

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

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**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION FOR
THE PURPOSE OF CONSIDERING:**

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

Case No. 14055 (Re-opened)

C & D's PROPOSED FINDINGS AND CONCLUSIONS

FINDINGS

1. C & D Management Company ("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.

2. C & D applied to re-open Case No. 14055 to allow it to provide evidence of its compliance with Division reporting obligations, and be allowed further time to bring wells into compliance before they are plugged by the Division. C & D also requested that its authority to transport be re-instated.

3. C & D was the subject of several compliance hearings. Due to non-compliance with the Division's regulations, Order Nos. R-12913-E and R-12913-G were entered by the Commission which (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.

4. Due to non-compliance with the orders, the Division began plugging C & D's wells. To date the Division has plugged five wells, at a cost of \$170,906.48. Less a \$10,000.00 bond, the Division has requested that it be reimbursed in the amount of \$160,906.84.

5. The owner of C & D at the time the compliance orders were issued was Thomas Kizer. Unknown at the time, Mr. Kizer had cancer, which did not become known until months later. Mr. Kizer seemed unable to make decisions regarding the subject properties and orders, and as a result C & D did not comply with the orders.

6. Martina Castle inherited all shares of C & D from Mr. Kizer's estate in mid-2011. Ms. Castle desires to have C & D satisfy the terms of the orders, and has been in contact with Division enforcement personnel regarding this matter.

7. C & D hired an accountant and has now corrected all reporting violations, and has hired a pumper to assure that the wells are properly operated. C & D desires to correct the other requirements of the orders. However, it needs additional time and the ability to sell production to continue complying with the orders. As a result, C & D requested that:

- (a) The Commission reinstate C & D's authority to transport.
- (b) The Division cease plugging the wells.
- (c) The Commission set a new schedule for bringing the wells into compliance.

8. The purchaser of production has funds in suspense owned by C & D. In addition, there is oil which can be sold and transported to the purchaser of production. That oil, and future production, will generate funds to allow C & D to further comply with the orders. C & D proposed as follows:

- (a) It be allowed to transport and sell produced oil, and that 50% of the proceeds attributable to C & D's net revenue interest be paid by the purchaser of production directly to the Division to re-pay the Division's plugging costs.
- (b) The remaining 50% of revenue will be retained by C & D to pay operating costs, obtain additional bonding on the Schneider Well No. 1 (\$6725.00), and bring wells into compliance.

CONCLUSIONS

1. The Commission's prior orders in this matter shall be stayed for a period of one year.

2. The conditions of the stay shall be: (a) C & D shall comply with all Division reporting requirements; (b) C & D shall bring all out-of-compliance wells into compliance within the next year; and (c) C & D shall provide any additional bonding as required by the Division.

3. In addition, C & D shall commence repaying the Division for the costs it incurred in plugging five of C & D's wells. C & D's attorney and counsel for the Division shall jointly contact the purchaser of production, Navajo Refining, and arrange for Navajo Refining to pay the Division 50% of funds attributable to C & D, with the remaining 50% to be paid to C & D. Such arrangement shall continue until the Division is paid the sum of \$160,906.84.

4. C & D's authority to transport shall be reinstated.

5. The Division shall not plug and abandon any additional wells operated by C & D unless it does not comply with the terms of this order.

Respectfully submitted,

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Attorney for C & D Management Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this _____ day of February, 2012 by e-mail and U.S. Mail:

Sonny Swazo
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James Bruce