



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

RECEIVED OCD

2010 NOV -2 A 10: 50

November 2, 2010

Ms. Florene Davidson
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Hand Delivered

Re: NMOCC Case No. 14472 (De Novo): Application of COG Operating LLC for Cancellation of Operator's Authority and Termination of Spacing Units, Yeso Energy, Inc. Dow "B" 28 Federal Well No. 1, Eddy County, New Mexico

and

NMOCC Case No. 14547; Application of the NMOCD, through the Compliance and Enforcement Manager, for an Order Authorizing the Division to Recognize an Operator of Record for Wells Currently Operated by Yeso Energy, Inc.; Lea, Eddy and Chaves Counties, New Mexico

Dear Ms. Davidson

Enclosed for filing in the above-consolidated matters is the COG Operating's Response to Motion for Continuance.

Very truly yours,

Karen Williams
Assistant to J. Scott Hall

JSH:kw

Enclosure

cc: Gail MacQuesten, Esq.
Phillip T. Brewer, Esq.
Michael H. Feldewert, Esq.
00230389

REPLY TO:

325 Paseo de Peralta
Santa Fe, New Mexico 87501
Telephone (505) 982-3873 • Fax (505) 982-4289

Post Office Box 2307
Santa Fe, New Mexico 87504-2307

6301 Indian School Road NE, Suite 400
Albuquerque, New Mexico 87110
Telephone (505) 884-4200 • Fax (505) 888-8929

Post Office Box 36210
Albuquerque, New Mexico 87176-6210

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

2010 NOV -2 A 10: 50

**APPLICATION OF COG OPERATING, LLC
FOR CANCELLATION OF OPERATOR'S
AUTHORITY AND TERMINATION OF SPACING
UNITS, YESO ENERGY, INC. DOW "B" 28
FEDERAL WELL NO. 1, EDDY COUNTY, NEW
MEXICO**

CASE NO. 14472 (De Novo)

**APPLICATION OF THE NMOCD, THROUGH
THE COMPLIANCE AND ENFORCEMENT
MANAGER, FOR AN ORDER AUTHORIZING
THE DIVISION TO RECOGNIZE AN OPERATOR
OF RECORD FOR WELLS CURRENTLY
OPERATED BY YESO ENERGY, INC.; LEA,
EDDY AND CHAVES COUNTIES, NEW MEXICO**

CASE NO. 14547

**COG OPERATING LLC'S RESPONSE TO
MOTION FOR CONTINUANCE**

COG Operating LLC, ("COG"), for its response to the Motion for Continuance filed on behalf of Judah Oil, LLC, states:

COG respectfully opposes the motion.


Judah Oil's motion establishes no prejudice or surprise and there are no new issues precipitated by the Division's pre-hearing filings. The following facts should be noted:

- * Judah Oil has actively participated in these cases since September 28, 2010 (see Judah Oil's Motion to Dismiss Case No. 14547).
- * All Issues were fully vetted at a lengthy pre-hearing conference convened by the Commission Chairman on October 6, 2010, with Judah Oil participating.
- * The Purchase and Sale Agreement for the subject wells among Yeso Energy, Inc., Chica Energy, LLC and Judah Oil, LLC evidences that Judah Oil was obviously aware of compliance issues since at least August 25, 2010 or before. (See Excerpt, Purchase and Sale Agreement paragraph 2[c] making conveyance¹ of the Dow "B" well subject to a condition: "...in the event it is successfully permitted..."; Exhibit "A", attached.)

These circumstances warrant denial of Judah Oil's Motion for Continuance.

¹ COG sought pre-hearing production by Judah Oil of any bill of sale for the well. Since none was produced, it is presumed none exists

Respectfully submitted,
Montgomery and Andrews, P.A.

By: 

J. Scott Hall, Esq.
Post Office Box 2307
Santa Fe, New Mexico 87504
(505) 982-3873
(505) 982-4289

Attorneys for COG Operating, LLC

Certificate of Service

I hereby certify that on November 2, 2010, a true and correct copy of the foregoing was sent by electronic mail to the following parties:

Gail MacQuesten, Esq.
Assistant General Counsel
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505
Gail.macquesten@state.nm.us

Phil Brewer, Esq.
P.O. Box 298
Roswell, NM 88202-0298
pbrewer@pegasusplace.com

Michael Feldewert, Esq.
Ocean Munds-Dry, Esq.
Holland & Hart
P.O. Box 2208
Santa Fe, NM 87504-2208
mfeldewert@hollandhart.com
omundsdry@hollandhart.com



J. Scott Hall

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is dated this 25 day of August, 2010, by and between YESO ENERGY, INC. ("Yeso"), P. O. Box 2248, Roswell, New Mexico 88201, and CHICA ENERGY, LLC ("Chica"), 3003 McPherson Road, Roswell, New Mexico 88201 (collectively "Sellers"), and JUDAH OIL, LLC ("Judah") (Buyer), P. O. Box 368, Artesia, New Mexico 88211-0568.

For and in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, Buyer and Sellers agree to the purchase and sale of the Subject Property described below under the following terms:

1. **Property Being Sold.** Subject to the terms and conditions of this Agreement, Sellers agree to sell and convey and Buyer agrees to purchase and accept the Subject Property for the Purchase Price as defined hereinafter. The "Subject Property" shall include the following:

(a) **Leaseholds.** All of Sellers' right, title and interest in all oil and gas leasehold interest, oil, working interests, operating rights, record title interests and all other interests under, in or useful in connection with oil, gas or mineral leases, and interests in rights to explore for and produce oil, gas or other minerals ("Leases"), described in Exhibit "A", which when delivered and assigned hereunder shall represent all of Sellers' right, title and interest in the Leases, except as to any interests otherwise reserved herein.

(b) **Permits.** All of Sellers' right, title and interest in all permits and licenses of any nature owned, held or operated in connection with operations for the exploration and production of oil, gas or other minerals to the extent the same are used or obtained in connection with the Leases ("Permits").

(c) **Equipment.** All of Sellers' right, title and interest in all personal property, well bores, casing, surface equipment and down-hole equipment used or obtained in connection with the Leases and Wells.

2. **Consideration.** As consideration for the Subject Property, Buyer will undertake the following:

(a) Judah will obtain necessary bonding for the wells described in Exhibit "A," including any additional bonding required for SWD wells.

(b) Yeso and/or Chica, with regulatory approval, will transfer operatorship of all wells to Judah.

(c) The following provisions will apply to Lease No. 1 (Dow "B") in the event it is successfully permitted as a salt water disposal ("SWD") well:

(1) Sellers shall convey all of their right, title and interest in the Dow "B" to Judah.

(2) Sellers shall receive the sum of \$50,000.00 upon the issuance of a SWD permit to Judah.

(3) Sellers will reserve a fee of \$.05 per barrel of water disposed into the SWD as reported to the Oil Conservation Division.

(4) Sellers will reserve an overriding royalty of ten percent (10%) of the net (after state and federal taxes or fees) revenue attributable to oil collected by the SWD operations and sold.

(5) In the event Buyer, at its discretion, elects to sell the Dow "B" SWD wellbore and any approved permit therefor without any SWD facilities and/or disposal systems installed, Sellers will receive the equivalent of twenty percent (20%) of the net sales proceeds received by Buyer.

(6) In the event Buyer constructs a full SWD system and operates the SWD system for a minimum of one and one-half (1 1/2) calendar years and subsequently sells the system to a third party not associated with this agreement, Sellers shall receive twenty percent (20%) of the sale proceeds, less that portion of the costs of permitting, construction and conversion prorated over 18 equal monthly installments from the date the disposal well

scj: Judah, PSA.doc

EXHIBIT A