

From: Sanchez, Daniel J., EMNRD
To: Macquesten, Gail, EMNRD; Phillips, Dorothy, EMNRD
Subject: RE: Yeso to Chica Change of Operator
Date: Thursday, April 01, 2010 1:19:17 PM

At this time, Chica is out of luck with any Yeso wells. I have no intention of taking them off of the plugging list.

From: Macquesten, Gail, EMNRD
Sent: Thursday, April 01, 2010 11:45 AM
To: Phillips, Dorothy, EMNRD
Cc: Sanchez, Daniel J., EMNRD
Subject: RE: Yeso to Chica Change of Operator

Yes. There are 3 problems:

1. The Yeso wells are subject to a plugging order, so Chica will need to enter an agreed compliance order.
2. The plugging order requires the transfer to be to an entity not affiliated with Yeso, and we have evidence that the owner of Chica is the daughter of the owner of Yeso.
3. My understanding is that the wells are already under a plugging contract, or on the plugging list, so Daniel would have to agree to stop the plugging.

From: Phillips, Dorothy, EMNRD
Sent: Thursday, April 01, 2010 11:25 AM
To: Macquesten, Gail, EMNRD
Subject: RE: Yeso to Chica Change of Operator

Chica sent me a letter that they are no longer going to purchase the wells requiring additional bonding. They are purchasing the 2 state and fee wells and the 5 federal. Do I still hold the transfer?

From: Macquesten, Gail, EMNRD
Sent: Monday, March 22, 2010 10:49 AM
To: Phillips, Dorothy, EMNRD
Cc: Altomare, Mikal, EMNRD; Sanchez, Daniel J., EMNRD
Subject: RE: Yeso to Chica Change of Operator

Hi Dorothy- Please hold the transfer. Chica will need to enter into an agreed compliance order regarding these wells, because they are subject to a plugging order. I will try to contact them today.

Thanks for checking.

Gail

From: Phillips, Dorothy, EMNRD
Sent: Monday, March 22, 2010 10:02 AM
To: Macquesten, Gail, EMNRD
Subject: Yeso to Chica Change of Operator

Gail, Chica went through the new operator process. They are now transferring wells from Yeso. May I approve once I receive the additional bonding?

From Operator YESO ENERGY, INC. OGRID 221710
To Operator CHICA ENERGY, LLC OGRID 271866

*Before the OCC
Case 14472
Case 14547
OCD Exhibit 12*

Wells Selected for Transfer, Permit 110944
Permit Status: REVIEW

OCD District Hobbs

Property Well	Lease Type	ULS1R	OCD Unit	API	Well Type	Pool ID	Pool Name	Last Prod/Inj	Additional Bonding
32912 MORGAN FEDERAL #001	F	3 6 -10S-30E	C	30-005-20667	G	50280	MANY GATES,MORROW (GAS)	04/06	0
32913 GULF MCKAY FEDERAL #001	F	N-34-18S 32E	N	30-025-25471	O	50190	QUERECHO PLAINS DELAWARE	04/06	0

OCD District Artesia

Property Well	Lease Type	ULS1R	OCD Unit	API	Well Type	Pool ID	Pool Name	Last Prod/Inj	Additional Bonding
32906 CONNIE C STATE #002	S	H-25-19S-28E	H	30-015-02301	O	48900	OUTPOST,DELAWARE	04/06	8500
CONNIE C STATE #017	S	D-25-19S-28E	D	30-015-02302	O	55520	SCANLON DRAW,QUEEN	04/06	7037
32902 DALTON FLD FRIAL #001	F	H-72-17S-29E	H	30-015-25259	O	28509	GRAYBURG JACKSON SR (Q-G-S)	04/06	0
32906 CONNIE C STATE #001	S	G-25-19S-28E	G	30-015-25366	O	48900	OUTPOST,DELAWARE	04/06	8500
CONNIE C STATE #003	S	K-25-19S-28E	K	30-015-25587	O	48900	OUTPOST,DELAWARE	07/88	8525
CONNIE C STATE #004	S	B-25-19S-28E	B	30-015-25648	O	48900	OUTPOST,DELAWARE	01/89	8494
32909 SHIRLEY KAY STATE #001	P	B 34 19S-31E	B	30 015 25855	O	29490	HACKBERRY,YATES 7 RVRS,NORTH		0
32911 LAMBCHOP 20 #001	P	B-20-24S 25E	B	30 015 27220	O	11540	CEDAR CANYON DELAWARE		0
32758 DOW B 28 FEDERAL #001	F	P 28 17S 31E	P	30 015 28676	O	96591	WILDCAT CEDAR LAKE MISSISSIPPIAN	04/06	0
DOW B 28 FEDERAL #001	F	P-28 17S 31E	P	30-015 28676	O	74605	CEDAR LAKE,MORROW EAST (GAS)	04/06	

Total Additional bond

41056