

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

NMOCD ACOI 204

IN THE MATTER OF CONOCOPHILLIPS COMPANY,

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 ConocoPhillips Company ("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 corporation doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 217817 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"
 - (a) have been continuously inactive for a period of one year plus 90 days (or within the next six months will become continuously inactive for a period of one year plus 90 days if no action is taken on the wells);
 - (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] or are on approved temporary abandonment status but that status will expire within the next six months.
6. The wells identified in Exhibit "A" were the subject of Agreed Compliance Order 150 ("ACOI 150"). ACOI 150 was limited to a two-year time period. ACOI 150 provided that at the end of the two years, OCD and Operator could renegotiate a new ACOI. ACOI 150 required Operator to bring 12 wells into compliance in the final six-month compliance period. In the final six-month compliance period Operator brought 36 wells into compliance, exceeding its goal of 12 wells by 24 wells. ACOI 150 provided that any additional wells that Operator brought into compliance during a six-month compliance period would be counted towards the numbers of wells that Operator would be required to bring into compliance in a subsequent six-month compliance period. If it was not for the expiration of ACOI 150's two-year term, ACOI 150 would have been amended and the 24 additional wells that Operator brought into compliance in ACOI 150's final six-month compliance period would have been counted towards subsequent six-month compliance period.
7. 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.
8. 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 either out of compliance with Rule 201 [19.15.4.201 NMAC] or will fall out of compliance with Rule 201 in the next six

months if they are not returned to production or other beneficial use, plugged and abandoned, or placed on approved temporary abandonment status.

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 at least 8 of the wells identified in Exhibit "A" into compliance with OCD Rule 201 [19.15.4.201 NMAC] by December 1, 2009 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.) Transfer of a well identified on Exhibit "A" to another operator does not count towards Operator's obligation to return wells to compliance under the terms of this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order. 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 December 1, 2009.
3. When the OCD receives a timely compliance report indicating that Operator has returned at least 8 wells to compliance and verifies the accuracy of that report, and verifies that Operator is in compliance with OCD's financial assurance requirements, the OCD shall issue an amendment to this Order extending its terms for an additional six-month period, requiring Operator to return at least 16 of the wells identified in Exhibit "A" into compliance. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 100.C [19.15.3.100(C) NMAC]. If, in any six-month period, Operator returns more wells to compliance than the number required under this Order for that six-month period, the wells in excess of the number required will count towards the Operator's requirements for the next six-month period.

4. When the OCD receives a timely compliance report indicating that Operator has returned at least 16 wells to compliance and verifies the accuracy of that report, and verifies that Operator is in compliance with OCD's financial assurance requirements, the OCD shall issue an amendment to this Order extending its terms for a final six-month period, requiring Operator to return at least 16 of the wells identified in Exhibit "A" into compliance. The total length of this Agreed Compliance Order and any amendments shall not exceed two years. At the end of two years, Operator and the OCD may negotiate a new agreed compliance order.
5. If Operator fails to bring the number of wells into compliance required in a period covered by this Order or amendments issued 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 period, subject to the terms of this Order. In the event the Operator encounters unanticipated circumstances that prevent it from meeting its goal within any period covered by this Order or amendments issued to this Order, 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. Once Operator pays the penalty or applies for a waiver or reduction of the penalty, the OCD may, in its discretion, issue an amendment to this Order extending its terms for an additional six-month period.

Example A: Operator X enters into an agreed compliance order under which it agrees to bring 5 wells into compliance in each period. At the end of the first 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 a second six-month period, again requiring Operator X to bring at least 5 wells into compliance. During the second 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 a third six-month period.

Example B: Operator Y enters into an agreed compliance order under which it agrees to bring 10 wells into compliance in each 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 applies for a waiver of the \$7000 penalty. The Enforcement and Compliance Manager does not agree to waive the full amount of the penalty, and the Operator files an application for hearing on the request for waiver of penalty.

While the application is pending, the OCD exercises its discretion and issues an amendment to extend the terms of the agreed compliance order for a second period.

6. Thirty days after the compliance deadline set by this Order or any amendments to this Order, 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].
7. 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 8 of the wells identified in Exhibit "A" by December 1, 2009, 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 5 if it fails to return the required number of wells to compliance under the deadlines set by this Order or any amendments to this Order;
 - (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 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.
8. 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.
9. 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 15th day of December, 2008

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division

ACCEPTANCE

ConocoPhillips Company hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

ConocoPhillips Company

By: 

(Please print name) Eileen Danni Dey

Title: Regulatory Manager, MCBU

Date: 12/9/08

Exhibit A to Agreed Compliance Order for ConocoPhillips Company

ARNOTT RAMSAY NCT C #013	30-025-04746
ARNOTT RAMSAY NCT C #019	30-025-33256
BILBREY 32 STATE COM #001	30-025-30886
BRITT B #033	30-025-33907
EAST VACUUM (GSA) UNIT #001	30-025-27343
EAST VACUUM (GSA) UNIT #001	30-025-27317
EAST VACUUM (GSA) UNIT #001	30-025-02086
EAST VACUUM (GSA) UNIT #001	30-025-26577
EAST VACUUM (GSA) UNIT #001	30-025-26775
EAST VACUUM (GSA) UNIT #002	30-025-26402
EAST VACUUM (GSA) UNIT #002	30-025-27113
EAST VACUUM (GSA) UNIT #003	30-025-02897
EAST VACUUM (GSA) UNIT #007	30-025-26995
EAST VACUUM (GSA) UNIT #008	30-025-02909
EAST VACUUM (GSA) UNIT #009	30-025-26650
EAST VACUUM (GSA) UNIT #009	30-025-30279
EAST VACUUM (GSA) UNIT #010	30-025-26925
EAST VACUUM (GSA) UNIT #013	30-025-02916
EAST VACUUM (GSA) UNIT #392	30-025-33327
JAMES A #010	30-015-26314

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LEA #036	30-025-30075
LEAMEX BATTERY 2 #006	30-025-01515
LIVINGSTON RIDGE FEDERAL #006	30-015-26408
LOCKHART A 27 #001	30-025-06800
LOCKHART A 27 #008	30-025-06805
LOCKHART A 27 #012	30-025-06796
LOCKHART B 35 #004	30-025-07035
MCA UNIT #377	30-025-30115
S E FELTON #001	30-025-04815
SEMU BURGER #021	30-025-07816
SEMU BURGER B #071	30-025-07797
SEMU EUMONT #090	30-025-22837
SEMU MCKEE #051	30-025-07824
SEMU MCKEE #059	30-025-07834
SEMU MCKEE #060	30-025-07857
SEMU MCKEE #062	30-025-07835
SEMU PERMIAN #023	30-025-07861
STATE E #012	30-025-28409
STATE F 1 #010	30-025-27034
STATE F TG #004	30-025-01425
THEODORE ANDERSON #011	30-025-33891
VACUUM ABO UNIT #002	30-025-03064
VACUUM ABO UNIT #004	30-025-03066
VACUUM ABO UNIT #005	30-025-30759
VACUUM ABO UNIT #005	30-025-02991
VACUUM ABO UNIT #005	30-025-20277
VACUUM ABO UNIT #006	30-025-02872
VACUUM ABO UNIT #009	30-025-03024
VACUUM ABO UNIT #011	30-025-03049
VACUUM ABO UNIT #017	30-025-03073
VACUUM ABO UNIT #061	30-025-03003
VACUUM ABO UNIT #064	30-025-03004
VACUUM ABO UNIT #065	30-025-03005
VACUUM ABO UNIT #066	30-025-02885
VACUUM ABO UNIT #070	30-025-08523

VACUUM GLORIETA EAST UNIT #001	30-025-24806
VACUUM GLORIETA EAST UNIT #001	30-025-21352
VACUUM GLORIETA EAST UNIT #001	30-025-21353
VACUUM GLORIETA EAST UNIT #001	30-025-20824
VACUUM GLORIETA EAST UNIT #001	30-025-20869
VACUUM GLORIETA EAST UNIT #001	30-025-20826
VACUUM GLORIETA EAST UNIT #002	30-025-20719
VACUUM GLORIETA EAST UNIT #002	30-025-20822
VACUUM GLORIETA EAST UNIT #003	30-025-20868
VACUUM GLORIETA EAST UNIT #003	30-025-20833
VACUUM GLORIETA EAST UNIT #003	30-025-20290
VACUUM GLORIETA EAST UNIT #004	30-025-20714
VACUUM GLORIETA EAST UNIT #006	30-025-30437
VACUUM GLORIETA EAST UNIT #009	30-025-20717
VACUUM GLORIETA EAST UNIT #013	30-025-32364
WARREN UNIT #022	30-025-07854
WARREN UNIT #025	30-025-07858
WARREN UNIT #085	30-025-27091
WARREN UNIT BLINEBRY TUBB WF #010	30-025-07843
WARREN UNIT BLINEBRY TUBB WF #019	30-025-07878
WARREN UNIT BLINEBRY TUBB WF #021	30-025-07879
WARREN UNIT BLINEBRY TUBB WF #031	30-025-24781
WARREN UNIT BLINEBRY TUBB WF #046	30-025-25562
WARREN UNIT BLINEBRY TUBB WF #052	30-025-26033
WARREN UNIT BLINEBRY TUBB WF #053	30-025-25916
WARREN UNIT BLINEBRY TUBB WF #055	30-025-25853
WARREN UNIT BLINEBRY TUBB WF #064	30-025-26206
WARREN UNIT BLINEBRY TUBB WF #093	30-025-27584
WARREN UNIT MCKEE #128	30-025-34158
WYATT A FEDERAL #012	30-025-01370

ConocoPhillips Company

By:

Title:

[Signature]
Regulatory Manager

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