



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joann Prukop

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Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 29, 2007

Gene Lee
Yeso Energy Inc.
P.O. Box 8280
Roswell, NM 88202

**Re: Yeso Energy Inc., OGRID 221710
Inactive well agreed compliance order 137 (ACOI 137)**

Dear Mr. Lee,

The Oil Conservation Division (OCD) has received the \$3,000 check from Yeso Energy Inc. (Yeso) in payment of the penalty due under ACOI 137. The OCD will close out ACOI 137, which has now expired.

Please note that six Yeso wells currently appear on the inactive well list kept pursuant to Rule 40 [19.15.1.40 NMAC]. Those wells are in violation of Rule 201 [19.15.4.201 NMAC] because they have been inactive for a continuous period in excess of one year plus 90 days, and are neither plugged nor on approved temporary abandonment. Several of the wells have been out of compliance since the 1980's. Because Yeso operates 37 wells, and has more than two wells on the inactive well list, it is also in violation of Rule 40.

The OCD will be filing an application for hearing seeking an order requiring Yeso to return its inactive wells to compliance with Rule 201 by a date certain, and authorizing the OCD to plug the wells and forfeit the applicable financial assurance if Yeso fails to meet the deadline set in the order.

Sincerely,

Daniel Sanchez
Enforcement and Compliance Manager

cc: Chris Williams, OCD District I
Tim Gum, OCD District II
Charlie Perrin, OCD District III
Gail MacQuesten, OCD Attorney
Theresa Duran-Saenz, OCD Legal Assistant