

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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

ORIGINAL

APPLICATION OF THE NEW MEXICO OIL
CONSERVATION DIVISION FOR A COMPLIANCE
ORDER AGAINST YESO ENERGY, INC.

CASE NO. 14294

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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BEFORE: DAVID K. BROOKS, Presiding Examiner
TERRY G. WARNELL, Technical Examiner
WILLIAM V. JONES, Technical Examiner

August 20, 2009

Santa Fe, New Mexico

This matter came on for hearing before the
New Mexico Oil Conservation Division, DAVID K. BROOKS,
Presiding Examiner, WILLIAM V. JONES, Technical Examiner,
and TERRY G. WARNELL, Technical Examiner, on Thursday,
August 20, 2009, at the New Mexico Energy, Minerals and
Natural Resources Department, 1220 South St. Francis
Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
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A P P E A R A N C E S

FOR THE OIL CONSERVATION DIVISION:

GAIL MACQUESTION
Deputy General Counsel
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

WITNESSES: PAGE

Daniel Sanchez

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1 MR. BROOKS: In that case we will begin
2 with Case 14294, the application of the New Mexico Oil
3 Conservation Division for a compliance order against Yeso
4 Energy, Inc. Call for appearances.

5 MS. MACQUESTEN: Gail MacQuesten for the
6 Oil Conservation Division.

7 MR. BROOKS: Are there any other
8 appearances? Very good. There being no other, you may
9 proceed, Ms. MacQuesten.

10 MS. MACQUESTEN: Mr. Examiner, we went to
11 hearing on March 31st in this case asking for a plugging
12 order. The operator had 12 wells, all inactive. He had
13 been reporting those wells for some time. He was also
14 missing financial assurance. We demonstrated, also, a
15 history of trying to get compliance with the operator,
16 going back to 2006.

17 The morning of the hearing, the operator
18 posted cash single well bonds on five of its wells, but
19 the operator did not appear at hearing. We suggested
20 that we give the operator 90 days to see if it would come
21 to compliance on the other issues. It's now been four
22 and a half months. All 12 wells are still inactive, and
23 the operator has not filed any reports.

24 The order that was issued in this case
25 instructed the operator to come back today and explain

1 whether he was in compliance, and if he failed to appear,
2 would allow the Division to issue an order directing the
3 operator to plug all of its wells by a date certain, and
4 allow the Division to plug those if the operator failed
5 to meet that deadline.

6 Since the operator has not appeared, I am not
7 sure what the Examiner would like from the Division. We
8 can either ask the Examiner to take administrative notice
9 of OCD records that show that no activity has occurred
10 with the wells, or I have Mr. Sanchez here to provide
11 testimony to that effect.

12 MR. BROOKS: We can put Mr. Sanchez on
13 briefly, and let him tell us what the current compliance
14 status is.

15
16 MS. MACQUESTEN: With that, I would like
17 Mr. Sanchez to take the stand.

18 (The witness was sworn.)

19 DANIEL SANCHEZ

20 Having been first duly sworn, testified as follows:

21 DIRECT EXAMINATION

22 BY MS. MACQUESTEN:

23 Q. Mr. Sanchez, would you state your full name
24 for the record?

25 A. Daniel Sanchez.

1 Q. How are you employed?

2 A. With the Oil Conservation Division.

3 Q. What is your title?

4 A. Compliance and Enforcement Manager.

5 Q. Did you testify in the March 31st hearing
6 against Yeso Energy, Inc.?

7 A. Yes, I did.

8 Q. Do you understand that the order was issued in
9 that case regarding Yeso to appear today and explain what
10 actions it had taken to come into compliance?

11 A. Yes.

12 Q. According to OCD records, has Yeso done
13 anything to come into compliance since the March 31st
14 hearing?

15 A. No.

16 Q. Have you checked the well list for Yeso?

17 A. Yes, I have.

18 Q. And does it still show 12 wells -- the same 12
19 wells that were at issue at that hearing?

20 A. Yes, it does.

21 Q. Are those wells producing?

22 A. No. None of them are.

23 Q. Is Exhibit 17 a copy of that well list?

24 A. Yes, it is.

25 Q. Have you checked the well files of those 12

1 wells to see if they had been plugged or placed on
2 temporary abandonment status?

3 A. I reviewed all the well files for Yeso, and
4 none of that has occurred.

5 Q. Has Yeso taken any action on any of those
6 wells?

7 A. No.

8 Q. Has Yeso filed any production reports since
9 the hearing?

10 A. No.

11 Q. Is Exhibit 18 a production report summary
12 showing that no reports have been filed since the report
13 for May of 2007?

14 A. Yes, it is.

15 Q. What are you asking for today?

16 A. We're asking that the Hearing Examiner issue
17 an order allowing six months for Yeso to either plug
18 their wells, the 12 wells, or transfer them to another
19 operator. At which point, at the end of that six months,
20 we would ask that the OCD become the authority to plug
21 those wells.

22 Q. Is that six-month period consistent with the
23 statement in the order that the Division shall not plug
24 any wells pursuant to an order issued until at least six
25 months after the order is issued?

1 A. Yes, it is.

2 Q. And you would like to -- the order indicated
3 that that would allow Yeso time to transfer its wells to
4 another division-approved operator?

5 A. Yes.

6 Q. So you want Yeso to use that six months to
7 either plug or transfer?

8 A. That's right.

9 Q. Once an order is issued, would Yeso still be
10 able to transfer the wells to another operator until the
11 Division took action to plug the wells?

12 A. Yes, they will.

13 MS. MACQUESTEN: That's all I have, Mr.
14 Examiner.

15 MR. BROOKS: These 12 wells, are these all
16 the wells that Yeso has?

17 THE WITNESS: Yes.

18 MR. BROOKS: So they have no active wells?

19 THE WITNESS: No, sir.

20 MR. BROOKS: Thank you. That's all I
21 have.

22 MR. WARNELL: Has Yeso made any attempt to
23 contact the OCD?

24 THE WITNESS: None whatsoever.

25 MR. BROOKS: That's all we have.

1 MS. MACQUESTEN: Mr. Examiner, I just did
2 want to add that we weren't sure how to proceed with
3 notice in this case, because notice was given at the
4 original action and then the Division continued the case
5 until today. We feel that the notice that was given for
6 the original action should suffice for notice of today.
7 However, in an abundance of caution, I also filed an
8 additional prehearing statement to Yeso to make sure that
9 they understood that they should be here today.

10 MR. BROOKS: Yeah. I have always
11 interpreted our rules in that way; that is, once notice
12 of a hearing is given, if the case is continued pursuant
13 to directives of the Division, then that suffices for
14 notice at subsequent hearings.

15 MS. MACQUESTEN: Thank you.

16 MR. BROOKS: Case Number 14294 will be
17 taken under advisement.

18 * * *

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 14294
heard by me on 8-20-2009
David K. Brooks Examiner
Oil Conservation Division

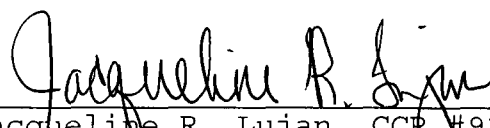
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I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on August 20, 2009, proceedings in
the above captioned case were taken before me and that I
did report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 4th day of September,
2009.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2009