

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

NMOCD - ACOI 114-C

IN THE MATTER OF CROWNQUEST OPERATING, LLC,

Respondent.

**AMENDED
AGREED COMPLIANCE ORDER**

Pursuant to Ordering Paragraphs 3 and 4 of Agreed Compliance Order 114, the Director of the Oil Conservation Division ("OCD") hereby amends that order as follows:

FINDINGS

1. Agreed Compliance Order 114 (ACOI 114) was executed on February 24, 2006. ACOI 114 requires CrownQuest Operating, LLC (Operator) to return the wells identified in Exhibit A of the Order to compliance with OCD Rule 201 according to the schedule set out in the Order and file timely compliance reports.

2. To return a well to "compliance," as defined in ACOI 114, the Operator must complete one of the following actions:

- (a) restore the well to production or other OCD-approved beneficial use and file a C-115 documenting such production or use;
- (b) cause the wellbore to be plugged in accordance with OCD Rule 202.B(2) and file a C-103 describing the completed work;
- (c) place the well on approved temporary abandonment status pursuant to OCD Rule 203.

3. The schedule set out in the Order requires the Operator to return 7 of the wells identified in Exhibit A to compliance and file a compliance report by December 31, 2006: the first period. If the Operator meets its goal for the first period, the OCD will issue an amendment extending the terms of the Order for six months and requiring Operator to return an additional seven wells to compliance and file a compliance report. If the Operator continues to return wells to compliance at a rate of at least 7 wells in each six-month period, the OCD will continue to issue amendments extending the order for additional six-month periods. The total length of the Order, including the initial period and any amendments, shall not exceed two years.

4. Operator failed to meet its 7-well goal for the first period, returning the following 6 wells identified in Exhibit A to compliance:

- New Mexico AN State #002 30-025-01137
- New Mexico AN State #006 30-025-01141
- New Mexico AN State #009 30-025-20955
- New Mexico AN State #011 30-025-28236
- New Mexico BG State NCT 1 #009 30-025-29811
- New Mexico BG State NCT1 #010 30-025-29870

5. The OCD determined that Operator acted in good faith in attempting to meet its goal for the first period, waived the applicable \$1,000 penalty, and issued an amendment requiring Operator to return 7 additional wells identified in Exhibit A to compliance and file a compliance report by June 30, 2007: the second period.

6. Operator filed a timely compliance report for the second period, and the OCD verified that Operator returned the following 8 additional wells identified in Exhibit A to compliance:

- Federal 20 #001 30-025-22448
- Federal 6 #002 30-025-28074
- New Mexico AQ State NCT 11 #003 30-025-28819
- New Mexico AT State #004 30-025-01132
- New Mexico BV State NCT 2 #002 30-025-21820
- State 31 #005 30-025-35300
- State 5 #002 30-025-22395
- State 5 #003 30-025-28807

7. The OCD issued an amendment requiring Operator to return 6 additional wells identified in Exhibit A to compliance and file a compliance report by December 30, 2007 to meet its 7-well goal for the third period.

8. Operator filed a timely compliance report for the third period, and the OCD verified that Operator returned the following 3 wells identified in Exhibit A to compliance:

- New Mexico AN State #010 30-025-21843
- New Mexico AT State #001 30-025-01124
- New Mexico AT State #013 30-025-28817

9. Operator represents that it has performed additional work on three other wells. However, the paperwork necessary to satisfy the requirements of ACOI 114 has not been filed.

CONCLUSIONS

1. Operator failed to meet its 7-well goal for the third period, falling short by three wells.
2. Operator has demonstrated good faith in its attempt to meet its compliance goals under ACOI 114.
3. The OCD should waive the \$3,000 penalty that would otherwise be due under ACOI 114.
4. The OCD should amend ACOI 114 to extend it for a fourth and final period. Because the total length of the order may not exceed two years, and because the order was initially executed on February 24, 2006, the OCD should amend ACOI 114 to extend its terms through February 24, 2008.
5. Because of the short time-period for the fourth period, the OCD shall prorate the number of wells Operator will be required to return to compliance. Operator will be ordered to return three additional wells identified in Exhibit A to compliance by February 24, 2008 to meet its compliance goal for the fourth period.

ORDER

1. Operator shall return to compliance by February 24, 2008 three wells identified in Exhibit A not identified in Findings Paragraphs 4, 6 and 8, above.
2. Operator shall file a written compliance report identifying the wells returned to compliance in the fourth period by well name and API number, stating how the well was returned to compliance (returned to production/injection, wellbore plugged, placed on approved temporary abandonment status), and stating the approximate date the appropriate paperwork was filed on the compliance action. The report must be mailed to e-mailed to the OCD Compliance and Enforcement Manager so that it is **received by** February 24, 2008.
3. The terms of ACOI 114 otherwise remain in effect.

Done at Santa Fe, New Mexico this 18th day of January 2008

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division