

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING
SABA ENERGY OF TEXAS, INC. TO BRING SIX WELLS INTO COMPLIANCE
WITH 19.15.4.201 NMAC, ASSESSING APPROPRIATE CIVIL PENALTIES,
AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT
THE APPLICABLE SECURITY IN DEFAULT OF COMPLIANCE BY THE
OPERATOR; LEA COUNTY, NEW MEXICO.**

**CASE NO. 13163
De Novo**

Affidavit of Dorothy Phillips

STATE OF NEW MEXICO)
) SS.
COUNTY OF SANTA FE)

Dorothy Phillips, being first duly sworn on oath, states as follows:

1. I am employed as the bond administrator at the Santa Fe, New Mexico office of the Oil Conservation Division ("OCD").

2. My duties include maintaining records of financial assurance documents filed by operators pursuant to NMSA 1978, Section 70-2-14.

3. I have reviewed OCD's financial assurance records to determine if the following wells are covered by a financial assurance:

Fern Guye #001, API 30-025-34488
Harton State #001, API 30-025-28540
Morris #001, API 30-025-29247
Saba State #001, API 30-025-33726
San Simon 5 State #001, API 30-025-27564
San Simon 5 State #002, API 30-025-28480

4. Saba Energy of Texas, Inc. is the operator of record for the six wells identified in paragraph 3, above. Saba Energy of Texas, Inc. has posted a \$50,000 blanket plugging bond with the OCD. The bond, number RED 1023122, was issued by Redland Insurance Company.

**Before the OCC
Case 13163
de novo
OCD Ex. 6**

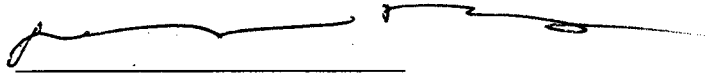
5. OCD records show no amendments or riders to bond number RED 1023122. According to our records that bond remains in effect.

6. A copy of bond number RED 1023122 is attached as Exhibit A to this affidavit.

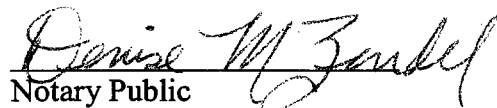
7. As of the date of this affidavit, Saba Energy of Texas, Inc. has not posted single well financial assurances for any of the wells identified in paragraph 3 of this affidavit.

THIS CONCLUDES MY AFFIDAVIT.

State of New Mexico)
County of Santa Fe)


Dorothy Phillips

SUBSCRIBED AND SWORN before me this 13th day of July, 2004.


Notary Public

My Commission Expires:

1-9-08

Form O & G B-B
Adopted 6-17-77
Revised 10-20-89

STATE OF NEW MEXICO

\$30,000 BLANKET PLUGGING BOND

BOND NO. RED 1023122

File with Oil Conservation Division, 2040 So. Pacheco, Santa Fe, New Mex. 87505

KNOW ALL MEN BY THESE PRESENTS:

That Saba Energy of Texas, Inc., (An individual) (a partnership) (a corporation organized in the State of Texas, with its principal office in the city of Edmond, State of Oklahoma, and authorized to do business in the State of New Mexico), as PRINCIPAL, and Redland Insurance Company, a corporation organized and existing under the laws of the State of Iowa, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of New Mexico pursuant to Section 70-2-12, New Mexico Statutes Annotated, 1978 Compilation, as amended, in the sum of Fifty Thousand Dollars (\$50,000) lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases or brine mineral leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases or brine mineral leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such wells started by others on land embraced in said State oil and gas leases or brine minerals, or carbon dioxide (CO₂) gas leases, or helium gas leases or brine mineral leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Division of New Mexico in such way as to confine the oil, gas, brine and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Division of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled or started.

Saba Energy of Texas, Incorp. Redland Insurance Company
PRINCIPAL SURETY

1603 SE 19th Street, Suite 202
Edmond, OK 73013

Address

City Place II 185 Asylum St, Hartford, Ct 06103

Address

By

Signature

President

Title

Attorney-in-Fact

Donna D. Herring

(Note: Principal, if corporation, affix
corporate seal here.)

(Note: Corporate surety affix corporate seal
here.)

ACKNOWLEDGEMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

Notary Public

My Commission Expires _____

ACKNOWLEDGEMENT FORM FOR CORPORATION

STATE OF Oklahoma)
COUNTY OF Oklahoma) ss.

On this 27th day of October, 1995, before me personally appeared Bradley T. Katzung, to me personally known who, being by me duly sworn, did say that he is President of Saba Energy of Texas, Inc. and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

Tracy Mills
Notary Public

August 17, 1998

My Commission Expires _____

ACKNOWLEDGEMENT FORM FOR CORPORATE SURETY

STATE OF ARKANSAS)
COUNTY OF PULASKI) ss.

On this 1st day of OCTOBER, 1995, before me appeared DONNA D. HERRING, to me personally known, who, being by me duly sworn, did say that he is ATTORNEY IN FACT of REDLAND INSURANCE COMPANY and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

James S. Acebedo
Notary Public

2/13/2005
My Commission Expires

OFFICIAL SEAL
JAMES S. ACEBEDO
NOTARY PUBLIC - ARKANSAS
PULASKI COUNTY
My Commission Expires Feb. 13, 2005

(Note: Corporate surety attach power of attorney.)

APPROVED BY:

OIL CONSERVATION DIVISION OF NEW MEXICO

REDLAND INSURANCE COMPANY
POWER OF ATTORNEY

RED 1023122

KNOW ALL MEN BY THESE PRESENTS, THAT REDLAND INSURANCE COMPANY does hereby make, constitute and appoint

DONNA D. HERRING in Little Rock, Arkansas

its true and lawful Attorney-in-Fact, to make, execute and deliver on its behalf Surety bonds, undertakings and other instruments of similar nature as follows:

without limitation as to amount or type

This Power of Attorney is granted and sealed under and by the authority of the following Resolution adopted by the Board of Directors of the Company on the 18th day of October, 1993.

"RESOLVED, that the Chairman of the Board, the President, an Executive Vice President or a Vice President be, and that each of them is, authorized to execute Powers of Attorney qualifying the Attorney-in-Fact named in the given Power of Attorney to execute in behalf of the Company, bonds, undertakings and other instruments of similar nature, and said officers may rename any such Attorney-in-Fact or agent and revoke any Power of Attorney previously granted to such person.

FURTHER RESOLVED, that an Assistant Secretary be, and that each or any of them hereby is, authorized to attest the execution of any such Power of Attorney, and to attach thereto the seal of the Company.

FURTHER RESOLVED, that the signatures of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be binding upon the Company when so affixed and in the future with respect to any bond, undertaking or instruments of similar nature to which it is attached.

IN WITNESS WHEREOF, REDLAND INSURANCE COMPANY has caused its official seal to be hereunto affixed, and these presents to be signed by its President this 18th day of October, 1993.

Attest:

Joseph G. Smith

JOSEPH G. SMITH
Assistant Secretary

REDLAND INSURANCE COMPANY

By

John P. Nelson

JOHN P. NELSON
President



STATE OF IOWA

COUNTY OF POTTAWATTAMIE

s.s.: Council Bluffs

On this 18th day of October, 1993 before me personally came John P. Nelson, to me known, who being by me duly sworn, did depose and say that he is President of REDLAND INSURANCE COMPANY the corporation described in and which executed the above instrument; that he knows the seal of the said corporation, that the seal affixed to the said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.



Jeanette Aldredge
JEANETTE ALDREDGE
NOTARY PUBLIC
My Commission Expires March 15, 1996

I, the undersigned, Vice President of REDLAND INSURANCE COMPANY an Iowa corporation, DO HEREBY CERTIFY that the foregoing and attached Power of Attorney remains in full force and has not been revoked; and furthermore that the Resolution of the Board of Directors, set forth in the said Power of Attorney, is now in force:

Signed and sealed at the City of Council Bluffs, in the State of Iowa, dated the 1st day of October, 1995.

Roger D. Stordahl
ROGER D. STORDAHL
Vice President

THIS DOCUMENT IS NOT VALID UNLESS PRINTED ON GREY SHADED BACKGROUND WITH A RED SERIAL NUMBER IN THE UPPER RIGHT HAND CORNER. THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK-HOLD AT AN ANGLE TO VIEW. IF YOU HAVE ANY QUESTIONS CONCERNING THE AUTHENTICITY OF THIS DOCUMENT YOU ARE URGED TO CONTACT REDLAND INSURANCE COMPANY AT C/O 80 OLD STATE HOUSE SQUARE, P. O. BOX 231496, HARTFORD, CONNECTICUT 06123-1496 OR CALL OUR POWER OF ATTORNEY CUSTODIAN AT (203) 527-7806.

301/POA/10/94