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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION  
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER  
AGAINST DC ENERGY, LLC, FOR WELLS OPERATED IN LEA COUNTY, NEW  
MEXICO.**

**CASE NO. 15432**

**PRE-HEARING STATEMENT**

This Pre-Hearing Statement is submitted by Hector H. Balderas, New Mexico Attorney General (James C. Jacobsen, Assistant Attorney General) on behalf of the New Mexico Oil Conservation Division, as required by Oil Conservation Commission Rule.

**APPEARANCES OF PARTIES**

**APPLICANT**

Oil Conservation Division  
Compliance and Enforcement Bureau

**ATTORNEY**

Keith W. Herrmann, Esq.  
Assistant General Counsel  
Energy, Minerals and Natural  
Resources Department of the State  
of New Mexico  
1220 S. St. Francis Drive  
Santa Fe, New Mexico 87505  
(505) 476-3463

**OPPONENT**

DC Energy, LLC  
P.O. Box 328  
Andrews, Texas 79714  
and  
483 Falcon View Circle  
Palm Desert, CA 92211

**ATTORNEY**

**INTERESTED PARTIES**

Clarke C. Coll, Chapter 7 Trustee  
for the Estate of DC Energy, LLC  
P.O. Box 2288  
Roswell, NM 88202-2288

**ATTORNEY**

Thomas D. Walker, Esq.  
Stephanie L. Schaeffer, Esq.  
WALKER & ASSOCIATES, P.C.  
500 Marquette Ave NW, Suite 650  
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**Pre-Hearing Statement**  
**Page 2**

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Oil Conservation Division

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**STATEMENT OF THE CASE**

The Enforcement and Compliance Bureau of the Oil Conservation Division seeks the determination that DC Energy, LLC, the operator of six (6) wells identified in Exhibit 1 of the above-captioned Application is out of compliance with Oil Conservation Division Rules 19.15.26, 19.15.16, 19.15.29, 19.25.25, and 19.15.5.9 NMAC, an order requiring DC Energy, LLC to return to compliance, a finding, in the event of non-compliance, that DC Energy is in violation of that order, a declaration that the wells are abandoned, and authorizing the Division to plug the violating wells and restore and remediate the locations, and directing the Division to recover its costs and seek indemnification as permitted by law.

The New Mexico Attorney General will appear and will be ready to provide information and respond to questions regarding DC Energy LLC's bankruptcy proceedings, the interplay of automatic stay imposed by 11 U.S.C. §362(a) and the exception thereto set forth in 11 U.S.C. §362 (b)(4) for proceedings to enforce a governmental unit's police and regulatory power, and the effect of 28 U.S.C. § 959, which requires trustees appointed in any cause pending in any court of the United States to manage and operate property in the trustee's possession according to the requirements of the valid laws of the State in which such property is situated, in the same manner that the owner or possessor thereof would be bound to do if in possession thereof.

**PROPOSED EVIDENCE**

**WITNESSES**  
James C. Jacobsen, Esq.  
(Bankruptcy Law)  
(May Call)

**ESTIMATED TIME**  
Approx. 10 minutes

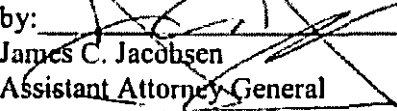
**EXHIBITS**  
Approx. 3

**PROCEDURAL MATTERS**

None at this time.

Respectfully submitted,

HECTOR H. BALDERAS,  
Attorney General  
of the State of New Mexico

by:   
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*Attorney for OCD*

**CERTIFICATE OF SERVICE**

I hereby certify that on this 13th day of January 2016, I served a copy of the foregoing Pre-Hearing Statement in the above-captioned case by 1<sup>st</sup> Class Mail, postage prepaid, addressed to the following counsel or unrepresented party in interest:

Keith W. Herrmann, Esq.  
Compliance and Enforcement Bureau  
Energy, Minerals and Natural  
Resources Department of the State  
of New Mexico

**Pre-Hearing Statement**  
**Page 4**

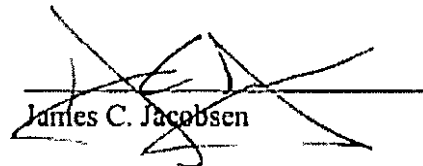
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