

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

**APPLICATION OF C & D MANAGEMENT
COMPANY TO RE-OPEN CASE NO. 14055,
EDDY COUNTY, NEW MEXICO.**

**CASE NO. 14055
ORDER NO. R-12913-I**

ORDER OF THE COMMISSION

THIS MATTER comes before the New Mexico Oil Conservation Commission ("Commission") on the application of C & D Management Company d/b/a Freedom Ventures Company ("C & D") to re-open the case to allow it additional time to comply with the terms of Order No. R-12913, as amended, and reinstatement of its authority to transport for all wells. The Commission having held a hearing on February 23, 2012 at Santa Fe, New Mexico, and having carefully considered the evidence and other materials submitted by the parties hereby finds and orders as follows:

THE COMMISSION FINDS THAT:

1. Due public notice has been given, and the Commission has jurisdiction of this case and of the subject matter.
2. C & D is the operator of seventeen (17) wells located in Sections 12, 13, 14, 24, and 25 of Township 17 South, Range 27 East, N.M.P.M., and Section 18 of Township 17 South, Range 28 East, N.M.P.M., identified in Commission Order No. R-12913-E.
3. C & D was the subject of several compliance hearings. Due to non-compliance with the Division's regulations, the Commission entered into a series of orders including Order Nos. R-12913-A, R-12913-E and R-12913-G ("Commission's Orders"). The Commission Orders (i) suspended C & D's authority to transport, (ii) required compliance with reporting obligations and financial assurance requirements, and (iii) required C & D to bring wells back into compliance, or plug and abandon the wells, and (iv) authorized the Division to plug wells if C & D failed to comply.
4. Pursuant to Commission Order R-12913-A, which ordered C & D to bring the following five wells into compliance with the Division's inactive well rule or plug and abandon the wells by September 14, 2008, and authorized the Division to plug and abandon the wells and decree forfeiture of any applicable financial assurance if C & D failed to comply with this requirement by September 14, 2008, the Division plugged the following five wells operated by C & D at the following costs:

Name	API NO.	Plugging Cost
Muncy Federal #001	30-015-23083	\$19,627.76
Muncy federal #002	30-015-25012	\$35,317.27
Saunders #012	30-015-22348	\$41,173.42
Schneider #001	30-015-22907	\$46,262.41
Scott Federal #001	30-015-25437	<u>\$28,525.98</u>
Total Cost		\$170,906.84

5. Minus the \$10,000 financial assurance that C & D forfeited as a result of the five wells being plugged by the Division, the Division's out of pocket expenses for plugging the five wells is approximately \$160,906.84. C & D has not reimbursed the Division for the plugging costs.

6. According to Division records, the Hastie #021 and the Michael State #001 are out of compliance with the Division's inactive well rule (19.15.25.8 NMAC) and are on the inactive well list.

7. Division records show the Schneider #001 as requiring additional bonding in the amount of \$6,725.

8. On December 6, 2011, C & D filed an application to re-open the case to allow it additional time to comply with the Commission's Orders and to reinstate its authority to transport for all wells. C & D admits that it is not in compliance with the Commission's Orders but requests that its authority to transport be reinstated to allow it to sell oil on hand and to produce and sell oil to raise funds to allow it to comply further with the Commission's Orders.

9. At the hearing, Martina Castle testified for C & D. Ms Castle testified that she is now the President and sole shareholder of C & D after the death of the prior owner. She testified that she has been in contact with the Division and is seeking to bring C & D into compliance. Ms Castle stated that she had hired an accountant who is helping to bring C & D's reporting obligations into compliance.

10. C & D requests authorization to produce and transport so it may sell existing supplies of oil and produce oil to raise funds for compliance. C & D proposes to use funds from sales to post needed financial assurance and to allocate 50% of production proceeds to repay the Division for the costs of plugging C & D's wells.

11. Daniel Sanchez, the Division's Compliance and Enforcement Manager, testified for the Division. The Division does not oppose C & D's requests because new

ownership has demonstrated a willingness to comply with the Commission's Orders and has taken actions to begin correcting C & D's non-compliance.

THE COMMISSION CONCLUDES THAT:

1. The Commission retains jurisdiction over this matter to enforce the requirements of the Oil and Gas Act and the Commission's rules.
2. C & D is not in compliance with the Commission's rules and the Commission's Orders.
3. C & D has provided evidence to support granting a stay of the Commission's Orders, pursuant to Rule 19.15.4.23.B NMAC, to allow C & D the time and ability to come into compliance with the Commission's Orders, and the Division does not oppose the stay.

IT IS THEREFORE ORDERED:

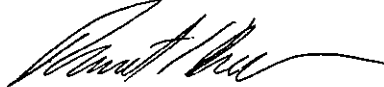
1. the Commission hereby stays the Commission's Orders for one year until March 27, 2013 on the following conditions:
 - a. C & D shall bring all its inactive wells into compliance during this one year period;
 - b. C & D shall post and maintain any required financial assurance on the C & D wells, including the required additional bonding on the Schneider #001 well;
 - c. C & D shall make significant progress in paying down the approximately \$160,906.54 debt that it owes the Division for the wells the Division plugged, including making arrangements with the purchaser of the C & D production to pay the Division 50% of the purchase proceeds to the Division;
 - d. C & D shall comply with the Division's reporting requirements; and
 - e. C & D shall otherwise comply with all other conditions;
2. The Commission hereby reinstates C & D's authority to transport or inject for all wells C & D operates.
3. The Division shall not schedule any of the C & D wells for plugging during the one year period unless C & D fails to comply with this Order.
4. Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the 27th day of March, 2012.

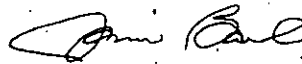
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



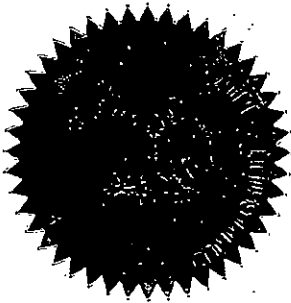
SCOTT DAWSON, Member



ROBERT BALCH, Member



JAMI BAILEY, Chair



SEAL