

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

BEFORE THE OIL CONSERVATION COMMISSION

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

CASE NO. 14,472
De Novo

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APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, 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. 14,547

ENTRY OF APPEARANCE AND PRE-HEARING STATEMENT
OF THE OIL CONSERVATION

The Oil Conservation Division (OCD) enters its appearance in Cases 14,472 and 14,547
and files its pre-hearing statement as required by 19.15.4.13 NMAC.

APPEARANCES

Case 14,472:

APPLICANT

COG Operating LLC

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STATEMENT OF THE CASE

Order R-31309, issued August 23, 2010, consolidated Case No. 14547 and Case No. 14472, finding that the cases arise from common facts, and the resolution of the issues in one case will likely affect the resolution of the other case. Both cases concern the Dow B 28 Federal #001, 30-015-28676 (the "Dow B 28"). OCD records identify Yeso Energy Inc. (Yeso) as the operator of record for the well. The Dow B 28 is subject to plugging order R-12930-B. Two operators, COG Operating LLC (COG) and Judah Oil LLC (Judah), seek to operate this well as a salt water disposal well. Although neither COG nor Judah is operator of record for the well, both have filed applications with the OCD for authorization to inject.

The process for transferring the "operator of record" is set out in 19.15.9.9 NMAC. The current operator of record and the new operator apply for the change using the OCD's web-based application. If the current operator is not available, the new operator applies in writing for the change and provides documentary evidence of its right to assume operations. The OCD may deny a change of operator if the new operator is not in compliance with 19.15.5.9 NMAC (Part 5.9) or if the new operator is acquiring wells subject to a compliance order requiring remediation or abatement of contamination, or compliance with 19.15.25.8 NMAC (the inactive well rule) and the new operator has not entered into an agreed compliance order setting a schedule for compliance with the existing order. Whether the transfer occurs through the on-line transfer process or after a written application for transfer, the new operator is not to commence operations until the division approves the application for change of operator.

Case 14472: COG filed the application for hearing in Case 14472, seeking an order cancelling Yeso's authority and terminating spacing units related to the Dow B 28 Federal #001. Order R-13294 terminated the authority of Yeso to act as operator of the Dow B 28 and provided that COG shall file an application with the OCD "to use the well for disposal operations without the necessity of a change of operator that would be ordinarily required." The attorney for Yeso sought *de novo* review of Case No. 14472. That attorney later filed a notice of

withdrawal from the case. Yeso sent a letter to Chairman Fesmire regarding the two consolidated cases, writing that Yeso "does not have any reason to be a party to either case pending before the Oil Conservation Commission and requests to withdraw from any and all future proceedings relating to these Cases."

COG has filed an application to use the Dow B 28 for salt water disposal. To date, it has not filed an application to become operator of record for the well.

After COG obtained Order R-13294 in Case 14472, Judah filed an application to become operator of the Dow B 28 (and other Yeso wells). Yeso signed off on the transfer. However, it is unclear whether Yeso has authority to transfer the Dow B 28, because Order R-13294 purported to terminate Yeso's authority to act as operator of the well. Judah has also filed an application with the OCD to use the Dow B 28 for salt water disposal.

Case 14547: The OCD filed the application for hearing in Case 14547, seeking guidance on which operator to recognize as the operator of record for the Yeso wells. At the time the OCD filed the application, additional wells were at issue, and additional would-be operators had expressed interest in the wells. It appears that the issues have been resolved except for the dispute between COG and Judah as to the Dow B 28.

RESPONDENT'S PROPOSED EVIDENCE

WITNESSES:

ESTIMATED TIME:

Jane Prouty, OCD Records and Automation Bureau Chief 10 minutes

Daniel Sanchez, OCD Compliance and Enforcement Manager 10 minutes

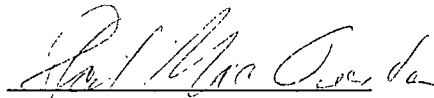
EXHIBITS:

The exhibits the OCD may seek to introduce at the hearing in these cases are attached.

PROCEDURAL MATTERS

None at this time.

Respectfully submitted
this 27th day of October 2010 by



Gail MacQuesten

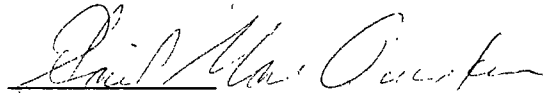
Oil Conservation Division, EMNRD

CERTIFICATE OF SERVICE

I hereby certify that on October 27 2010 a copy of this pleading and OCD's proposed exhibits were hand-delivered to:

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