

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

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APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST C & D MANAGEMENT COMPANY D/B/A FREEDOM VENTURES COMPANY, FINDING THAT THE OPERATOR KNOWINGLY AND WILLFULLY VIOLATED 19.15.13.1115 NMAC AND 19.15.4.201 NMAC; ASSESSING PENALTIES; REQUIRING OPERATOR TO BRING SAID WELLS INTO COMPLIANCE WITH 19.15.13.1115 NMAC AND 19.15.4.201 NMAC BY A DATE CERTAIN; AND IN THE EVENT OF NON-COMPLIANCE, DECLARING THE WELLS ABANDONED AND AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, EDDY COUNTY, NEW MEXICO

CASE NO. 14055

**APPLICATION FOR COMPLIANCE ORDER AGAINST
C&D MANAGEMENT COMPANY D/B/A FREEDOM VENTURES COMPANY**

1. C & D Management Company d/b/a Freedom Ventures Company (hereinafter, "Operator") is an active foreign profit corporation (SCC No. 2521581) operating wells in New Mexico under OGRID 231382.

2. Operator is the operator of record of the following subject wells:

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|--------------------------|---------------|--------------|
| • Amoco No. 001; | L-13-17S-27E; | 30-015-24738 |
| • Hastie No. 016; | 4-18-17S-28E; | 30-015-22371 |
| • Hastie No. 017; | 3-18-17S-28E; | 30-015-22852 |
| • Hastie No. 018; | N-18-17S-28E; | 30-015-22848 |
| • Hastie No. 019; | 2-18-17S-28E; | 30-015-23186 |
| • Hastie No. 020; | 1-18-17S-28E; | 30-015-23516 |
| • Hastie No. 021; | C-18-17S-28E; | 30-015-23821 |
| • Michael State No. 001; | H-25-17S-27E; | 30-015-24877 |
| • Muncy Federal No. 001; | F-13-17S-27E; | 30-015-23083 |
| • Muncy Federal No. 002; | E-13-17S-27E; | 30-015-25012 |
| • Saunders No. 012; | O-13-17S-27E; | 30-015-22348 |
| • Schneider No. 001; | J-24-17S-27E; | 30-015-22907 |

- Scott Federal No. 001; P-12-17S-27E; 30-015-25437
- Shearn Becky Federal No. 001; B-14-17S-27E; 30-015-34440
- Shearn Freedom Federal No. 002; A-14-17S-27E; 30-015-34454
- Shearn Samantha Federal No. 001; G-14-17S-27E; 30-015-31059
- Shearn Shilo Federal No. 001; B-14-17S-27E; 30-015-31061

3. All of the subject wells except for two—the Michael State No. 001 and Schneider No. 001—are federal wells. Operators of federal wells within New Mexico are not required to post financial assurance to secure the plugging of these wells. Therefore, Operator has posted no financial assurance with the State of New Mexico to secure the plugging of the federal wells.

4. On the two state wells, Operator posted a \$7,038 irrevocable letter of credit on the Michael State No. 001 and a \$10,000 irrevocable letter of credit on the Schneider No. 001 and the Muncy Federal No. 001 (\$5,000 on the Schneider No. 001 and \$5,000 on the Muncy Federal No. 001), to secure its obligation to plug and abandon these wells. The letter of credit on the Michael State No. 001 is deposited with the South Central Bank of Barren Co., Inc., in Glasgow, Kentucky. The letter of credit on the Schneider No. 001 and the Muncy Federal No. 001 is deposited with First National Bank of Artesia, in Artesia, New Mexico.

5. NMSA 1978, Section 70-2-12 gives the Oil Conservation Division (“OCD”) the authority to collect data, and to provide for the keeping of records and the making of reports and for the checking of the accuracy of the records and reports.

6. NMSA 1978, Section 70-2-12(B)(3) gives the OCD the authority to make rules and regulations “to require reports showing locations of all oil and gas well and for the filing of logs and drilling records or reports.”

7. OCD Rule 19.15.13.1115 NMAC requires operators to file a monthly report, form C-115, for each non-plugged well completion for which the OCD has approved a C-104 authorization to transport, and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state of New Mexico, setting forth complete information and data indicated on said forms in the order, format and style the OCD director prescribes.

8. OCD Rule 19.15.4.201 NMAC requires the operator of a well which has been continuously inactive for a period of one year and 90 days to plug and abandon the well or place the well on OCD-approved temporary abandonment status.

9. NMSA 1978, Section 70-2-12(B)(18) and NMSA 1978, Section 70-2-38 authorize the Division to plug and abandon wells, and restore and remediate the location of abandoned wells.

10. OCD Rule 19.15.3.101(H) NMAC authorizes the Director to order the Operator to plug and abandon any well not in compliance with OCD Rule 19.15.4.201 NMAC and restore and remediate the location by a date certain.

11. The subject wells have had no reported production or injection for a continuous period exceeding one year plus 90 days, and are neither plugged and abandoned in accord with OCD Rule 19.15.4.202 NMAC nor on approved temporary abandonment status in accord with OCD Rule 19.15.4.203 NMAC.

12. In March 2007, the subject wells were the subject of Case No. 13884. In that case, OCD brought a compliance action against Operator for alleged violations of OCD Rule 19.15.4.201 and OCD Rule 19.15.13.1115, when Operator failed to file C-115 reports for its well for the reporting period of October 2004 through March 2006

(Operator acquired the wells in November 2004), and OCD inspectors observed the wells to be producing or capable of producing.

13. OCD dismissed Case No. 13884 when OCD and Operator entered into Agreed Compliance Order No. 7-171. In the Order, Operator's owner Christopher Jeffries admitted that some of the wells were producing and that Operator did not file the C-115 reports for the subject wells because such reports are not required under Kentucky law (Mr. Jeffries, who lives in Kentucky and is familiar with Kentucky's laws regarding oil and gas operation, admitted that he applied Kentucky's laws to the wells and not New Mexico's laws). Mr. Jeffries admitted that Operator intended to plug and abandon the four Shearn wells and the Muncy Federal No. 002 well.

14. Under the Order, OCD agreed to waive \$18,000 of an assessed \$24,000 civil penalty on the condition that Operator do certain things by certain dates. OCD allowed Operator to pay the remaining \$6,000 civil penalty in two payments of \$3,000.

15. Operator's first payment of \$3,000 (which was by check) was returned due to insufficient funds. On August 16, 2007, Undersigned Counsel wrote to Operator at Operator's address of record, asking Operator to resubmit payment because Operator's check had been returned due to insufficient funds. Operator did not respond to OCD's letter.

16. On September 19, 2007, Mr. Jeffries wrote to OCD from Operator's address of record, asking OCD to extend the time that Operator had under the Order to plug the four Shearn wells and the Muncy Federal No. 002 well (under the Order Operator had to plug the wells by September 20, 2007).

17. NMSA 1978, Section 70-2-31(A) provides that any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that Act shall be subject to a civil penalty of not more than one thousand dollars for each violation, and that in the case of a continuing violation, each day of violation shall constitute a separate violation.

18. NMSA 1978, Section 70-2-33(A) defines “person” to include individuals, companies and corporations.

19. Section 70-2-14(B) states if any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant to that act have not been complied with, the OCD, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with OCD rules and regulations.

WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

- A. If the subject wells are inactive, determining that the subject wells are not in compliance with OCD Rule 19.15.4.201;
 - a. Requiring Operator to bring the subject wells into compliance with OCD Rule 19.15.4.201 by a date certain by plugging and abandoning the wells in accordance with OCD Rule 19.15.4.202, securing approved temporary abandonment status for the subject wells in accordance with OCD Rule 19.15.4.203, or returning the subject wells to production or other OCD-approved beneficial use

- b. If the subject wells are not brought into compliance with OCD Rule 19.15.4.201 by the date set in the Order, ordering Operator to plug and abandon those wells;
 - c. If Operator does not comply with the Order and plug the wells, authorizing the Division to plug those non-complaint subject wells in accordance with a Division-approved plugging program and forfeit the applicable financial assurance;
 - d. Determining that Operator knowingly and willfully violated OCD Rule 19.15.4.201 and assessing a penalty for Operator's knowing and willful violation of OCD Rule 19.15.4.201;
- B. If the subject wells are active, determining that Operator violated OCD Rule 19.15.13.1115;
- i. determining that Operator knowingly and willfully violated OCD Rule 19.15.13.1115 and assessing penalties for Operator's knowing and willful violation of OCD Rule 19.15.13.1115;
 - ii. Requiring Operator to file all due C-115 monthly production reports by a date certain;
 - e. If Operator fails to file all due C-115 monthly reports by the date set out in the Order, ordering Operator to plug those non-complaint subject wells pursuant to Section 70-2-14(B);
 - f. If Operator does not comply with the Order and plug the wells, authorizing the Division to plug those non-complaint subject wells

in accordance with a Division-approved plugging program and
forfeit the applicable financial assurance;

For such other and further relief as the Director deems just and proper under the
circumstances.

RESPECTFULLY SUBMITTED,
this 11 day of December 2007 by



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Conservation Division

- Case No. 14055. Application of the New Mexico Oil Conservation Division for a Compliance Order against C&D Management Company d/b/a Freedom Ventures Company. The Applicant seeks an Order finding that Operator is in violation of 19.15.13.1115 NMAC and 19.15.4.201 NMAC as to seventeen wells, requiring Operator to bring the seventeen wells into compliance with 19.15.13.1115 NMAC and 19.15.4.201 NMAC by a date certain, authorizing the Division to plug said wells and forfeit the applicable financial assurance in the event of non-compliance, and assessing penalties. The affected wells are:

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|--------------------------|---------------|--------------|
| • Amoco No. 001; | L-13-17S-27E; | 30-015-24738 |
| • Muncy Federal No. 001; | F-13-17S-27E; | 30-015-23083 |
| • Muncy Federal No. 002; | E-13-17S-27E; | 30-015-25012 |
| • Saunders No. 012; | O-13-17S-27E; | 30-015-22348 |
| • Michael State No. 001; | H-25-17S-27E; | 30-015-24877 |
| • Schneider No. 001; | J-24-17S-27E; | 30-015-22907 |
| • Scott Federal No. 001; | P-12-17S-27E; | 30-015-25437 |

These wells are located approximately 10 miles west of Loco Hills, in Eddy County, New Mexico.

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| • Hastie No. 016; | 4-18-17S-28E; | 30-015-22371 |
| • Hastie No. 017; | 3-18-17S-28E; | 30-015-22852 |
| • Hastie No. 018; | N-18-17S-28E; | 30-015-22848 |
| • Hastie No. 019; | 2-18-17S-28E; | 30-015-23186 |
| • Hastie No. 020; | 1-18-17S-28E; | 30-015-23516 |
| • Hastie No. 021; | C-18-17S-28E; | 30-015-23821 |

These wells are located approximately 8 miles west of Loco Hills, in Eddy County, New Mexico.

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| • Shearn Becky Federal No. 001; | B-14-17S-27E; | 30-015-34440 |
| • Shearn Freedom Federal No. 002; | A-14-17S-27E; | 30-015-34454 |
| • Shearn Samantha Federal No. 001; | G-14-17S-27E; | 30-015-31059 |
| • Shearn Shilo Federal No. 001; | B-14-17S-27E; | 30-015-31061 |

These wells are located approximately 11 miles west of Loco Hills, in Eddy County, New Mexico.