

DENIED

SEE ATTACHED

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

Form C-104
Revised June 10, 2003

RECEIVED

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505
APR 08 2009
HOBBSOCD

Submit to Appropriate District Office
5 Copies

☐ AMENDED REPORT

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

1 Operator name and Address PETROHAWK OPERATING COMPANY 1000 LOUISIANA SUITE 5600 HOUSTON TX 77002		2 OGRID Number 194849
4 API Number 30-0 025-39081		3 Reason for Filing Code/Effective Date N/A REF (506 BSL) 12/08/2008
5 Pool Name VACUUM; LOWER WOLFCAMP, NORTH	6 Pool Code 62380	
7 Property Code 301998	8 Property Name STATE OF NEW MEXICO 35	9 Well Number 002

II. Surface Location

UL or lot no. G	Section 35	Township 16S	Range 34E	Lot. Idn	Feet from the 1980	North/South Line N	Feet from the 1830	East/West line E	County LEA
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11 Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County
12 Lse Code S	13 Producing Method Code F	14 Gas Connection Date 12/5/08		15 C-129 Permit Number		16 C-129 Effective Date		17 C-129 Expiration Date	

III. Oil and Gas Transporters

18 Transporter OGRID	19 Transporter Name and Address	20 POD	21 O/G	22 POD ULSTR Location and Description
	DCP MIDSTREAM LLC 370 17TH STREET, STE 2500 DENVER CO 80202		G	SAME AS ABOVE
	PLAINS MARKETING LP 333 CLAY STREET STE 1600 HOUSTON TX 77002-4101		O	SAME AS ABOVE

IV. Produced Water

23 POD	24 POD ULSTR Location and Description
	SAME AS ABOVE

V. Well Completion Data

25 Spud Date 10/06/2008	26 Ready Date 12/04/2008	27 TD 11,000	28 PBSD 10,883	29 Perforations 10625-10658	30 DHC, MC NA
31 Hole Size 14.75	32 Casing & Tubing Size 13-3/8, 68# J-55		33 Depth Set 1670		34 Sacks Cement 1465
11	9-5/8 J-55		4505		1350
7-7/8	5-1/2 P110		10980		700
4-3/4	2-7/8		10661		NA

VI. Well Test Data

35 Date New Oil 12/05/2008	36 Gas Delivery Date 12/05/2008	37 Test Date 12/07/2008	38 Test Length 24 HRS	39 Tbg. Pressure 160	40 Csg. Pressure 0
41 Choke Size 22/64	42 Oil 166	43 Water 5	44 Gas 287	45 AOF --	46 Test Method F

47 I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Corinne Illich*

Printed name:
CORINNE ILLICH

Title:
OPERATIONS ANALYST

Email:
cillich@petrohawk.com

Date:
12/08/2008

Phone:
972-767-1291

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

9/14/09 KE

SEE ITEMS
ON CHECK OFF SHEET
+ LETTER

dm

API # 30 - 025 -- 39081

Operator Petrohawk Permian OGRID # 194849

Well name & # S4 of NM35522 Lease Type (F) (S) (P) (S)

Date C104 rec'd 9/8/08

Inactive Well List 204-118 Review Date 9/16/08

Additional Bonding Need Review Date 9/16/09

Pit Permit approved / /

C103: Spud date / /

Need C-103 subsequent

Surface casing PT CMT Top AMENDED

Intermediate PT CMT Top AMENDED

Production PT CMT Top AMENDED

TD Reached 12/3/08 TD Footage 11,000 Rig Rel'd / /

Deviation Survey 1 @ W580

Directional Survey TO PK / / FROM PK / /

MD TVD

Subsequent Plat BH Location

Completion Sundry Need

Completion Report

LOGS 4/8/09 Rec

COMPLIANCE: NSL NSP

DHC DHC HOBBS

OTHER REQUIREMENTS: PAPERWORK DEADLINE / /

 Pending Status noted in RBDMS / Comments

Date C104 APPROVED / /

Denied

dm



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 16, 2009

Corinne Illich
Petrohawk Operating Co.
1000 Louisiana, Suite 5600
Houston, TX 77002

**DENIAL OF REQUEST(S) FOR ALLOWABLE & AUTHORIZATION TO
TRANSPORT DUE TO NON-COMPLIANCE WITH FINANCIAL
ASSURANCE REQUIREMENTS & INACTIVE WELL REQUIREMENTS**

Re:

Petrohawk Operating Company, OGRID No. 194849

- State of New Mexico 35 #2, Unit G of Section 35, Township 16 South Range 34 East; (1980' FNL & 1830' FEL) Lea County, New Mexico.
- State A A/c 2 #92, Unit N of Section 8, Township 22 South, Range 36 East; (660' FSL & 2180' FWL) Lea County, New Mexico.

Dear Operator:

THE OIL CONSERVATION DIVISION HAS DENIED THE REQUEST(S) FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT IDENTIFIED ABOVE BECAUSE YOUR COMPANY IS OUT OF COMPLIANCE WITH FINANCIAL ASSURANCE REQUIREMENTS AND INACTIVE WELL REQUIREMENTS.

The Oil Conservation Division (OCD) may assign an allowable and authorization to transport only if the operator is in compliance with 19.15.5.9(A) NMAC [Part 5.9(A)]. See 19.15.16.19(A)(4) NMAC. Your company is out of compliance with Part 5.9(A) as to inactive wells and as to financial assurances.

Inactive well requirements:

An operator is out of compliance with Part 5.9(A) if the operator has more than the following number of wells out of compliance with the inactive well rule (19.15.25.8 NMAC) that are not subject to an inactive well agreed compliance order:

1. Two wells or 50 percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less;
2. Five wells if the operator operates between 100 and 500 wells;
3. Seven wells if the operator operates between 501 and 1000 wells; and
4. Ten wells if the operator operates more than 1000 wells.

Oil Conservation Division * 1220 South St. Francis Drive

* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



Your company operates **204** wells, and **8** wells appear on the inactive well list kept pursuant to Part 5.9.¹ **Your company is therefore presumed to be out of compliance with Part 5.9(A) as to inactive wells.**

To come into compliance with Part 5.9(A) as to inactive wells your company must reduce the number of wells on its inactive well list or otherwise demonstrate that it has no more than the tolerated number of wells out of compliance with the inactive well rule. A well will be removed from the inactive well list when the operator takes one of the following actions:

1. plugs the wellbore and files an approved C-103 reporting the plugging;
2. places the well on approved temporary abandonment status;
3. returns the well to production or other beneficial use and files a C-115 reporting that production or use; or
4. enters into an Inactive Well Agreed Compliance Order (ACOI) with the OCD covering the well.

An ACOI sets a schedule for returning the operator's inactive wells to compliance and imposes a penalty if the schedule is not met. If you would like to discuss entering into an ACOI for your non-compliant inactive wells, please contact OCD attorney Sonny Swazo at (505) 476-3463 or gail.macquesten@state.nm.us.²

Financial assurance requirements:

An operator is out of compliance with Part 5.9(A) if it does not meet the OCD's financial assurance requirements for well plugging set out in 19.15.8.9 NMAC. Your company has not provided one or more of the single-well financial assurances required for state or fee wells inactive more than two years.³ **Your company is therefore out of compliance with Part 5.9(A) as to financial assurances.**

To come into compliance with Part 5.9(A) as to financial assurances, your company must post the required single-well financial assurance(s). If you have questions about financial assurances, please contact Financial Assurance Administrator Dorothy Phillips at (505) 476-3461.

¹ To check an operator's compliance with the inactive well rule, go to the OCD's website at www.emnrd.state.nm.us/ocd. At the main window, click on "OCD Online" and select "E-Permitting." Then click on "Inactive Well List." Leave the search terms as "Exclude Wells Under ACOI," "Exclude Wells in Approved TA Period," and "15" months from last production or injection. Enter the operator's name or OGRID and select "Get Report." The report will list wells operated by that operator that are presumed to be out of compliance with the division's inactive well rule, and that will be considered in determining if the operator is out of compliance with Part 5.9(A).

² Please note that ACOIs are offered at the discretion of the OCD, and that not all operators are eligible to enter into such agreements.

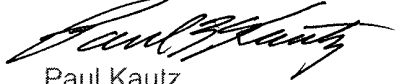
³ To check an operator's compliance with the single-well financial assurance requirements, go to the OCD's website at www.emnrd.state.nm.us/ocd. At the main window, click on "OCD Online" and select "E-Permitting." Then click on "Financial Assurance." Enter the operator's name or OGRID and select "Get Report." The report lists the operator's wells. A well out of compliance with the single-well financial assurance requirement will have a "Y" in the column titled "In Violation."

September 16, 2009

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Your company may re-submit its application(s) after it has returned to compliance with Part 5.9(A).

Respectfully yours,

A handwritten signature in black ink, appearing to read "Paul Kautz", written in a cursive style.

Paul Kautz
District I, Geologist

EC: Mark Fesmire, Division Director-Santa Fe
Daniel Sanchez, Enforcement and Compliance Manager-Santa Fe
Mikal Altomare, Assistant General Counsel-Santa Fe
Gail MacQuesten, Assistant General Counsel-Santa Fe
Dorothy Phillips, Financial Assurance Administrator- Santa Fe
Theresa Duran-Saenz, Legal Assistant-Santa Fe