

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



April 10, 2008

C&D MANAGEMENT COMPANY DBA FREEDOM VENTURES 231382
4801 Lang NE Suite 110
Albuquerque, NM 87109

Subject: Enforcement Action

Dear Operator,

You are currently out of compliance with the Oil Conservation Division's financial assurance requirements.

Rule 101.B [19.15.3.101.B NMAC] requires each state or fee well that has been inactive for more than two years and is not plugged and released to be covered by a single-well financial assurance. The amount of the single-well financial assurance is based on the total depth of the well. Please note that this financial assurance requirement applies to wells on approved temporary abandonment status, and wells covered by inactive well agreed compliance orders.

An operator who is not in compliance with financial assurance requirements is in violation of Rule 40 [19.15.1.40.A(1) NMAC].

Rule 101.B went into effect as to all wells in New Mexico on January 1, 2008. Prior to that date the OCD notified all Operators of Record of the upcoming changes regarding financial assurance obligations. The OCD posted information regarding the new financial assurance requirements on the OCD website in February of 2007. In March and April of 2007, the OCD sent out detailed notifications, along with operator-specific reports, to the registered addresses of all operators in New Mexico. Additional notice was re-posted to the OCD website at the new year when the new rule went into effect.

As an operator currently out of compliance with financial assurance requirements, and thus in violation of Rule 40, you are subject to the following until you have come into compliance with Rule 101 financial assurance requirements:

- APDs will be denied,
- Requests for allowables/authority to transport or inject will be denied,
- Injection permits will be denied, and
- Requests for well transfer to acquire new well(s) will be denied.

*Case 14055 De Novo
C&D Management Company
dba Freedom Ventures Company
OCD Exhibit 83*



In addition, continued noncompliance with Rule 101 will be considered a knowing and willful violation under the Oil and Gas Act and may subject you to penalties under NMSA 1978, § 70-2-31 (A).

The OCD has already taken enforcement action against some operators who have failed to comply with the financial assurance requirements of Rule 101.B and who are also in violation of one or more other Division Rules or Orders by filing Applications for hearing with the Division, seeking orders for compliance and penalty assessments. Beginning June 1, 2008, however, the OCD will begin filing Applications for hearing against operators who have failed to comply with the financial assurance requirements of Rule 101.B regardless of whether those operators are also in violation of any other Division Rules or Orders. The Applications will seek penalties and orders of compliance, and will further ask the Division to Order that if compliance is not obtained, that the OCD be permitted to plug all of the operator's wells in New Mexico, and to forfeit any existing financial assurances.

It is therefore imperative that you bring your company into compliance with the OCD Rules, including Rule 101 immediately. Failure to do so will result in OCD enforcement action.

Financial Assurance data is available through the OCD website at www.emnrd.state.nm.us/ocd by clicking first on "OCD Online," then selecting "E-Permitting" from the main window, and finally selecting "Financial Assurance" from the list on the left side of the screen. A financial assurance report is obtained by entering an Operator name or OGRID and selecting "Get Report." The Report lists all wells operated by the specified operator, and identifies non-compliant wells (wells in need of additional single-well financial assurance) with a "y" in the far right column.

Please make arrangements to post **all** required financial assurances **immediately**. Questions regarding financial assurances should be directed to Financial Assurance Administrator Dorothy Phillips, (505) 476-3461, dorothy.phillips@state.nm.us.

Sincerely,

Mikal M. Altomare
Assistant General Counsel
Oil Conservation Division
Energy, Minerals & Natural Resources Dept.
Tel 505.476.3480 ~ Fax 505.476.3462
mikal.altomare@state.nm.us