

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:)
APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AN ORDER)
REQUIRING SABA ENERGY OF TEXAS, INC.,)
TO PROPERLY PLUG SIX WELLS, IMPOSING)
CIVIL PENALTIES IN EVENT OF FAILURE TO)
COMPLY, AUTHORIZING THE DIVISION TO PLUG)
SAID WELLS IN DEFAULT OF COMPLIANCE BY)
OPERATOR AND ORDERING A FORFEITURE OF)
APPLICABLE SECURITY, IF ANY, LEA COUNTY,)
NEW MEXICO)

CASE NO. 13,163

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

RECEIVED

February 19th, 2004

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Santa Fe, New Mexico

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, February 19th, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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February 19th, 2004
 Examiner Hearing
 CASE NO. 13,163

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

FOR SABA ENERGY OF TEXAS, INC.,
and REDLAND INSURANCE COMPANY:

JAMES G. BRUCE
Attorney at Law
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 10:25 a.m.:

3 EXAMINER CATANACH: At this time I'll call Case
4 13,163, the Application of the New Mexico Oil Conservation
5 Division for an order requiring Saba Energy of Texas,
6 Incorporated, to properly plug six wells, imposing civil
7 penalties in event of failure to comply, authorizing the
8 Division to plug said wells in default of compliance by
9 operator and ordering a forfeiture of applicable security,
10 if any, Lea County, New Mexico.

11 At this time I'll call for appearances.

12 MS. MacQUESTEN: Gail MacQuesten, Energy,
13 Minerals and Natural Resources Department, appearing for
14 the Oil Conservation Division.

15 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
16 entering an appearance on behalf of Saba Energy of Texas,
17 Inc. I will also enter an appearance on behalf of the
18 bonding company, the surety company.

19 EXAMINER CATANACH: Okay.

20 Ms. MacQuesten, do you have witnesses?

21 MS. MacQUESTEN: Yes, I have three witnesses,
22 Chris Williams, Isabel Montoya and Dorothy Phillips. Mr.
23 Williams will be testifying by telephone.

24 EXAMINER CATANACH: Okay, and Mr. Bruce, you have
25 no witnesses?

1 MR. BRUCE: I have no witnesses, Mr. Examiner.

2 EXAMINER CATANACH: Okay, at this time can I get
3 the witnesses to stand to be sworn in?

4 (Thereupon, the witnesses were sworn.)

5 MS. MacQUESTEN: I'd like to call Chris Williams.

6 EXAMINER CATANACH: You may proceed.

7 CHRIS J. WILLIAMS (Present by telephone),
8 the witness herein, after having been first duly sworn upon
9 his oath, was examined and testified as follows:

10 DIRECT EXAMINATION

11 BY MS. MacQUESTEN:

12 Q. Would you please state your name and title for
13 the record?

14 A. Chris Williams, District Supervisor.

15 Q. For which district?

16 A. Mexico.

17 EXAMINER CATANACH: I'm sorry, could you repeat
18 that, Mr. Williams?

19 THE WITNESS: Hobbs District Office.

20 Q. (By Ms. MacQuesten) Does that district office
21 include Lea County?

22 A. Yes, it does.

23 Q. Mr. Williams, do your duties include ensuring
24 that operators comply with Rule 201, which requires that
25 wells that have been inactive for a certain period of time

1 be plugged, placed on temporary abandonment status or
2 returned to production?

3 A. Yes, it does.

4 Q. Have you reviewed the Division well files for
5 each of the six wells identified in the Application filed
6 in this case?

7 A. Yes, I have.

8 Q. And have you testified previously before the New
9 Mexico Oil Conservation Division?

10 A. Yes, I have.

11 Q. Were your credentials as a well inspector
12 accepted at that time, and were you accepted as an expert?

13 A. Yes.

14 MS. MacQUESTEN: I would tender Mr. Williams as
15 an expert well inspector.

16 MR. BRUCE: No objection.

17 EXAMINER CATANACH: Mr. Williams is so qualified.

18 Q. (By Ms. MacQuesten) Mr. Williams, you should
19 have a stack of exhibits in front of you; is that true?

20 A. Yes.

21 Q. Let's first start by orienting ourselves to this
22 stack. The first item in the stack should be several
23 documents held together by a paper clip. The first
24 document is labeled OCD Exhibit 1-A, and behind it are 1-B
25 and 1-C. Do you have those documents?

1 A. Yes, I do.

2 Q. Are Exhibits 1-A through 1-C documents from the
3 well file for the San Simon 5 State Number 2 well, API
4 Number 30-025-28480?

5 A. Yeah, that is correct.

6 Q. Now, behind that packet of documents there should
7 be five other packets with paper clips. Do you see those?

8 A. Yes, I do.

9 Q. And those are well file documents on the other
10 five wells?

11 A. Correct.

12 Q. I'd also like you to look at the first document
13 after the paper clips, which should be marked OCD Exhibit
14 Number 7. Do you see that one?

15 A. Yes, is that the -- That's the summary?

16 Q. Right, and that is a summary of what is contained
17 in the well file packets that are Exhibits 1 through 6; is
18 that right?

19 A. Yes, it is.

20 Q. All right. Let's start with the first packet of
21 exhibits -- that's exhibits 1-A through 1-C for the San
22 Simon State Well Number 2 -- and use that as an example,
23 and then I will ask you some general questions about the
24 remaining wells.

25 A. Okay.

1 Q. If you could start by taking a look at Exhibit
2 1-A.

3 A. Right, it's a change of operator from -- I think
4 it's from Mitchell, or -- yeah, from Mitchell Energy to
5 Saba Energy of Texas, and it was approved December the 8th,
6 1995.

7 Q. All right, could you take a look at Exhibit 1-B
8 and tell us what that is?

9 A. It's a Sundry Notice and Reports on Wells, and
10 it's a sundry notice where it's an intent to perform a
11 mechanical integrity test by January the 11th, 2002, and
12 that one, I'm assuming, was for to TA the well, and it was
13 not approved. It was also not received in this office
14 until October of 2003, and the date that it was done by
15 Saba was 12-19-2001.

16 Q. Was temporary abandonment of this well ever
17 approved by the Division?

18 A. No, it wasn't.

19 Q. All right. Take a look at Exhibit 1-C, please.

20 A. Okay.

21 Q. And what is that?

22 A. It's a sundry notice on this particular well, and
23 it's a sundry notice of an intent to plug and abandon the
24 well. And it was submitted -- or it was written 2-12-02,
25 and then it wasn't -- we didn't receive it until October of

1 2003. And the other pages behind it are wellbore diagrams
2 showing where the plugs are to be set. And the last one is
3 a wellbore diagram showing it as the well is.

4 Q. Is there a subsequent report in the file
5 indicating that this well was plugged and abandoned?

6 A. No.

7 Q. Now, I notice that on the name of the operator on
8 this form, we have a typewritten name Greka Energy, and
9 then next to that is Saba Energy of Texas, Inc. What can
10 you tell us about that?

11 A. When we received this, Greka Energy was not -- is
12 not considered the operator of this well. So we changed
13 the operator name to Saba Energy of Texas because they are
14 the operator of record. We have not had a -- we don't have
15 a C-104 showing a change in operator from Saba to Greka, so
16 we have to go with who the operator is, which is Saba.

17 Q. Have you reviewed the Division's list of New
18 Mexico operators?

19 A. Yeah, I went in RBDMS and checked, and Greka
20 doesn't appear in our Risk-Based Data Management System as
21 an operator.

22 Q. So as far as the Division is concerned, Saba
23 Energy of Texas, Inc., remains the operator of this well?

24 A. Correct.

25 Q. And is Saba the operator of the other five wells

1 at issue in this case?

2 A. Correct.

3 Q. All right. Rather than go through each of the
4 other packets of well-file information, I'd like to ask you
5 just a few general questions about some of those to clear
6 up some possible confusion.

7 A. Okay, Gail, can you speak up a little?

8 Q. So our technological aid isn't sufficient?

9 A. Sit closer to it.

10 Q. We put great pains to put the microphone right
11 next to me --

12 A. Okay.

13 Q. -- but I'll try.

14 A. Okay.

15 Q. Before we go into the other packets, I just
16 wanted to ask you, the packets that we have are not the
17 complete well files; is that right?

18 A. That's correct.

19 Q. These are just documents to illustrate some of
20 the points that we needed to make about these wells?

21 A. Correct.

22 Q. All right. The summary of those well packets in
23 Exhibit Number 7, that was not prepared by you, was it?

24 A. No, it was not.

25 Q. Did you have an opportunity to review the well

1 files with this summary to see if the documents in the
2 exhibit packets are accurately described in the summary?

3 A. Yes, I did.

4 Q. And are they?

5 A. Yes.

6 Q. Let me ask you those general questions about the
7 remaining wells. In each packet is there documentation
8 showing Saba Energy of Texas, Inc., as the operator of the
9 well?

10 A. Yes, there is.

11 Q. In any of these packets, is there a subsequent
12 filing showing any other operator similar to the Greka?

13 A. No, there's not.

14 Q. Okay. I'd like to ask you about one of the other
15 wells, and that is the Harton State well in Exhibit Number
16 6. We only have one document on Exhibit Number 6. Who
17 does it show as operator?

18 A. Let me pull that up real quick. It shows Saba
19 Energy of Texas as the operator.

20 Q. And in the section in which the operator is
21 describing what they plan to do, it says that they are re-
22 entering the well that was previously plugged and
23 abandoned?

24 A. Correct.

25 Q. Did you check the well file to see whether there

1 was a prior operator of this well?

2 A. There was a prior operator, and it was Mayne and
3 Mertz, Incorporated.

4 Q. Could you spell that please?

5 A. M-a-y-n-e and Mertz, M-e-r-t-z.

6 Q. Was there a C-104 showing a change of operator to
7 Saba?

8 A. No.

9 Q. Can you tell us anything about what transpired
10 with that well, with the previous operator?

11 A. The previous operator produced it for a time, and
12 then they plugged and abandoned the well. That's really
13 basically all that there was left to it.

14 Q. What does the well file show regarding Saba's
15 operation of the well?

16 A. Saba re-entered the well back in 1999, and we had
17 a 104 showing a well test for that particular well after
18 their recompletion in the upper Penn out of 186 barrels of
19 oil per day and 417 MCF per day.

20 Q. Is Saba still listed as the operator of record
21 for this well?

22 A. Yes.

23 Q. Has the Division approved temporary abandonment
24 status for any of the six wells at issue today?

25 A. No.

1 Q. Do the well files indicate that any of the six
2 wells are currently plugged and abandoned?

3 A. No.

4 Q. Did you make an effort to contact Saba about the
5 need to bring these wells into compliance?

6 A. Yes.

7 Q. Could you take a look at what has been marked as
8 Exhibit Number 8?

9 A. Okay.

10 Q. Can you tell us what Exhibit 8 is?

11 A. Yeah, that was a letter that was sent out to
12 operators that had wells that were out of compliance back
13 in May of 2000 -- May 1st -- The first one went out in May,
14 the second one went out in September.

15 Q. So the first page of Exhibit Number 8 is the
16 second letter?

17 A. That is the second letter.

18 Q. Were you able to find the first letter for Saba?

19 A. I was not.

20 Q. Okay, but this letter references that a prior
21 letter was sent?

22 A. Right, right.

23 Q. How did you get the address that you used on this
24 letter?

25 A. It was the one that was filed with us, as far as

1 their production reporting.

2 Q. Okay. Was this first letter sent by certified
3 mail?

4 A. Yes, it was.

5 Q. Did you receive a signature card back?

6 A. Yes.

7 Q. And that is the page 2 of the exhibit?

8 A. Right.

9 Q. What are the remaining documents in Exhibit 8?

10 A. The remaining documents are field inspection
11 reports that once they find an problem with an inspection,
12 RBDMS automatically generates a letter to the operator
13 and -- to warn them of this compliance violation.

14 Q. Now, the third page of Exhibit Number 8 appears
15 to be an envelope.

16 A. Third page. Correct, yeah, that is the address
17 that we -- I think the C-105 address.

18 Q. And this envelope indicates that letter was
19 returned?

20 A. Right, right.

21 Q. Were the other two letters that were sent by
22 regular mail returned?

23 A. No.

24 Q. Have you had any other contact with Saba about
25 bringing these wells into compliance?

1 A. With Saba I've talked to an attorney named -- I
2 think his first name was Richard Lotrelli, and he is an
3 attorney for Greka. I called him, oh, in November of
4 last -- November, 2003. We had a problem at the Harton
5 State Number 1. The separator pressured up on that lease
6 and blew the pop-off valve and sprayed oil all over the
7 place.

8 We went out there and shut the well in, and I
9 believe I talked with Mr. Bruce and got a phone number for
10 this Richard -- I think his name is Richard Lotrelli, and
11 called him and asked him what they were going to do about
12 the problem.

13 Q. Now, why did you call an attorney for Greka?

14 A. Because I didn't know anybody else to try and get
15 ahold of. I called one other name that we had in the RBDMS
16 file -- or wrote a letter to -- I think his name was -- Ken
17 something, I have to look it up -- and didn't get a
18 response.

19 Q. Where did you get the name of this attorney?

20 A. Off of RBDMS.

21 Q. Was it for Greka?

22 A. Well, I think so. I'm not sure whether it's
23 Greka or Saba.

24 Q. Okay.

25 A. It's under the Saba name.

1 Q. Okay.

2 A. And the address was in Santa Maria, California.

3 Q. Did Saba take any action in response to the call?

4 A. No.

5 Q. What is the condition of the Harton State Number
6 1 now?

7 A. At present the well -- all the well casing valves
8 and well valves are shut, and -- so that we won't have any
9 more pressure where it will pressure up the separator. And
10 the spray was not cleaned up.

11 Q. Is there a tank battery at that site?

12 A. Yes, there is.

13 Q. What is the condition of the tank battery?

14 A. There's standing fluid in the tanks, and
15 according to Bill Prichard, my inspector, the tanks have
16 some holes in the top, and they are concerned about the
17 fact that those tanks need to be emptied, just to make sure
18 we don't have any more problems with leaks on that
19 particular lease.

20 Q. Are there any pits associated with any of the six
21 wells in this lease?

22 A. Yeah, there's two pits, there are two reserve
23 pits. One is on the Morris Number 1, and the other one is
24 on the Fern Guye Number 1. There's two reserve pits that
25 have not been closed out there.

1 Q. Do those pose any problems?

2 A. Yeah, if the liner becomes compromised, which is
3 a real possibility, and there's some fluid in them that
4 needs to be removed.

5 Q. Would you please take a look at what has been
6 marked as Exhibit Number 9?

7 A. Exhibit what?

8 Q. Nine.

9 A. Yes, okay.

10 Q. Can you tell us what this is?

11 A. Yeah, this is a plugging procedure written by
12 Bill Prichard under my direction for the San Simon 5 State
13 Number 2.

14 Q. All right. Are there procedures for the other
15 wells also?

16 A. Yes.

17 Q. Have you review these procedures that Mr.
18 Prichard proposed?

19 A. Yes.

20 Q. Do you agree with the plugging procedures?

21 A. Yes.

22 Q. If the wells are plugged in accordance with the
23 procedures set out in Exhibit 9, in your professional
24 opinion would the wells be properly plugged and abandoned
25 in accordance with the statutes of the State of New Mexico

1 and the Rules of the New Mexico Oil Conservation Division
2 now in effect?

3 A. Yeah.

4 Q. And I should add to that, would you also require
5 cleanup of the tank-battery area and those reserve pits?

6 A. Correct.

7 Q. Are you aware that the two San Simon wells are on
8 an expired state lease?

9 A. Yes, I am.

10 Q. And has that property been leased to another
11 company?

12 A. Yes, it's been leased to Nearburg Production.

13 Q. Have you received a change-of-operator request
14 for those wells from Nearburg?

15 A. I have not.

16 Q. All right. Are you aware that the four other
17 wells are the subject of litigation?

18 A. I have heard that, yes.

19 Q. All right. Would those wells include the well
20 that pressured up --

21 A. Yes.

22 Q. -- that has the tank battery and the -- Does it
23 include the wells that have those pits?

24 A. Yes, it does.

25 Q. Are you asking for -- Let's talk specifically

1 about the four wells that are subject to litigation right
2 now. Are you asking for those wells to be plugged or to be
3 temporarily abandoned?

4 A. I prefer that they be plugged and abandoned.

5 Q. Why?

6 A. Because, one, we don't know how long the
7 litigation is going to take, and two, the longer these
8 wells sit shut-in, the more possibilities and problems we
9 can have with casing leaks that can cause groundwater
10 contamination.

11 Q. Mr. Williams, do you make the arrangements for
12 plugging when the State has to plug wells?

13 A. Yes.

14 Q. Are you familiar how much the State pays when it
15 contracts with a company to plug a well?

16 A. Yeah, I have -- there's -- we've gotten enough
17 data now that we have an approximate cost to plug a well.

18 Q. How do you make an estimate on a cost for
19 plugging?

20 A. Right now, our costs are running between \$2.87 a
21 foot up to \$5.30 a foot, depending on whether we have any
22 problems with plugging these wells. The average is going
23 to be around \$3 per foot, total depth.

24 Q. Did you prepare a rough estimate of how much it
25 would cost to plug the six wells in this case?

1 A. Yes, I did.

2 Q. And what did you find?

3 A. It will run about \$159,000 to plug all of them.

4 Q. Were you using -- what --

5 A. I'm basing that on \$3 a foot.

6 Q. That's the average amount of --

7 A. Right.

8 Q. -- the cost?

9 If you look just at the two San Simon wells --
10 those are the wells that are on the expired lease -- how
11 much do you estimate it would cost to plug those two wells?

12 A. The San Simon wells would probably run around
13 \$60,000 for both of them. That includes removing any kind
14 of facilities or tank batteries.

15 MS. MacQUESTEN: I would offer Exhibits 1 through
16 9 into evidence at this time.

17 EXAMINER CATANACH: Any objection?

18 MR. BRUCE: No objection.

19 EXAMINER CATANACH: Exhibits 1 through 9 will be
20 admitted.

21 MS. MacQUESTEN: I have no more questions of this
22 witness.

23 EXAMINER CATANACH: Mr. Bruce?

24 MR. BRUCE: Can I get closer to the speaker?

25 EXAMINER CATANACH: Sure.

EXAMINATION

1
2 BY MR. BRUCE:

3 Q. Just a couple of questions, Mr. Williams, and I
4 know these are your favorite types of cases.

5 First of all, just the acronym. What is RBDMS?

6 A. Oh, Risk-Based Data Management System.

7 Q. On the Harton State Number 1, because there's no
8 approved C-104, wouldn't Mayne and Mertz still be the
9 operator of record?

10 A. No, because on our last mail -- I say no because
11 I've seen a lot of this happen where we have plugged and
12 abandoned wells from operators from, you know, years ago,
13 and another operator comes in, gets the lease and takes
14 over the wellbore and drills out all the plugs. And there
15 is not necessarily an operator change at that point. But
16 once they re-enter that well, whether it's a drilling unit
17 or a pulling unit to knock out the plugs, then they're
18 assuming responsibility for it.

19 Q. But again, there is no approved C-104?

20 A. There is no approved C-104.

21 Q. Okay. Then you mentioned the two reserve pits on
22 the Morris dry wells?

23 A. Right.

24 Q. You said problems could arise if the liner
25 becomes compromised. You haven't seen that yet, though,

1 have you?

2 A. There's no way for us to check it until we get
3 all the fluid.

4 Q. Okay. And then on the wells that are, I think,
5 in what, 13 South, 36 East, the Harton and other wells --

6 A. Right, the Harton State and the Morris.

7 Q. And you'd like those P-and-A'd. Now, you
8 mentioned casing leaks. You don't have any evidence of
9 casing leaks, do you?

10 A. Not yet.

11 Q. And finally on the plugging and abandonment of
12 the wells, would there be any salvage value that you could
13 extract from the wells?

14 A. It's possible. You know, we -- in the plugging
15 procedures on one that we can, we will try to salvage
16 whatever casing we can salvage out of them, or tubing.

17 Q. Okay, but you have not made an estimate of that
18 yes; is that correct, Chris?

19 A. No. And normally, even with salvage it still
20 runs about \$3 a foot.

21 MR. BRUCE: That's all I have.

22 EXAMINER CATANACH: Thank you, Mr. Bruce.

23 EXAMINATION

24 BY EXAMINER CATANACH:

25 Q. Mr. Williams, do you know what the subject of the

1 litigation is?

2 A. No, I don't.

3 Q. How do you know that these wells are in some kind
4 of litigation?

5 A. Because that's what I was told by the Duncans,
6 who own the property.

7 Q. They own the surface?

8 A. They own the surface, but it appears that they
9 may have some of the minerals too.

10 Q. Okay.

11 A. But I think Mr. Bruce would probably know more
12 about it than I would.

13 Q. Uh-huh. Now the first notice that I've got you
14 sending out, at least that you have evidence of, is
15 September 8th, right?

16 A. Right, right, 2000.

17 Q. And let me find that. Now, on that September 8th
18 letter, it doesn't list the wells that you --

19 A. No.

20 Q. -- that you've talked about here today?

21 A. No, it just lists wells that are out of
22 compliance.

23 Q. Well, it references an earlier document that was
24 sent to these guys.

25 A. Right.

1 Q. But you don't have the record of that document?

2 A. That one was not sent from this office, it was
3 sent from the Santa Fe office.

4 Q. Have you seen that document?

5 A. I saw the original draft of it.

6 Q. Specifically with regards to Saba, did you --

7 A. Oh, no, just the original draft for all of them
8 that have been going out.

9 Q. Okay. How do you know that these six wells were
10 on that list?

11 A. I don't.

12 Q. Okay. So the next evidence that I show that
13 you've sent to Saba was -- the letter that you sent was --
14 Were those the field inspection reports dated October 2nd?

15 A. Yeah, field inspection reports that are generated
16 by RBDMS. It generates the letter.

17 Q. Okay. Now, let's see here. Those went out at
18 three different times. I show three different letters that
19 went out?

20 A. Right.

21 Q. First one was October 8th of 2002 --

22 A. Right.

23 Q. -- and then February 28th of 2003 --

24 A. Uh-huh.

25 Q. -- and the third was July 28th of 2003?

1 A. Right.

2 Q. Now, do you know if they received these letters?

3 A. They were sent to the address of record, that's
4 all I know.

5 Q. Do you know that they were not returned to your
6 office?

7 A. They weren't returned to this office.

8 Q. Okay, and they were sent to the same address that
9 you sent your September 8th letter to?

10 A. Except for one, and it was sent to the Santa
11 Maria location.

12 Q. Santa Maria, Cal- -- Where did you get that
13 address from?

14 A. When I called -- I actually looked the guy's name
15 up again with Greka. That's where he said to send it. But
16 since he didn't respond, we've sent the back to the other
17 address. And Greka is not an operator of record, so...

18 MS. MacQUESTEN: Mr. Examiner, I may be able to
19 help on this. We originally thought this was an orphan
20 well case because of our lack of success in contacting Saba
21 about the problem. We did not ask in our original
22 application for any penalties to be imposed for past
23 conduct, so we are not -- and we are not at this time
24 seeking penalties for past conduct.

25 I included the letters to show that efforts were

1 made to contact Saba over a period of years, and it appears
2 that at least that first letter in 2000 was successfully
3 reaching them.

4 The Santa Maria address I found after my first
5 attempt to contact Saba for this hearing failed, and I
6 wasn't able to obtain service. I did some Internet
7 searches, and I think I also checked the PRC website. I
8 can't remember which search yielded that Santa Maria
9 address, but I did find that address.

10 I believe the surety also wrote to me and
11 suggested I use a couple of addresses, and I tried those
12 and that is how we were able to obtain service for the
13 November setting.

14 MR. BRUCE: Mr. Examiner, just for the record, I
15 believe that Saba Energy is a subsidiary of Greka, so most
16 of the addresses that Ms. MacQuesten found were probably
17 under Greka's name, and that's sufficient.

18 EXAMINER CATANACH: So, Mr. Bruce, do you know if
19 they received sufficient notice? I mean --

20 MR. BRUCE: I can't tell you that. I do -- you
21 know, they -- just as an aside, Mr. Examiner, I believe
22 they sold their interest in the state either in the late
23 1990s or, you know, perhaps three years ago, I forget.
24 Three or four or five years ago.

25 These wells, to use your phrase, got orphaned.

1 What happened to them and why, I cannot tell you. I do not
2 know when they received any notice from Mr. Williams of the
3 plugging cases. We did receive notice of the hearing, of
4 course.

5 Q. (By Examiner Catanach) Okay. Mr. Williams, with
6 regard to the Harton State well, you do have evidence that
7 they actually did re-enter the well?

8 A. Yes.

9 Q. What do you have?

10 A. I have a -- There's a subsequent and a completion
11 report in the well file, and a C-104 showing the well test.
12 That was in -- January 29th, 1999.

13 Q. Okay, those were not included in your packet of
14 information on these wells, right?

15 A. They're just available in the well file.

16 Q. Okay. Now Nearburg, by virtue of acquiring this
17 lease, is not in any way responsible, right? For these
18 wells?

19 A. No.

20 EXAMINER CATANACH: I think that's all I have at
21 this point. But stand by, Mr. Williams, you may be --
22 there may be something else.

23 MS. MacQUESTEN: If I could ask just a single
24 follow-up --

25 EXAMINER CATANACH: Sure.

1 MS. MacQUESTEN: -- question?

2 FURTHER EXAMINATION

3 BY MS. MacQUESTEN:

4 Q. Mr. Williams, you were asked about whether you
5 had any evidence of casing leaks on these wells?

6 A. Yes.

7 Q. And I believe you responded that you didn't have
8 information on that?

9 A. Right.

10 Q. If these wells had been properly TA'd, there
11 would have been a mechanical integrity test done on the
12 wells?

13 A. Correct.

14 Q. And you would have had the information you needed
15 on the casings?

16 A. Correct.

17 MS. MacQUESTEN: That's all.

18 EXAMINER CATANACH: Okay.

19 MS. MacQUESTEN: I have no other questions of
20 this witness.

21 EXAMINER CATANACH: Okay Mr. Williams, you may be
22 excused. But again just stand by, if you would. Stay on
23 the line.

24 THE WITNESS: Okay.

25 MS. MacQUESTEN: I would call Dorothy Phillips.

1 DOROTHY L. PHILLIPS,

2 the witness herein, after having been first duly sworn upon
3 her oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MS. MacQUESTEN:

6 Q. Could you state your name for the record, please?

7 A. Dorothy Phillips.

8 Q. And by whom are you employed?

9 A. New Mexico Oil Conservation Division.

10 Q. Where is your office located?

11 A. In Santa Fe.

12 Q. Do your duties include the maintenance of records
13 regarding financial assurances provided by operators?

14 A. That's correct.

15 Q. Have you reviewed the file for Saba Energy of
16 Texas, Inc.?

17 A. Yes, I have.

18 Q. Do they have financial assurance in place?

19 A. Yes, they do.

20 Q. What type?

21 A. They have a \$50,000 blanket plugging bond.

22 Q. Who's the surety on that bond?

23 A. Redland Insurance Company.

24 Q. Would you please take a look at Exhibit Number
25 11? Is that a true and correct copy of the \$50,000 blanket

1 plugging bond for Saba Energy of Texas, Inc.?

2 A. Yes, it is.

3 Q. Does the file show any amendments or riders to
4 this bond?

5 A. No.

6 Q. Is this bond still in effect?

7 A. Correct.

8 MS. MacQUESTEN: I would move to admit Exhibit
9 Number 11.

10 MR. BRUCE: No objection.

11 EXAMINER CATANACH: Exhibit Number 11 will be
12 admitted.

13 MS. MacQUESTEN: I have no other questions of
14 this witness.

15 MR. BRUCE: I have no questions of Dorothy.

16 EXAMINER CATANACH: I don't either.

17 THE WITNESS: Thank you.

18 EXAMINER CATANACH: She may be excused.

19 MS. MacQUESTEN: I would call Isabel Montoya.

20 ISABEL MONTOYA,

21 the witness herein, after having been first duly sworn upon
22 her oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MS. MacQUESTEN:

25 Q. Would you please state your name for the record?

1 A. Isabel Montoya.

2 Q. And by whom are you employed?

3 A. Oil Conservation Division.

4 Q. Where is your office located?

5 A. In Santa Fe.

6 Q. Do your duties include entering production data
7 from C-115 reports filed by operators?

8 A. Yes.

9 Q. How often are operators supposed to file reports?

10 A. Every month.

11 Q. Would you please look at what has been marked as
12 Exhibit Number 10?

13 Does Exhibit Number 10 summarize the production
14 data for the six wells at issue in this case?

15 A. Yes.

16 Q. Did you prepare this summary?

17 A. No.

18 Q. Who did?

19 A. Jane Prouty.

20 Q. Who is Jane Prouty?

21 A. She is my supervisor for production -- She's my
22 supervisor.

23 Q. Okay. Was she available for the hearing today?

24 A. No, she's not here today.

25 Q. So you were lucky enough to be called in, in her

1 place?

2 A. Yes.

3 Q. And you're happy about that, right?

4 A. Oh, sure.

5 Q. Did you have an opportunity to verify the
6 information in the report that Ms. Prouty prepared?

7 A. Yes, I did.

8 Q. How did you do that?

9 A. I went into ONGARD and I checked under the
10 production that -- if there's production it will show up
11 for every month. And so I went in and verified all those
12 wells.

13 Q. Did you find any mistakes?

14 A. No.

15 Q. Was there any production reported since Jane
16 Prouty prepared that report?

17 A. No.

18 Q. What do our production reports -- who do they
19 show as the operator of these six wells?

20 A. Saba.

21 Q. And what do the column headings indicate that say
22 gas, oil and water?

23 A. That is what was produced for every month.

24 Q. So if there's no number under those headings,
25 that means that no production was reported?

1 A. Right.

2 Q. And if you look down the left-hand side you can
3 see the months indicated?

4 A. Uh-huh.

5 Q. All right. Before the hearing, I asked you to
6 review the production reports for these six wells to see if
7 any production has been reported in the last 18 months.
8 Was any production reported?

9 A. No.

10 Q. In fact, the most recent report of production for
11 any of these wells was March of 2002?

12 A. Right.

13 Q. Is that right?

14 A. (Nods)

15 Q. Just because there was a question about the
16 Harton State Number 1, I'd like you to take a look at the
17 first page of the report --

18 A. Uh-huh.

19 Q. -- and is the production for the Harton State
20 Number 1 reported at the bottom of that page and on page 2?

21 A. Which one is the Harton? The 34488? The API?

22 Q. I'm looking at the left-hand side with the --

23 A. Oh, okay.

24 Q. -- operator name and the well name.

25 A. Uh-huh.

1 Q. Do you see the Harton State Number 1?

2 A. Yes, okay. Yeah page 1 and 2.

3 Q. And is there production reported for that well?

4 A. Yeah, there's production, all the way to 3 of
5 2002.

6 Q. All right, and who is the operator listed for
7 that well?

8 A. Saba.

9 Q. Did you check the OCD records to see if Saba
10 Energy of Texas, Inc., had any other active wells?

11 A. Only six.

12 Q. Just the six that we have here?

13 A. Right.

14 Q. So if they have any other wells, they're
15 plugged --

16 A. Yeah.

17 Q. -- as far as you know?

18 A. As far as I know.

19 MS. MacQUESTEN: I move for the admission of
20 Exhibit Number 10.

21 EXAMINER CATANACH: Exhibit Number 10 will be
22 admitted.

23 Any questions, Mr. Bruce?

24 MR. BRUCE: No.

25 EXAMINER CATANACH: Just one, Isabel.

EXAMINATION

1
2 BY EXAMINER CATANACH:

3 Q. I think the way Jane was preparing these reports,
4 even though -- when it shows the month and the year, that
5 means they actually sent in a report?

6 A. Right.

7 Q. But it had zeroes on it, right?

8 A. Yeah, if it's blank over here, it means that they
9 had zeroes.

10 Q. Okay, and when there's no date shown up at all,
11 that means they didn't file anything?

12 A. They just stopped filing.

13 EXAMINER CATANACH: Okay, that's all I have. You
14 may be excused.

15 THE WITNESS: Okay.

16 MS. MacQUESTEN: Thank you, Isabel.

17 Mr. Examiner, I would also move for the admission
18 of Exhibit 12, which is my affidavit of the service on Saba
19 and the surety in this case.

20 EXAMINER CATANACH: Okay, Exhibit Number 12 will
21 be admitted.

22 MS. MacQUESTEN: Mr. Examiner, this concludes the
23 OCD's presentation of evidence in this case. Because of
24 the somewhat unusual circumstances surrounding this case, I
25 would like the opportunity to make suggestions to the

1 Examiner as to how we can formulate an order in this case,
2 but if Mr. Bruce has something first --

3 MR. BRUCE: I do have a closing statement or
4 argument, Mr. Examiner. I do have one more question for
5 Mr. Williams.

6 EXAMINER CATANACH: Okay. Are you still there,
7 Chris?

8 MR. WILLIAMS: Yeah.

9 MR. BRUCE: Chris, I just want to make sure, all
10 of these wells are or were producing wells. None of them
11 were injection wells; is that correct?

12 MR. WILLIAMS: Right, right.

13 MR. BRUCE: Okay, I just wanted to make sure.

14 EXAMINER CATANACH: Okay, so you're essentially
15 done, Ms. MacQuesten?

16 MS. MacQUESTEN: Yes.

17 EXAMINER CATANACH: Okay, Mr. Bruce?

18 MR. BRUCE: Mr. Examiner, let me hand you
19 something here.

20 Mr. Examiner, this is an unusual case for two, or
21 maybe more than two, reasons. We're looking at two
22 different sets of wells here.

23 The two San Simon wells, which are located on
24 State of New Mexico lands, those wells were drilled and
25 produced under a now expired state lease. That lease

1 number was LG-4135. I checked the Land Office records, and
2 I believe that expired at the end of 1999. There was a new
3 lease issued. It's V-6907-1, which according to the Land
4 Office records is owned by Nearburg Exploration Company,
5 L.L.C.

6 As I said -- Well, because that is an expired
7 lease, there is a problem -- I think we both -- we have to
8 check, and I know Ms. MacQuesten has checked, and so have
9 I, I have called Nearburg to see what they wanted done with
10 the wells. I haven't heard back, I think Ms. MacQuesten
11 did indirectly. I was told that at one point Nearburg may
12 have interest in re-entering those wells, but I still have
13 not heard back from Mr. Roush who I contacted at Nearburg.

14 But I think because it's an expired lease you
15 have to look at not only the needs of the Division but also
16 what Nearburg Exploration Company and the Commissioner of
17 Public Lands want. I don't think Saba can go on there if
18 the lease has been expired for several years now and do
19 anything, or they would be committing trespass. The time
20 under the lease for pulling the casing, getting any salvage
21 value out of those wells, has long past, and they cannot
22 just file a form and go on there, I don't think, without
23 getting approval from the other company and the other state
24 agency. So there is a title issue there.

25 The second group, which I'll refer to as the

1 Harton group, is the subject of a lawsuit, and I am not
2 representing Saba in that lawsuit. I have spoken briefly
3 with the attorneys, but as I understand it there are a
4 couple of families involved, and Mr. Williams probably
5 knows who they are more than I do, but apparently the
6 Duncans and the Hartons have sued Saba for cancellation of
7 the fee leases covering those lands.

8 If you'll look at Ms. Montoya's exhibit, you can
9 see -- which is Exhibit 10 -- you can see that the Harton
10 well had pretty substantial production, as did the Morris
11 well, and the production in both ceased around 2001. Those
12 wells may well be capable of producing in paying
13 quantities, and I think plugging and abandoning the wells
14 at this time would violate the Division's mandate to
15 prevent waste.

16 Secondly, they are the subject of a lawsuit.
17 What I have given you marked Exhibits 1 and 2 were pulled
18 off of the New Mexico Courts website. Exhibit 1 is a case,
19 Harton vs. Greka. If you'll go through the stuff you'll
20 see there are a number of defendants, but Greka Energy and
21 Saba Energy of Texas, Incorporated, are two of those
22 defendants.

23 If you'll go to page 4 of Exhibit 1, Mr.
24 Examiner, you'll see -- On the first page it says case
25 closed, but if you go to page 4 you'll see that on February

1 9th, just a little more than a week ago, the case was
2 closed but it was consolidated with an existing case, Case
3 CV-2001-249, in the District Court of Lea County.

4 This Harton case was also filed in 2001. It's
5 Case CV-2001-417 in Lea County, which of course coincides
6 with when production ceased. Obviously there's a dispute
7 over ownership.

8 Exhibit 2 is what I pulled up off the website.
9 Obviously -- It's hard to tell exactly what's going on, but
10 there are some motion hearings in the cases still ongoing.
11 No trial has been held on the merits of all these claims,
12 but obviously there's substantial litigation. I think
13 there may even be one or two other lawsuits. I haven't --
14 I just got these immediate ones as necessary.

15 As of right now, we don't know who owns title to
16 these leases and to the wells. And I don't think the
17 Division should be determining that title, that should be
18 left to the courts. And because the wells may be
19 productive or used for production activities, I think
20 plugging and abandoning them is not proper at this time.

21 Furthermore, I know no notice was given to the
22 lessors, the Hartons or the Duncans, of this hearing, and I
23 have no idea of what their position is. I obviously do not
24 represent them, since my client is opposed to them. But
25 perhaps they should be made aware of this proceeding so

1 that they can take whatever action they deem necessary. I
2 do not know what the outcome of the lawsuit will be. All I
3 know is that it does involve several things, including
4 whether or not the leases have terminated, and thus who
5 owns the wells and the rights to produce them.

6 I would note one other thing, and that is in
7 Exhibit -- and I understand why the Division is concerned.
8 The Division has spent several years now trying to get
9 these wells brought into compliance with Rule 201. This
10 one is unusual in the fact they thought it was, as Ms.
11 MacQuesten said, orphan wells, but there are people out
12 there who do own the wells or will own the wells.

13 But when you look at Exhibit 8, you will see that
14 all of the reports say that there is no significant
15 noncompliance. Mr. Williams is afraid of casing leaks and
16 other things, but he doesn't have any evidence of that yet,
17 and there is no significant noncompliance with respect to
18 these wells.

19 I'm not quite sure how to proceed, Mr. Examiner.
20 It may need that it should be continued, at least for a
21 while, to determine whether or not the lessors of these
22 leases need to be notified of this proceeding so that they
23 can take action. Certainly time should be given to
24 consider the issues with respect to the San Simon wells,
25 since there are other parties who need to have their input,

1 and certainly the wells shouldn't be P-and-A'd at this
2 time, pending a resolution of all these issues.

3 I think -- and I'm not sure how to handle it,
4 whether a continuance to let people address these issues or
5 to make some determinations would be proper, and I know the
6 Division wants to take care of this. And as Mr. Williams
7 said, litigation doesn't move quickly. But on the other
8 hands, people's property rights are their property rights,
9 and they need to be protected. I would request a
10 continuance of an unknown length to resolve these issues so
11 that the people who are -- other people who are interested
12 can have their input.

13 Thank you.

14 EXAMINER CATANACH: Thank you, Mr. Bruce.

15 Ms. MacQuesten?

16 MS. MacQUESTEN: Yes, first I'd like to clear one
17 thing up. Mr. Bruce mentioned that the letters that went
18 to Saba indicated that there was not significant
19 noncompliance.

20 If you look at these letters, which are form
21 letters, the heading that says significant noncompliance
22 has an asterisk next to it. If you look at the bottom of
23 the letter it says, "Significant noncompliance events are
24 reported directly to the EPA, Region 6, Dallas, Texas." So
25 by saying that there was not significant noncompliance, the

1 letter simply means that this was not an issue that needed
2 referral to the EPA.

3 What we are asking for today is an order
4 directing Saba to comply with Rule 201 by producing,
5 plugging or temporarily abandoning these wells by a certain
6 date and imposing penalties if they fail to do so.

7 Basically we are asking for an order telling Saba to do
8 what it should have done years ago regarding these wells.

9 There are special circumstances in this case, and
10 I'd like to address them.

11 The first special circumstance is that
12 surrounding the two San Simon wells. Those are the wells
13 that are under a new state lease. We understand Saba's
14 situation. They are reluctant to go in and plug these
15 wells. We fully expect that the State will have to plug
16 these wells.

17 Because of the way Rule 201.M is written, before
18 the State can do that we need an order at least giving Saba
19 the opportunity to do something regarding the wells, and
20 then authorizing the State to forfeit the bond and plug the
21 wells if Saba fails to comply.

22 So we would ask for an order directing Saba to
23 plug the wells by a date certain, with a very short
24 deadline, say 15 days after entry of the order. That way
25 we'll be able to go ahead, forfeit the bond and plug these

1 wells.

2 There is no need to give Saba additional time to
3 contact the new leaseholder to see if that new leaseholder
4 wants to use the wells. Saba was already given three
5 months to do that. That was one of the reasons they cited
6 in seeking a continuance in this case.

7 I called Jeff Albers at the State Land Office
8 yesterday and explained the situation. He identified the
9 leaseholder is Nearburg and offered to call them and find
10 out what they wanted to do with the wells. An hour later I
11 got a call back saying that he had spoken to Bob Shelton at
12 Nearburg, and Mr. Shelton said that Nearburg is not
13 interested in using the wells.

14 So we have a situation where the old leaseholder
15 may not be able to get on the property, the new leaseholder
16 does not want to take over the wells, the State is going to
17 have to plug these wells. We need an order to allow us to
18 do that.

19 The second situation in this case involves the
20 four wells that are subject to litigation. As Mr. Williams
21 testified, we would prefer that these wells be plugged
22 rather than temporarily abandoned. But we suggest that the
23 Examiner issue an order providing that the wells either be
24 plugged or temporarily abandoned within 30 days of the
25 entry of the order, with penalties imposed if Saba fails to

1 meet that deadline.

2 We're asking for a short time period because,
3 again, in its extension request three months ago, Saba said
4 it would look into temporarily abandoning these wells, but
5 I didn't hear anything today about any intent to do that.

6 If temporary abandonment is the route Saba
7 chooses to take, we would ask that the order specifically
8 require them to clean up the areas, including removing the
9 fluids in the tank batteries and assuring that those fluids
10 remain out of the tank batteries, the tank batteries remain
11 dry, during the period of temporary abandonment, and that
12 any pits be cleaned up, any other problems resulting from
13 the spills from the Harton well be cleaned up. Those
14 should be Saba's responsibility, whether or not another
15 operator takes over.

16 I would also suggest, given this situation, that
17 the Examiner consider ordering that Saba put up single well
18 bonds on these four wells if they're not able to plug them
19 at this time, if they're going to have to be put in
20 temporary abandonment status.

21 We're looking at a situation where the State is
22 probably going to have to use all of the \$50,000 blanket
23 bond to plug the two San Simon wells, and in fact we may
24 find that we're paying more than that \$50,000 to clean up
25 that area. We'll then have four wells that are very likely

1 going to have to be plugged, and we will need financial
2 assurance in place on those wells.

3 The authority to require the single well bonds
4 can be found in Rule 203.B.(5).

5 At this point I would suggest these wells have
6 been out of compliance for an extensive period of time.
7 The OCD has met its burden to require that Saba bring these
8 wells into compliance. There should not be an extension of
9 time, the order should be issued giving Saba deadlines to
10 act.

11 If there are any circumstances that arise, if
12 Nearburg changes its mind and decides it wants to use the
13 wells, if anything happens in the litigation, if any of the
14 other parties may want to express an interest in the wells,
15 it is up to Saba to explain why that should excuse them
16 from meeting their obligations under Rule 201.

17 That is all, thank you.

18 EXAMINER CATANACH: They just keep getting better
19 and better.

20 MR. BRUCE: Don't they, Mr. Examiner?

21 EXAMINER CATANACH: Mr. Bruce, with regards to
22 the litigation, I don't know if you're that familiar with
23 the litigation, but --

24 MR. BRUCE: I can find out more, I know one of
25 the attorneys in the case.

1 EXAMINER CATANACH: Well, does it involve
2 actually the interest owners trying to obtain the wellbore
3 to use themselves?

4 MR. BRUCE: Yes.

5 EXAMINER CATANACH: Is that what it's about?

6 MR. BRUCE: And I was informed that the wells, in
7 part, at least a couple of them, have not been produced
8 because title ownership or production is in question.

9 EXAMINER CATANACH: Okay. And --

10 MR. BRUCE: And if you look at the numbers, a
11 couple of them were probably still capable of producing
12 fair amounts of oil.

13 EXAMINER CATANACH: If the -- Well, if the
14 Division goes ahead and plugs these wells, I'm wondering if
15 we open up ourselves to any kind of liability with regards
16 to taking this action that the interest owners may not have
17 wanted us to do if ultimately they're successful in
18 obtaining the wellbores. It makes me uncomfortable that
19 the potential new interest owners don't know what's going
20 on with regards to our action, at the very least, and I
21 think it may be a good idea, just maybe to cover the
22 Division, maybe just to notify those people.

23 MS. MacQUESTEN: Mr. Examiner, we would have been
24 happy to do so if we had gotten any information, but we
25 didn't have information on this. We were told on the

1 motion for continuance that there was litigation, but I
2 didn't have the details on who the parties were until today
3 when I received Mr. Bruce's exhibits.

4 MR. BRUCE: I did give the case number in the
5 motion for continuance.

6 MS. MacQUESTEN: It is up to Saba to show why
7 they can't bring the wells into compliance. It is not up
8 to the Division to find out any potential problems and deal
9 with them, it is up to Saba to deal with them.

10 Frankly, I'm surprised that if these other
11 litigants are interested in the wells, that they haven't
12 filed any documents indicating that they're the operator.
13 We haven't seen it. We won't know, as a Division, who we
14 need to contact to notify about any problem unless they
15 contact us.

16 EXAMINER CATANACH: Uh-huh. Do we have
17 sufficient information at this time so that we may provide
18 these interest owners notice, Ms. MacQuesten?

19 MS. MacQUESTEN: I haven't taken a close enough
20 look at the documents Mr. Bruce provided to see if they
21 have addresses.

22 MR. BRUCE: Mr. Examiner, I could either get
23 addresses, but I'd -- Certainly all of these attorneys for
24 the people are easily findable, including our friend Mr.
25 Carr.

1 EXAMINER CATANACH: I'll tell you what. Let's --
2 Just to make me feel more comfortable, why doesn't the
3 Division make an attempt to provide notice to these
4 interest owners in the next 30 days or so? Come back in 30
5 days and report whether you've had any success, whether
6 these notices were sent out, and --

7 MR. BRUCE: I can get all -- as many addresses as
8 possible to Ms. MacQuesten within the next couple of days.

9 EXAMINER CATANACH: I'm thinking if we could get
10 notice out to them in the next week or so, we could
11 continue the hearing for four weeks and give them the
12 opportunity to show up in four weeks, if they choose to do
13 so.

14 MS. MacQUESTEN: I would just like to go on
15 record -- I will do that if that's what the Examiner wants.
16 I do believe it is the burden of Saba to make its record in
17 this case and show that these other parties may be
18 interested in the wells; it's not up to us to make that
19 showing for them.

20 And I am a little concerned because I agreed to a
21 three-month extension in this matter so that Mr. Bruce
22 could do just this sort of thing, and it was not done. And
23 now, after having gone through all the effort of presenting
24 a case simply to get an order telling Saba to do what it
25 should have done anyway under the Rules, we're facing yet

1 another continuance and further burden placed on the
2 Division.

3 We can do this, but I would ask that we go ahead
4 with an order on the two wells that aren't at issue in this
5 case. And another way that we could handle it is issue an
6 order on the four wells that are the subject of the
7 litigation, allowing in the order an opportunity for these
8 other parties to appear and indicate that they want to
9 continue with the wells as operator, and if they fail to do
10 so by a certain time, requiring plugging or TA status,
11 because something needs to be done with these wells.
12 They've been out of compliance for years.

13 EXAMINER CATANACH: Well, you know, I'm thinking
14 four weeks from now we come back here and you report to us
15 what -- you know, if you provided notice to the guys, if
16 they don't show up, then I don't think we have a problem.
17 But I don't think 30 days' delay is going to affect
18 anything at this point. I mean, like you say, they've been
19 out of compliance for years. I know that they need to be
20 plugged or something done with them, but I would just feel
21 more comfortable issuing an order if we've kind of covered
22 all our bases. So I would like you guys to provide notice.

23 And I would prefer not to split the case between
24 the wells if we can avoid it because if we want to, you
25 know, call the bond, I don't know that we can -- you know,

1 I don't know that we want to do that for just two wells.
2 There's a lot of weird circumstances in this case.
3 Certainly this is another first for me, which seems to
4 appear almost every time I hear cases.

5 But let's do it that way, Ms. MacQuesten, try and
6 give these guys notice. I mean, 30 days is not going to
7 affect a whole lot as I can see it. So let's do that, see
8 if you can get notice to some of these guys. If you can be
9 of any assistance, Mr. Bruce, we will appreciate it.

10 MR. BRUCE: I will -- Today I will call up
11 counsel for Greka, which is in southeastern New Mexico, or
12 their local counsel, and at least get the addresses of the
13 primary plaintiffs who are seeking to cancel the leases.
14 The attorneys listed here, I believe, are all in the State
15 Bar book, so there should --

16 MS. MacQUESTEN: Will we be setting a hearing
17 date 30 days from now or --

18 EXAMINER CATANACH: Well, it will be on the
19 hearing docket for March the 18th, would be 30 days.

20 MS. MacQUESTEN: I won't be here March 18th, most
21 likely.

22 EXAMINER CATANACH: We can go to the next one
23 after that, and I don't have a date, but that would be six
24 weeks from now.

25 MR. BRUCE: It would be April 1st.

1 EXAMINER CATANACH: Oh, boy, yeah. Well, that
2 would be my next hearing anyway, so that might be -- that
3 might work out better if I was here to finish this off.

4 And I would note that unfortunately, the way
5 things work out, I don't have legal counsel here to advise
6 me here on some of these situations that may have legal
7 implications -- I think we lost Chris -- so I'm kind of
8 taking a shot in the dark here. I wish that I would have
9 had benefit of legal counsel for this hearing, but
10 unfortunately that did not work.

11 So that being said, I think that we'll go ahead
12 and continue this case to the April 1st hearing and deal
13 with it then.

14 And this hearing is adjourned.

15 (Thereupon, these proceedings were concluded at
16 11:30 a.m.)

17 * * *

18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examiner hearing of Case No. 13163,
21 heard by me on February 19 2004.
22 David H. Catnach, Examiner
23 Oil Conservation Division
24
25

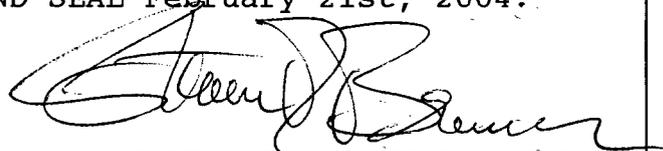
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL February 21st, 2004.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006