

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

**CASE NO. 13163
ORDER NO. R-12132-B**

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.

ORDER OF THE OIL CONSERVATION COMMISSION

BY THE COMMISSION:

THIS MATTER came before the Oil Conservation Commission (the Commission) for hearing on June 15, 2006 at Santa Fe, New Mexico on the motion of the Oil Conservation Division (the Division) to re-open Case No. 13163 for entry of an order finding Saba Energy of Texas, Inc. (Saba) to be in violation of an order requiring corrective action, and the Commission, having heard the evidence and arguments of counsel and carefully considered the same, now, on this 15th day of June, 2006

FINDS,

1. Notice has been given of the motion and the hearing of this matter, and the Commission has jurisdiction of the parties and the subject matter.
2. In Order No. R-12132-A, issued by the Commission in Case No. 13163 on August 12, 2004, Saba was directed to take the following corrective actions:
 - A. plug and abandon the following wells within thirty days after issuance of the order:
 - San Simon 5 State #1, API #30-025-27564, Unit Letter E, Section 5, Township 22 South, Range 35 East
 - San Simon 5 State #2, API #30-025-28480, Unit Letter G, Section 5, Township 22 South, Range 35 East
 - B. return each of the following wells to compliance with Division rules within thirty days after issuance of the order, by either plugging the well, restoring it to production, or placing the well on approved temporary abandonment status:

- Morris #1, API #30-025-29247, Unit Letter D, Section 8, Township 13 South, Range 36 East
 - Saba State #1, API #30-025-33726, Unit Letter I, Section 7, Township 13 South, Range 36 East
- C. return each of the following wells to compliance with OCD rules no later than December 31, 2004, by either plugging the well, restoring it to production, or placing the well on approved temporary abandonment status:
- Harton State #1, API #30-025-28540, Unit Letter H, Section 7, Township 13 South, Range 36 East.
 - Fern Guye #1, API #30-025-34488, Unit Letter M, Section 5, Township 13 South, Range 36 East.

3. Order No. R-12132-A further provided that the Commission retained jurisdiction for the entry of such further orders as it may deem necessary.

4. The Division presented the testimony of Daniel Sanchez, the Division's Enforcement and Compliance Manager. Mr. Sanchez testified that

- A. to date, Saba has not performed the corrective action required by Order No. R-12132-A, and the wells subject to Order No. R-12132-A remain out of compliance;
- B. the Division is proceeding to plug the wells subject to Order No. R-12132-A; and
- C. the estimated cost of plugging the wells subject to Order No. R-12132-A exceeds the \$50,000 surety bond posted by Saba.

5. Saba did not appear. Mr. Kevin Sexton of Sturges, Houston & Sexton, P.C., appeared on behalf of Capital Insurance Company, as successor in interest to Redlands Insurance Company.

6. OCD Rule 40.A [19.15.1.40.A NMAC] provides, in relevant part, that an operator is out of compliance with its provisions if an order is issued after notice and hearing finding the operator to be in violation of an order requiring corrective action.

IT IS THEREFORE ORDERED THAT:

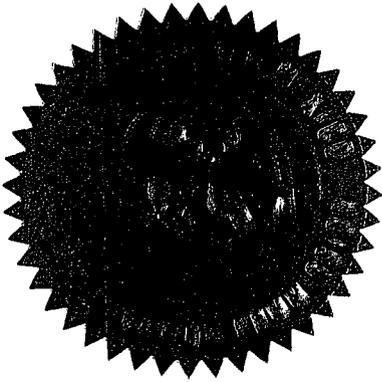
1. The Commission has determined that Saba is out of compliance with OCD Rule 40.A [19.15.1.40.A NMAC] because it has failed to take required corrective action pursuant to Order No. R-12132-A.

2. Saba may comply with the requirements of Rule 40 by reimbursing the Division for the Division's actual costs of completing those actions on Saba's behalf, as required by Order No. R-12132-A, minus any amounts recovered by the Division on Saba's surety bond.

3. When Saba reimburses the Division for the Division's actual costs of completing those actions required by Order No. R-12132-A and pays the civil penalties of Order No. R-12132-A it may file a motion with the Commission to declare Order No. R-12132-A satisfied.

4. Jurisdiction is hereby retained for the entry of such further order as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

MARK E. FESMIRE, P.E., CHAIR

JAMI BAILEY, CPG, MEMBER

WILLIAM OLSON, MEMBER

SEAL