

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

NMOCD – ACOI- 257

IN THE MATTER OF VPR OPERATING, LLC,

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 VPR Operating, LLC ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI") under which Operator agrees to plug or restore to production, injection or other OCD-approved beneficial use, the Malmar Unit #310 (30-025-00518) and Malmar Unit #212 (30-025-00521), 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 do any more agreed compliance orders with the Operator in the future 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 limited liability company doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 266091 for the wells identified in Exhibit "A," attached.
4. 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.”

5. The wells identified in Exhibit “A”
 - (a) have been continuously inactive for a period of one year plus 90 days;
 - (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.
6. Whereas the OCD desires Operator to either plug and abandon or return to production, injection or other OCD-approved beneficial use the oldest wells identified in Exhibit “A” (wells that have been inactive since the 1990s) rather than them continuing to remain idle, and Operator has indicated that it does not want to plug the SFPRR #001 because it is targeting the well for use in the future expansion of its waterflood project, but that it will plug and abandon or return to production, injection or other OCD-approved beneficial use, the Malmar Unit #212 and Malmar Unit #310, the OCD and Operator agree to Operator either plugging and abandoning or returning to production, injection or other OCD-approved beneficial use, the Malmar Unit #212 and Malmar Unit #310 under the terms of this Order.

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.
3. As operator of the wells identified in Exhibit “A,” Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.
4. The OCD and Operator enter into this Order under which Operator agrees to either plug and abandon or return to production, injection or other OCD-approved beneficial use the Malmar Unit #212 and Malmar Unit #310.

ORDER

1. Operator agrees to bring the Malmar Unit #310 and Malmar Unit #212 into compliance with OCD Rule 19.15.25.8 NMAC by November 16, 2012 by either
 - (a) restoring the well to production, injection, or other OCD-approved beneficial use **and filing a C-115 documenting such production, injection or use;** or

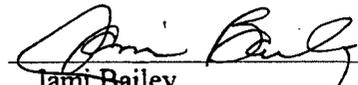
- (b) causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC and filing a C-103 describing the completed work.
2. Placing the Malmar Unit #310 or Malmar Unit #212 on OCD-approved temporary abandonment status will not be considered as meeting the terms of this Order. In order to meet the terms of this Order, the Malmar Unit #310 and Malmar Unit #212 must be restored to production, injection or other OCD-approved beneficial use, or plugged and abandoned in accordance with OCD Rule 19.15.25.10(B) NMAC.
 3. Oil and gas produced during swabbing does not count as production for purposes of this Order.
 4. Operator shall file a compliance report identifying the date each well was returned to compliance and describing how the well was returned to compliance (restored to production, injection or other approved beneficial use, or plugged wellbore). 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 November 16, 2012. The total length of this Agreed Compliance Order is six months.
 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 the Malmar Unit #310 and Malmar Unit #212 to compliance by November 16, 2012;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 4 by the November 16, 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 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 16 day of May, 2012

By:



Jami Bailey
OCD Director

ACCEPTANCE

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

VPR Operating LLC

By:



Robert B. Pullen, Sr.

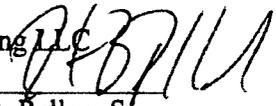
Title: President

Date: May 14, 2012

Exhibit A to Agreed Compliance Order for VPR Operating LLC

<u>API Number</u>	<u>Well Name</u>	<u>Last Production/Injection</u>
1) 30-025-24870	COX FEDERAL #002	05/2006
2) 30-025-00516	MALMAR STATE #001	04/2007
3) 30-025-01468	MALMAR UNIT #103	03/2001
4) 30-025-00521	MALMAR UNIT #212	02/1997
5) 30-025-00518	MALMAR UNIT #310	12/1992
6) 30-025-23452	SFPRR #001	12/1993
7) 30-025-23588	SFPRR #005	12/2002
8) 30-025-23591	SFPRR #007	05/2006
9) 30-025-25225	SFPRR #016	12/2002
10) 30-025-24746	STATE 5 #001	02/2004
11) 30-025-24834	U S M #004	07/2007

VPR Operating LLC

By: 

Robert B. Pullen, Sr.

Title: President