

**OIL
CONSERVATION
DIVISION**

CASE NO.
14294

EXHIBIT
16

- Oversight of the OCD's data, acting as statistician and provider of public records data;
- Development and management of the OCD's automated enforcement tools such as the Inactive Well List, the Financial Assurance List and the C-115 compliance program;
- Management of the authorization of internal and external users of OCD's systems and assistance when they have questions;
- Management of the staff members who handle procurement, payables, imaging, facility management and C-115 processing.

3. I was asked to review the C-115 reporting history of Yeso Energy, Inc., OGRID 221710 ("Yeso").

4. OCD Rule 19.15.7.24.A NMAC requires operators to file a form C-115 "for each non-plugged well completion for which the division has approved a form C-104"

5. OCD Rule 19.15.7.24.B NMAC requires operators to file the C-115 "using the division's web-based online application on or before the 15th day of the second month following the month of production, or if such day falls on a weekend or holiday the first workday following the 15th. An operator may apply to the division for exemption from the electronic filing requirement based upon a demonstration that such requirement would operate as an economic or other hardship."

6. I prepared a spreadsheet summarizing Yeso's filing history from July 2005 to the present using the OCD's database for C-115 reporting. A copy is attached to this affidavit as Exhibit A.

7. Yeso has not filed C-115 reports for the production months of May, June, July, or August 2006, and has not filed C-115s for production months after May 2007.

8. The C-115 production reports Yeso did file during the time period I researched were all late, most by over 100 days. Exhibit A shows the due date for each filing, the date the C-115 was submitted, and the number of days the C-115 was late.

9. Yeso filed its reports in batches, filing reports on 10 months of production on June 22 and 23 of 2006, and 8 months of production on August 16, 2007.

10. To verify that Yeso had at least one well with an approved C-104 during this time period, and therefore was required to file C-115s under 19.15.7.24.A NMAC, I reviewed the well files of two sample Yeso wells:

- a) My review of the well file for the Connie "C" State #001, 30-015-25366, showed that the well had an approved C-104 dated November 13, 2001, and that Yeso acquired the well effective 3-01-02. Because Yeso operated the Connie "C" State #001 during the time period of July 2005 to present, and that well had an approved C-104 during that time period, Yeso was

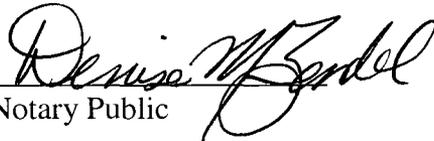
obligated to file a C-115 during that period. A copy of the C-104 is attached to this affidavit as Exhibit B. A copy of the change of operator form is attached to this affidavit as Exhibit C.

- b) My review of the well file for the Dow "B" 28 Fed. #001, 30-015-28676, showed that the well had an approved C-104 dated July 31, 1996, and that Yeso acquired the well effective 10-1-02. Because Yeso operated the Dow "B" 28 Fed. #001 during the time period of July 2005 to present, and that well had an approved C-104 during that time period, Yeso was obligated to file a C-115 during that period. A copy of the C-104 is attached to this affidavit as Exhibit D. A copy of the change of operator form is attached to this affidavit as Exhibit E.

THIS CONCLUDES MY AFFIDAVIT


Jane Prouty

SUBSCRIBED AND SWORN before me this 18th day of March 2009.


Notary Public

My Commission Expires:

01-12-2012

C-115s Submitted for Yeso, OGRID 221710

| Permit ID | Production Year | Production Month | Latest Due Date | Submitted Date | Days Late |
|-----------|-----------------|------------------|-----------------|----------------|-----------|
| 32909 | 2005 | 7 | 9/17/2005 | 6/22/2006 | 278 |
| 32911 | 2005 | 8 | 10/17/2005 | 6/22/2006 | 248 |
| 32912 | 2005 | 9 | 11/18/2005 | 6/22/2006 | 216 |
| 32913 | 2005 | 10 | 12/17/2005 | 6/22/2006 | 187 |
| 32915 | 2005 | 11 | 1/18/2006 | 6/22/2006 | 155 |
| 32916 | 2005 | 12 | 2/17/2006 | 6/22/2006 | 125 |
| 32918 | 2006 | 1 | 3/17/2006 | 6/23/2006 | 98 |
| 32919 | 2006 | 2 | 4/20/2006 | 6/23/2006 | 64 |
| 32920 | 2006 | 3 | 5/17/2006 | 6/23/2006 | 37 |
| 32929 | 2006 | 4 | 6/18/2006 | 6/23/2006 | 5 |
| 58314 | 2006 | 9 | 11/18/2006 | 8/16/2007 | 271 |
| 58314 | 2006 | 10 | 12/17/2006 | 8/16/2007 | 242 |
| 58314 | 2006 | 11 | 1/18/2007 | 8/16/2007 | 210 |
| 58314 | 2006 | 12 | 2/17/2007 | 8/16/2007 | 180 |
| 58314 | 2007 | 1 | 3/17/2007 | 8/16/2007 | 152 |
| 58314 | 2007 | 2 | 4/20/2007 | 8/16/2007 | 118 |
| 58314 | 2007 | 3 | 5/17/2007 | 8/16/2007 | 91 |
| 58314 | 2007 | 4 | 6/18/2007 | 8/16/2007 | 59 |
| 59478 | 2007 | 5 | 7/17/2007 | 8/20/2007 | 34 |

If the month and year is not displayed, no C-115 has been submitted.

3/18/2009

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-104
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
5 Copies
 AMENDED REPORT

149F
08

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

| | | |
|---|-------------------------------------|---|
| 1 Operator name and Address Prairie Sun, Inc. P.O. Box 8280 Roswell, NM 88202-8280 | | 2 OGRID Number 173235 |
| | | 3 Reason for Filing Code CH 10/01/00 |
| 4 API Number 30 - 0 15-25366 | 5 Pool Name Outpost Delaware | 6 Pool Code 48900 |
| 7 Property Code 28168 | 8 Property Name Connie "C" State | 9 Well Number 1 |

II. 10 Surface Location

| UI or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South Line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| G | 25 | 19S | 28E | | 1980 | North | 1980 | East | Eddy |

11 Bottom Hole Location

| UI or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South Line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | | | |
|-------------|--------------------------|------------------------|------------------------|-------------------------|--------------------------|
| 12 Use Code | 13 Producing Method Code | 14 Gas Connection Date | 15 C-129 Permit Number | 16 C-129 Effective Date | 17 C-129 Expiration Date |
|-------------|--------------------------|------------------------|------------------------|-------------------------|--------------------------|

III. Oil and Gas Transporters

| 18 Transporter OGRID | 19 Transporter Name and Address | 20 POD | 21 O/G | 22 POD ULSTR Location and Description |
|----------------------|---------------------------------|--------|--------|---------------------------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

IV. Produced Water

| | |
|--------|---------------------------------------|
| 23 POD | 24 POD ULSTR Location and Description |
|--------|---------------------------------------|

V. Well Completion Data

| | | | | | |
|--------------|---------------|-------------------------|---------|-----------------|----------------|
| 25 Spud Date | 26 Ready Date | 27 TD | 28 PBTD | 29 Perforations | 30 DHC, DC, MC |
| 31 Hole Size | | 32 Casing & Tubing Size | | 33 Depth Set | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

VI. Well Test Data

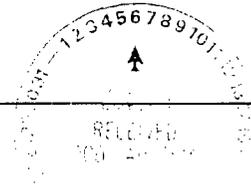
| | | | | | |
|-----------------|----------------------|--------------|----------------|------------------|------------------|
| 35 Date New Oil | 36 Gas Delivery Date | 37 Test Date | 38 Test Length | 39 Tbg. Pressure | 40 Csg. Pressure |
| 41 Choke Size | 42 Oil | 43 Water | 44 Gas | 45 AOF | 46 Test Method |

| | | | |
|---|---------------------|---------------------------------------|--|
| 47 I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief. | | OIL CONSERVATION DIVISION | |
| Signature: <i>Gene Lee</i> | | Approved by: <i>Jim W. Gunn</i> | |
| Printed name: Gene Lee | | Title: | |
| Title: Agent | | Approval Date: SUPERVISOR DISTRICT II | |
| Date: 10/01/00 | Phone: 505-622-7355 | NOV 13 2001 | |

48 If this is a change of operator fill in the OGRID number and name of the previous operator

Previous Operator—Dorothy Boyce, OGRID #8164

| | | | |
|--|-------------------------------|----------------|------------------|
| Previous Operator Signature <i>Dorothy L. Boyce</i> | Printed Name Dorothy Boyce | Title Owner | Date 10/01/00 |
|--|-------------------------------|----------------|------------------|



Case 14294
Yeso Energy, Inc.
OCD Exhibit 16-B

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-104A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit 1 copy of the final affected wells
list along with 1 copy of this form per
number of wells on that list to appropriate
District Office

Change of Operator

Previous Operator Information:

OGRID: 173235
Name: PRAIRIE SUN, INC
Address: PO BOX 8280
Address: _____
City, State, Zip: ROSWELL, N.M.

New Operator Information:

Effective Date: 3-01-02
New Ogrid: _____
New Name: YESO ENERGY, INC
Address: _____
Address: P.O. BOX 2248
City, State, Zip: ROSWELL, N.M. 89250

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the attached list of wells is true and complete to the best of my knowledge and belief.

New Operator
Signature: H. E. Lee
Printed name: H. E. LEE
Title: AGENT
E-mail
Address: LEECONINC @ AOL.COM
Date: 3-10-02 Phone: 505-622-7355

Previous operator complete below:

Previous
Operator: PRAIRIE SUN, INC.
Previous
OGRID: 173235
Signature: H. E. Lee
Printed Name: AGENT
E-mail
Address: _____

| NMOCD Approval | |
|----------------|----------------------------|
| Signature: | <u>Jim W. Lewis</u> |
| Printed Name: | <u>District Supervisor</u> |
| District: | _____ |
| Date: | <u>SEP 16 2003</u> |

30-015-25366

Case 14294
Yeso Energy, Inc.
OCD Exhibit 16-C

State of New Mexico
 Energy, Minerals & Natural Resources Department
 150 Brazos Blvd., Artesia, NM 87210-2419
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 150 Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-104
 Revised February 21, 1994
 Instructions on back
 Submit to Appropriate District Office
 5 Copies
 AMENDED REPORT

Handwritten:
 C-104
 WT
 ET
 DP

I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

| | | |
|--|----------------------------------|-----------------------|
| Operator name and Address Texaco Exp. Formation & Producing 205 EAST BENDER HOBBS, N.M. 88240 | | OGRID Number 22351 |
| Reason for Filing Code NW | | |
| API Number 30-015-28676 | Pool Name E Cedar Lake Morrow | Pool Code 74605 |
| Property Code 15807 | Property Name LWS "B" 25 Fed. | Well Number 1 |

II. Surface Location

| Well or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South Line | Feet from the | East/West line | County |
|-----------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P | 28 | 17S | 31E | | 1028 | South | 1227 | East | Eddy |

Bottom Hole Location

| Well or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|-----------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| P | 28 | 17S | 31E | | 1028 | South | 1227 | East | Eddy |

| | | | | | |
|------------|------------------------------|---------------------------------|-----------------------|------------------------|-------------------------|
| " Loc Code | " Producing Method Code F | " Gas Connection Date 3-3-96 | " C-129 Permit Number | " C-129 Effective Date | " C-129 Expiration Date |
|------------|------------------------------|---------------------------------|-----------------------|------------------------|-------------------------|

III. Oil and Gas Transporters

| Transporter OGRID | Transporter Name and Address | POD | OTC | POD ULSR Location and Description |
|-------------------|------------------------------|---------|-----|--|
| 138648 | Amoco Trucking--Loveland | 2817642 | 0 | RECEIVED JUL 25 1996 OIL CON. DIV. DIST. 4 <i>Part ID-2</i> <i>7-23-96</i> <i>camp - Mont. N. Mex.</i> |
| 005097 | Conoco, Inc | 2817643 | G | |
| | | | | |
| | | | | |
| | | | | |

IV. Produced Water

| | |
|------------------|--|
| " POD 2817644 | " POD ULSR Location and Description <i>camp - Mont. N. Mex.</i> |
|------------------|--|

V. Well Completion Data

| " Spud Date | " Ready Date | " TD | " PBTD | " Perforations | " DHC, DC, MC |
|-------------|--------------|--------|--------|----------------|---------------|
| 11-17-93 | 2-7-96 | 12,725 | 12,561 | 11,764-92 | DC |

| " Hole Size | " Casing & Tubing Size | " Depth Set | " Sacks Cement |
|-------------|------------------------|-------------|---------------------|
| 14" | 11 3/4" | 614' | 450 sx. Circ. |
| 11" | 8 5/8" | 5040' | 3000 sx. Circ. |
| 7 7/8" | 5 1/2" | 12,725' | 2300 sx. 10C--6900' |
| | 2 7/8" | 12,024' | SS @ 11,810' |

VI. Well Test Data

| " Date New Oil | " Gas Delivery Date | " Test Date | " Test Length | " Tbg. Pressure | " Csg. Pressure |
|----------------|---------------------|-------------|---------------|-----------------|-----------------|
| 2-7-96 | 3-3-96 | 2-7-96 | 24 hrs | Morrow up csg. | 200 |

| " Choke Size | " Oil | " Water | " Gas | " AOF | " Test Method |
|--------------|-------|---------|-------|-------|---------------|
| 32/64 | 30 | 0 | 350 | 350 | F |

" I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief

Signature: *Gene Lee*

Printed name: Gene Lee

Title: Agent

Date: 2-20-96

Phone: 622-7355

OIL CONSERVATION DIVISION
 Approved by: **ORIGINAL SIGNED BY TIM W. GUM**
DISTRICT II SUPERVISOR
 Title:
 Approval Date: **JUL 31 1996**

" If this is a change of operator fill in the OGRID number and name of the previous operator

Previous Operator Signature _____ Printed Name _____

Case 14294
 Yeso Energy, Inc.
 OCD Exhibit 16-D

WELLS INVOLVED IN OPERATOR CHANGE
FINAL LIST WITH C-104A

JUN 23, 2003

This is a final list of wells being transferred. If all bonding requirements are satisfied, submit this list to the OCD District with your C-104A.

PREVIOUS OPERATOR: 50589 BURNS OPERATING

NEW OPERATOR:

OCD DISTRICT: ARTESIA

| PROP- ERTY WELL NAME | ULSTR | OCD UNIT LTR | API | WELL TYPE | POOL ID | POOL NAME | LAST PROD/INJ |
|-------------------------|-------|--------------------|-----|--------------|------------|-----------|------------------|
|-------------------------|-------|--------------------|-----|--------------|------------|-----------|------------------|

20887 DOW B 28 FEDERAL #001
DOW B 28 FEDERAL #001

P-28-17S-31E P 30-015-28676 O 96591 WILDCAT CEDAR LAKE; MISSISSIPPIAN 03-2001
P-28-17S-31E P 30-015-28676 O 74805 CEDAR LAKE;MORROW, EAST (GAS) 05-2002

NEW PROPERTY
CODE

1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

STATE OF NEW MEXICO
Energy Minerals and Natural Resources

Form C-104A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit 1 copy of the final affected wells
list along with 1 copy of this form per
number of wells on that list to appropriate
District Office

30-015-28676

Change of Operator

Previous Operator Information:

New Operator Information:

OGRID: 50589
Name: BURNS OPER. CO.
Address: P.O. BOX 2039
Address: _____
City, State, Zip: Wichita Falls, Tx

Effective Date: 10-1-02
New Ogrid: 221710
New Name: YESO ENERGY, INC.
Address: P.O. BOX 2248
Address: _____
City, State, Zip: ROSWELL, N.M. 88202

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the attached list of wells is true and complete to the best of my knowledge and belief.

New Operator
Signature: Gene Lee

Printed name: GENE LEE

Title: OPER. MGR.

E-mail
Address: LEECONING@AOL.COM

Date: 10-18-02 Phone: 505-622-7355

Previous operator complete below:

Previous
Operator: BURNS OPER. CO.
Previous
OGRID: 50589
Signature: Stephen P. Hanger
Printed Name: STEPHEN P. HANGER
LAND MGR.
E-mail
Address: _____

| | |
|-----------------------|----------------------------|
| NMOCD Approval | |
| Signature: | <u>Jim W. Gunn</u> |
| Printed Name: | <u>District Supervisor</u> |
| District: | _____ |
| Date: | <u>AUG 28 2004</u> |

Case 14294
Yeso Energy, Inc.
OCD Exhibit 16-E

AFFIDAVIT OF PUBLICATION
STATE OF NEW MEXICO

RECEIVED

2009 MAR 30 PM 3 12

I, Janice Bounds
Legals Clerk

Of the Roswell Daily Record, a daily newspaper published at Roswell, New Mexico do solemnly swear that the clipping hereto attached was published in the regular and entire issue of said paper and not in a supplement thereof for a period of:

one time

beginning with the issue dated

March 7th 2009

and ending with the issue dated

March 7th 2009

Janice Bounds

Clerk

Sworn and subscribed to before me

this 27th day of March, 2009

Notary Public

My Commission expires

June 13, 2010

(SEAL)

Publish March 7, 2009

NOTICE OF HEARING
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 A.M. on March 31, 2009 in the Oil Conservation Division Hearing Room at 1220 South St. Frances Drive, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by March 21, 2009. Public documents, including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed.

STATE OF NEW MEXICO TO

All named parties and persons having any right, title, interest or claim in the following cases and notice to the public:

(NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.)

CASE 14294: Application of the New Mexico Oil Conservation Division for a Compliance Order against Yesso Energy, Inc. The Applicant seeks an order finding that the operator is in violation of 19.15.7.24 NMAC, 19.15.8.9 NMAC, and 19.15.25 NMAC, requiring operator to properly plug and abandon all the wells it operates in New Mexico by a date certain, and in the event of non-compliance authorizing the division to plug and abandon the wells and forfeit the applicable financial assurance. The affected wells are: Connie C State #001, 30-015-25366; G-25-19S-28E; Connie C State #002, 30-015-02301; H-25-19S-28E; Connie C State #003, 30-015-25587; K-25-19S-28E; Connie C State #004, 30-015-25648; B-25-19S-28E; Connie C State #017, 30-015-02302; D-25-19S-28E (the Connie C State wells are located approximately 15 miles Northeast of Carlsbad in Eddy County); Dalton Federal #001, 30-015-25259; H-29-17S-29E (located near Loco Hills in Eddy County); Dow B 28 Federal #001, 30-015-28676; P-28-17S-31E (located approximately 5 miles Southeast of Maljamar in Lea County); Gulf McKay Federal #001, 30-025-25471; N-34-18S-32E (located approximately 12 miles Southeast of Maljamar in Lea County); Laguna Grande #001, 30-015-21636; I-28-23S-29E (located approximately 5 miles Southeast of Loving in Eddy County); Lamschop 20 #1, 30-015-27220; B-20-24S-25E (located approximately 5 miles Northwest of Whites City in Eddy County); Morgan Federal #001, 30-005-20667; 3-6-10S-30E (located approximately 15 miles Northwest of Caprock in Chaves County); and Shirley Kay State #001, 30-015-25855; B-32-19S-31E (located approximately 15 miles South of Maljamar in Lea County).

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 4th day of March 2009.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
Mark E. Fesmire, P.E.
Division Director