

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 14294
ORDER NO. R-12930-B

APPLICATION OF THE NEW MEXICO OIL
CONSERVATION DIVISION FOR A
COMPLIANCE ORDER AGAINST YESO
ENERGY, INC., EDDY, LEA AND CHAVES
COUNTIES, NEW MEXICO:

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 20, 2009, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 15th day of September, 2009, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) The Division seeks an order finding Yeso Energy, Inc. [OGRID 22170] (Yeso) in violation of Division Rule 25.8 (inactive wells), and requiring Yeso to plug and abandon all of its wells, or transfer its wells to another unaffiliated operator, by a date certain, and, in the event Yeso fails to comply with that order, authorizing the Division to plug the wells, and forfeiting any applicable financial assurance.

(3) A previous hearing was held in this case on March 31, 2009, before Examiner William V. Jones. Following that hearing, the Division Director issued Order No. R-12930-A, finding Yeso in violation of Division Rules 7.24 (timely filing of production reports) and 25.8 (inactive wells), and directing Yeso to appear at a Division hearing examiner on August 20, 2009, and present evidence in support of its position with Division rules. Order No. R-12930-A stated that:

*Before the OCC
Case 14472
Case 14547
OCD Exhibit 4*

If Yeso fails to appear on August 20 as herby (sic) ordered, and Division records demonstrate that Yeso is in violation of one or more Division rules applicable to any well it then operates, the Division Director may then issue an order directing Yeso to plug all of the wells that it operates by a date certain, and further directing that if Yeso fails to comply with that order, the Division is authorized to plug and abandon the subject wells and forfeit all applicable financial assurance.

(4) Yeso wholly failed to appear at the hearing on August 20, 2009.

(5) The Division appeared at the hearing through counsel and presented testimony to the effect that Yeso was then out of compliance with Division Rule 25.8, in that each and every one of the twelve wells specified in Finding Paragraph 6.a of Order No. R-12930-A (the subject wells), being all of the wells that Yeso operates in the State of New Mexico, is inactive, not properly plugged, and not approved for temporary abandonment.

(6) In addition to being out of compliance with Division Rule 25.8, Yeso is out of compliance with Division Rule 5.9 because 100% of the wells that it operates are inactive, and because it violated the specific directive of Order No. R-12930-A directing that it appear at the hearing on August 20, 2009.

(7) Yeso should be ordered to properly plug and abandon each of the subject wells, or transfer them to another, unaffiliated operator approved by the Division, on or before March 15, 2010. If Yeso fails to comply, the Division should be authorized to plug the subject wells and restore the wells sites, and all applicable financial assurance should be forfeited.

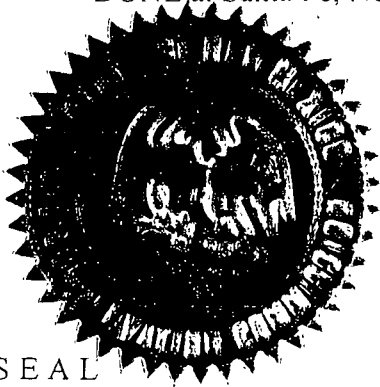
IT IS THEREFORE ORDERED THAT:

(1) Yeso Energy, Inc. [OGRID 22170] shall properly plug and abandon each of the wells described in Finding Paragraph 6.a of Order No. R-12930-A, or transfer each of said wells to another operator, not affiliated with Yeso and approved by the Division, not later than March 15, 2010.

(2) If Yeso fails to comply with Ordering Paragraph (1) with respect to any of the subject wells within the time provided, the Division is hereby authorized to plug any of the subject wells with respect to which Yeso fails to comply, and to restore the wells sites, as provided in Division Rules, and all applicable financial assurance shall be forfeited, as provided in NMSA 1978, Section 70-2-14..

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New México, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P.E.
Director