

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

**NMOCD – ACOI- 153**

**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: 1) bring the wells identified herein into compliance with the Act and OCD Rules 201 [19.15.4.201 NMAC] and 703 [19.15.9.703 NMAC] in accordance with the following agreed schedule and procedures; and 2) pay penalties as set out below if it fails to meet the compliance schedule set out in this Order.

This Order replaces Agreed Compliance Order 135.

**FINDINGS**

**Parties**

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 operating wells in New Mexico under OGRID 8041.

**Injection Well Issues**

3. OCD Rule 701 [19.15.9.701 NMAC] requires operators to hold a permit for the injection of gas, liquefied petroleum gas, air, water or any other medium into any reservoir for the purpose of maintaining reservoir pressure or for the purpose of secondary or other enhanced recovery or for storage of the injection of water into any formation for the purpose of water disposal.
4. Operator holds permits under Rule 701 to operate the following wells as injection wells in New Mexico:

Skelly 19	30-015-05155
Skelly 54	30-015-05351
Skelly 58	30-015-05355

Skelly 74	30-015-05331
Skelly 83	30-015-05418
Skelly 84	30-015-05423
Skelly 87	30-015-05420
Skelly 96	30-015-05424
Skelly 106	30-015-20366
Skelly 109	30-015-20468
Skelly 110	30-015-20469
CMU #10	30-025-01444
Crossroads Silu Dev Un 34 #104	30-025-03632
Maljamar Grayburg Unit #12	30-025-00445
Maljamar Grayburg Unit #15	30-025-00467
Lea D #002	30-015-05412
Skelly 70	30-015-05365

5. OCD Rule 703 [19.15.9.703 NMAC] provides in relevant part:

- A. Injection wells shall be equipped, operated, monitored, and maintained to facilitate periodic testing and to assure continued mechanical integrity which will result in no significant leak in the tubular goods and packing materials used and no significant fluid movement though vertical channels adjacent to the well bore.
- B. Injection project, including injection wells and producing wells and all related surface facilities shall be operated and maintained at all times in such a manner as will confine the injected fluids to the interval or intervals approved and prevent surface damage or pollution resulting from leaks, breaks, or spills.
- C. ....
- D. ....
- E. Injection wells or projects which have exhibited failure to confine injected fluids to the authorized injection zone or zones may be subject to restriction of injection volume and pressure, or shut-in, until the failure has been identified and corrected.

6. OCD Rule 704.A [19.15.9.704.A NMAC] provides in relevant part:

- (1) Prior to commencement of injection and any time tubing is pulled or the packer is resealed, wells shall be tested to assure the integrity of the casing and the tubing and packer, if used, including pressure testing of the casing-tubing annulus to a minimum of 300 psi for 30 minutes or such other pressure and/or time as may be approved by the appropriate district supervisor. A pressure recorder shall be used and copies of the chart shall be submitted to the appropriate division district office within 30 days following the test date.

(2) At least once every five years thereafter, injection wells shall be tested to assure their continued mechanical integrity. Tests demonstrating continued mechanical integrity shall include the following:

- (a) measurement of annular pressures in wells injecting at positive pressure under a packer or a balanced fluid seal; or,
- (b) pressure testing of the casing-tubing annulus for wells injecting under vacuum conditions; or,
- (c) such other tests which are demonstrably effective and which may be approved for use by the division.

(3) Notwithstanding the test procedures outlined above, the division may require more comprehensive testing of the injection wells when deemed advisable, including the use of tracer surveys, noise logs, temperature logs, or other test procedures or devices.

7. The wells identified in Findings Paragraph 4 failed mechanical integrity tests. OCD notified Operator of the failures, and Operator has not repaired the wells.

#### **Inactive Well Issues**

8. 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.”

9. The wells identified in Exhibit A, attached, are wells operated by Operator in New Mexico that have been inactive for a continuous period in excess of one year plus ninety days, and have not been properly plugged and abandoned or placed in approved temporary abandonment status.

#### **Penalty Provisions:**

10. 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 and willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.

11. 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 injection wells identified in Findings Paragraph 4 are out of compliance with OCD Rule 703 because they failed mechanical integrity tests and Operator did not correct those failures after being notified of the failures by the OCD.
3. The wells identified in Exhibit A are out of compliance with Rule 201 because they have been inactive for a period in excess of one year plus ninety days and have not been properly plugged and abandoned or placed on approved temporary abandonment status.
4. As operator of the wells identified in Findings Paragraphs 4 and Exhibit A Operator is responsible for bringing those wells into compliance with OCD rules.
5. 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. By June 30, 2007, Operator shall return at least 9 of the wells identified in Findings Paragraph 4 to compliance with Rule 703 by performing one of the following actions with regard to each well:
  - a) repair the well so that it passes the mechanical integrity tests required under Rule 704, return the well to injection and file a C-115 reporting injection;
  - b) plug the wellbore in accordance with 19.15.4.202.B(1) and (2) NMAC and file a sundry notice with the OCD reporting the plugging of the wellbore;  
or
  - c) place the well on approved temporary abandonment status in accordance with 19.15.4.203 NMAC.
2. Operator shall file a compliance report by June 30, 2007 using the OCD's web-based on-line application, identifying each well returned to compliance, and describing how the well was returned to compliance.

5. When the OCD receives a timely compliance report indicating that Operator has returned at least 9 of the wells identified in Findings Paragraph 4 to compliance by June 30, 2007 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 and requiring Operator to return to compliance by December 31, 2007 the remaining wells identified in Findings Paragraph 4 not previously returned to compliance.
6. If an amendment is issued pursuant to Ordering Paragraph 5, Operator shall file a compliance report by December 31, 2007 using the OCD's web-based on-line application, identifying each well returned to compliance, and describing how the well was returned to compliance.
7. When the OCD receives a timely compliance report indicating that Operator has returned to compliance by December 31, 2007 the remaining wells identified in Findings Paragraph 4 not previously returned 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 and requiring Operator to return to compliance by June 30, 2008 6 of the wells from Exhibit A. Operator shall return to compliance wells identified in Exhibit A by taking one of the following actions with regard to each well:
  - a) return the well to production or other OCD-approved beneficial use, and file a C-115 reporting that use;
  - b) plug the wellbore in accordance with 19.15.4.202.B(1) and (2) NMAC and file a sundry notice with the OCD reporting the plugging of the wellbore; or
  - c) place the well on approved temporary abandonment status in accordance with 19.15.4.203 NMAC.
8. If an amendment is issued pursuant to Ordering Paragraph 7, Operator shall file a compliance report by June 30, 2008 using the OCD's web-based on-line application, identifying each well from Exhibit A returned to compliance, and describing how the well was returned to compliance.
9. When the OCD receives a timely compliance report indicating that Operator has returned to compliance by June 30, 2008 6 wells identified in Exhibit A 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 and requiring Operator to return to compliance by December 31, 2008 at least 6 additional wells from Exhibit A, so that the total number of wells identified in Exhibit A returned to compliance by December 31, 2008 is at least 12.
10. If an amendment is issued pursuant to Ordering Paragraph 9, Operator shall file a compliance report by December 31, 2008 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.

11. Transfer of a well identified in Exhibit A to another operator does not count towards Operator's obligation to return a certain number of wells to compliance by the deadlines set in this Order or in amendments to this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order.
12. The OCD shall provide a copy of any amendment issued pursuant to this Order to Operator at Operator's address of record provided pursuant to OCD Rule 100.C.
13. If Operator fails to bring the required number of wells into compliance by the compliance deadline set by this Order or an amendment issued pursuant 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 time period. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its goal, Operator may file an administrative application with the OCD to request a waiver or reduction of the penalty. Operator shall 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 denies the Operator's request, the Operator may, within ten days of that denial, apply for a hearing before an OCD hearing examiner. 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 as provided in Ordering Paragraphs 5, 7 and 9.

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, and the Operator requests a hearing on its request for a waiver of the 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.
14. While this Order remains in effect, the wells identified in Findings Paragraph 4 and Exhibit A shall be removed from the inactive well list kept pursuant to OCD Rule 40.F [19.15.1.40.F NMAC]. Thirty days after the compliance date set by this Order or any amendment to this Order issued pursuant to Ordering Paragraphs 5, 7 and 9, any wells identified in Findings Paragraph 4 and Exhibit A not in compliance with OCD Rule 201 will appear on the inactive well list kept pursuant to OCD Rule 40.F.
15. 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 9 of the wells identified in Findings Paragraph 4 by June 30, 2007, and agrees to comply with the compliance deadline and schedule set by any amendment to this Order issued pursuant to Ordering Paragraphs 5, 7 and 9;
  - (c) agrees to submit a compliance report as required in Ordering Paragraph 4 and the deadline set by any amendment to this Order issued pursuant to Ordering Paragraphs 5, 7 and 9;
  - (d) agrees to pay penalties as set out in Ordering Paragraph 13 if it fails to return wells to compliance under the deadline set by this Order or any amendment to this Order issued pursuant to Ordering Paragraphs 5, 7 and 9;
  - (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.
16. This Order applies only to those wells identified in Findings Paragraph 4 and Exhibit A. Other wells operated by Operator out of compliance with Rules 201 or 703 may be subject to immediate enforcement action under the Oil and Gas Act. Wells identified in Exhibit A out of compliance with Rule 703 during the time

periods covered by this Order or amendments to this Order are subject to immediate enforcement action under Rule 703.

17. This Order does not affect Operator's obligations to provide financial assurances pursuant to OCD Rule 101 [19.15.3.101 NMAC].
18. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Findings Paragraph 4 and Exhibit A and forfeit the applicable financial assurance if the well poses an immediate environmental threat.
19. This Order is effective January 1, 2007.

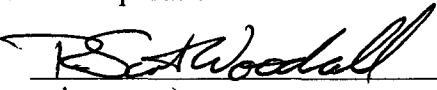
Done at Santa Fe, New Mexico this 13<sup>th</sup> day of December, 2006

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: Senior Vice President  
Date: 12/5/2006



# Exhibit A

1. Barclay Federal 1	30-015-24954	
2. Barclay Federal 15	30-015-30066	
3. Barclay Federal 16	30-015-33653	
4. Barclay State 1	30-015-25534	
5. CMU 26	30-025-01446	CMU 12
6. CMU 32	30-025-01451	
7. CMU 49	30-025-00662	
8. CMU 56	30-025-01506	
9. CMU 60	30-025-00676	
10. CMU 70	30-025-01490	
11. CMU 84	30-025-01494	
12. CMU 89	30-025-01529	
13. CMU 92	30-025-01535	
14. CMU 95	30-025-01534	
15. CMU 96	30-025-01536	
16. CMU 97	30-025-01523	
17. CMU 102	30-025-01388	
18. CMU 140	30-025-32923	
19. CMU 143	30-025-32924	
20. CMU 153	30-025-32422	
21. CMU 154	30-025-32893	
22. CMU 165	30-025-32425	
23. CMU 166	30-025-32043	
24. CMU 175	30-025-33083	
25. CMU 178	30-025-32549	
26. CMU 192	30-025-32427	
27. CMU 195	30-025-32841	
28. CMU 210	30-025-33281	
29. CMU 266	30-025-33821	
30. CMU 400	30-025-34224	
31. Crossroads Silu Dev Un 27 302	30-025-03608	
32. Crossroads Silu Dev Un 27 307	30-015-24110	PIC ONGard # 22
33. Crossroads Silu Dev Un 27 202Y	30-025-24188	
34. Crossroads Silu Dev Un 34 101	30-025-03629	
35. Crossroads Silu Dev Un 34 105	30-025-23472	
36. Crossroads Silu Dev Un 34 106	30-025-24243	PIC ONGard # 3
37. Downes B 3-1	30-025-24919	
38. Lea 4011 State 1	30-025-20173	
39. Lea 403 State 4	30-025-20378	
40. Lea D 1	30-015-05411	
41. Lea D 3	30-015-05413	
42. Lea D 4	30-015-05414	
43. Lea D 5	30-015-05415	

44. Lea D 6	30-015-05416
45. Lea D 7	30-015-20658
46. Lea D 10	30-015-29704
47. Lea D 20	30-015-29701
48. Lea D 22	30-015-29702
49. Maljamar Grayburg Unit 4	30-025-20762
50. Maljamar Grayburg Unit 5	30-025-00450
51. Maljamar Grayburg Unit 13	30-025-00444
52. Maljamar Grayburg Unit 25	30-025-00459
53. Maljamar Grayburg Unit 27	30-025-00453
54. Maljamar Grayburg Unit 28	30-025-00462
55. Maljamar Grayburg Unit 30	30-025-20279
56. Maljamar Grayburg Unit 51	30-025-00499
57. Maljamar Grayburg Unit 59	30-025-20760
58. Maljamar Grayburg Unit 61	30-025-21374
59. Maljamar Grayburg Unit 88	30-025-33365
60. Maljamar Grayburg Unit 89	30-025-33048
61. Maljamar Grayburg Unit 90	30-025-33380
62. Maljamar Grayburg Unit 95	30-025-32039
63. Maljamar Grayburg Unit 99	30-025-33381
64. Maljamar Grayburg Unit 106	30-025-33039
65. Maljamar Grayburg Unit 154	30-025-33628
66. Maljamar Grayburg Unit 155	30-025-33874
67. Skelly 1	30-015-05152
68. Skelly 11	30-015-05330
69. Skelly 17	30-015-05153
70. Skelly 18	30-015-05154
71. Skelly 20	30-015-05161
72. Skelly 21	30-015-05158
73. Skelly 22	30-015-05141
74. Skelly 24	30-015-05144
75. Skelly 25	30-015-05160
76. Skelly 26	30-015-05157
77. Skelly 27	30-015-05159
78. Skelly 28	30-015-05156
79. Skelly 29	30-015-05151
80. Skelly 32	30-015-05162
81. Skelly 33	30-015-05140
82. Skelly 35	30-015-10773
83. Skelly 37	30-015-05362
84. Skelly 38	30-015-10770
85. Skelly 39	30-015-05361
86. Skelly 40	30-015-05360
87. Skelly 41	30-015-05343
88. Skelly 43	30-015-10500

89. Skelly 45	30-015-05346
90. Skelly 47	30-015-05364
91. Skelly 52	30-015-05345
92. Skelly 55	30-015-05349
93. Skelly 59	30-015-05320
94. Skelly 61	30-015-05315
95. Skelly 62	30-015-05316
96. Skelly 67	30-015-05339
97. Skelly 68	30-015-05338
98. Skelly 77	30-015-05340
99. Skelly 79	30-015-05369
100. Skelly 82	30-015-05417
101. Skelly 86	30-015-05421
102. Skelly 88	30-015-05426
103. Skelly 94	30-015-04884
104. Skelly 101	30-015-05358
105. Skelly 102	30-015-05147
106. Skelly 103	30-015-05148
107. Skelly 104	30-015-05146
108. Skelly 105	30-015-05149
109. Skelly 107	30-015-20410
110. Skelly 119	30-015-22253
111. Skelly 121	30-015-22255
112. Skelly 123	30-015-22257
113. Skelly 127	30-015-22261
114. Skelly 181	30-015-28965
115. Skelly 203	30-015-29219
116. Skelly 263	30-015-29184
117. Skelly 264	30-015-28999
118. Skelly 402	30-015-29860

Forest Oil Corporation

By:

Date: 12/5/2006