files for the wells identified above do not show that the wells were placed on approved temporary abandonment status in January. The Hobbs District

Office of the OCD has confirmed that the OCD has approved temporary abandonment status on the following wells until dates in 2011:

- West Dollarhide Queen Sand Unit #1 30-025-12212
- West Dollarhide Queen Sand Unit #107 30-025-30173
- West Dollarhide Queen Sand Unit #133 30-025-30355
- West Dollarhide Queen Sand Unit #137 30-025-30275

6. The Hobbs District Office of the OCD has no paperwork showing that the following well is on approved temporary abandonment status:

- West Dollarhide Queen Sand Unit #102 30-025-30172

CONCLUSIONS

1. Operator failed to meet its goal of returning five of the wells identified in ACOI 139 to compliance with Rule 201 by January 30, 2007, falling short of its goal by one well.

2. Under the terms of ACOI 139, Operator is subject to a \$1,000 penalty.

3. The OCD has determined to waive the \$1,000 penalty and amend ACOI 139 to extend its terms for an additional six-month period.

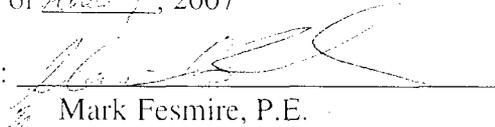
ORDER

1. By July 31, 2007, Operator shall return to compliance with Rule 201 all non-compliant wells still operated by Operator identified in ACOI 139.

2. Operator shall file a compliance report by July 31, 2007 using the Oil Conservation Division's web-based on-line application. If the on-line application is not available, Operator shall file a written compliance report

3. The terms of ACOI 139 otherwise remain in effect.

Done at Santa Fe, New Mexico this 7th day of February, 2007

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

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

June 18, 2007

Mr. Randy Johnson
Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, OK 73114
[address of record]

Mr. Gary Larson
Hinkle, Hensley, Shanor & Martin, LLP
P.O. Box 3068
Santa Fe, NM 87504

Re: Chaparral Energy LLC, OGRID 4115
Inactive well agreed compliance order 139

Dear Operator:

Under the terms of your agreed compliance order for inactive wells, you will soon need to file a compliance report indicating which wells were returned to compliance.

The terms of the order require you to file the report using the Oil Conservation Division (OCD) web-based online application. Unfortunately, the online application will not be available.

Please submit the report in writing. For each well returned to compliance please 1) identify the well by name and API number; 2) indicate how the well was returned to compliance (plugged and abandoned, placed on approved temporary abandonment status, or returned to production or other approved beneficial use); and 3) indicate the month in which the well was returned to compliance. Please remember that to return a well to compliance under the terms of the order, you must file the appropriate paperwork. For example, if you return a well to production, you must file a C-115 showing production. When indicating the month in which the well was returned to compliance, please use the month in which you filed the appropriate paperwork.

Here is an example of the information required to report a well returned to compliance by plugging, when the subsequent report showing the plugging of the wellbore was filed in May 2007.

State Well #003, API 30-025-01582, PA'd, May 2007

Please send the report to OCD Enforcement and Compliance Manager Daniel Sanchez by mail or e-mail so that it is received by the deadline set in your order:

Daniel Sanchez
EMNRD – Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Daniel.sanchez@state.nm.us

*Before the OCD
Case 13695
OCD Ex. J*

If you have not returned to compliance the number of wells required by your order, you may wish to request a waiver or reduction of penalties. Please make such requests in writing to Mr. Sanchez. Please explain why you were not able to meet your goal, and provide any available documentation to support your request. For example, if you planned to plug 3 wells, but were unable to do so due to difficulties obtaining a rig, it would be helpful to provide copies of any letters you sent to rig operators, and any written responses you received from those operators, to show that you acted diligently and promptly to obtain a rig. It would also be helpful to demonstrate that you obtained approved plugging procedures for the wells from the OCD, to show that you were ready to do the plugging if a rig had been available.

You can check the current status of your wells according to OCD records by accessing the inactive well list on the OCD website. Go to <http://www.emnrd.state.nm.us/ocd>; go to "OCD Online;" go to "E-Permitting;" and then go to "Inactive Well List." Enter your operator name or OGRID number. Scroll down to "ACOI." The default setting for this category is "Exclude wells under ACOI." Use the "down" arrow and select "Include wells under ACOI." Then hit "Get Report." You will see a list of wells operated by your company that according to OCD records have been inactive for 15 months, do not have a plugged wellbore and are not on approved temporary abandonment status. If you believe that a well appears on this list in error, please contact the OCD. If you believe that a well should not appear on the list because you have returned it to production or injection, please contact David Bradshaw at (505) 476-3484. If you believe that a well should not appear on this list because you have returned it to compliance by plugging the wellbore or placing the well on approved temporary abandonment status, please contact the appropriate district office.

If you have any questions about the compliance report process, please contact Enforcement and Compliance Manager Daniel Sanchez at (505) 476-3493, Daniel.sanchez@state.nm.us, or OCD attorney Gail MacQuesten at (505) 476-3451, gail.macquesten@state.nm.us.

Sincerely,



Theresa Duran-Saenz,
OCD Legal Assistant

cc: Daniel Sanchez, Enforcement and Compliance Manager
Gail MacQuesten, OCD Attorney

Chaparral

Energy, L.L.C.

July 16, 2007

RECEIVED

JUL 20 2007

Daniel Sanchez
EMNRD - Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Chaparral Energy, L.L.C., OGRID # 4115
Inactive Well Agreed Compliance Order #139

Dear Mr. Sanchez:

Chaparral Energy, L.L.C. has placed all the wells mentioned in the referenced order either back into production or on the NM approved TA list with the exception of one well. Notices for all this work have recently been submitted to the Hobbs office for approval and copies where appropriate have gone to the BLM on Federal Leases.

Listed below are the wells in the Order and a summary of the work done on each.

Well Name	API #	Current Status
DD Federal 24 #1	30-015-24496	Workover in Progress
DD Federal 24 #3	30-015-27212	Producing
✓ West Dollarhide Queen Sand Unit #1	30-025-12212	TA Status Approved 12-24-2003
✓ West Dollarhide Queen Sand Unit #81	30-025-30011	TA Status Approved 1-24-2003
✓ West Dollarhide Queen Sand Unit #83	30-025-30014	TA Status Approved 6-15-2012
West Dollarhide Queen Sand Unit #97	30-025-30152	Producing
✓ West Dollarhide Queen Sand Unit #102	30-025-30172	TA Status Approved 1-24-2008
✓ West Dollarhide Queen Sand Unit #107	30-025-30173	TA Status Approved 1-24-2008
✓ West Dollarhide Queen Sand Unit #133	30-025-30355	TA Status Approved 1-24-2008
✓ West Dollarhide Queen Sand Unit #137	30-025-30275	TA Status Approved 1-24-2008

The only well which is not currently in compliance DD Federal 24 #1 is being prepared for workover now and a rig has been scheduled for July 25, 2007 to begin fixing any deficiencies we have on this well. We will need an extension of time to comply completely since the work could take a month or more but all work should be completed by mid-September. If you have any other questions or need more data, please contact us at the address below.

Sincerely,



David P. Spencer
Manager of Regulatory Affairs

Rec'd 10
Before the OCC
Case 13695
OCD EX. K

Cc: Mr. Ron Brown, District Operations Engineer, Chaparral Energy, L.L.C., Oklahoma City, OK



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

July 24, 2007

Mr. David P. Spencer
Manager of Regulatory Affairs
Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, OK 73114

Re: Chaparral Energy LLC, OGRID 4115
Agreed Compliance Order for Inactive Wells 139 (ACOI-139)

Dear Mr. Spencer,

Thank you for submitting the timely compliance report for ACOI 139, dated July 16, 2007.

Under the terms of ACOI 139, Chaparral Energy LLC (Chaparral) was required to return to compliance all of the remaining wells identified in the Order. Your letter indicates that all wells have been returned to compliance except for the DD Federal 24 #1 (30-015-24496). You requested an extension of time to complete the work on the well.

ACOI 139 does not provide for further amendments. Under the terms of the Order, any wells covered by the Order that remain out of compliance 30 days after the Order expires will re-appear on Chaparral's inactive well list. Because the Order expires on July 31, 2007, any non-compliant wells will re-appear on the list August 31, 2007. On that date, if the DD Federal 24 #1 has not been returned to compliance, it will appear on the inactive well list.

Please note that two other wells covered by the Order may also appear on the inactive well list. Chaparral's compliance report indicates that the DD Federal 24 #3 and the West Dollarhide Queen Sand Unit #97 have been returned to production. However, C-115 production reports have not yet been filed to report that production. If the reports are not filed by August 31, 2007, these wells will appear on Chaparral's inactive well list.

In addition, Chaparral's current inactive well list shows several additional non-compliant wells not covered by the Order.

Chaparral may wish to negotiate a new agreed compliance order covering both the DD Federal 24 #1 and its other non-compliant wells. Please contact me if you wish to enter into a new order.

Due to Chaparral's demonstration of good faith in attempting to complete its obligations under ACOI 139, the OCD waives the penalty that would otherwise be due under the terms of the Order.

Sincerely,


Daniel Sanchez
OCD Enforcement and Compliance Manager
(505) 476-3493

Cc: Gail MacQuesten, OCD Attorney
Chris Williams, Division I
Tim Gum, Division II
Charlie Perrin, Division III

*Before the OCC
Case 13695
OCD Ex. L*