

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

**NMOCD - ACOI 115-A**

**IN THE MATTER OF SG INTERESTS I, LTD.,**

**Respondent.**

**AMENDED  
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraphs 3 and 4 of Agreed Compliance Order 115, the Director of the Oil Conservation Division ("OCD") hereby amends that order as follows:

**FINDINGS**

1. Agreed Compliance Order 115 ("ACOI 115" or "Order") requires SG Interests I, Ltd. (Operator) to return to compliance with OCD Rule 201 at least two of the wells identified in the Order by August 10, 2006, and file a compliance report by that date. The Order defines compliance to include the filing of the appropriate paperwork.

2. ACOI 115 further provides that if Operator returns to compliance with OCD Rule 201 at least two of the wells identified in the Order by August 10, 2006, and files a timely compliance report, the OCD shall issue an amendment extending the terms of ACOI 115 for an additional six-month period, requiring Operator to return to compliance by that date any non-compliant wells identified in the Order still operated by Operator.

3. ACOI 115 further provides that if Operator fails to return to compliance two of the wells identified in the Order by August 10, 2006, Operator is subject to penalties. Operator may, however, request a waiver or reduction of penalties, and request an amendment extending the terms of the Order.

4. Operator filed a timely compliance report indicating that it had returned to compliance the following wells identified in the Order:

- |                 |              |
|-----------------|--------------|
| • Pot Mesa #002 | 30-031-20888 |
| • Pot Mesa #004 | 30-031-20890 |

5. The OCD has verified that its records show that the Pot Mesa #002 has been returned to compliance. OCD records do not show that the Pot Mesa #004 has been returned to compliance.

6. Operator has represented that the Pot Mesa #004 was re-completed to the Fruitland Coal Formation, with first delivery of gas (sales) July 1, 2006, but that the July production will not be reported on form C-115 until September, 2006.

### CONCLUSIONS

1. Operator failed to meet its goal of returning two of the wells identified in the Order to compliance by August 10, 2006 under the terms of the Order, falling short by one well.

2. Operator has demonstrated good faith efforts to meet its two-well goal under the Order by returning one well to compliance and by completing the field work required to return the second well to compliance.

3. The OCD should waive the \$1000 penalty otherwise due under the terms of the Order.

4. The OCD should amend ACOI 115 to extend its terms through February 10, 2007 and require Operator to return to compliance by that date the non-compliant wells identified in the Order that remain out of compliance.

### ORDER

1. The OCD waives the \$1000 penalty due under the terms of the Order.

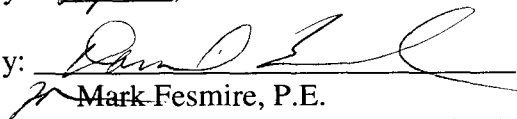
2. Operator shall return to compliance by February 10, 2007 any non-compliant wells identified in the Order still operated by Operator.

3. Operator shall file a compliance report by February 10, 2007 using the Oil Conservation Division's web-based on-line application.

4. The terms of ACOI 115 otherwise remain in effect and are extended through February 10, 2007.

Done at Santa Fe, New Mexico this 21<sup>st</sup> day of August, 2006

By:



Mark Fesmire, P.E.

Director, Oil Conservation Division