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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER
AGAINST DC ENERGY, LLC, FOR WELLS OPERATED IN LEA COUNTY, NEW
MEXICO.**

CASE NO. 15432

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Hector H. Balderas, New Mexico Attorney General (James C. Jacobsen, Assistant Attorney General) on behalf of the New Mexico Oil Conservation Division, as required by Oil Conservation Commission Rule.

APPEARANCES OF PARTIES

APPLICANT

Oil Conservation Division
Compliance and Enforcement Bureau

ATTORNEY

Keith W. Herrmann, Esq.
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State
of New Mexico
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505
(505) 476-3463

OPPONENT

DC Energy, LLC
P.O. Box 328
Andrews, Texas 79714
and
483 Falcon View Circle
Palm Desert, CA 92211

ATTORNEY

INTERESTED PARTIES

Clarke C. Coll, Chapter 7 Trustee
for the Estate of DC Energy, LLC
P.O. Box 2288
Roswell, NM 88202-2288

ATTORNEY

Thomas D. Walker, Esq.
Stephanie L. Schaeffer, Esq.
WALKER & ASSOCIATES, P.C.
500 Marquette Ave NW, Suite 650
Albuquerque, NM 87102

**Pre-Hearing Statement
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Dan and Colleen Johnson
105 Oscar Lane
Dallas, Ga 30132-0396

Oil Conservation Division

Larry Borders
(Unknown)

Telephone: (505) 766-9272
Facsimile: (505) 766-9287

James M. Feuille, Esq.
Robert R Feuille, Esq.
Scott Hulse PC
1100 Chase Tower,
201 E Main St
El Paso, TX 79901
Telephone: (915) 533-2493
Facsimile: (915) 546-8333

James C. Jacobsen, Esq.
Assistant Attorney General
111 Lomas Blvd. NW, Suite 300
Albuquerque, NM 87102-2368
Telephone: (505) 222-9085
Facsimile: (505) 222-9006

STATEMENT OF THE CASE

The Enforcement and Compliance Bureau of the Oil Conservation Division seeks the determination that DC Energy, LLC, the operator of six (6) wells identified in Exhibit 1 of the above-captioned Application is out of compliance with Oil Conservation Division Rules 19.15.26, 19.15.16, 19.15.29, 19.25.25, and 19.15.5.9 NMAC, an order requiring DC Energy, LLC to return to compliance, a finding, in the event of non-compliance, that DC Energy is in violation of that order, a declaration that the wells are abandoned, and authorizing the Division to plug the violating wells and restore and remediate the locations, and directing the Division to recover its costs and seek indemnification as permitted by law.

The New Mexico Attorney General will appear and will be ready to provide information and respond to questions regarding DC Energy LLC's bankruptcy proceedings, the interplay of automatic stay imposed by 11 U.S.C. §362(a) and the exception thereto set forth in 11 U.S.C. §362 (b)(4) for proceedings to enforce a governmental unit's police and regulatory power, and the effect of 28 U.S.C. § 959, which requires trustees appointed in any cause pending in any court of the United States to manage and operate property in the trustee's possession according to the requirements of the valid laws of the State in which such property is situated, in the same manner that the owner or possessor thereof would be bound to do if in possession thereof.

PROPOSED EVIDENCE

WITNESSES
James C. Jacobsen, Esq.
(Bankruptcy Law)
(May Call)

ESTIMATED TIME
Approx. 10 minutes

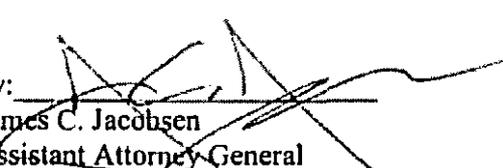
EXHIBITS
Approx. 3

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HECTOR H. BALDERAS,
Attorney General
of the State of New Mexico

by: 
James C. Jacobsen
Assistant Attorney General
111 Lomas Blvd. NW, Suite 300
Albuquerque, NM 87102-2368
(505) 222-9085
(505) 222-9006 (fax)
jjacobsen@nmag.gov
Attorney for OCD

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of January 2016, I served a copy of the foregoing Pre-Hearing Statement in the above-captioned case by 1st Class Mail, postage prepaid, addressed to the following counsel or unrepresented party in interest:

Keith W. Herrmann, Esq.
Compliance and Enforcement Bureau
Energy, Minerals and Natural
Resources Department of the State
of New Mexico

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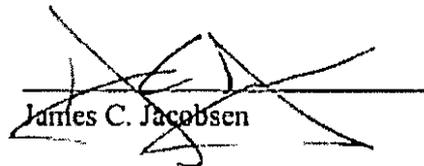
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500 Marquette Ave NW, Suite 650
Albuquerque, NM 87102

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Robert R Feuille, Esq.
Scott Hulse PC
1100 Chase Tower,
201 E Main St
El Paso, TX 79901


James C. Jacobsen