

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

NMOCD – ACOI- 243

IN THE MATTER OF LINN OPERATING, INC.,

Respondent.

**INACTIVE WELL
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 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and Linn Operating, Inc. ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI") under which Operator agrees to plug, place on approved temporary abandonment status or restore to production or other beneficial use the wells identified herein pursuant to the Act and OCD Rule 19.15.25.8 NMAC in accordance with the following agreed schedule and procedures, and understands that the OCD may decide not to enter into any further agreed compliance orders with Operator if Operator 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 corporation doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 269324 for wells 1-41 identified in Exhibit "A."
4. Operator has acquired and seeks to become designated operator of wells 42-138 identified in Exhibit "A." SandRidge Exploration and Production LLC (OGRID 270265) is the current designated operator of these wells.
5. OCD Rule 19.15.25.8 NMAC states, in relevant part:

 "A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.

B. The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

....

....

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

6. The wells identified in Exhibit “A”

- (a) have been continuously inactive for a period of one year plus 90 days (or within the next six months will become continuously inactive for a period of one year plus 90 days if no action is taken on the wells);
- (b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
- (c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.

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 OCD Rule 19.15.25.8 NMAC or will fall out of compliance with OCD Rule 19.15.25.8 NMAC in the next six months if they are not returned to production or other beneficial use, plugged and abandoned, or placed on approved temporary abandonment status.
3. As operator of wells 1-41 identified in Exhibit “A,” Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC. Operator is responsible for bringing wells 42-138 identified in Exhibit “A” into compliance with OCD Rule 19.15.25.8 NMAC once it becomes the designated operator of those wells.

ORDER

1. Operator agrees to bring 6 of the wells identified in Exhibit “A” into compliance with OCD Rule 19.15.25.8 NMAC by February 17, 2012 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 19.15.25.10(B) NMAC **and filing a C-103 describing the completed work;** or
 - (c) placing the well on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.

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2. Oil and gas produced during swabbing does not count as production for purposes of this Order.
3. Operator shall file a compliance report 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.) 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. The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is **received by** the compliance deadline of February 17, 2012. The total length of this Agreed Compliance Order is six months. Operator may negotiate a new Agreed Compliance Order following the completion of this Order.
4. Operator understands that if it fails to meet the terms of this Order, the OCD may decide not to enter into any further agreed compliance orders with Operator.
5. Thirty days after the compliance deadline set by this Order, any wells on Exhibit "A" not in compliance with OCD Rule 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC.
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 wells identified in Exhibit "A" by February 17, 2012;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 by the February 17, 2012 compliance deadline set by this Order;
 - (d) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order; and
 - (e) 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.
7. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells

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identified in Exhibit "A" that are out of compliance with the Oil and Gas Act or OCD Rules other than OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.

8. The OCD 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 15th day of August, 2011

By: Jam Bailey
Jam Bailey
OCD Director

ACCEPTANCE

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

Linn Operating, Inc.

By: Jam Miller
(Please print name) Jam Miller
Title: VP Mid Continent ops
Date: 8/11/2011

Exhibit A to Agreed Compliance Order for Linn Operating, Inc.

- | | | |
|-----|--------------|-------------------------|
| 1) | 30-015-24954 | BARCLAY FEDERAL #001 |
| 2) | 30-015-25534 | BARCLAY STATE #001 |
| 3) | 30-015-28889 | C A RUSSELL #020 |
| 4) | 30-015-20246 | COLLATT ESTATE COM #001 |
| 5) | 30-015-28856 | FRIESS FEDERAL #004 |
| 6) | 30-015-28325 | H E WEST A #033 |
| 7) | 30-015-05068 | H E WEST B #003 |
| 8) | 30-015-05122 | H E WEST B #013 |
| 9) | 30-015-05060 | H E WEST B #026 |
| 10) | 30-015-28131 | H E WEST B #072 |
| 11) | 30-015-28306 | J L KEEL A #030 |
| 12) | 30-015-10372 | J L KEEL B #027 |
| 13) | 30-015-25448 | J L KEEL B #035 |

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14) 30-025-20173	LEA 4011 STATE #001
15) 30-015-26656	MAX FRIESS MA #005
16) 30-025-21856	MESCALERO RIDGE UNIT #022
17) 30-025-02391	MESCALERO RIDGE UNIT #211
18) 30-025-21857	MESCALERO RIDGE UNIT #263
19) 30-025-20302	MESCALERO RIDGE UNIT #351
20) 30-025-20693	MESCALERO RIDGE UNIT #356
21) 30-025- 20693 ⁹²⁴⁴	PEOPLES 33 STATE #001
22) 30-025-28263	STATE UTP #002
23) 30-015-05275	TURNER A #024
24) 30-015-05230	TURNER A #032
25) 30-015-05231	TURNER A #033
26) 30-015-05232	TURNER A #034
27) 30-015-28795	TURNER A #052
28) 30-015-05290	TURNER B #018
29) 30-015-05438	TURNER B #023
30) 30-015-05434	TURNER B #025
31) 30-015-05190	TURNER B #031
32) 30-015-05191	TURNER B #032
33) 30-015-05305	TURNER B #033
34) 30-015-05306	TURNER B #034
35) 30-015-05193	TURNER B #037
36) 30-015-05308	TURNER B #038
37) 30-015-05309	TURNER B #039
38) 30-015-05194	TURNER B #040
39) 30-015-05454	TURNER B #071
40) 30-015-05201	V L FOSTER #002
41) 30-015-05203	V L FOSTER #004
42) 30-015-23371	BENSON DEEP AAS FEDERAL #001
43) 30-025-01439	CAPROCK MALJAMAR UNIT #006
44) 30-025-01504	CAPROCK MALJAMAR UNIT #044
45) 30-025-00666	CAPROCK MALJAMAR UNIT #048
46) 30-025-00662	CAPROCK MALJAMAR UNIT #049
47) 30-025-01480	CAPROCK MALJAMAR UNIT #052
48) 30-025-01509	CAPROCK MALJAMAR UNIT #058

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49)	30-025-00676	CAPROCK MALJAMAR UNIT #060
50)	30-025-01481	CAPROCK MALJAMAR UNIT #066
51)	30-025-01496	CAPROCK MALJAMAR UNIT #069
52)	30-025-01490	CAPROCK MALJAMAR UNIT #070
53)	30-025-01494	CAPROCK MALJAMAR UNIT #084
54)	30-025-01529	CAPROCK MALJAMAR UNIT #089
55)	30-025-01530	CAPROCK MALJAMAR UNIT #091
56)	30-025-01526	CAPROCK MALJAMAR UNIT #093
57)	30-025-32455	CAPROCK MALJAMAR UNIT #131
58)	30-025-32924	CAPROCK MALJAMAR UNIT #143
59)	30-025-33263	CAPROCK MALJAMAR UNIT #146
60)	30-025-32042	CAPROCK MALJAMAR UNIT #152
61)	30-025-32893	CAPROCK MALJAMAR UNIT #154
62)	30-025-32927	CAPROCK MALJAMAR UNIT #160
63)	30-025-32929	CAPROCK MALJAMAR UNIT #162
64)	30-025-32931	CAPROCK MALJAMAR UNIT #164
65)	30-025-32425	CAPROCK MALJAMAR UNIT #165
66)	30-025-33083	CAPROCK MALJAMAR UNIT #175
67)	30-025-32427	CAPROCK MALJAMAR UNIT #192
68)	30-025-32841	CAPROCK MALJAMAR UNIT #195
69)	30-025-33281	CAPROCK MALJAMAR UNIT #210
70)	30-025-33245	CAPROCK MALJAMAR UNIT #250
71)	30-025-33752	CAPROCK MALJAMAR UNIT #265
72)	30-025-33821	CAPROCK MALJAMAR UNIT #266
73)	30-025-33751	CAPROCK MALJAMAR UNIT #267
74)	30-025-34224	CAPROCK MALJAMAR UNIT #400
75)	30-025-25763	CORBIN 35 STATE #001
76)	30-025-24919	DOWNES B #003
77)	30-025-34012	EAST HOBBS SAN ANDRES UNIT #604
78)	30-025-07949	EAST HOBBS SAN ANDRES UNIT #702
79)	30-025-23183	HUMPHREY QUEEN UNIT #020
80)	30-025-23306	LANGLIE MATTIX QUEEN UNIT #003
81)	30-025-11694	LANGLIE MATTIX QUEEN UNIT #030
82)	30-015-05412	LEA D #002
83)	30-015-05413	LEA D #003

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84) 30-015-05414	LEA D #004
85) 30-015-05415	LEA D #005
86) 30-015-05416	LEA D #006
87) 30-015-20658	LEA D #007
88) 30-015-29704	LEA D #010
89) 30-015-29701	LEA D #020
90) 30-025-00445	MALJAMAR GRAYBURG UNIT #012
91) 30-025-00464	MALJAMAR GRAYBURG UNIT #017
92) 30-025-00456	MALJAMAR GRAYBURG UNIT #019
93) 30-025-00454	MALJAMAR GRAYBURG UNIT #021
94) 30-025-21379	MALJAMAR GRAYBURG UNIT #043
95) 30-025-00495	MALJAMAR GRAYBURG UNIT #057
96) 30-025-33481	MALJAMAR GRAYBURG UNIT #081
97) 30-025-32976	MALJAMAR GRAYBURG UNIT #092
98) 30-025-32039	MALJAMAR GRAYBURG UNIT #095
99) 30-025-33381	MALJAMAR GRAYBURG UNIT #099
100) 30-025-33291	MALJAMAR GRAYBURG UNIT #109
101) 30-025-33292	MALJAMAR GRAYBURG UNIT #112
102) 30-015-23126	MCCLAY FEDERAL #013
103) 30-025-02156	PHILLIPS LEA #004
104) 30-015-25412	RED LAKE UNIT #013
105) 30-025-09052	SEVEN RIVERS QUEEN UNIT #002
106) 30-025-09069	SEVEN RIVERS QUEEN UNIT #006
107) 30-025-09167	SEVEN RIVERS QUEEN UNIT #018
108) 30-025-09214	SEVEN RIVERS QUEEN UNIT #043
109) 30-025-28683	SEVEN RIVERS QUEEN UNIT #062
110) 30-025-37792	SEVEN RIVERS QUEEN UNIT #080
111) 30-015-05152	SKELLY UNIT #001
112) 30-015-05160	SKELLY UNIT #025
113) 30-015-05159	SKELLY UNIT #027
114) 30-015-05162	SKELLY UNIT #032
115) 30-015-05140	SKELLY UNIT #033
116) 30-015-05361	SKELLY UNIT #039
117) 30-015-05360	SKELLY UNIT #040
118) 30-015-05343	SKELLY UNIT #041

119) 30-015-10500	SKELLY UNIT #043
120) 30-015-05364	SKELLY UNIT #047
121) 30-015-05315	SKELLY UNIT #061
122) 30-015-05338	SKELLY UNIT #068
123) 30-015-05372	SKELLY UNIT #072
124) 30-015-05340	SKELLY UNIT #077
125) 30-015-05423	SKELLY UNIT #084
126) 30-015-05422	SKELLY UNIT #085
127) 30-015-05421	SKELLY UNIT #086
128) 30-015-05426	SKELLY UNIT #088
129) 30-015-05429	SKELLY UNIT #089
130) 30-015-05441	SKELLY UNIT #095
131) 30-015-05358	SKELLY UNIT #101
132) 30-015-05147	SKELLY UNIT #102
133) 30-015-05146	SKELLY UNIT #104
134) 30-015-20410	SKELLY UNIT #107
135) 30-015-22255	SKELLY UNIT #121
136) 30-015-22261	SKELLY UNIT #127
137) 30-015-29496	SKELLY UNIT #301
138) 30-025-12045	SOUTH LEONARD UNIT #009

Linn Operating, Inc.

By: 

Title: UPMID Continent Ops

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