

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

NMOCD – ACOI- 161

IN THE MATTER OF APOLLO ENERGY, L.P.,

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") and OCD Rule 1227.E [19.15.14.1227(E) NMAC], the Director of the Oil Conservation Division ("OCD") and Apollo Energy, L.P. ("Operator") enter into this Agreed Compliance Order ("Order") under which Operator agrees to plug, place on approved temporary abandonment status or restore to production or other beneficial use 2 of the wells identified herein pursuant to 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 limited partnership doing business in the state of New Mexico. Operator is registered as an oil and gas operator and has been assigned OGRID 248192.
3. Operator recently acquired the wells identified in Exhibit "A," attached, and is in the process of becoming operator of record for those wells.
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”

(a) have been continuously inactive for a period of one year plus 90 days;

(b) are not plugged or abandoned under OCD Rule 202 [19.15.4.202 NMAC]; and

(c) are not on approved temporary abandonment status under OCD Rule 203 [19.15.4.203 NMAC].

6. The wells identified in Exhibit “A” currently appear on the inactive well list kept pursuant to OCD Rule 40.F [19.15.1.40.F NMAC] under the name of the current operator of record. When Operator becomes operator of record for the wells on Exhibit “A, if the wells are not covered by an inactive well agreed compliance order they will appear on the inactive well list under Operator’s name, and Operator will be out of compliance with Rule 40. That lack of compliance will affect Operator’s ability to obtain permits to drill, acquire additional wells, obtain allowables and authorizations to transport, and obtain injection permits.

7. Operator intends to re-establish an abandoned water flood on the property, which will enable Operator to return some of the wells identified in Exhibit “A” to production. Operator also plans to plug some of the wells identified in Exhibit “A.” Operator needs time to complete the application procedures outlined in OCD Rule 701.B [19.15.9.701.G NMAC] to obtain approval of the waterflood.

8. 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.

9. NMSA 1978, Section 70-2-33(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.

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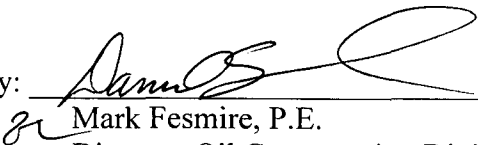
2. The wells identified in Exhibit "A" are out of compliance with Rule 201 [19.15.4.201 NMAC].
3. If Operator becomes operator of record of wells identified in Exhibit "A," Operator will be responsible for bringing those wells into compliance with Rule 201 [19.15.4.201 NMAC].
4. The wells identified in Exhibit "A" should be placed under an agreed compliance order and removed from Operator's inactive well list for a period of time sufficient to allow Operator to take action to establish the waterflood.
5. Operator is a "person" as defined by NMSA 1978, Section 70-2-33(A) 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. The OCD agrees to remove the wells identified in Exhibit "A" from the inactive well list for Operator until October 2, 2007. For good cause shown, the OCD may amend this Order to extend it for a period not to exceed three months.
2. Operator agrees to bring at least 2 of the wells identified in Exhibit "A" into compliance with OCD Rule 201 [19.15.4.201 NMAC] by October 1, 2007 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) [19.15.4.202(B)(2) NMAC] and filing a C-103 describing the completed work; or
 - (c) placing the well on approved temporary abandonment status pursuant to OCD Rule 203 [19.15.4.203 NMAC].
3. If Operator fails to bring at least 2 wells identified in Exhibit "A" into compliance by October 1, 2007, 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 returning at least 2 wells identified in Exhibit "A" to compliance by October 1, 2007, Operator may submit a written request to the OCD's Compliance and Enforcement Manager for a waiver or reduction of the penalty. If the Compliance and Enforcement Manager concurs with the Operator's request, the request for waiver or reduction of penalties may be granted administratively. If the Compliance and Enforcement Manager does not concur with the Operator's request, or fails to respond to the request within 10 days, the Operator may file an application for hearing on the request for waiver or reduction of penalties. Any application for hearing on a request for waiver or reduction of penalties must be filed by October 31, 2007.

4. Nothing in this Order prohibits the Operator from negotiating a new inactive well agreed compliance order after the OCD rules on its application for a waterflood.
5. 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 2 of the wells identified in Exhibit "A" by October 1, 2007;
 - (c) agrees to pay penalties as set out in and limited by Ordering Paragraph 3 if it fails to return 2 of the wells identified in Exhibit "A" by October 1, 2007;
 - (d) 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 other than the hearing provided for in Ordering Paragraph 3; and
 - (e) 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.
6. This Order applies only to the enforcement of OCD Rule 201 [19.15.4.201 NMAC] against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 201 [19.15.4.201 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 Rule 201 [19.15.4.201 NMAC] may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.
7. 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 11th day of April, 2007.

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

ACCEPTANCE

Apollo Energy, L.P. hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Apollo Energy, L.P.

By 

(Please print name)

SCOTT ST. JOHN

Title: AGENT FOR APOLLO ENERGY, L.P.

Date: 4/5/07

Exhibit "A"

Property Well Name	Lease Type	ULSTR	OCD UL API	Well Type
31984RUSSELL USA #001	F	O-12-20S-28E	O	30-015-02345 I
RUSSELL USA #002	F	O-12-20S-28E	O	30-015-02346 I
RUSSELL USA #003	F	O-12-20S-28E	O	30-015-02348 I
RUSSELL USA #004	F	N-13-20S-28E	N	30-015-02350 O
RUSSELL USA #005	F	K-13-20S-28E	K	30-015-02351 O
RUSSELL USA #006	F	L-13-20S-28E	L	30-015-02352 O
RUSSELL USA #007	F	J-13-20S-28E	J	30-015-02353 O
RUSSELL USA #008	F	M-13-20S-28E	M	30-015-02355 O
RUSSELL USA #009	F	O-13-20S-28E	O	30-015-02356 O
RUSSELL USA #010	F	E-13-20S-28E	E	30-015-02357 O
RUSSELL USA #011	F	B-13-20S-28E	B	30-015-02358 O
RUSSELL USA #012	F	M-13-20S-28E	M	30-015-02360 O
RUSSELL USA #013	F	O-13-20S-28E	O	30-015-02361 O
RUSSELL USA #014	F	G-13-20S-28E	G	30-015-02362 O
RUSSELL USA #015	F	A-13-20S-28E	A	30-015-02363 O
RUSSELL USA #016	F	B-13-20S-28E	B	30-015-02364 O
RUSSELL USA #017	F	L-13-20S-28E	L	30-015-02365 O
RUSSELL USA #018	F	B-13-20S-28E	B	30-015-02367 O
RUSSELL USA #019	F	L-13-20S-28E	L	30-015-02368 O
RUSSELL USA #020	F	M-13-20S-28E	M	30-015-02369 O
RUSSELL USA #021	F	M-13-20S-28E	M	30-015-02370 O
RUSSELL USA #022	F	L-13-20S-28E	L	30-015-02371 O
RUSSELL USA #023	F	M-13-20S-28E	M	30-015-02372 O
RUSSELL USA #024	F	G-13-20S-28E	G	30-015-02373 O
RUSSELL USA #026	F	G-13-20S-28E	G	30-015-02375 O
RUSSELL USA #027	F	B-13-20S-28E	B	30-015-02376 O
RUSSELL USA #028	F	B-13-20S-28E	B	30-015-02377 O
RUSSELL USA #029	F	F-13-20S-28E	F	30-015-02378 O
RUSSELL USA #030	F	C-13-20S-28E	C	30-015-02379 O
RUSSELL USA #031	F	F-13-20S-28E	F	30-015-02380 O
RUSSELL USA #032	F	C-13-20S-28E	C	30-015-02381 O
RUSSELL USA #033	F	J-13-20S-28E	J	30-015-02382 O

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RUSSELL USA #034	F	N-13-20S-28E N	30-015-02383 O
RUSSELL USA #035	F	C-13-20S-28E C	30-015-02384 O
RUSSELL USA #036	F	K-13-20S-28E K	30-015-02385 O
RUSSELL USA #037	F	N-13-20S-28E N	30-015-02386 O
RUSSELL USA #038	F	F-13-20S-28E F	30-015-02387 O
RUSSELL USA #039	F	K-13-20S-28E K	30-015-02388 O
RUSSELL USA #040	F	J-13-20S-28E J	30-015-02389 O
RUSSELL USA #041	F	F-13-20S-28E F	30-015-02390 O
RUSSELL USA #042	F	K-13-20S-28E K	30-015-02391 O
RUSSELL USA #043	F	K-13-20S-28E K	30-015-02392 O
RUSSELL USA #044	F	N-13-20S-28E N	30-015-02393 O
RUSSELL USA #045	F	J-13-20S-28E J	30-015-02394 O
RUSSELL USA #046	F	F-13-20S-28E F	30-015-02395 O
RUSSELL USA #047	F	P-14-20S-28E P	30-015-02398 I
RUSSELL USA #048	F	P-14-20S-28E P	30-015-02399 I
RUSSELL USA #049	F	B-13-20S-28E B	30-015-06186 O
RUSSELL USA #050	F	B-13-20S-28E B	30-015-06187 O
RUSSELL USA #051	F	L-13-20S-28E L	30-015-06188 O
RUSSELL USA #052	F	M-13-20S-28E M	30-015-06189 O
RUSSELL USA #053	F	H-13-20S-28E H	30-015-06191 O
RUSSELL USA #054	F	B-13-20S-28E B	30-015-10099 O
RUSSELL USA #055	F	G-13-20S-28E G	30-015-10100 O
RUSSELL USA #056	F	F-13-20S-28E F	30-015-10204 O
RUSSELL USA #057	F	K-13-20S-28E K	30-015-10214 O
RUSSELL USA #058	F	A-13-20S-28E A	30-015-10240 O
RUSSELL USA #059	F	J-13-20S-28E J	30-015-10250 O
RUSSELL USA #060	F	F-13-20S-28E F	30-015-10420 I
RUSSELL USA #061	F	G-13-20S-28E G	30-015-10421 O
RUSSELL USA #062	F	H-13-20S-28E H	30-015-10422 O
RUSSELL USA #063	F	A-13-20S-28E A	30-015-10423 O
RUSSELL USA #064	F	K-13-20S-28E K	30-015-10424 O
RUSSELL USA #065	F	K-13-20S-28E K	30-015-20229 I
RUSSELL USA #066	F	G-13-20S-28E G	30-015-20230 O
RUSSELL USA #067	F	G-13-20S-28E G	30-015-20231 O
RUSSELL USA #068	F	O-12-20S-28E O	30-015-20463 O
RUSSELL USA #069	F	C-13-20S-28E C	30-015-26491 O

Apollo Energy, LP

By: 

Agent For Apollo Energy, L.P.

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