

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A
COMPLIANCE ORDER AGAINST YESO ENERGY, INC. FINDING THAT THE
OPERATOR IS IN VIOLATION OF 19.15.7.24 NMAC, 19.15.8.9 NMAC AND 19.15.25.8
NMAC, REQUIRING OPERATOR TO PROPERLY PLUG AND ABANDON ALL ITS
WELLS BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE
AUTHORIZING THE DIVISION PLUG AND ABANDON THE WELLS AND FORFEIT
THE APPLICABLE FINANCIAL ASSURANCE, EDDY, LEA AND CHAVES
COUNTIES, NEW MEXICO.**

CASE NO. 14294

PRE-HEARING STATEMENT OF THE OIL CONSERVATION DIVISION

The Oil Conservation Division (OCD) submits this pre-hearing statement pursuant to 19.15.4.13.B NMAC.

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

Gail MacQuesten
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451
FAX: 476-3462
E-mail: gail.macquesten@state.nm.us

RESPONDENT

Yeso Energy, Inc.
P.O. Box 8280
Roswell, NM 88202

RESPONDENT'S ATTORNEY

No entry of appearance filed at this time.

Yeso Energy, Inc.
c/o Corporation Service Company
125 Lincoln Avenue, Suite 223
Santa Fe, NM 87501

U.S. Specialty Insurance Company
13403 Northwest Freeway
Houston, TX 77040

No entry of appearance filed at this time.

RECEIVED OCD
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STATEMENT OF CASE

The OCD seeks an order pursuant to NMSA 1978, Section 70-2-14(B) requiring Yeso Energy, Inc. (Yeso) to plug and abandon all its wells by a date certain, and authorizing the OCD to plug the wells and forfeit the applicable financial assurances if Yeso fails to meet that deadline.

This matter was originally heard on March 13, 2009. Yeso did not appear. The OCD presented evidence of Yeso's violations of OCD reporting requirements and the inactive well rule. At that hearing, the examiner continued the matter to August 20, 2009, to allow Yeso to appear and present evidence of compliance. The Division subsequently issued Order No. R-12930-A, which gave the parties more detailed instructions. The Order requires Yeso to appear on August 20, 2009 and "present evidence of compliance with Division Rules 7.24, 8.9 and 25.8." If Yeso fails to appear, 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."

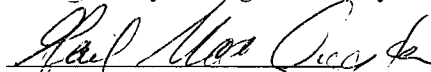
OCD'S PROPOSED EVIDENCE

Witness: Daniel Sanchez, OCD Compliance and Enforcement Manager
ESTIMATED TIME: 10 minutes

PROCEDURAL MATTERS

The OCD intends to make Daniel Sanchez available for testimony on Yeso's current compliance status. As of this date, Yeso remains out of compliance with reporting requirements and the inactive well rule.

Respectfully submitted
this 6th day of August 2009 by

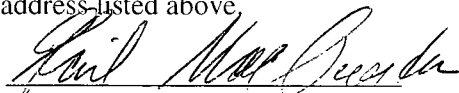


Gail MacQuesten
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
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Santa Fe, NM 87505
(505) 476-3451

Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was mailed by first class mail this 6th day of August 2009 to Yeso Energy, Inc. at the address listed above and c/o Corporation Service Company, and to U.S. Specialty Insurance Company at the address listed above.



Gail MacQuesten