

<u>SEE ATTACHED</u>

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1625 M. Eronah D.	r Uabba N	NA 99340 m 3]]	Energy, Mi	ate of Ne herals & I	Natural Res	ources		R	Form C-10 Levised June 10, 200
1625 N. French Di District II	r., Hodds, N	M 88240	ECE	VED	EDVATIC		т			
1301 W Grand Av District_III	enue, Artesi	ia, NM 88210	ADR AN	20091220 S	South St. F	ON DIVISION rancis Dr.	ł	Sub	mit to Appro	opriate District Offic 5 Copie
1000 Rio Brazos F	Rd., Aztec, I			O	ta Fe, NM	87505				5 Copie
District IV 1220 S. St. Francis	s Dr., Santa	Fe. NM 8750	OBBS	UUU						MENDED REPORT
				FOR ALLO	WABLE A	ND AUTHO	RIZATI	ON TO TRA	NSPORT	
1Operator name	and Addres	s						² OGRID N	umber	
PETROHAWK	OPERATI	NG COMPANY	Y						194849	
1000 LOUIS	SIANA SU	ITE 5600					³ Reason for	³ Reason for Filing Code/Effective Date		
HOUSTON TX	<u>x 77002</u>							REN (5	00 BBLS) 1	
4 API Number		/	5 Pool N	ame					6 Pool	Code
30-0	025-3908	81 /			UUM; LOW	ER WOLFCAMP	, NORTH			62380
7 Property Code		/	8 Property	y Name					9 Well	Number
	01998				STATE OF	<u>NEW MEXICO</u>	35			002
II. ¹⁰ S	Surface	Location								
UL or lot no.	Section	Township	Range	Lot. Idn	Feet from	the North/Sc	uth Line	Feet from the	East/West lin	e County
G	35	16S	34E		198	0 И		1830	E	LEA
11	Bottom	n Hole Lo	cation							
UL or lot no.	Section	Township	Range	Lot. Idn	Feet from	the North/So	outh Line	Feet from the	East/West lin	e County
¹² Lse Code	¹³ Produc	cing Method Co	ode ¹⁴ Gas	s Connection Dat	e ¹⁵ C-1	29 Permit Numb	er ¹	⁶ C-129 Effectiv	ve Date	¹⁷ C-129 Expiration Date
III. Oil and	Gog Tre	F		5/07						· · · · · · · · · · · · · · · · · · ·
¹⁸ Transport			Transporte	r Name		20 POD	21 O/G	22	POD ULS	TR Location
OGRIE)		and Ad							escription
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PLAINS MARKETING LP 333 CLAY STREET STE 1600										
*****				1600	*****	*****	 	same as ai	BOVE	
	333		REET STE				0	SAME AS AI	BOVE	
	333	3 CLAY STR	REET STE				0	SAME AS AI	BOVE	
	333	3 CLAY STR	REET STE				0 	SAME AS AF	BOVE	
IV. Produce	33: HOI	3 CLAY STR ISTON TX	REET STE				0	SAME AS AF	BOVE	
IV. Produce ²³ POL	33: HOT	3 CLAY STR ISTON TX	REET STE		24 PC	D ULSTR Local			30VE	
	33: HOT	3 CLAY STF ISTON TX	REET STE 77002-41		24 PC	D ULSTR Locat			BOVE	
²³ POL	ed Wate	3 CLAY STF ISTON TX ISTON TX SAME A	REET STE		24 PC	D ULSTR Local			30VE	
²³ POL	ed Wate	CLAY STF	REET STE 77002-41		24 PC	DD ULSTR Locat	ion and Des	scription	BOVE	³⁰ DHC, MC
²³ POE V. Well Co	ed Wate	CLAY STF	REET STE 77002-41 s ABOVE ady Date 008	01 27 11,000	TD ,		ion and Des	scription	òrations	³⁰ DHC, MC <b>NA</b>
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API#30- <u>025</u> <u>39081</u>
Operator Petrohawk Oper GOGRID # 194849
Well name & # 54 of NM35#3 Lease Type (F)(S) P)
Date C104 rec'd 4/3/27
Inactive Well List 204-//8_ Review Date 🤗 / 16 / 53
Additional Bonding Need Review Date 9/16/09
Pit Permit approved//
C103: Spud date Need C-JD3 subsequent
Surface casing PT CMT Top AMENDED
Intermediate PT CMT Top AMENDED
Production PT CMT Top AMENDED
TD Reached $12/3/08$ TD Footage $1(200)$ Rig Rel'd
Deviation Survey <u>@</u> \$\$80
Directional Survey TO PK/ FROM PK//
MD TVD
Subsequent Plat BH Location
Completion Sundry Need
Completion Report
LOGS US REC
COMPLIANCE: NSL NSP
DHC DHC HOBBS
OTHER REQUIREMENTS: PAPERWORK DEADLINE / /
Pending Status noted in RBDMS / Coments Date C104 APPROVED//



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 <u>only if</u> the operator is in compliance with 19.15.5.9(A) NMAC [Part 5.9(A)]. See 19.15.16.19(A)(A) 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.



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

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 <u>www.emnrd.state.nm.us/ocd</u>. 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 <u>www.emnrd.state.nm.us/ocd</u>. 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."

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

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Respectfully yours,

and 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