

**OIL
CONSERVATION
DIVISION**

CASE NO.
14294

EXHIBIT
1

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST YESO ENERGY, INC. FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.7.24 NMAC, 19.15.8.9 NMAC AND 19.15.25.8 NMAC, REQUIRING OPERATOR TO PROPERLY PLUG AND ABANDON ALL ITS WELLS BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION PLUG AND ABANDON THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, EDDY, LEA AND CHAVES COUNTIES, NEW MEXICO.

CASE NO. 14294

AFFIDAVIT OF NOTICE AND PUBLICATION

In accordance with Oil Conservation Division (OCD) rule 19.15.4.12.C NMAC, I hereby certify

1. Case No. 14294 seeks an order requiring Yeso Energy, Inc. to plug its wells by a date certain, and authorizing the OCD to plug the wells and forfeit the applicable financial assurances if the operator fails to meet that deadline.
2. According to the corporate inquiry screen posted on the website for the Public Regulation Commission, Yeso Energy, Inc. is an active corporation with the following registered agent: Corporation Service Company. A copy of the corporate inquiry screen is attached as Exhibit A.
3. According to NMSA 1978, Section 53-11-14, the registered agent appointed by a corporation shall be an agent of the corporation upon whom any process, notice or demand required by law to be served upon the corporation may be served. A copy of NMSA 1978, Section 53-11-14 is attached as Exhibit B.
4. Yeso Energy, Inc. has posted financial assurances for its wells through a surety, U.S. Specialty Insurance Company.
5. Notice of the original March 31, 2009 hearing setting in the above-captioned case was mailed on March 2, 2009 to the following by certified mail, return receipt requested, at least 20 days prior to the hearing date, with a copy of the application:

Corporation Service Company
Registered Agent for Yeso Energy, Inc.

*Case 14294
Yeso Energy, Inc.
OCD Exhibit 1*

125 Lincoln Avenue, Suite 223
Santa Fe, NM 87501

Certified Mail No. 7002 0510 0003 5125 2423

U.S. Specialty Insurance Company
13403 Northwest Freeway
Houston, TX 77040

Certified Mail No. 7002 0510 0003 5125 2416

A copy of the notice, with the attachments, is attached as Exhibit C.

6. The OCD received signed return receipt cards from both Corporation Service Company and U.S. Specialty Insurance Company. Copies of the cards are attached as Exhibit D.

7. The wells at issue in Case 14294 are located in Eddy, Lea and Chaves Counties.

8. Notice of the original March 31, 2009 hearing date was published on March 6, 2009 in the Artesia Daily Press, a newspaper of general circulation in Eddy County, New Mexico. A copy of the Affidavit of Publication is attached to this affidavit as Exhibit E.

9. Notice of the original March 31, 2009 hearing date was published on Marcy 7 in the Lovington Leader, a newspaper of general circulation in Lea County, New Mexico. A copy of the Affidavit of Publication is attached to this affidavit as Exhibit F.

10. Notice of the original March 31, 2009 hearing date was scheduled for publication in the Roswell Daily Record, a newspaper of general circulation in Chaves County, New Mexico. The OCD has not yet received the Affidavit of Publication from the Roswell Daily Record, but will provide a copy when it is received.

I, Gail MacQuesten, swear that the foregoing is true and correct.


Gail MacQuesten
Oil Conservation Division

Subscribed and sworn to before me this 30th day of March 2009 by Gail MacQuesten.


Notary Public

My commission expires:

3-24-00

New Search

YESO ENERGY, INC.

SCC Number: **2260271**
Tax & Revenue Number:
Incorporation Date: **JUNE 13, 2002, in NEW MEXICO**
Corporation Type: **DOMESTIC PROFIT**
Corporation Status: **ACTIVE**
Good Standing: **In GOOD STANDING through 3/15/2010**
Purpose: **OIL & GAS EXPLORATION**

CORPORATION DATES

Taxable Year End Date: 12/31/07
Filing Date: 10/10/08
Expiration Date:

SUPPLEMENTAL POST MARK DATE

Supplemental: 12/20/02

MAILING ADDRESS

PO BOX 2248 ROSWELL , NEW MEXICO 88202-2248

PRINCIPAL ADDRESS

3103 YESO RD ROSWELL NEW MEXICO 88201

PRINCIPAL ADDRESS (Outside New Mexico)

REGISTERED AGENT

CORPORATION SERVICE COMPANY

*Case 14294
Yeso Energy, Inc.
OCD Exhibit 1-A*

125 LINCOLN AVENUE, SUITE 223 SANTA FE NEW MEXICO 87501

Agent Designated: 12/20/02

Agent Resigned:

COOP LICENSE INFORMATION

Number:

Type:

Expiration Year:

OFFICERS

President: **H.E. LEE**

Vice President: **SANDRA L. LEE**

Secretary:

Treasurer:

DIRECTORS

Date of Election of Directors: 12/31/08

LEE, H E

53-11-14. Service of process on corporation.

The registered agent appointed by a corporation shall be an agent of the corporation upon whom any process, notice or demand required or permitted by law to be served upon the corporation may be served. Nothing in this section limits or affects the right to serve any process, notice or demand required or permitted by law to be served upon a corporation in any other manner now or hereafter permitted by law.

*Case 14294
Yeso Energy, Inc.
OCD Exhibit 1-B*

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



MARCH 2, 2009

NOTICE OF HEARING

Corporation Service Company
Registered Agent for Yeso Energy, Inc.
125 Lincoln Avenue, Suite 223
Santa Fe, NM 87501

Certified Mail No. 7002 0510 0003 5125 2423

U.S. Specialty Insurance Company
13403 Northwest Freeway
Houston, TX 77040

Certified Mail No. 7002 0510 0003 5125 2416

CASE 14294: APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST YESO ENERGY, INC. FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.7.24 NMAC, 19.15.8.9 NMAC AND 19.15.25.8 NMAC, REQUIRING OPERATOR TO PROPERLY PLUG AND ABANDON ALL ITS WELLS BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION PLUG AND ABANDON THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, EDDY, LEA AND CHAVES COUNTIES, NEW MEXICO.

Ladies and Gentlemen,

You are hereby notified that the New Mexico Oil Conservation Division (OCD) has filed the above-captioned case seeking a compliance order against Yeso Energy, Inc. (Yeso). U.S. Specialty Insurance Company is being provided with notice because the OCD seeks authority to forfeit the following surety bonds posted by Yeso through U.S. Specialty Insurance Company to secure the plugging and abandonment of its wells: No. B001414 (\$50,000); No. B001614 (\$5,000); B001616 (\$5,000); No. B001615 (\$5,000). A copy of the application is enclosed.

A hearing on this application will take place before an OCD hearing officer on **Tuesday, March 31, 2009 at 8:15 a.m.**, in Porter Hall, First Floor, 1220 South St. Francis Drive in Santa Fe, New Mexico. At that hearing you will have an opportunity to oppose the entry of the order. **If you intend to present evidence at the hearing, you should file a pre-hearing statement at least four business days in advance of the hearing and serve copies on the other parties or their attorneys, as required by 19.15.4.13.B**

Oil Conservation Division * 1220 South St. Francis Drive
* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emr>

Case 14294
Yeso Energy, Inc.
OCD Exhibit 1-C

March 2, 2009

Page 2

NMAC. A copy of that rule is enclosed. I have also enclosed a copy of 19.15.4.14 NMAC, which addresses representation at administrative hearings before the OCD.

If you have questions about the application, you may call me at (505) 476-3451. If you have questions about hearing procedures or scheduling, please call OCD Hearing Clerk Florene Davidson at (505) 476-3458.

Sincerely,


Gail MacQuesten
Assistant General Counsel
Gail.macquesten@state.nm.us

Encl: Application in Case No. 14294
Rule 19.15.4.13.B NMAC
Rule 19.15.4.14 NMAC

EC: Daniel Sanchez, Compliance and Enforcement Manager
Larry "Buddy" Hill, Supervisor, District 1
Sherry Bonham, Acting Supervisor, District 2

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST YESO ENERGY, INC. FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.7.24 NMAC, 19.15.8.9 NMAC AND 19.15.25.8 NMAC, REQUIRING OPERATOR TO PROPERLY PLUG AND ABANDON ALL ITS WELLS BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION PLUG AND ABANDON THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, EDDY, LEA AND CHAVES COUNTIES, NEW MEXICO.

CASE NO. 14294

APPLICATION FOR COMPLIANCE ORDER
AGAINST YESO ENERGY, INC.

1. Yeso Energy, Inc. is a corporation operating the following wells in New Mexico under OGRID 221710:

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
Dalton Federal #001, 30-015-25259, H-29-17S-29E
Dow B 28 Federal #001, 30-015-28676, P-28-17S-31E (pool 74605)
Dow B 28 Federal #001, 30-015-28676, P-28-17S-31E (pool 96591)
Gulf McKay Federal #001, 30-025-25471, N-34-18S-32E
Laguna Grande #001, 30-015-21636, I-28-23S-29E
Lambchop 20 #1, 30-015-27220, B-20-24S-25E
Morgan Federal #001, 30-005-20667, 3-6-10S-30E
Shirley Kay State #001, 30-015-25855, B-32-19S-31E

2. According to information posted on the website of the New Mexico Public Regulation Commission, Yeso Energy, Inc. is a domestic profit corporation in good standing, with the following registered agent: Corporation Service Company, 125

Lincoln Avenue, Suite 223, Santa Fe, NM 87501. Its corporate officers are H.E. Lee and Sandra L. Lee; its director is H.E. Lee.

3. The records of the Oil Conservation Division ("OCD") identify the following financial assurances posted by Yeso Energy, Inc., through U.S. Specialty Insurance Company, 13403 Northwest Freeway, Houston, Texas 77040, to secure the plugging and abandonment of its wells:

- a. Blanket surety bond No. B001414, \$50,000;
- b. Single well surety bond No. B001614, \$5,000 for the Shirley K State #001;
- c. Single well surety bond No. B001616, \$5,000 for the Connie C State #004; and
- d. Single well surety bond No. B001615, \$5,000 for the Connie C State #003.

4. NMSA 1978, Section 70-2-14(B) provides, in relevant part, "If any of the requirements of the Oil and Gas Act [70-2-1 NMSA 1978] or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules."

Violation of 19.15.7.24 NMAC (failure to file production reports):

5. Rule 19.15.7.24 NMAC requires operators to file a monthly production report for each non-plugged well completion for which the division has approved a form C-104.

6. Yeso Energy Inc. has not filed monthly production reports for the production months of May, June, July or August of 2006, and has filed no monthly production reports after May 2007.

7. During the relevant time periods, Yeso Energy Inc. had wells with approved C-104s.

Violation of 19.15.8.9 NMAC (financial assurance requirements):

8. Rule 19.15.8.9 NMAC requires operators to post financial assurances for wells on privately owned or state owned lands in New Mexico that have not been plugged and released, conditioned that the well will be plugged and abandoned and the location restored and remediated in compliance with OCD rules.

9. Effective January 1, 2008, the operator of a state or fee well that has been inactive for a period of more than two years must post a one-well financial assurance for the well, even if the well is also covered by a blanket financial assurance. See Rule 19.15.8.9.C NMAC.

10. Effective January 1, 2008, the amounts required under Rule 19.15.8.9.D NMAC for single well financial assurances increased. The current amount required for a well in Eddy County is \$5,000 plus \$1 per foot of measured depth. See 19.15.8.9.D(2) NMAC.

10. Yeso Energy, Inc. operates five wells that require single well financial assurances under 19.15.8.9 NMAC. All are state wells located in Eddy County. The five wells either do not have single well financial assurances, or the amount of the single well financial assurance is inadequate:

- a. The Connie C State #001, 30-015-25366, has a measured depth of 3,500 feet, and requires a single well financial assurance in the amount of \$8,500. Yeso Energy Inc. has not posted a single well financial assurance for this well.
- b. The Connie C State #002, 30-015-02301, has a measured depth of 3,500 feet, and requires a single well financial assurance in the amount of \$8,500. Yeso Energy Inc. has not posted a single well financial assurance for this well.

- c. The Connie C State #003, 30-015-25587, has a measured depth of 3,525 feet, and requires a single well financial assurance in the amount of \$8,525. Yeso Energy, Inc. has posted a financial assurance in the amount of \$5,000; it needs \$3,525 in additional financial assurance for this well.
- d. The Connie C State #004, 30-015-25648, has a measured depth of 3494 feet, and requires a single well financial assurance in the amount of \$8,494. Yeso Energy, Inc. has posted a financial assurance in the amount of \$5,000; it needs \$3,494 in additional financial assurance for this well.
- e. The Connie C State #017, 30-015-02302, has a measured depth of 2037 feet, and requires a single well financial assurance in the amount of \$7,037. Yeso Energy Inc. has not posted a single well financial assurance for this well.

Violation of 19.15.25 NMAC (inactive well requirements):

11. Rule 19.15.25.8 NMAC requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity.

12. Rule 19.15.25.10.D NMAC provides that, as soon as practical, but not later than one year after the completion of plugging operations, the operator shall level the location, remove deadmen and other junk, and take other measures necessary or required by the OCD to restore the location to a safe and clean condition. In addition, the operator is required to close all pits and below-grade tanks. See 19.15.25.10.E NMAC.

13. Rule 19.15.25.11 NMAC provides that within 30 days after completing all restoration work the operator shall file with the OCD a record of the work done. The OCD shall not approve the record of plugging or release a bond until the operator has filed the necessary reports and the OCD has inspected and approved the location.

14. All of the wells operated by Yeso Energy, Inc. have been inactive for a continuous period in excess of one year plus 90 days, and are neither plugged and

abandoned in accord with 19.15.25.10 NMAC nor on approved temporary abandonment status in accord with 19.15.25.13 NMAC.

15. Rule 19.15.8.13 NMAC authorizes the Director to order the operator to plug and abandon any well not in compliance with 19.15.25.8 NMAC and restore and remediate the location by a date certain.

16. NMSA 1978, Section 70-2-12(B)(18) and NMSA 1978, Section 70-2-38 authorize the OCD to plug and abandon wells, and restore and remediate the location of abandoned wells.

WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

- A. Determining that Yeso Energy, Inc. is in violation of 19.15.7.24 NMAC, 19.15.8.9 NMAC, and 19.15.25 NMAC;
- B. Requiring Yeso Energy, Inc. to properly plug and abandon all its wells by a date certain, pursuant to NMSA 1978, Section 70-2-14(B);
- C. Authorizing the OCD to properly plug and abandon all wells operated by Yeso Energy, Inc. and forfeit the applicable financial assurances if Yeso Energy, Inc. fails to meet the deadline for compliance set in the order; and
- D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED.
this 23rd day of February 2009 by



Gail MacQuesten
Assistant General Counsel

Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451

Attorney for The New Mexico Oil
Conservation Division

Case No. _____ Application of the New Mexico Oil Conservation Division for a Compliance Order against Yeso 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); Lambchop 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).

19.15.4.13 PLEADINGS, COPIES, PRE-HEARING STATEMENTS, EXHIBITS AND MOTIONS FOR CONTINUANCE:

A. Pleadings. Applicants shall file two sets of pleadings and correspondence in cases pending before a division examiner with the division clerk and six sets of pleadings and correspondence in cases pending before the commission with the commission clerk. For cases pending before the commission, the commission clerk shall disseminate copies of pleadings and correspondence to the commission members. The party filing the pleading or correspondence shall at the same time serve a copy of the pleading or correspondence upon each party who has entered an appearance in the case on or prior to the business day immediately preceding the date when the party files the pleading or correspondence with the division or the commission clerk, as applicable. Parties shall accomplish service by hand delivery or transmission by facsimile or electronic mail to a party who has entered an appearance or, if the party is represented, the party's attorney of record. Service upon a party who has not filed a pleading containing a facsimile number or e-mail address may be made by ordinary first class mail. Parties shall be deemed to have made an appearance when they have either sent a letter regarding the case to the division or commission clerk or made an in person appearance at a hearing before the commission or before a division examiner. A written appearance, however, shall not be complete until the appearing party has provided notice to other parties of record. An initial pleading or written entry of appearance a party other than the applicant files shall include the party's address or the address of the party's attorney and an e-mail and facsimile number if available.

B. Pre-hearing statements.

(1) A party to an adjudicatory proceeding who intends to present evidence at the hearing shall file a pre-hearing statement, and serve copies on other parties or, for parties that are represented, their attorneys in the manner Subsection A of 19.15.4.13 NMAC provides, at least four business days in advance of a scheduled hearing before the division or the commission, but in no event later than 5:00 p.m. mountain time, on the Thursday preceding the scheduled hearing date. The statement shall include:

- (a) the names of the party and the party's attorney;
- (b) a concise statement of the case;
- (c) the names of witnesses the party will call to testify at the hearing, and in the case of expert witnesses, their fields of expertise;
- (d) the approximate time the party will need to present its case; and
- (e) identification of any procedural matters that are to be resolved prior to the hearing.

(2) A party other than the applicant shall include in its pre-hearing statement a statement of the extent to which the party supports or opposes the issuance of the order the applicant seeks and the reasons for such support or opposition. In cases to be heard by the commission, each party shall include copies of exhibits that it proposes to offer in evidence at the hearing with the pre-hearing statement. The commission may exclude witnesses the party did not identify in the pre-hearing statement, or exhibits the party did not file and serve with the pre-hearing statement, unless the party offers such evidence solely for rebuttal or makes a satisfactory showing of good cause for failure to disclose the witness or exhibit.

(3) A pre-hearing statement filed by a corporation or other entity not represented by an attorney shall identify the person who will conduct the party's presentation at the hearing and include a sworn and notarized statement attesting that the corporation's or entity's governing body or chief executive officer authorizes the person to present the corporation or entity in the matter.

(4) For cases pending before the commission, the commission clerk shall disseminate copies of pre-hearing statements and exhibits to the commission members.

C. Motions for continuance. Parties shall file and serve motions for continuance no later than 48 hours prior to time the hearing is set to begin, unless the reasons for requesting a continuance arise after the deadline, in which case the party shall file the motion as expeditiously as possible after becoming aware of the need for a continuance.

[19.15.4.13 NMAC - Rp, 19.15.14.1211 NMAC, 12/1/08]

19.15.4.14 CONDUCT OF ADJUDICATORY HEARINGS:

A. Testimony. Hearings before the commission or a division examiner shall be conducted without rigid formality. The division or commission shall take or have someone take a transcript of testimony and preserve the transcript as a part of the division's permanent records. A person testifying shall do so under oath. The division examiner or commission shall designate whether or not an interested party's un-sworn comments and observations are relevant and, if relevant, include the comments and

observations in the record.

B. Pre-filed testimony. The director may order the parties to file prepared written testimony in advance of the hearing for cases pending before the commission. The witness shall be present at the hearing and shall adopt, under oath, the prepared written testimony, subject to cross-examination and motions to strike unless the witness' presence at hearing is waived upon notice to other parties and without their objection. The parties shall number pages of the prepared written testimony, which shall contain line numbers on the left-hand side.

C. Appearances pro se or through an attorney. Parties may appear and participate in hearings either pro se (on their own behalf) or through an attorney. Corporations, partnerships, governmental entities, political subdivisions, unincorporated associations and other collective entities may appear only through an attorney or through a duly authorized officer or member. Participation in adjudicatory hearings shall be limited to parties, as defined in 19.15.4.10 NMAC, except that a representative of a federal, state or tribal governmental agency or political subdivision may make a statement on the agency's or political subdivision's behalf. The commission or division examiner shall have the discretion to allow other persons present at the hearing to make a relevant statement, but not to present evidence or cross-examine witnesses. A person making a statement at an adjudicatory hearing shall be subject to cross-examination by the parties or their attorneys.

[19.15.4.14 NMAC - Rp. 19.15.14.1212 NMAC. 12/1/08]

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

U.S. Specialty Insurance
13403 Northwest Freeway
Houston, TX 77040

4a. Article Number

7002 0510 0003 5125 241

4b. Service Type

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

5. Received By: (Print Name)

C. DE HERVALDE

6. Signature: (Addressee or Agent)

C. De Hervalde

Domestic Return Receipt

PS Form 3811, December 1994

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Corporation Service Company
Registered Agent for Yeso
Energy, Inc.
125 Lincoln Avenue, Suite 200
Santa Fe, NM 87501

4a. Article Number

7002 0510 0003 5125 241

4b. Service Type

- Registered Certified
- Express Mail Insured
- Return Receipt for Merchandise COD

7. Date of Delivery

3/4/09

8. Addressee's Address (Only if requested and fee is paid)

5. Received By: (Print Name)

C. LARRAGOTTE

6. Signature: (Addressee or Agent)

C. Larragotte

Domestic Return Receipt

PS Form 3811, December 1994

Thank you for using Return Receipt Service.

Affidavit of Publication

NO. 20592

STATE OF NEW MEXICO
2009 MAR 11 PM 1 17
County of Eddy:

O/S
fd

GARY D. SCOTT being duly

sworn, says: That he is the PUBLISHER of The

Artesia Daily Press, a daily newspaper of general circulation, published in English at Artesia, said county and county and state, and that the here to attached

Legal Notice

was published in a regular and entire issue of the said Artesia Daily Press, a daily newspaper duly qualified for that purpose within the meaning of Chapter 167 of the 1937 Session Laws of the state of New Mexico for

1 Consecutive week/days on the same

day as follows:

First Publication March 6, 2009

Second Publication _____

Third Publication _____

Fourth Publication _____

Fifth Publication _____

[Handwritten signature]

Subscribed and sworn to before me this

6 Day March 2009



OFFICIAL SEAL
Jo Morgan
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 12/31/2012

[Handwritten signature]

Notary Public, Eddy County, New Mexico

Copy of Publication:

STATE OF NEW MEXICO
ENERGY, MINERALS
AND NATURAL
RESOURCES DEPART-
MENT
OIL CONSERVATION
DIVISION
SANTA FE, NEW MEXI-
CO

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. Francis 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

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); Lambchop 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
S E A L

Published in the Artesia Daily Press, Artesia, NM, March 6, 2009.

Legal No. 20592

Case 14294
Yeso Energy, Inc.
OCD Exhibit 1-E

the 1937 Session Laws of the state of New Mexico for

Consecutive week/days on the same

93.53

day as follows:

First Publication March 6, 2009

Second Publication

Third Publication

Fourth Publication

Fifth Publication

Subscribed and sworn to before me this

6 Day March 2009



OFFICIAL SEAL
Jo Morgan
NOTARY PUBLIC-STATE OF NEW MEXICO

My commission expires: 4/6/2012

Jo Morgan
Notary Public, Eddy County, New Mexico

with a disability... 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 Yeso 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

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

SEAL
Published in the Artesia Daily Press, Artesia, NM March 6, 2009.
Legal No. 20592

Oath of Publication

OK
fd

STATE OF NEW MEXICO)

) ss.

COUNTY OF LEA)

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertising Director of **THE LOVINGTON LEADER**, a daily newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled

Legal Notice

was published in a regular and entire issue of **THE LOVINGTON LEADER** and not in any supplement thereof, for one (1) day, beginning with the issue of March 7, 2009 and ending with the issue of March 7, 2009.

And that the cost of publishing said notice is the sum of \$89.04 which sum has been (Paid) as Court Costs.

Joyce Clemens

Subscribed and sworn to before me this 12th day of March 2009

Debbie Schilling

Debbie Schilling
Notary Public, Lea County, New Mexico
My Commission Expires June 22, 2010

LEGAL NOTICE

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. Francis 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); Lambchop 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
S E A L

Published in the Lovington Leader March 7, 2009

Case 14294
Yesso Energy, Inc.
OCD Exhibit 1-F