

Form 3160-5
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OM B No. 1004-0137
Expires: March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
☐ Oil Well ☐ ☒ Gas Well ☐ Other

2. Name of Operator **Yeso Energy, Inc.**

3a. Address
P.O. Box 2248 Roswell, NM 88202

3b. Phone No. (include area code)
575-622-7355

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
**990' FNL & 1980' FWL
Sec 6-T10S-R30E**

5. Lease Serial No.

NMNM96851

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Morgan Federal #1

9. API Well No.

30-005-20667

10. Field and Pool, or Exploratory Area

Many Gates Morrow

11. County or Parish, State

Chaves County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input checked="" type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yeso Energy requests to plug and permanently abandon the Morgan Federal #1 well. The 5.5" casing has cement circulated to the surface as does the 9 5/8" surface casing. This well was a re-entry of a well bore previously drilled and plugged by Exxon on June 15, 1979. Well currently has no tubing in the well bore and was removed and prior to removal a pressure test on the 5.5" casing was performed and tested good from the packer setting depth of 9136' to the surface. Tubing and packer were both removed from the 5.5" casing.

Operator proposes to plug the well by pumping cement from the surface to the top of the Morrow perforations at 9241'-9343' with sufficient cement to squeeze the open perforations 9241'-9343 and filling the entire wellbore to the surface with cement. See attached current well bore diagram and proposed plugged and abandoned well bore diagram.

Well head will be cut off 3' below ground level and a plate with weep hole installed on the top of the 8 5/8" casing with the appropriate well information on it. Production equipment will be removed, anchors cutoff 18" below ground level and the surface location and access road will be rehabilitated to native vegetation.

**APPROVED FOR 3 MONTH PERIOD
ENDING JAN 25 2011**

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Gene Lee

Title **Agent**

Signature

Date

09/30/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by **/S/ DAVID R. GLASS**

Title **PETROLEUM ENGINEER**

Date **OCT 25 2010**

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office **ROSWELL FIELD OFFICE**

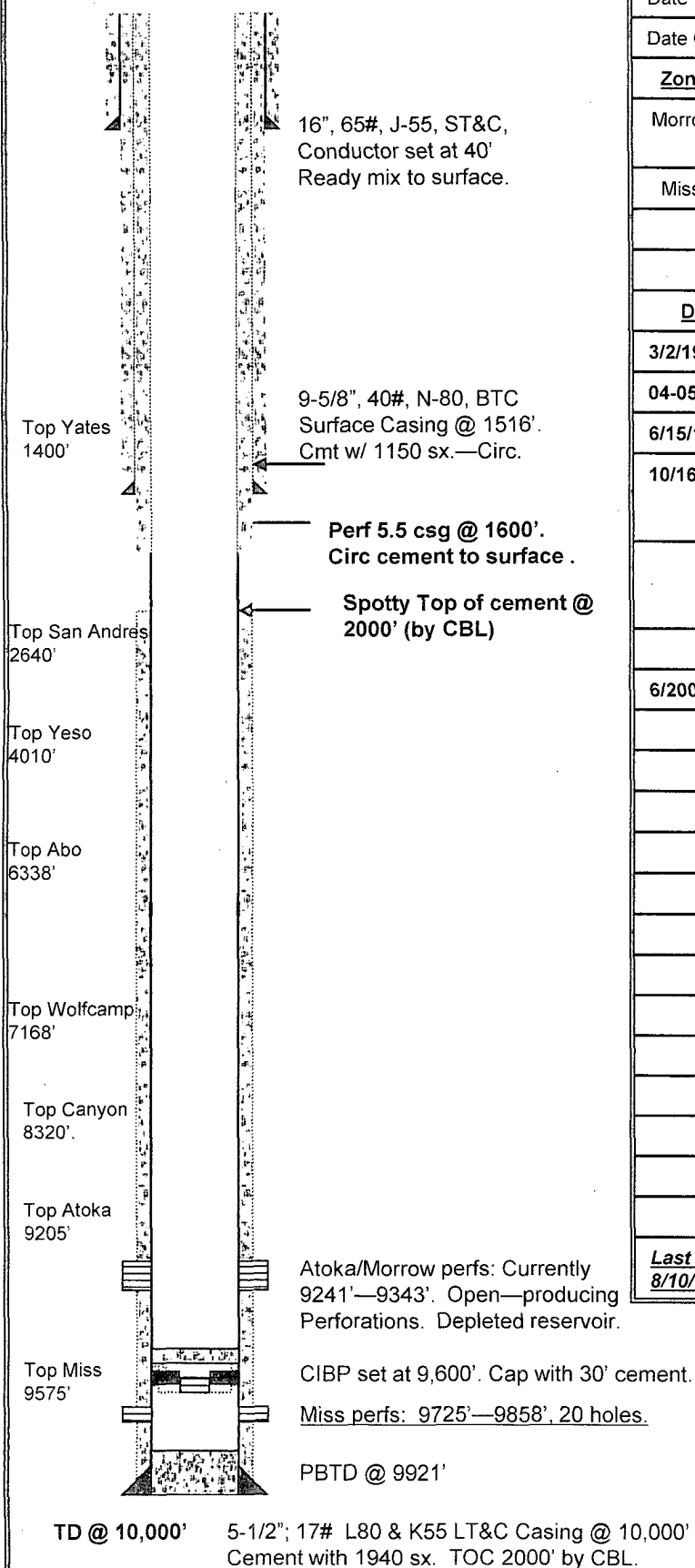
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

**ENTERED IN
AFMSS**

YESO Energy Inc.
Current Wellbore Diagram
10-01-2010



Elevation: 4015' GL

Date Spud: 03/02/1979 Exxon, 10/16/1996 Re-entry by Paloma

Date TD'd: 04/13/1979 Exxon, 10/23/1996 by Paloma

Date Completed: 02/07/96 Exxon, 10/27/1996 by Paloma

Zone	Frac
Morrow	5000 gal 7.5% Acid + 50,000 gal Binary Foam with 56,000# 20/40 Interprop.
Miss.	12,750 Gal 15% NEFE + 50 Tons CO2.

WELL CHRONOLOGICAL HISTORY

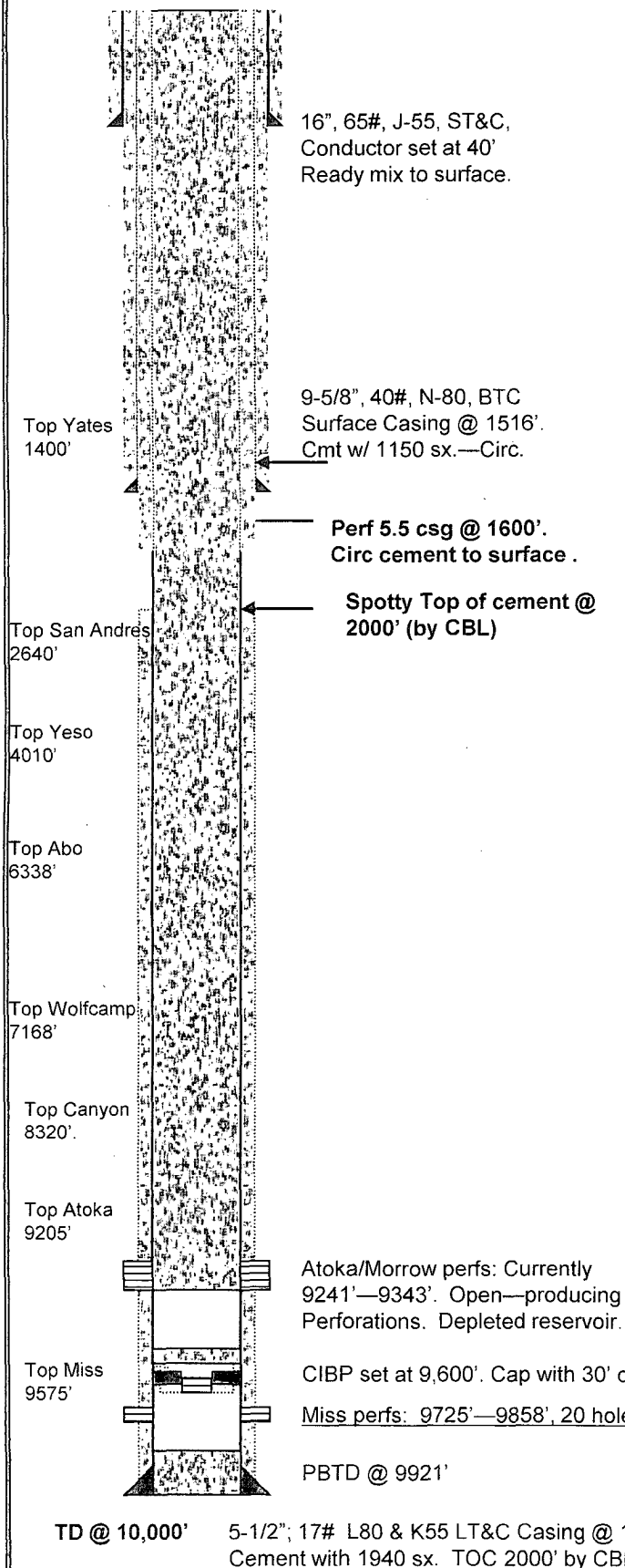
Date	Event
3/2/1979	Original Spud Date by Exxon, Inc.
04-05/1979	Original completion attempts by Exxon.
6/15/1979	Well P&A'd by Exxon
10/16/1996	Well Re-Entered by Paloma Resources. Make a completion in Morrow at 9241—9343 in original Exxon Interval. Connect to Shoreham Pipeline
	Limited Reservoir. Production dropped rapidly and BHP bombs showed reservoir pressure decreased from 3840 psi to 400 psi in 90 days.
6/2002	Well taken over by Yeso Energy, Inc.
	No Production
	Swab well. Get producing rate of 45 mcf/d.
	Shoreham pipeline shut in. No purchaser
	Sand Ranch Pipeline purchased Shoreham
	Pipeline shut in due to leaks in line.
	Sand Ranch Pipeline says it will not fix pipeline
	Well Continued to be shut in.
	Not economic to run new line to low pressure
	Targa pipeline North of Morgan Fed #1 Lease.
	Pull tubing. Too poor condition to plug with.
	Prep to P&A Well down csg with cement.

Last Well Test:
8/10/2009

0 mcf/d

Yeso Energy Inc.
Morgan Federal #1
API #: 30-005-20667
Sec 6-T10S-R30E
Chaves County, NM
Current Wellbore

YESO Energy Inc.
Proposed Wellbore Diagram
For Plugging and Abandonment



Elevation: 4015' GL

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Date TD'd: 04/13/1979 Exxon, 10/23/1996 by Paloma

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Yeso Energy Inc.
Morgan Federal #1
API #: 30-005-20667
Sec 6-T10S-R30E
Chaves County, NM
Proposed Wellbore -P&A

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201
(575) 627-0272

Permanent Abandonment of Federal Wells Conditions of Approval

Failure to comply with the following Conditions of Approval may result in a Notice of Incidents of Noncompliance (INC) in accordance with 43 CFR 3163.1.

1. Plugging operations shall commence within **ninety (90)** days from the approval date of this Notice of Intent to Abandon. **If you are unable to plug the well by the 90th day provide the BLM Roswell Field Office, prior to the 90th day, with the reason for not meeting the deadline and a date when the BLM Roswell Field Office can expect the well to be plugged. Failure to do so will result in enforcement action.**

2. Notification: Contact the BLM Roswell Field Office at least 24 hours prior to the commencing of any plugging operations. For wells in Chaves and Roosevelt County, during office hours call (575) 627-0205 or after office hours call (575) 420-2832. Engineer on call during office hours phone (575) 627-0275 or phone (after hours) call (575) 626-5749.

3. Blowout Preventers: A blowout preventer (BOP), as appropriate, shall be installed before commencing any plugging operation. The minimum BOP requirement is a 2M system for a well not deeper than 9090 feet; a 3M system for a well not deeper than 13636 feet; and a 5M system for a well not deeper than 22727 feet.

4. Mud Requirement: Mud shall be placed between all plugs. Minimum consistency of plugging mud shall be obtained by mixing at a rate of 25 sacks (50 pounds each) of gel per 100 barrels of water. Minimum nine (9) pounds per gallon.

5. Cement Requirement: Sufficient cement shall be used to bring any required plug to the specified depth and length. Any given cement volumes on the proposed plugging procedure are merely estimates and not final. Unless specific approval is received, no plug except the surface plug shall be less than 25 sacks of cement. In lieu of a cement plug in cased hole, a bridge plug set within 50 feet to 100 feet above the perforations shall be capped with 50 feet of cement. If a bailer is used to cap this plug, 35 feet of cement shall be sufficient.

Unless otherwise specified in the approved procedure, the cement plug shall consist of either class "C" for up to 7500 feet of depth, mixed at 14.8 lbs./gal with 6.3 gallons of fresh water per sack or class "H" for deeper than 7500 feet plugs, mixed at 16.4 lbs./gal with 4.3 gallons of fresh water per sack.

6. Monument: Upon abandonment of the well, all casing shall be cut-off at the base of the cellar or 3-feet below final restored ground level (whichever is deeper). The well bore shall then be covered with a metal plate at least ¼ inch thick and welded in place. The following information shall be permanently inscribed on the dry hole marker: Well name and number, the name of the operator, the lease serial number, the surveyed location (the quarter-quarter section, township and range or other authorized survey designation acceptable to the authorized officer; such as metes and bounds).

7. Subsequent Plugging Reporting: Within 30 days after plugging work is completed, file one original and five copies of the Subsequent Report of Abandonment, Form 3160-5 to the BLM Roswell Field Office. The report should give in detail the manner in which the plugging work was carried out, the extent (by depths) of cement plugs placed, and the size and location (by depths) of casing left in the well. **Show date well was plugged.**

Following the submittal and approval of the Subsequent Report of Abandonment, a Notice of Intent for Final Abandonment with the proposed surface restoration procedure must be submitted for approval.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201-2019
www.nm.blm.gov



In Reply Refer To:
NM96851
3108 (P0130)

APR 12 2010

CERTIFIED-RETURN RECEIPT REQUESTED

7006 3450 0001 4285 2678

Yeso Energy, Inc.
P.O. Box 2248
Roswell, NM 88202-2248

Gentlemen:

The Bureau of Land Management (BLM) received from Chica Energy LLC a Sundry Notice (Form 3160-5) requesting to change the operator from Yeso Energy, Inc. to Chica Energy LLC for No. 1-Morgan Federal well located 990 feet FNL and 1980 feet FWL Section 6, T. 10 S., R. 30 E., Chaves County, New Mexico. At this time BLM is unable to approve the change of operator because oil and gas lease NM96851 is not in good standing. The subject lease is in its extended term and can only remain in full force and effect so long as oil or gas is being produced in paying quantities under 43 CFR 3107.2-1. According to our records the well has not produced since May 31, 2006, therefore lease NM96851 must contain a well capable of producing oil or gas in paying quantities. Paying quantities is defined as enough oil and gas to pay the day-to-day operating and lease maintenance costs, including minimum royalty on a sustained basis.

BLM has determined that this lease is not capable of production in paying quantities. Under 43 CFR 3107.2-2, Yeso Energy is allowed 60 days from receipt of this letter within which to commence reworking or drilling operations on the leasehold. The lease will remain in full force and effect if approved operations are commenced and are conducted with reasonable diligence during the period of nonproduction.

If reworking or drilling operations have not commenced or No. 1-Morgan Federal is not placed on continuous production within 60 days of receipt of this letter, oil and gas lease NM96851 will automatically terminate the date of receipt of this letter. If the subject well is placed on continuous production and production ceases, oil and gas lease NM96851 will automatically terminate. Yeso Energy will be responsible for plugging the No. 1-Morgan Federal and any other related facilities located on the leasehold within 90 days of receipt of this letter.

The aforementioned information is furnished so you may take such action as you consider appropriate. You are further reminded that no production tests or other operations should be conducted on oil and gas lease NM96851 without prior approval of this office. If you need additional information and/or have any questions regarding this letter, please contact David Glass, Petroleum Engineer at the above address or at (575) 627-0275.

Sincerely,

/s/ Angel Mayes

Angel Mayes
Assistant Field Manager,
Lands and Minerals

cc:

NM (P0130, File Room)