

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

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APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION ("OCD") COMPLIANCE AND ENFORCEMENT MANAGER FOR A COMPLIANCE ORDER AGAINST BLUE SKY NM, INC., DIRECTORS, AND OFFICERS, JOINTLY AND SEVERALLY, FINDING THAT THE OPERATOR IS IN VIOLATION OF THE OIL AND GAS ACT, NMSA 1978, SECTIONS 70-2-1 *et seq.* AND OCD RULES, NMAC 19-15-2 *et seq.*, REQUIRING OPERATOR TO RETURN TO COMPLIANCE WITH DIVISION RULES BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE, REQUEST FOR ADDITIONAL SANCTIONS.

CASE NO. 15277

**PREHEARING STATEMENT**

COMES NOW, Blue Sky NM, Inc., by and through its counsel of record, the Domenici Law Firm, PC (Pete V. Domenici, Jr., Esq.) and for their Prehearing Statement states:

1. Witnesses and Expected Testimony:

Blue Sky NM, Inc. Representative who will discuss difficulties inherent with the Unit, negotiations and efforts to resolve matters with the Orbit Bankruptcy Trustee and commitments to place bonds on non-compliant wells. The Witness will also testify about the damage that would occur to the Unit if the Plugging Order is entered rather than an Compliance Agreement. Blue Sky witness will also testify about the anticipated operations and timing of the submittal of the injection authority applications and the return to activity of both injection and production wells.

2. Witnesses from OCD:

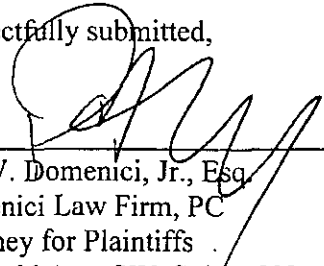
Witnesses from OCD will also be cross examined on issues with the witness described above and with respect to other claims raised by OCD in the Compliance Order.

3. Exhibits:

Blue Sky NM, Inc. will enter as exhibits documents substantiating the testimony of the witness above, including a record of expenditures on the Twin Lakes Unit for bonding, operations, purchase and other expenses. Blue Sky NM, Inc. will tender as exhibits the permit applications they are prepared to submit that would provide injection authority and allow operations on the site.

4. Position: the hearing should be continued or the relief denied.

Respectfully submitted,



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PARTIES ENTITLED TO NOTICE:

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