

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

NMOCD ACOI 186

IN THE MATTER OF ELM RIDGE EXPLORATION COMPANY LLC,

Respondent.

INACTIVE WELL
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 Elm Ridge Exploration Company LLC ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI") under which Operator agrees to plug, place on approved temporary abandonment status or restore to production or other beneficial use 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 liability company doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 149052 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" have been continuously inactive for a period of one year plus 90 days, are not plugged or abandoned under OCD Rule 202 [19.15.4.202 NMAC], and are not on approved temporary abandonment status under OCD Rule 203 [19.15.4.203 NMAC].
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 and willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.
7. NMSA 1978, Section 70-2-33(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.
2. The wells identified in Exhibit "A" are out of compliance with Rule 201 [19.15.4.201 NMAC].
3. As operator of the wells identified in Exhibit "A," Operator is responsible for bringing those wells into compliance with Rule 201 [19.15.4.201 NMAC].
4. 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. Operator agrees to bring the wells identified in Exhibit "A" into compliance with OCD Rule 201 [19.15.4.201 NMAC] by June 2, 2008 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].
2. Operator shall file a compliance report 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.) The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is received by the compliance deadline of June 2, 2008.

3. If Operator fails to bring all the wells identified in Exhibit A to compliance by June 2, 2008, Operator agrees to pay a penalty of \$1000 times the number of wells identified in Exhibit "A" it failed to bring into compliance. In the event the Operator encounters unanticipated circumstances that prevent it from returning all the wells identified in Exhibit "A" to compliance by June 2, 2008, Operator may apply for a waiver or reduction of the penalty by making the request in writing to the OCD's Enforcement and Compliance Manager. If the Enforcement and Compliance Manager concurs with the Operator's request, the request for waiver or reduction of penalties may be granted administratively. If the Enforcement and Compliance Manager does not concur with the Operator's request or fails to respond within 10 days, the Operator may file an application for hearing on the request. Any application for hearing on a request for waiver or reduction of penalty must be filed within 30 days of the date the compliance report is due.
4. On June 3, 2008 any wells on Exhibit "A" not in compliance with OCD Rule 201 [19.15.4.201 NMAC] still operated by Operator will appear on the Operator's inactive well list kept pursuant to OCD Rule 40.F [19.15.1.40(F) NMAC].
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 the wells identified in Exhibit "A" by June 2, 2008, 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 by the compliance deadline set by any amendments to this Order;
 - (d) agrees to pay penalties as set out in and limited by Ordering Paragraph 3 if it fails to return all the wells on Exhibit "A" to compliance by June 2, 2008;
 - (e) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order other than a hearing on a request for waiver or reduction of penalties; and
 - (f) agrees that 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 3rd day of March, 2008

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

ACCEPTANCE

Elm Ridge Exploration Company LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Elm Ridge Exploration Company LLC

By: [Signature]
 (Please print name) Terry Lindeman
 Title: Dist. Superintendent
 Date: 3-3-08

Exhibit "A" to Agreed Compliance Order for Elm Ridge Exploration Company LLC

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|---------------------------------|--------------|
| 1. Bonanza #003 | 30-043-20497 |
| 2. Bridge Com #001 | 30-039-24174 |
| 3. Cinco Diablos PC #007 | 30-039-20061 |
| 4. Jicarilla Apache #009 | 30-039-20047 |
| 5. Jicarilla Apache #010 | 30-039-20205 |
| 6. South Blanco Federal 23 #002 | 30-045-28162 |
| 7. South Blanco Federal 6 #002 | 30-039-22542 |

Elm Ridge Exploration Company LLC

By: [Signature]
 Title: Dist. Superintendent