



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.nm.blm.gov



IN REPLY REFER TO:
NM-96851
3104 NM(P0130)

MAR 09 2012

CERTIFIED-RETURN RECEIPT REQUESTED
7000 1530 0003 7686 5854

New Mexico Oil Conservation Division
Attention: Daniel Sanchez
1220 South St. Francis Drive
Santa Fe, N.M. 87505

Gentlemen:

The BLM Roswell Field Office (RFO) has attached Yeso Energy, Inc. (Yeso) \$25,000.00 BLM Bond No. NM2699, Surety No. BOO1415 for the down hole plugging and surface reclamation for the following property held by Yeso under expired lease NM-96851: well No. 1-Morgan Federal, API No. 30-005-20667 located 990 FNL & 1980 FWL Sec. 6, T. 10 S., R. 30 E., NMPM, Chaves County, New Mexico.

The well No. 1-Morgan Federal was drilled & completed as follows:

16 In., 65 Lbs./Ft Casing Set @ 40 Ft. W/Ready Mix to Surface
9-5/8 In., 36 Lbs./Ft. Casing Set @ 1516 Ft. W/Cement Circulated to Surface
5-1/2 In., 17 Lbs./Ft. Casing Set @ 10000 Ft. W/Cement Circulated to Surface
CIBP @ 9600 Ft. W/Cement On Top PBTD: 9523 Ft.
Open Perforations F/9241-9343 Ft.

The following information along the requirement that no plug except the surface plug shall be less than 25 sacks of cement was used to determine the volume of cement that will be required for each plug.

Capacity of 5-1/2 In., 17 Lbs./Ft. Casing=7.661 Lin. Ft./Cu. Ft.
Class "C" Mixed @ 14.8 Lbs./Gal W/6.3 Gal Fresh Water/Sx.=1.32 Cu. Ft./Sx.
Class "H" Mixed @ 16.4 Lbs./Gal W/4.3 Gal Fresh Water/Sx.=1.06 Cu. Ft./Sx.

The BLM is requesting that the New Mexico Oil Conservation Division plug the Well No. 1-Morgan Federal according to the minimum required plugging program and pursuant to the attached BLM-RFO Permanent Abandonment of Federal Wells-Conditions of Approval as follows:

Plug No. 1-60 Sx. Class "H" Cement F/9523-9090 Ft. -Tag
Plug No. 2-25 Sx. Class "H" Cement F/7600-7450 Ft. -Tag
Plug No. 3-25 Sx. Class "C" Cement F/5100-4950 Ft. -Tag
Plug No. 4-25 Sx. Class "C" Cement F/2800-2650 Ft. -Tag
Plug No. 5-25 Sx. Class "C" Cement F/1415-1565 Ft. -Tag

Plug No. 6-20 Sx. Class "C" Cement F/150-3 Ft. W/Metal Plate -Dry Hole Marker Welded On Top Of Casing Cut @ Base Of Cellar Or 3 Ft. Below Final Restored Ground Level (Whichever Is Deeper) Pursuant To Stipulation No. 6.

A wellbore diagram of the well before and after plugging is also attached. Please have the contractor plugging the well contact the BLM Roswell Field Office at least 24 hours prior to the commencing of any plugging operations since the plugging operations should be witnessed by a Petroleum Engineering Technician. For wells in Chaves and Roosevelt County, during office hours or after office hours call (575) 627-0205. Engineer on call during office hours phone (575) 627-0275 or phone (after hours) call (575) 626-5749.

If you have any questions regarding this letter, please call David Glass, Petroleum Engineer at the Division of Lands and Minerals at (575) 627-0275.

Sincerely,

/s/ Angel Mayes

Angel Mayes
Assistant Field Manager,
Lands and Minerals

cc:

NM (92110, J. Spielman)
NM (P0130, File Room)

BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201
(575) 627-0272

Permanent Abandonment of Federal Wells
Conditions of Approval

Failure to comply with the following Conditions of Approval may result in a Notice of Incidents of Noncompliance (INC) in accordance with 43 CFR 3163.1.

1. **Plugging operations shall commence within ninety (90) days from the approval date of this Notice of Intent to Abandon. If you are unable to plug the well by the 90th day provide the BLM Roswell Field Office (RFO), prior to the 90th day, with the reason for not meeting the deadline and a date when the BLM Roswell Field Office can expect the well to be plugged. Failure to do so will result in enforcement action. Unless the well has been properly plugged, the rig shall not be removed from over the hole without prior approval.**

2. Notification: Contact the BLM Roswell Field Office at least 24 hours prior to the commencing of any plugging operations. For wells in Chaves and Roosevelt County, during office hours or after office hours call (575) 627-0205. Engineer on call during office hours phone (575) 627-0275 or phone (after hours) call (575) 626-5749.

3. Blowout Preventers: A blowout preventer (BOP), as appropriate, shall be installed before commencing any plugging operation. The minimum BOP requirement is a 2M system for a well not deeper than 9090 feet; a 3M system for a well not deeper than 13636 feet; and a 5M system for a well not deeper than 22727 feet.

4. Mud Requirement: Mud shall be placed between all plugs. Minimum consistency of plugging mud shall be obtained by mixing at a rate of 25 sacks (50 pounds each) of gel per 100 barrels of water. Minimum nine (9) pounds per gallon.

5. Cement Requirement: Sufficient cement shall be used to bring any required plug to the specified depth and length. Any given cement volumes on the proposed plugging procedure are merely estimates and not final. Unless specific approval is received, no plug except the surface plug shall be less than 25 sacks of cement. In lieu of a cement plug in cased hole, a bridge plug set within 50 feet to 100 feet above the perforations shall be capped with 50 feet of cement. If a bailer is used to cap this plug, 35 feet of cement shall be sufficient.

Unless otherwise specified in the approved procedure, the cement plug shall consist of either class "C" for up to 7500 feet of depth, mixed at 14.8 lbs./gal with 6.3 gallons of fresh water per sack or class "H" for deeper than 7500 feet plugs, mixed at 16.4 lbs./gal with 4.3 gallons of fresh water per sack.

6. Monument: Upon abandonment of the well, all casing shall be cut-off at the base of the cellar or 3-feet below final restored ground level (whichever is deeper). The well bore shall then be covered with a metal plate at least ¼ inch thick and welded in place. The following information shall be permanently inscribed on the dry hole marker: Well name and number, the name of the operator, the lease serial number, the surveyed location (the quarter-quarter section, township and range or other authorized survey designation acceptable to the authorized officer; such as metes and bounds).

7. Timing Limitation Lease Stipulation / Condition of Approval For Lesser Prairie-Chicken: Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie-chicken habitat during the period from March 1 through June 15 annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D seismic operations, and pipeline, road, and well pad construction, will be allowed except between 3:00 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 feet from the source of the noise.

8. Subsequent Plugging Reporting: Within 30 days after plugging work is completed, file one original and five copies of the Subsequent Report of Abandonment, Form 3160-5 to the BLM Roswell Field Office. The report should give in detail the manner in which the plugging work was carried out, the extent (by depths) of cement plugs placed, and the size and location (by depths) of casing left in the well. **Show date well was plugged.**

Following the submittal and approval of the Subsequent Report of Abandonment, a Notice of Intent for Final Abandonment with the proposed surface restoration procedure must be submitted for approval.

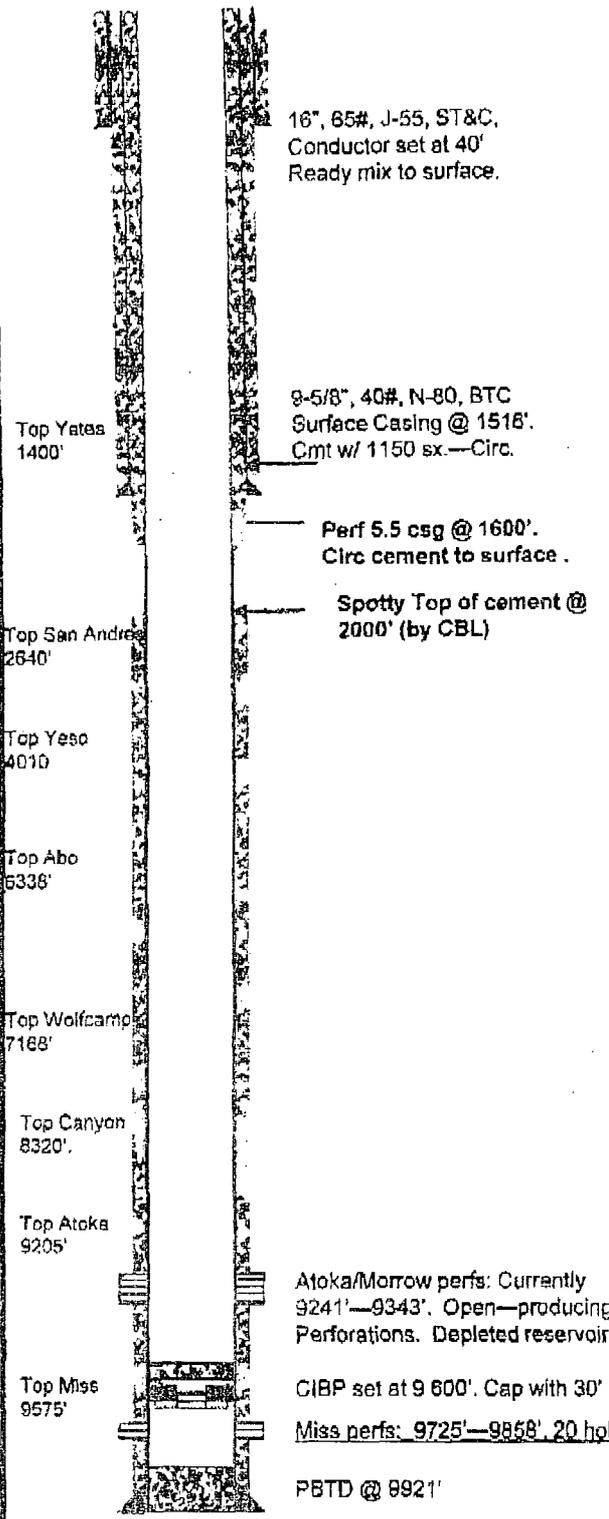
The Well No. 1-Morgan B Federal Was Drilled & Completed As Follows:
16", 65# Casing Set @ 40 Ft. W/Ready Mix To Surface
9-5/8", 36# Casing Set @ 1516 Ft. W/Cement Circulated To Surface
5-1/2", 17# Casing Set @ 10000 Ft. W/Cement Circulated To Surface
PBTD: 9523 Ft.
Open Perforations F/9241-9343 Ft.

Capacity Of 5-1/2", 17# Casing=7.661 Lin. Ft. /Cu. Ft.
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Class "H" Mixed At 16.4 Lbs. /Gal With 4.3 Gal Of Fresh Water Per Sack=1.06 Cu. Ft. /Sx.

Minimum Plugging Requirements For Well No. 1-Morgan B Federal Pursuant To BLM-RFO
Permanent Abandonment Of Federal Wells-Conditions Of Approval On The Next Page Are As
Follows:

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Top Of Casing Cut @ Base Of Cellar Or 3 Ft. Below Final Restored Ground Level (Whichever
Is Deeper) Pursuant To Stipulation No. 6

YESO Energy Inc.
Current Wellbore Diagram
10-01-2010



TD @ 10,000' 5-1/2"; 17# L80 & K55 LT&C Casing @ 10,000'
 Cement with 1940 ex. TOC 2000' by CBL.

Elevation: 4015' GL	
Date Spud: 03/02/1979 Exxon, 10/16/1996 Re-entry by Paloma	
Date TD'd: 04/13/1979 Exxon, 10/23/1996 by Paloma	
Date Completed: 02/07/96 Exxon, 10/27/1996 by Paloma	
Zone	Frac
Morrow	5000 gal 7.5% Acid + 50,000 gal Binary Foam with 56,000# 20/40 Interprop.
Miss.	12,750 Gal 15% NEFE + 50 Tons CO2.
WELL CHRONOLOGICAL HISTORY	
Date	Event
3/2/1979	Original Spud Date by Exxon, Inc.
04-05/1979	Original completion attempts by Exxon
6/16/1979	Well P&A'd by Exxon
10/16/1996	Well Re-Entered by Paloma Resources. Make a completion in Morrow at 9241-9343 in original Exxon Interval. Connect to Shoreham Pipeline
	Limited Reservoir. Production dropped rapidly and BHP bombs showed reservoir pressure decreased from 3840 psi to 400 psi in 30 days.
6/2002	Well taken over by Yeso Energy, Inc.
	No Production
	Swab well. Get producing rate of 45 mcf/d.
	Shoreham pipeline shut in. No purchaser
	Sand Ranch Pipeline purchased Shoreham
	Pipeline shut in due to leaks in line.
	Sand Ranch Pipeline says it will not fix pipeline
	Well Continued to be shut in.
	Not economic to run new line to low pressure
	Targa pipeline North of Morgan Fed # Lease.
	Pull tubing. Too poor condition to plug with.
	Prep to P&A Well down csg with cement.
Last Well Test: 8/10/2009	
	0 mcf/d

Yeso Energy Inc.
Morgan Federal #1
API #: 30-005-20617
Sec 6-T10S-R30E
Chaves County, NM
Current Wellbore

