

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 SUPERVISOR OF DISTRICT IV, FOR AN ORDER PURSUANT TO 19.15.3.100 NMAC REQUIRING TUCUMCARI EXPLORATION, LLC., AS OPERATOR *IN FACT* TO PROPERLY REGISTER AS OPERATOR OF RECORD FOR THE SEVEN (7) WELLS DESCRIBED HEREIN, & FOR FURTHER ORDER TO BRING THE SEVEN (7) SUBJECT WELLS & RELATED DRILLING PITS INTO COMPLIANCE WITH 19.15.4.201 NMAC & 19.15.2.50 NMAC; AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FORFEIT ANY APPLICABLE/AVAILABLE SECURITY IN THE EVENT TUCAMCARI EXPLORATION, LLC. FAILS TO COMPLY; AND ASSESSING AN APPROPRIATE CIVIL PENALTY; QUAY COUNTY, NEW MEXICO.

CASE NO. 14005

**ENTRY OF APPEARANCE AND
PRE-HEARING STATEMENT**

The Oil Conservation Division submits this entry of appearance and pre-hearing statement pursuant to OCD Rule 1211 [19.15.14.1211 NMAC].

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

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RESPONDENT

Tucumcari Exploration LLC

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STATEMENT OF THE CASE

The Oil Conservation Division (OCD) seeks a compliance order against Tucumcari Exploration Company.

Tucumcari is the Operator *in fact* of the seven (7) subject wells (specifically identified and described in the Application) pursuant to New Mexico law and OCD Rules by virtue of the creation, entry and/or execution of a number of legal documents including a letter agreement, a Chapter 11 Reorganization Plan, two leases and a lease addendum relating to the property on which the subject wells are located. These same legal documents imposed upon Tucumcari certain obligations regarding the subject sites, including obligations regarding the remediation of the sites and the production of the wells, and Tucumcari affirmatively agreed to be subject to and abide by the OCD Rules with regard to these wells when it executed these documents.

Despite the imposition of these obligations and the fact that Tucumcari has been the Operator of these seven (7) wells in excess of a year, Tucumcari has not registered as an Operator in the state of New Mexico, has not registered as the Operator of Record of these wells and has not posted the appropriate, corresponding financial assurances for the sites. Additionally, OCD records indicate that Tucumcari has taken no steps to perform the duties and obligations imposed by the various agreements and other documents (attached as Exhibits to the Application) with regard to the remediation of the subject sites (including removal of pit liners and waste, closure of pits, fencing, and other surface remediation) and relating to bringing each of the sites into full compliance with OCD Rules. Tucumcari has been notified of its delinquencies on multiple occasions informally, and was formally notified via a Letter of Violation in February of 2007, but still failed to respond to the requests of the Division to comply with Division Rules. Tucumcari has thus knowingly and willfully violated numerous OCD Rules.

The OCD seeks an order determining that Tucumcari knowingly and willfully violated the Oil and Gas Conservation Division Rules because, despite having affirmatively agreed to abide by such Rules, despite having extensive and longstanding knowledge of the condition and need for remediation at the subject sites, and despite the fact that the OCD has formally requested that it address these violations, it has failed and refused to do so.

The OCD seeks an Order compelling the following in this case:

1. Requiring Tucumcari Exploration, LLC to close the pits at each of the seven (7) subject sites per OCD Rules by a date certain.
2. Requiring that Tucumcari Exploration, LLC file C-144 forms corresponding with the pit closures at each of the seven (7) well sites by a date certain.
3. Requiring Tucumcari Exploration, LLC to investigate to determine what, if any contamination has occurred at each of the seven (7) sites, and remediate contamination that poses a threat to ground water, surface water, human health or the environment as required by OCD Rules, water quality control commission standards and/or any other applicable state or federal law or regulation.
4. Imposing date-specific deadlines for the completion of the above-described investigation and remediation as to the seven (7) subject sites.
5. Requiring that Tucumcari Exploration, Inc. re-contour the land at each of the seven (7) sites, pursuant to 19.15.2.50.F(2) NMAC no later than one (1) year after the pit at that particular site has been closed.

APPLICANT'S PROPOSED EVIDENCE

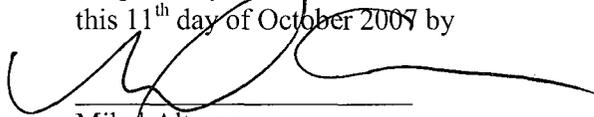
See "procedural matters," below.

PROCEDURAL MATTERS

The parties plan to use this initial hearing setting as an opportunity to apprise the Examiner on the record regarding the status of the Operatorship and of the wells, and regarding the parties' respective efforts and positions regarding potential/proposed activity that may assist the parties in resolving the matter without the need for a full hearing on all issues.

On that basis, Applicant does not intend to present any substantive evidence through witness testimony at the October 18, 2007 hearing. However, should this matter ultimately proceed to a full hearing, Applicant will submit an amended pre-hearing statement, outlining its proposed evidence and the requested time for the presentation of such evidence.

Respectfully submitted
this 11th day of October 2007 by

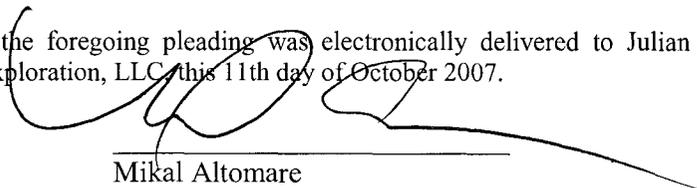


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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was electronically delivered to Julian Hamilton Barns, attorney for Tucumcari Exploration, LLC, this 11th day of October 2007.



Mikal Altomare