

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

NMOCD - ACOI 04-10-A

IN THE MATTER OF LATIGO PETROLEUM, INC.

Respondent.

**AMENDED
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 Paragraph 9 of Agreed Compliance Order 04-10, the Director of the Oil Conservation Division ("OCD") and Latigo Petroleum, Inc. ("Operator") enter into this amended Order ("Amended Order") that replaces Order 01-04-10-A, entered into by Operator and the OCD on December 1, 2004.

Under this Amended Order, 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 Amended 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 227001 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 approved temporary abandonment status under OCD Rule 203 [19.15.4.203 NMAC].
5. The wells identified in Exhibit "A" include 7 wells that were subject to Order 04-10, and 14 wells that fell out of compliance with OCD Rule 201 [19.15.4.201 NMAC] after the execution of Order 04-10.
6. 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:

....

....

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

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...”

9. On December 1, 2004, the OCD executed Order 04-10 with Operator, under which Operator agreed to bring the 25 wells identified that order into compliance with Rule 201 at a rate of two wells per month starting with the month of January 2005, agreed to pay penalties if it failed to meet the schedule, and agreed to file monthly compliance reports starting in February 2005.

10. Operator brought the following wells identified in Order 04-10 into compliance:

FB Gist #1, API 30-025-23114

FB Gist #2, API 30-025-23242

Federal A #5, API 30-025-21304

Hodges B #4, API 30-025-11384

State CL #5, API 30-025-01577

State Land Section 30 #6, API 30-025-07484

Todd Lower SA Unit # 195, API 30-041-10211

Todd Lower SA Unit # 302, API 30-041-20006

Todd Lower SA Unit # 318, API 30-041-20273

Todd Lower SA Unit # 322, API 30-041-20183

Todd Lower SA Unit # 324, API 30-041-20079

Todd Lower SA Unit # 326, API 30-041-20255

Todd Lower SA Unit # 356, API 30-041-10586

Todd Lower SA Unit # 357, API 30-041-20009

Todd Lower SA Unit # 359, API 30-041-10597

Todd Lower SA Unit # 362, API 30-041-10163

11. In its monthly compliance report for November 2005, Operator notified the OCD that it had experienced difficulties in obtaining a plugging rig. In follow-up correspondence, Operator requested an amendment to Order 04-10 to give it a new schedule for bringing its inactive wells into compliance with Rule 201.

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.
4. Operator is not subject to civil penalties for its failure to comply with Order 04-10, because it promptly invoked the procedure set out in Paragraph 9 of the Order for obtaining an amendment to the Order.

ORDER

1. Operator shall bring at least 11 of the wells identified in Exhibit "A" into compliance with OCD Rule 201 by June 30, 2006 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 and filing a C-103 describing the completed work;
 - (c) placing the well on approved temporary abandonment status pursuant to OCD Rule 203.

Transfer of a well identified on Exhibit "A" to another operator does not constitute bringing the well into compliance.

2. Operator shall file a compliance report by June 30, 2006 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).
3. When the OCD receives a timely compliance report indicating that Operator has returned at least 11 wells to compliance and verifies the accuracy of that report,

the OCD shall issue an amendment to this Amended Order extending its terms for an additional six-month period. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 100.C. If, in any six-month period, Operator returns more than 11 wells to compliance, the wells in excess of the number required will count towards the Operator's requirements for the next six-month period.

4. If Operator continues to return wells to compliance at a rate of at least 11 wells each six-month period, OCD shall continue to issue amendments to this Amended Order extending its term for an additional six-month period. The total length of this Amended Agreed Compliance Order, including the initial six-month period and any extensions, shall not exceed two years. At the end of two years, Operator and the OCD may negotiate a new agreed compliance order.
5. If Operator fails to bring at least 11 wells into compliance in any six-month period covered by this Amended Order or amendments issued pursuant to Ordering Paragraph 4, Operator agrees to pay a penalty of \$1000 times the number of wells it failed to bring into compliance under its schedule. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its 11 well goal, Operator may file an application for hearing with the division examiner and seek a waiver or reduction of the penalty. Once Operator pays the penalty or files an application for hearing to waive or reduce the penalty, the OCD may, in its discretion, issue an amendment to this Order extending its terms for an additional six-month period.

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 application for hearing seeking a waiver or reduction of the \$7000 penalty. 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 Amended Order and any amendments issued pursuant to Ordering Paragraphs 4 or 6, any wells on Exhibit "A" not in compliance with OCD Rule 201 will appear on the inactive well list kept pursuant to OCD Rule 40.F.
7. By signing this Amended Order, Operator expressly:
- (a) acknowledges the correctness of the Findings and Conclusions set forth in this Amended Order;
 - (b) agrees to return to compliance 11 of the wells identified in Exhibit "A" by June 30, 2006, and agrees to comply with the compliance deadlines set by any amendments issued pursuant to Ordering Paragraphs 4 or 6;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 and the deadline set by any amendments issued pursuant to Ordering Paragraphs 4 or 6;
 - (d) agrees to pay penalties as set out in Ordering Paragraphs 6 if it fails to return 11 wells to compliance under the deadlines set by this Amended Order or any amendments issued pursuant to Ordering Paragraphs 4 or 6;
 - (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 Amended Order or to an appeal from this Amended Order; and
 - (f) agrees that the Amended Order and amendments issued pursuant to Ordering Paragraphs 4 and 6 above 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 or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.
8. This Amended 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.
9. The Oil Conservation Division 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.
10. This Amended Order is effective January 1, 2006.

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

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division

ACCEPTANCE

Latigo Petroleum, Inc., a corporation, hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Amended Order.

Latigo Petroleum, Inc.

By:



Bruce Woodard

Title:

District Operations Manager

Date:

1/6/06

Latigo Petroleum, Inc. Well List for Amended Agreed Compliance Order 04-10-A:

API #	Well and number
1.	Aztec State #001, API 30-025-01316
2.	Aztec State #002, API 30-025-01317
3.	Aztec State #005, API 30-025-01319
4.	Aztec State #007, API 30-025-22397
5.	Aztec State #009, API 30-025-23138
6.	Aztec State #010, API 30-025-22731
7.	Aztec State #011, API 30-025-22757
8.	Aztec State #014, API 30-025-01313
9.	Bagley State Com #001, API 30-025-24182
10.	Cabot C State #001, API 30-025-22696
11.	Central Corbin Queen Unit #105, API 30-025-29898
12.	Central Corbin Queen Unit #215, API 30-025-01580
13.	Cockburn B State #007, API 30-025-29124
14.	Dallas #001, API 30-025-22330
15.	Dero Federal Com #001, API 30-015-20304
16.	EC Hill B Federal #006, API 30-025-10969
17.	EC Hill D Federal #001, API 30-025-10947
18.	EC Hill D Federal #004, API 30-025-10950
19.	GH Mattix B Federal #001, API 30-025-31770
20.	Todd Lower San Andres Unit #351, API 30-041-10210
21.	Wyatt B Federal #001, API 30-025-01372

Latigo Petroleum, Inc.

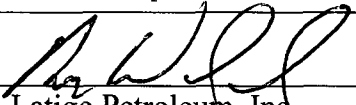
Title District Operations Manager
Signature 
Latigo Petroleum, Inc.

EXHIBIT "A"