

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

CASE NO: 14472

EXHIBIT

7

7

EXHIBIT A

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

Carlsbad Field Office
Bureau of Land Management
620 E. Greene
Carlsbad, NM 88220-6292

00186953



**MONTGOMERY
& ANDREWS**
LAW FIRM

J. SCOTT HALL

Cell: (505) 670-7362

Email: shall@montand.com

Reply To: Santa Fe Office

www.montand.com

April 15, 2010

Certified Mail Return Receipt Requested

Carlsbad Field Office
Bureau of Land Management
620 E. Greene
Carlsbad, NM 88220-6292

Re: NMOCD Case No. _____; 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

Dear Sir or Madam:

This will advise that COG Operating LLC ("COG") has filed an Application with the New Mexico Oil Conservation Division for an order canceling the authority of Yeso Energy, Inc. as operator of the Dow "B" 28 Federal Well No. 1 and terminating all spacing and proration units at any time dedicated to the well. The well is located in Section 28, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico. A copy of the Application is enclosed.

This application will be set for hearing before a Division Examiner on May 13, 2010, at 8:15 a.m. at the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico. You are not required to attend this hearing, but as an owner of an interest that may be affected, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging this application at a later time. If you intend to attend the hearing and present testimony or evidence, you must enter your appearance and serve the Division, counsel for the Applicant, and other parties with a pre-hearing statement at least four

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

Bureau of Land Management
April 15, 2010
Page 2

business days before the scheduled hearing date in accordance with Division
Rule 19.15.4.13 NMAC.

Very truly yours,

MONTGOMERY & ANDREWS, P.A.

J. Scott Hall

J. Scott Hall

Attorneys for COG Operating LLC

JSH:kw

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

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2010 APR -9 P 3: 50

IN THE MATTER OF THE 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. _____

APPLICATION

COG Operating, LLC, ("COG"), through its undersigned counsel, Montgomery and Andrews, P.A. (J. Scott Hall, Esq.), applies for an order of the Division cancelling the authority of Yeso Energy, Inc. as operator of the Dow "B" 28 Federal Well No. 1 and terminating all spacing and proration units at any time dedicated to the well. These include the S/2 (Cedar Lake Morrow-East, Wildcat Cedar Lake Mississippian, and Cedar Lake Morrow pools) and the SE/4 SE/4 (Cedar Lake Devonian pool) in Section 28, Township 17 South, Range 31 East, NMPM, Eddy County. In support of its Application, COG states:

1. Yeso Energy, Inc. is the operator of record of the following well:

Dow "B" 28 Federal Well No. 1
API No. 30-015-28676
1028' FSL & 1227' FEL (Unit P)
Section 28
T-17-S, R-31-E, NMPM
Eddy County, New Mexico

2. The subject well has been inactive for an extended period of time and was otherwise out of compliance with the Division's rules. Previously, by Agreed Compliance Order ACOI-137 Yeso Energy, Inc. was directed to return the subject well and a number of other wells to compliance. Additionally, on November 20, 2006, the Division cancelled Yeso Energy's authorization to transport or to inject for all of its wells. By Order No. R-12930, Yeso Energy was directed to appear before the Division on August 20, 2009 to show cause why its wells, including the subject well, should not be plugged or transferred to another operator. Yeso Energy failed to do so, and on September 15, 2009 the Division entered Order No. R-12930-B directing Yeso to plug and abandon its wells or transfer the wells to another unaffiliated operator by March 15, 2010. Yeso Energy, Inc. failed to comply with Order No. R-12930-B and the Dow "B" 28 Federal Well No. 1 is set to be plugged by the Division.

3. COG operates a significant number of producing wells in the vicinity of the Dow "B" 28 Federal Well No. 1 and has a need for additional capacity for the disposal of produced water in the area. Preparatory to making separate application to the Division for authorization to convert the subject well to injection and disposal operations, COG seeks the cancellation of all authorizations and permits issued by the Division to the current operator of record of the subject well, Yeso Energy, Inc. COG also seeks the termination of all spacing and proration unit dedications previously approved by the Division for the subject well.

4. Granting COG's Application will avoid the otherwise unnecessary expenditure of funds by the State of New Mexico for the plugging of the Dow "B" 28 Federal Well No. 1. Further, utilization of the well for disposal will promote the interests of conservation and will serve to prevent waste.

WHEREFORE, Applicant requests that this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on May 13, 2010 and that after notice and hearing as required by law, the Division enter its Order cancelling the authority of Yeso Energy, Inc. as operator of the Dow "B" 28 Federal Well No. 1, terminating any spacing units dedicated thereto and making such other and further provisions as the Division determines appropriate.

Montgomery and Andrews, P.A.

By: J. Scott Hall

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

Attorneys for COG Operating, LLC



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& ANDREWS**
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J. SCOTT HALL

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April 15, 2010

Certified Mail Return Receipt Requested

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

**Re: NMOCD Case No. _____; 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**

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Yeso Energy, Inc.
April 15, 2010
Page 2

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Rule 19.15.4.13 NMAC.

Very truly yours,

MONTGOMERY & ANDREWS, P.A.

J. Scott Hall

J. Scott Hall

Attorneys for COG Operating LLC

SENDER: COMPLETE THIS SECTION

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1. Article Addressed to:

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

COMPLETE THIS SECTION ON DELIVERY

- A. Signature *[Signature]* ☒ Agent ☐ Addressee
- B. Received by (Printed Name) C. Date of Delivery **5-3-10**
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Signature (Extra Fee) ☐ Yes

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102595-02-M-1540

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Sent To *Yeso Energy, Inc.*
Street, Apt. No.,
or PO Box No. *P.O. Box 8280*
City, State, ZIP+4 *Roswell NM 88202*

PS Form 3800, August 2005 See Reverse for Instructions

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

RECEIVED OGD
2010 APR -9 P 3: 50

IN THE MATTER OF THE APPLICATION OF
COG OPERATING, LLC FOR CANCELLATION
OF OPERATOR'S AUTHORITY AND
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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

Davidson, Florene, EMNRD

From: j hodes [seasons_jewels@yahoo.com]
Sent: Wednesday, May 12, 2010 6:46 PM
To: Davidson, Florene, EMNRD
Cc: Macquesten, Gail, EMNRD; Altomare, Mikal, EMNRD; Sanchez, Daniel J., EMNRD
Subject: Case #14472

Chica Energy, LLC is an approved operator in the State of New Mexico and purchased the well that is the subject of the above, Case #14472 among other wells located on Federal BLM leases from Yeso Energy, Inc and OBJECTS to the cause of action which gives the Dow B 28 Federal #1 well to COG for conversion to a disposal well. Chica Energy is approved by the BLM as the new operator of this well and has an interest in this lease and wellbore, so therefore an OBJECTION is lodged by Chica Energy, LLC in this matter and should be included in any correspondence relating to this case and any future causes of action relating to this Case, Pro-Ration Unit and Spacing Units pertaining to this well and lease.

An Entry of Appearance shall be following soon by an Authorized Attorney in this Matter.

Thank You for your help in this matter. You can contact me at 575-626-8015.

Sincerely,

*Case
Tw.*

*Late March
This year*

Julie A. Hodges
Managing Member
Chica Energy, LLC
3003 McPherson Road
Roswell, NM 88201