

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

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2015 MAY -6 P 3:31

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.

MOTION TO CONTINUE

COMES NOW; Blue Sky NM, Inc., by and through its counsel of record, the Domenici Law Firm, PC (Pete V. Domenici, Jr., Esq.) and requests to continue the hearing scheduled in this matter on May 14, 2015. As grounds therefore, Blue Sky states:

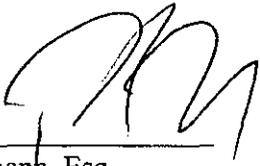
1. Blue Sky is making progress on the Twin Lakes Unit. Blue Sky has recently posted a bond with the State Land Office to satisfy surface damage bonding requirements that the SLO recently requested.

2. In addition, Blue Sky is making substantial progress in finalizing an arrangement with the Trustee that would resolve all of the title issues related to the Twin Lakes. (attachment) Resolution of this issue is a precursor for Blue Sky to be in a position to move forward to bond all of the non-compliant Twin Lake wells, including Canyon wells within the Unit. This additional bond would provide substantial benefit to the State of New Mexico and OCD. Blue Sky understands that the bonds would have to cover all of the non-compliant wells within the unit and in exchange Blue Sky would be able to enter a six month compliance agreement under which they expect to submit injection/disposal well permit applications to be able to increase production from the wells on the Lease and make steady progress to address the non-compliant

wells. In the event Blue Sky was successful in that arrangement, OCD would have approximately \$400,000 of additional bonding on the Unit.

3. Bankruptcy Court approval of the agreement between Blue Sky NM, Inc. and the Orbit Trustee is expected to take approximately twenty-one days followed by a short time period for payment and closing.

WHEREFORE, Blue Sky NM, Inc. requests that the hearing set for May 14, 2015 be reset for the regularly scheduled hearing on June 11, 2015. OCD counsel has been contacted and concurs/does not concur.



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Pete Domenici

From: Samuel Roybal <SRoybal@walkerlawpc.com>
Sent: Tuesday, May 05, 2015 1:27 PM
To: Pete Domenici
Subject: Sale of Note and Mortgage

Pete,

We will agree to the sale of the Note and Mortgage for \$135,000 but we will want all the money to be put in either an escrow or deposited into our trust account when the agreement is signed. No earnest money. The money will be dispersed upon the bankruptcy court's approval. If we come to an agreement we can also ask the court to shorten the deadline to object which is typically 21 days. The reason I think we can get the court to shorten the deadline is that the purchaser needs to take steps to protect the collateral as soon as possible. If there is an objection we would get a hearing as soon as possible to have the matter taken care of. The shortened deadline will also discourage other parties from coming in to try and outbid you. Please let me know if this is acceptable and I will start working on the agreement.

Thanks,

Sam

Samuel I. Roybal
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