

FAX COVER SHEET

DATE: October 16, 2007

TIME: 11:38 AM⁴⁴

TO: Hearing Officer / Gail MacQuesten, Esq.

FAX NUMBER: (505) 476-3462 / (505) 476-~~3451~~³⁴⁶²

RE: APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST SOUTHWESTERN, INC. FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.3.100.D NMAC, FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.4.201 NMAC, 19.15.1.13.B NMAC, 19.15.3.116.D AS TO ONE WELL, DETERMINING THAT THE VIOLATIONS ARE KNOWING AND WILLFUL AND IMPOSING A PENALTY, REQUIRING OPERATOR TO BRING THE WELL INTO COMPLIANCE AND PROVIDE REQUIRED CONTACT INFORMATION BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION TO PLUG THE WELL, REMEDIATE THE LOCATION AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, LEA COUNTY, NEW MEXICO, CASE NO. 14007

ACTION: Please file the attached ENTRY OF APPEARANCE, ANSWER AND REQUEST FOR A CONTINUANCE in reference to the above-styled and numbered cause.

FROM: Glen L. Houston, Esq., 1304 W. Broadway Place, Hobbs, New Mexico 88240
PHONE NUMBER: (575) 393-0567 VOICE; (575) 397-1061 FACSIMILE.

TRANSMITTED BY: Glen L. Houston NO. OF PAGES (including cover sheet) 4

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COMMENTS:

xc: Mrs. Carolyn Carter

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST SOUTHWESTERN, INC. FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.3.100.D NMAC, FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.4.201 NMAC , 19.15.1.13.B NMAC, 19.15.3.116.D AS TO ONE WELL, DETERMINING THAT THE VIOLATIONS ARE KNOWING AND WILLFUL AND IMPOSING A PENALTY, REQUIRING OPERATOR TO BRING THE WELL INTO COMPLIANCE AND PROVIDE REQUIRED CONTACT INFORMATION BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION TO PLUG THE WELL, REMEDIATE THE LOCATION AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, LEA COUNTY, NEW MEXICO.

CASE NO. 14007

ENTRY OF APPEARANCE, ANSWER AND REQUEST FOR A CONTINUANCE

ENTRY OF APPEARANCE AND REQUEST FOR A CONTINUANCE

COMES NOW, Glen L. Houston, and enters his appearance for the Respondent and respectfully requests that the Division hearing officer continue this hearing and for cause states:

1. Glen L. Houston, Attorney for the Respondent has a prior scheduled hearing in the United States Bankruptcy Court for the District of New Mexico in Roswell, New Mexico in In Re: Trevino case number 13-07-10933 on October 18, 2007 and will be unavailable for this hearing.

2. Respondent received the Application for Compliance Order Against Southwestern, Inc. and the Notice of Hearing on September 24, 2007 and has not had an opportunity to respond.

WHEREFORE Glen L. Houston, Attorney for Respondent, respectfully requests that the hearing officer continue the October 18, 2007 hearing, and for such other relief that he deems just and proper.

RESPONSE TO APPLICATION FOR COMPLIANCE ORDER AGAINST

SOUTHWESTERN, INC.

1. It denies paragraph 1 and affirmatively state that they are registered under registration number 0301911 and are in good standing through March 18, 2008.

2. It admits paragraphs 2, and 3.

3. It denies paragraph 4, and furthermore states that upon discussion with counsel, the web update process was immediately performed.

4. It admits paragraph 5, and affirmatively states that the lease that contains the State VC #1 was purportedly sold by the State of New Mexico due to non-production to Yates Petroleum Corporation.

5. It denies paragraph 6, and affirmatively states that the tanks on the State VC #1 are empty and Southwestern, Inc. did not know of any leaks.

6. It is without sufficient information to admit or deny paragraph 7 as to the attempts to contact Southwestern, Inc., but affirmatively states that the offices of Southwestern, Inc. were relocated due to the deteriorating condition of the building located at 10 W. Central in Lovington. A building that formerly housed the offices of Southwestern, Inc. is located at this address.

7. It is without sufficient information to admit or deny paragraph 8 and 9, therefore it denies them. The mailing address was changed when Southwestern, Inc. was forced to move.

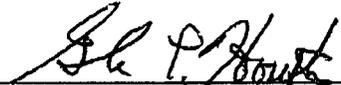
8. It is without sufficient information to admit or deny paragraph 10, but affirmatively states that the New Mexico State Land Office has cancelled Southwestern, Inc.'s lease on the property and has purportedly sold it to Yates Petroleum.

9. It admits paragraphs 11, 12, 13, 14, 15, 16 and 17.

AFFIRMATIVE DEFENSE

The current representative of Southwestern, Inc., is inexperienced in the operations of the

WHEREFORE, Respondent prays that Applicant not be granted the relief requested.



Glen L. Houston
1304 W. Broadway Place
Hobbs, NM 88240
505 393-0567
Attorney for Respondent

CERTIFICATE

I CERTIFY that on this 16 day of March 2006 at 11:38⁴⁴ A.m. the foregoing was faxed (505/476-~~3451~~³⁴⁵¹) to Ms. Gail MacQuesten, Esq., Assistant General Counsel 1220 S. St Francis Drive, Santa Fe, NM 87505. The transmission was reported as complete and without error.



Glen L. Houston