

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

RECEIVED OCD

2015 MAY -6 A 10: 35

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

PRE-HEARING STATEMENT

Applicant: Oil Conservation Division ("OCD" or "Division") is seeking an order declaring:

1. That operator, Blue Sky, NM Inc., ("Blue Sky" or "Operator") is in violation of OCD Rules 19.15.5.9, 19.15.25.8, and 19.15.8.9 NMAC.
2. That Operator must comply with OCD Rules 19.15.5.9, 19.15.25.8, and 19.15.8.9 NMAC by a date certain.
3. If Operator does not comply with division order, finding that Operator is out of compliance with a division order, and the division declare all violating wells abandoned, and authorize the OCD to plug and abandon the operators wells and recover costs from Operator in accordance with OCD Rule 19.15.8.13 NMAC.

The OCD supports the approval because of the following:

1. Notice of Hearing was properly served as required by 19.15.4.9 NMAC and 19.15.4.10 NMAC.
2. Sixty-five (65) of Operator's wells have been inactive in excess of a period of 1 year plus 90 days, and are not plugged or abandoned, nor placed in temporary abandonment status in violation of OCD Rule 19.15.25.8 NMAC. The number of violating wells has increased since the initial filing of this application for hearing.
3. Operator currently has sixty-five (65) wells out of a total of eighty (80) wells out of compliance with Division Rule 19.15.25.8 NMAC, exceeding the amount allowed under Division Rule 19.15.5.9 (A)(4) NMAC.
4. Operator currently has forty-six (46) wells that require additional bonding in violation of Division Rule 19.15.8.9 NMAC.

PETITIONERS'S PROPOSED EVIDENCE

WITNESS:

ESTIMATED TIME: 15 minutes

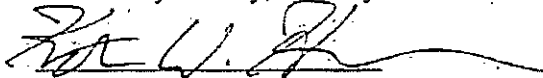
Daniel Sanchez, NMOCD Compliance & Enforcement Manager

Testimony on compliance with OCD Rules.

PROCEDURAL MATTERS

None.

Respectfully submitted
this 6th day of May, 2015 by



Keith W. Herrmann

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Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was electronically mailed to the following party on May 6, 2015:

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