

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

NMOCD – ACOI- 135

IN THE MATTER OF FOREST OIL CORPORATION,

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 Forest Oil Corporation ("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 corporation doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 8041 for the wells identified in Exhibit "A," attached.
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 Exhibit "A" are currently out of compliance with Rule 201 or will fall out of compliance with Rule 201 in the next several months if no action is taken on the wells.
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. 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 Exhibit "A" are either out of compliance with Rule 201 or will fall out of compliance with Rule 201 in the next several 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 the wells identified in Exhibit "A," 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.

ORDER

1. Operator agrees to bring at least 5 of the wells identified in Exhibit "A" into compliance with OCD Rule 201 by December 31, 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.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 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.

2. Operator shall file a compliance report by December 31, 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 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. 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 5 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 5 wells each six-month period, OCD shall continue to issue amendments to this Order extending its term for an additional six-month period. The total length of this Agreed Compliance Order, including the initial six-month period and any amendments, 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 5 wells into compliance in any six-month period covered by this Order or amendments issued to this Order, 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 six month period. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its 5-well goal, 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 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

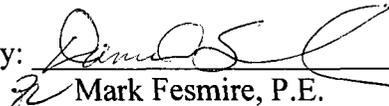
compliance. During this additional six-month period, Operator brings only one well into compliance. Operator X pays a \$4000 penalty. Although Operator X pays the \$4000 penalty, the OCD exercises its discretion and declines to issue an amendment to extend the terms of the agreed compliance order for 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 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 amendments to this Order, 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 Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to return to compliance 5 of the wells identified in Exhibit "A" by December 31, 2006, and agrees to comply with the compliance deadlines set by any amendments to this Order;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 2 and the deadline set by any amendments to this Order;
 - (d) agrees to pay penalties as set out in Ordering Paragraph 5 if it fails to return 5 wells to compliance under the deadlines set by this Order or any amendments to this Order;
 - (e) 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
 - (f) 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 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.

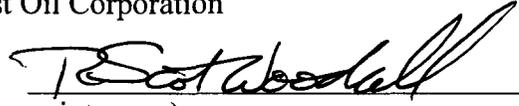
Done at Santa Fe, New Mexico this 20th day of JUNE, 2006

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

ACCEPTANCE

Forest Oil Corporation hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Forest Oil Corporation

By: 
(Please print name) R. SCOT WOODALL
Title: SR. VICE PRESIDENT
Date: FOREST OIL CORPORATION


June 29, 2006

Exhibit "A"

**Forest Oil Corporation
New Mexico Agreement Compliance Well List**

Well Name	Well No.		Status	Gas	Oil	INJ	TA	SI	State List of Inactive	Product	State/BLM/Fee
BARCLAY FEDERAL	1	30-015-24954	TA				1			O	BLM
BARCLAY FEDERAL	15	30-015-30066	TA		1					O	BLM
BARCLAY STATE	1	30-015-25534	TA				1		1	O	STATE
CMU	10	30-025-01444	SI					1		INJ	STATE
CMU	12	30-025-01446	SI					1		INJ	STATE
CMU	26	30-025-01466	SI					1		INJ	STATE
CMU	32	30-025-01451	SI					1		INJ	STATE
CMU	49	30-025-00662	SI					1		INJ	BLM
CMU	56	30-025-01506	SI					1		INJ	STATE
CMU	57	30-025-01501	SI					1	1	G	STATE
CMU	60	30-025-00676	SI					1	1	O	STATE
CMU	70	30-025-01490	SI					1		INJ	STATE
CMU	84	30-025-01494	SI					1	1	INJ	STATE
CMU	89	30-025-01529	SI					1	1	O	STATE
CMU	92	30-025-01535	TA				1			INJ	STATE
CMU	96	30-025-01536	TA				1			INJ	STATE
CMU	97	30-025-01523	TA				1			INJ	STATE
CMU	102	30-025-01388	SI					1	1	INJ	BLM
CMU	140	30-025-32923	SI					1	1	O	STATE
CMU	143	30-025-32924	TA				1		1	O	STATE
CMU	153	30-025-32422	TA				1			O	STATE
CMU	154	30-025-32893	TA				1			O	STATE
CMU	165	30-025-32425	TA				1		1	O	STATE
CMU	166	30-025-32043	TA				1		1	O	STATE
CMU	175	30-025-33083	TA				1			O	STATE
CMU	178	30-025-32549	TA				1			O	STATE
CMU	192	30-025-32427	SI					1	1	O	STATE
CMU	195	30-025-32841	TA				1			O	STATE
CMU	210	30-025-33281	TA				1			O	STATE
CMU	266	30-025-33821	SI					1	1	O	BLM
CMU	400	30-025-34224	TA				1			O	STATE
CROSSROADS SILU DEV UN 27	302	30-025-03608	SI					1	1	O	Fee
CROSSROADS SILU DEV UN 27	307	30-025-24100	TA				1		1	O	Fee
CROSSROADS SILU DEV UN 27	202Y	30-025-24188	TA				1		1	O	Fee
CROSSROADS SILU DEV UN 34	101	30-025-03629	TA				1			O	Fee
CROSSROADS SILU DEV UN 34	104	30-025-03632	SI					1		SWD	Fee
CROSSROADS SILU DEV UN 34	105	30-025-23472	TA				1			O	Fee
CROSSROADS SILU DEV UN 34	106	30-025-24143	TA				1			O	Fee
DOWNES B	3-1	30-025-24919	SI					1	1	O	Fee
LEA 403 STATE	4	30-025-20378	SI					1		O	STATE
LEA 403 STATE	5	30-025-20404	SI					1		O	STATE
LEA D	1	30-015-05411	P			1			1	INJ	BLM
LEA D	2	30-015-05412	P			1			1	INJ	BLM
LEA D	3	30-015-05413	P			1			1	INJ	BLM
LEA D	4	30-015-05414	P			1			1	INJ	BLM

*We have
as Pre-Order*

Exhibit "A"

Forest Oil Corporation
New Mexico Agreement Compliance Well List

Well Name	Well No.		Status	Gas	Oil	INJ	TA	SI	State List of Inactive	Product	State/BLM/Fee
LEA D	7	30-015-20658	P			1			1	INJ	BLM
LEA D	10	30-015-29704	TA				1			O	BLM
LEA D	20	30-015-29701	TA				1			TA	BLM
LEA D	22	30-015-29702	SI					1	1	INJ	BLM
MALJAMAR GRAYBURG UNIT	4	30-025-20762	SI					1	1	INJ	BLM
MALJAMAR GRAYBURG UNIT	5	30-025-00450	SI					1		INJ	BLM
MALJAMAR GRAYBURG UNIT	10	30-025-00449	TA				1			INJ	BLM
MALJAMAR GRAYBURG UNIT	11	30-025-00446	SI					1		INJ	BLM
MALJAMAR GRAYBURG UNIT	12	30-025-00445	SI					1		INJ	STATE
MALJAMAR GRAYBURG UNIT	13	30-025-00444	SI					1	1	INJ	BLM
MALJAMAR GRAYBURG UNIT	15	30-025-00467	SI					1		INJ	Fee
MALJAMAR GRAYBURG UNIT	25	30-025-00459	SI					1		INJ	BLM
MALJAMAR GRAYBURG UNIT	27	30-025-00453	SI					1	1	INJ	BLM
MALJAMAR GRAYBURG UNIT	28	30-025-00462	SI					1		INJ	Fee
MALJAMAR GRAYBURG UNIT	30	30-025-20279	SI					1	1	O	BLM
MALJAMAR GRAYBURG UNIT	51	30-025-00499	SI					1		INJ	BLM
MALJAMAR GRAYBURG UNIT	59	30-025-20760	TA				1			INJ	BLM
MALJAMAR GRAYBURG UNIT	61	30-025-21374	TA				1		1	O	BLM
MALJAMAR GRAYBURG UNIT	88	30-025-33365	SI					1	1	O	BLM
MALJAMAR GRAYBURG UNIT	89	30-025-33048	SI					1	1	O	BLM
MALJAMAR GRAYBURG UNIT	90	30-025-33380	TA				1			O	BLM
MALJAMAR GRAYBURG UNIT	95	30-025-32039	TA				1			O	BLM
MALJAMAR GRAYBURG UNIT	99	30-025-33381	TA				1			O	BLM
MALJAMAR GRAYBURG UNIT	106	30-025-33039	SI					1	1	O	BLM
MALJAMAR GRAYBURG UNIT	154	30-025-33628	SI					1	1	INJ	BLM
MALJAMAR GRAYBURG UNIT	155	30-025-33874	SI					1	1	INJ	BLM
PEOPLES 33 STATE	1	30-025-29244	TA				1		1	O	STATE
SAWYER, UD 34	1B	30-025-03628	TA				1			SWD	Fee
SKELLY	1	30-015-05152	P			1			1	INJ	BLM
SKELLY	11	30-015-05330	SI					1	1	O	BLM
SKELLY	17	30-015-05153	P			1			1	INJ	BLM
SKELLY	18	30-015-05154	P			1			1	INJ	BLM
SKELLY	19	30-015-05155	P			1			1	INJ	BLM
SKELLY	20	30-015-05161	P			1			1	INJ	BLM
SKELLY	22	30-015-05141	P			1			1	INJ	BLM
SKELLY	24	30-015-05144	P			1			1	INJ	BLM
SKELLY	25	30-015-05160	P			1			1	INJ	BLM
SKELLY	(26)	30-015-05160	P			1			1	INJ	BLM
SKELLY	27	30-015-05159	P			1			1	INJ	BLM
SKELLY	28	30-015-05156	P			1			1	INJ	BLM
SKELLY	32	30-015-05152	P			1			1	INJ	BLM
SKELLY	33	30-015-05140	P			1			1	INJ	BLM
SKELLY	37	30-015-05362	TA				1			O	BLM
SKELLY	38	30-015-10770	TA				1			INJ	BLM
SKELLY	39	30-015-05361	P			1			1	INJ	BLM
SKELLY	40	30-015-05360	P			1			1	INJ	BLM

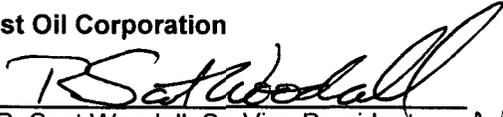
Pr-052

Exhibit "A"

**Forest Oil Corporation
New Mexico Agreement Compliance Well List**

Well Name	Well No.		Status	Gas	Oil	INJ	TA	SI	State List of Inactive	Product	State/BLM/Fee
SKELLY	41	30-015-05343	P			1			1	INJ	BLM
SKELLY	54	30-015-05351	SI					1	1	INJ	BLM
SKELLY	55	30-015-05349	P			1			1	INJ	BLM
SKELLY	59	30-015-05320	P			1			1	INJ	BLM
SKELLY	61	30-015-05315	P			1			1	INJ	BLM
SKELLY	62	30-015-05316	P			1			1	INJ	BLM
SKELLY	67	30-015-05339	P			1			1	INJ	BLM
SKELLY	68	30-015-05338	P			1			1	INJ	BLM
SKELLY	74	30-015-05331	SI					1	1	INJ	BLM
SKELLY	79	30-015-05369	P			1			1	INJ	BLM
SKELLY	82	30-015-05417	P			1			1	INJ	BLM
SKELLY	83	30-015-05418	P			1			1	INJ	BLM
SKELLY	84	30-015-05423	P			1			1	INJ	BLM
SKELLY	86	30-015-05421	P			1			1	INJ	BLM
SKELLY	87	30-015-05420	SI					1	1	INJ	BLM
SKELLY	90	30-015-05428	P			1			1	INJ	BLM
SKELLY	96	30-015-05424	P			1			1	INJ	BLM
SKELLY	101	30-015-05358	P			1			1	INJ	BLM
SKELLY	104	30-015-05146	P			1			1	INJ	BLM
SKELLY	105	30-015-05149	P			1			1	INJ	BLM
SKELLY	106	30-015-20366	P			1			1	INJ	BLM
SKELLY	107	30-015-20410	P			1			1	INJ	BLM
SKELLY	108	30-015-20406	SI					1	1	INJ	BLM
SKELLY	109	30-015-20468	P			1			1	INJ	BLM
SKELLY	110	30-015-20469	P			1			1	INJ	BLM
SKELLY	119	30-015-22253	TA				1			O	BLM
SKELLY	123	30-015-22257	SI				1		1	O	BLM
SKELLY	127	30-015-22261	P			1			1	INJ	BLM
SKELLY	181	30-015-28965	SI					1		O	BLM
SKELLY	203	30-015-29219	TA				1			O	BLM
SKELLY	263	30-015-29184	SI					1	1	O	BLM
SKELLY	264	30-015-28999	SI					1	1	O	BLM
SKELLY	300	30-015-29452	P			1			1	INJ	BLM
SKELLY	402	30-015-29860	SI		1				1	O	BLM

Forest Oil Corporation

By:  R. Scot Woodall, Sr. Vice President 

Date: June 28, 2006