

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

CASE NO. 13921
ORDER NO. R-12801

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER FOR A COMPLIANCE ORDER AGAINST YESO ENERGY, INC. (1) FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED 19.15.4.201 NMAC AS TO SIX WELLS; (2) ASSESSING PENALTIES FOR THE VIOLATIONS; (3) REQUIRING OPERATOR TO BRING THE SIX WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN; AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE, EDDY, LEA AND ROOSEVELT COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 12, 2007, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 20th day of August 2007, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The New Mexico Oil Conservation Division ("Division") seeks an order requiring Yeso Energy, Inc. to bring each of the following six listed wells into compliance with 19.15.4.201 NMAC within a date certain by either plugging and abandoning the wells in accordance with 19.15.4.202 NMAC, or securing approved temporary abandonment status for the subject wells in accordance with 19.15.4.203, or returning the subject wells to Division approved beneficial use:

Well Name	API Number	Location
(a) Connie C State #003	30-015-25587	K-25-19S-28E
(b) Connie C State #004	30-015-25648	B-25-19S-28E
(c) Cortland Myers Unit #004	30-025-11198	N-22-24S-37E
(d) Knight #005	30-025-20356	M-22-24S-37E
(e) Las Cruces B #001	30-041-00234	I-30-08S-37E
(f) Tracy 29 Federal #001	30-015-28142	O-29-17S-31E

(3) The Division also seeks an order determining that Yeso Energy, Inc. ("operator") knowingly and willfully violated 19.15.4.201 NMAC as to the subject wells, and if the wells are not brought into compliance with 19.15.4.201 by a date set in the order, the Division should be authorized to plug and abandon the wells and declare forfeiture of the applicable financial assurance.

(4) Further, the Division seeks a penalty of \$6,000 for knowing and willful violations of 19.15.4.201 NMAC, and failure to comply with the agreed compliance order No. ACOI 137.

(5) The Division appeared at the hearing through legal counsel and presented the following testimony.

- (a) Yeso Energy, Inc. is the current operator of the six wells listed in finding paragraph (2);
- (b) The six wells have been inactive for at least a continuous period of one (1) year plus ninety (90) days;
- (c) The subject wells are neither plugged and abandoned in accordance with 19.15.4.202 NMAC, nor placed on approved temporary abandonment status in accordance with 19.15.4.203.

(6) The Division records indicate that Yeso Energy, Inc. posted \$50,000 blanket plugging bond No. BOO1414 for all of its wells, \$5,000 one-well plugging bond No. BOO1616 for the Connie C State #004, and \$5,000 one-well plugging bond No. BOO1615 for the Connie C State #003 all issued by the U.S. Specialty Insurance Company, and \$9,000 Letter of Credit for the Knight Well No. 5 issued by the Frost Bank.

(7) Yeso Energy, Inc. did not appear at the hearing or otherwise contest the findings in this case.

(8) The Division accordingly concludes that Yeso Energy, Inc. is the operator of the six wells listed in Finding Paragraph (2). The Division also finds that Yeso Energy, Inc. knowingly and willfully violated 19.15.4.201 NMAC by its continued failure to bring the subject wells into compliance, and therefore it should be ordered to plug and abandon the wells, and pay a penalty of \$6,000.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of the Division, Yeso Energy, Inc. is hereby ordered to plug and abandon the following listed six wells, or secure approved temporary abandonment status for the wells, or return the subject wells to Division approved beneficial use all within thirty (30) days from the date of issuance of this order.

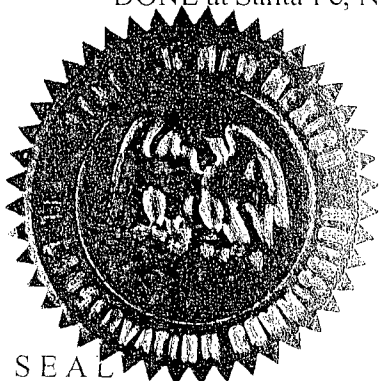
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(2) Should Yeso Energy, Inc. fail to comply with the Ordering Paragraph (1) above, the Division shall be authorized to plug and abandon the subject wells, and the applicable financial assurance shall be forfeited.

(3) Yeso Energy, Inc. shall pay a penalty of \$6,000 within thirty (30) days from the date of issuance of this order. Should Yeso Energy fail to pay this penalty within thirty (30) days from the date of issuance of this order, the Division shall initiate additional enforcement actions against Yeso Energy, Inc. including imposition of additional penalties.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director