

**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.**

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CASE NO: 13163

**PRE-HEARING STATEMENT  
MOTION TO RE-OPEN CASE NO. 13163**

This entry of appearance and pre-hearing statement is submitted by the Applicant, the Oil Conservation Division.

**APPEARANCES**

APPLICANT  
Oil Conservation Division

APPLICANT'S ATTORNEY  
Gail MacQuesten  
Oil Conservation Division  
Energy, Minerals and Natural  
Resources Department  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
(505) 476-3451  
FAX: 476-3462

**STATEMENT OF THE CASE**

The Oil Conservation Division (OCD) moves 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 issued by the Oil Conservation Commission (OCC) requiring corrective action.

On August 12, 2004 the OCC issued Order No. R-12132-A, ordering Saba to 1) plug and abandon the San Simon 5 State No. 1 and San Simon 5 State No. 2 wells no later than 30 days after issuance of the order; 2) bring the Saba State No. 1 and the Morris No. 1 into compliance with Rule 201 no later than 30 days after issuance of the order; and 3) bring the Harton State No. 1 and Fern Guye No. 1 into compliance with Rule 201 no later than December 31, 2004.

OCD records show no action on the six wells since Order NO. R-12132-A was issued on August 12, 2004.

The OCD is about to plug the six wells identified in the order. At that time, Saba will be in compliance with Rule 40, because it will have no wells on the Rule 40 inactive well list.

The OCD seeks an order pursuant to Rule 40.A(2), finding Saba to be in violation of an order requiring corrective action. Once the Rule 40.A(2) order is in place, the OCD will be able to deny certain privileges to Saba, and deny registration as a well operator to operators related to Saba, until Saba obtains an order from the OCC declaring the order satisfied. The OCD would oppose release of the order if Saba has not reimbursed the OCD for costs incurred in plugging the wells that are not covered by a financial assurance.

### **APPLICANT'S PROPOSED EVIDENCE**

**WITNESS:**  
Daniel Sanchez, Enforcement and Compliance  
Manager

**ESTIMATED TIME:**  
15 min.

**EXHIBITS:**  
Attached.

### **PROCEDURAL MATTERS**

A possible notice issue needs to be resolved.

The OCD sent notice of this motion hearing by certified mail, return receipt requested, to Saba, its surety, the surety's servicing agent, and to Mr. Michael Strong (who entered an appearance in the original OCC hearing to represent owners of mineral interests in one of the wells). The OCD did not send notice to Jim Bruce, who represented Saba at the Division hearing, because Mr. Bruce formally withdrew as Saba's counsel. The OCD used addresses that were good at the time of the original OCC hearing in this matter. Saba has not registered its contact information with the OCD (as required by Rule 100.C) to put the OCD on notice that another address should be used. The OCD obtained return receipts demonstrating service to Saba's surety and to Mr. Short, but certified mail letters sent to Saba and the servicing agent were returned. The letter sent to Saba was marked "Refused." The surety's servicing agent contacted the OCD about the hearing, after learning of it from the surety, and provided an up-dated address. The OCD found a different address for Saba through the internet. The OCD has not been able to verify the address found for Saba -when counsel called the phone number listed with the address for Saba on the internet she reached the answering machine of a spa.

After obtaining new addresses for the servicing agent and for Saba, the OCD mailed formal notice of the hearing to those addresses on May 30, 2006. This second round of notice letters was not sent out more than 20 days before the hearing, as required by Rule 1210.B. The Division did publish notice of the hearing as required by Rule 1210.B

The OCD requests that the motion hearing be held on June 15, 2006, as originally scheduled. The surety's servicing agent was contacted as a courtesy – OCD rules do not require that a servicing agent be notified of hearing, and the servicing agent did not enter an appearance in the original case. Further, the servicing agent had actual notice of the hearing through the surety, and through its contact with OCD counsel. Although Saba is clearly entitled to notice, the OCD used the last known address for Saba and provided notice by publication. Saba has not updated its contact information as required by Rule 100.C, and the address found on the internet may not be correct.

Respectfully submitted,  
This 15<sup>th</sup> day of June 2006 by



Gail MacQuesten  
Oil Conservation Division  
Energy, Minerals and Natural  
Resources Department  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
(505) 476-3451

Attorney for the Oil Conservation Division

### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing pleading, with exhibits attached, was served upon the following by first class mail this 15<sup>th</sup> day of June 2006:

Saba Energy of Texas, Inc.  
P.O. Box 6209  
Santa Maria CA 93456

Redland Insurance Company  
300 West Broadway  
Council Bluffs, IA 51503

Redland Insurance Company  
1177 Avenue of the Americas  
New York, NY 10036

Mr. Michael A. Short  
Short & Johnson  
P.O. Box 2890  
Midland, TX 79702-2890

Saba Energy of Texas, Inc.  
1603 S.E. 19th St.  
Case 13163  
Prehearing Statement  
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Edmond, OK 73013

Gary Mitchell  
Forcon International  
10 Tower Lane  
Avon, CT 06001



Gail MacQuesten

**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**

**AFFIDAVIT OF SERVICE FOR  
MOTION TO RE-OPEN CASE NO. 13163**

In accordance with Division Rule 1227.D [19.15.14.1227.D NMAC] and Rule 1210 (19.15.14.1210 NMAC) I hereby certify that notice of the June 15, 2006 hearing in the above-captioned case was mailed to the following by certified mail, return receipt requested, at least 20 days prior to the hearing date, with a copy of the motion and a copy of Order R-12132-A:

Saba Energy of Texas, Inc.  
P.O. Box 6209  
Santa Maria CA 93456

Redland Insurance Company  
300 West Broadway  
Council Bluffs, IA 51503

Redland Insurance Company  
1177 Avenue of the Americas  
New York, NY 10036

Forcon International  
P.O. Box 581  
Wayzata, MN 55391

Mr. Michael A. Short  
Short & Johnson  
P.O. Box 2890  
Midland, TX 79702-2890

A copy of the notice, with enclosures, is attached as Exhibit 1. Copies of the return receipts and returned envelopes are attached as Exhibit 2.

  
Gail MacQuesten

SUBSCRIBED AND SWORN to before me this 30<sup>th</sup> day of May 2006.

  
Notary Public Dorothy Phillips

My Commission Expires:

4/2/07



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor  
**Joanna Prukop**  
Cabinet Secretary

**Mark E. Fesmire, P.E.**  
Director  
Oil Conservation Division

April 24, 2006

Saba Energy of Texas, Inc.  
P.O. Box 6209  
Santa Maria, CA 93456      Cert. Mail No. 7002 3150 0004 4924 0250

Redland Insurance Company  
300 West Broadway  
Council Bluffs, IA 51503      Cert. Mail No. 7002 3150 0004 4924 0243

Redland Insurance Company  
1177 Avenue of the Americas  
New York, NY 10036      Cert. Mail No. 7002 3150 0004 4924 0236

Forcon International  
P.O. Box 581  
Wayzata, MN 55391      Cert. Mail No. 7002 3150 0004 4924 0229

Mr. Michael A. Short  
Short & Johnson  
P.O. Box 2890  
Midland, TX 79702-2890      Cert. Mail No. 7002 3150 0004 4924 0212

**VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED**

**Re: Case No. 13163: 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 for Failure to Comply, Authorizing the Division to Plug Said Wells and Ordering a Forfeiture of Applicable Plugging Bond; Lea County, New Mexico**

**Motion to Re-Open Case No. 13163 and Enter an Order Finding Saba Energy of Texas, Inc. in Violation of Order Requiring Corrective Action**

Ladies and Gentlemen:

You are hereby notified that the New Mexico Oil Conservation Division has filed a motion seeking an order finding Saba Energy of Texas, Inc. (Saba) to be in violation of Order R-12132-A, issued in Case No. 13163. A copy of Order R-12132-A and a copy of the motion are enclosed.

A hearing on this application will take place before the Oil Conservation Commission on Thursday, June 15, 2006 at 9:00 a.m., in Porter Hall, First Floor, 1220 South St. Francis Drive in Santa Fe, New Mexico. At that hearing you will have an opportunity to show cause why an order should not be entered as requested in the motion.

If an order is issued as requested in the motion, Saba will be in violation of 19.15.1.40 NMAC (Rule 40). If an operator is in violation of Rule 40, the Oil Conservation Division may deny the operator applications for permits to drill (19.15.3.102.C NMAC); may deny transfers of wells to the operator (19.15.3.100.E NMAC); may deny registration to an entity related to the operator (19.15.3.100.B NMAC); must deny permits for injection (19.15.9.701 NMAC); and must deny requests for allowables and authorization to transport (19.15.13.1104 NMAC).

This notice is being sent to Redland Insurance Company and its claim servicing agent, Forcon International, as a courtesy, because Saba posted a surety bond in the amount of \$50,000, No. RED 1023122 issued by Redland Insurance Company to secure its obligation to plug the wells that are the subject of Order R-12132-A. A copy of this notice is also being sent to Michael A. Short, who appeared at the Oil Conservation Commission hearing in Case 13163 on behalf of Michael and Linda Harton and other owners of mineral interests in the Harton State No. 1.

Please note that any party who intends to present evidence at the hearing on this motion should file a pre-hearing statement pursuant to 19.15.14.1211 NMAC.

Inquiries concerning this application may be directed to the undersigned in the Santa Fe office of the Division at (505) 476-3451.

Very truly yours,



Gail MacQuesten  
Assistant General Counsel

ec: Chris Williams, OCD District 1  
Daniel Sanchez, OCD Enforcement and Compliance Manager

**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

**MOTION TO RE-OPEN CASE NO. 13163 AND ENTER AN ORDER FINDING  
SABA ENERGY OF TEXAS, INC. IN VIOLATION OF AN ORDER REQUIRING  
CORRECTIVE ACTION**

1. On August 12, 2004, the Oil Conservation Commission issued Order No. R-12132-A in the above-captioned case ordering Saba Energy of Texas, Inc. ("Operator") to complete 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 Oil Conservation Division (OCD) 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.

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

3. Operator did not seek rehearing on Order No. R-12132-A, and did not appeal Order No. R-12132. The Order is now final.

4. OCD records indicate that, to date, the wells identified in paragraph 1, above, have not been plugged, restored to production, or placed on approved temporary abandonment status.

5. 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.

WHEREFORE, the Enforcement and Compliance Manager hereby moves the Commission to re-open Case 13163, and enter an order after notice and hearing:

- A. Determining that Saba Energy of Texas is in violation of Order R-12132-A's requirements for corrective action; and
- B. For such other and further relief as the Commission deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,  
this 24<sup>th</sup> day of April, 2006 by



Gail MacQuesten  
Assistant General Counsel  
Energy, Minerals and Natural  
Resources Department of the State of  
New Mexico  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
(505)-476-3451

Attorney for The New Mexico Oil  
Conservation Division

**Certificate of Service**

I hereby certify that I served this motion by certified mail, return receipt requested, to:

Saba Energy of Texas, Inc.  
P.O. Box 6209  
Santa Maria, CA 93456

Redland Insurance Company  
300 West Broadway  
Council Bluffs, IA 51503

Redland Insurance Company  
1177 Avenue of the Americas  
New York, NY 10036

Forcon International  
P.O. Box 581  
Wayzata, MN 55391

Mr. Michael A. Short  
Short & Johnson  
P.O. Box 2890  
Midland, TX 79702-2890

on this 24<sup>th</sup> day of April, 2006.



Gail MacQuesten

**Case No. 13163.** Application of the New Mexico Oil Conservation Division for an order requiring Saba Energy of Texas, Inc. to bring six wells into compliance with 19.15.4.201 NMAC. The Applicant moves the Oil Conservation Commission to re-open Case No. 12792 and issue an order pursuant to OCD Rule 19.15.1.40 NMAC finding Saba Energy of Texas, Inc. to be in violation of Order R-12132-A, issued in Case No. 13163, requiring corrective action as to the following wells: San Simon 5 State #1, API #30-025-27564, UL E, Sec. 5, T22S, R35E; San Simon 5 State #2, API #30-025-28480, UL G, Sec. 5, T22S, R35E; Morris #1, API #30-025-29247, Unit Letter D, Section 8, T13S, R36E; Saba State #1, API #30-025-33726, UL I, Sec. 7, T13S, R36E; Harton State #1, API #30-025-28540, UL H, Sec. 7, T13S, R36E; Fern Guye #1, API #30-025-34488, UL M, Sec. 5, T13S, R36E. The San Simon 5 State #1 and #2 are located approximately 5-15 miles west of Eunice and the remaining wells are located approximately 5 miles southeast of Tatum, in Lea County, New Mexico.

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

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

CASE NO. 13163  
ORDER NO. R-12132-A

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR  
AN ORDER REQUIRING SABA ENERGY OF TEXAS, INC. TO PROPERLY PLUG  
AND ABANDON 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, 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 July 15, 2004 at Santa Fe, New Mexico on the application of Saba Energy of Texas, Inc. for *de novo* review, and the amended application of the New Mexico Oil Conservation Division (the Division), and the Commission, having heard the evidence and arguments of counsel and carefully considered the same, now, on this 12th day of August, 2004,

**FINDS,**

1. Notice has been given of the application and the hearing of this matter, and the Commission has jurisdiction of the parties and the subject matter.

2. In the original application in this case and in its amended application, the Division alleges that Saba Energy of Texas, Inc. (Saba) is the operator of the following six wells (the subject wells) located in Lea County, New Mexico:

<u>Well Name</u>	<u>API Number</u>	<u>Well Location</u>
San Simon 5 State No. 1	30-025-27564	Unit E, Section 5, T22S, R35E
San Simon 5 State No. 2	30-025-28480	Unit G, Section 5, T22S, R35E
Fern Guye No. 1	30-025-34488	Unit M, Section 5, T13S, R36E

Saba State No. 1	30-025-33726	Unit I, Section 7, T13S, R36E
Morris No. 1	30-025-29247	Unit D, Section 8, T13S, R36E
Harton State No. 1	30-025-28540	Unit H, Section 7, T13S, R36E

3. The Division seeks an order directing Saba to bring the subject wells into compliance with Division Rules by a date certain, by either (a) plugging such wells in accordance with a Division-approved plugging program in accordance with Division Rules 201 and 202 [19.15.4.201 and 19.15.4.202 NMAC], (b) restoring such wells to production, or (c) causing such wells to be placed in approved temporary abandonment status in accordance with Division Rule 203 [19.15.4.203 NMAC], including filing of additional financial assurance as provided in Rule 203.B(5); and, if Saba fails to comply with the terms of said order within the time therein provided, authorizing the Division to proceed to plug and abandon the subject wells, ordering forfeiture of the financial assurance furnished by Saba to secure its obligation to properly plug and abandon such wells and imposing civil penalties.

4. The Division presented the testimony of Mr. Chris Williams, the Division's District Supervisor for the District including Lea County, and offered in evidence material from the records of the Division, authenticated by the testimony of Mr. Williams, and by the affidavits of Ms. Jane Prouty, Supervisor of Production and Permitting for the Division and Ms. Dorothy Phillips, Bond Administrator for the Division.

5. Records of the Division admitted in evidence reflect that the subject wells have not produced any oil or gas, nor has any substance been injected into any of such wells, since the respective dates shown below:

<u>Well Name</u>	<u>Date of Last Production</u>
San Simon 5 State No. 1	November 1999
San Simon 5 State No. 2	August 1998
Fern Guye No. 1	November 1999
Saba State No. 1	October 2001
Morris No. 1	October 2001
Harton State No. 1	March 2002

6. Documents on file with the Division and admitted in evidence at the hearing reflect that Saba of Texas, Inc. is the operator of record of each of the subject wells, so designated, as to each such well, either in a form C-101 (Application for Permit to Drill, Re-Enter, Deepen, Plugback, Etc) executed by Saba or in a form C-104 (Request for Allowable and Authorization to Transport) executed by Saba and by a previous operator.

7. Although certain documents on file with the Division and admitted in evidence at the hearing show Greka Energy (Greka) as operator of some of the subject wells, Mr. Williams testified, based on his review of the well files of the Division pertaining to the subject wells, that no form C-104 designating Greka as operator in accordance with Division Rule 1104 [19.15.13.1104 NMAC] has been filed for any of the subject wells.

8. Mr. Williams further testified that none of the subject wells has been plugged, and that none of the subject wells has been approved for temporary abandonment pursuant to Rule 203.

9. Mr. Williams further testified that OCD Exhibit 15 admitted in evidence at the hearing comprised procedures for the proper plugging and abandonment of the subject wells in accordance with Division rules.

10. Mr. Williams further testified that two of the subject wells, the San Simon 5 State wells No. 1 and No. 2, are located on expired State of New Mexico leases.

11. Mr. Williams further testified that a release of hydrocarbons recently occurred at one of the subject wells, and that the occurrence of that release, together with the condition of the equipment at the subject wells, indicates a probability of fluid leaks that could adversely affect groundwater in the area.

12. Michael and Linda Harton and other owners of mineral interests in the Harton State No. 1 (the Hartons and the Duncans) appeared at the hearing through counsel, Mr. Michael A. Short, who represented that:

(a) the Hartons and the Duncans claim an interest in the Harton State No. 1, and the Hartons claim an interest in the Fern Guye No. 1, by reversion, the leases to Saba covering these properties having, according to their contention, terminated;

(b) the claim of the Hartons and the Duncans to the Harton State No. 1 is the subject of litigation pending in the District Court of Lea County, New Mexico;

(c) the Hartons and the Duncans believe that the Harton State No. 1 is capable of producing in paying quantities; and

(d) the Fern Guye No. 1 is potentially useful as an injection well.

13. The Division issued Order No. R-12132 in this case on April 23, 2004, directing Saba to properly plug the subject wells no later than June 1, 2004, and providing for a penalty of \$1,000 per day per well for each day thereafter that any of the subject wells remained non-compliant.

14. Saba filed a *de novo* appeal of Order No. R-12132 on May 21, 2004, but neither filed a request to stay said order, in accordance with Division Rule 1220 [19.15.14.1220 NMAC], nor took any action to comply therewith.

15. Saba has furnished financial assurance, in accordance with NMSA 1978 Section 70-2-14, as amended, to secure its obligation to properly plug and abandon its wells in New Mexico, including the subject wells, in the form of Redland Insurance Company Bond No. RED 1023122 in the amount of \$50,000 (Saba's bond).

16. The Commission concludes that:

(a) Saba is an operator of the subject wells, and accordingly is responsible for proper plugging and abandonment of the subject wells in accordance with NMSA 1978 Section 70-2-14, as amended, and Division Rule 201.

(b) The subject wells are inactive and have been continuously inactive for a period of more than one year plus ninety days; accordingly, unless the subject wells are restored to production, they must be plugged in accordance with Rule 201 or temporarily abandoned in accordance with Rule 203.

(c) The San Simon 5 State wells No. 1 and No. 2 are located on expired State of New Mexico leases. However, Saba remains responsible as operator for proper plugging and abandonment of these wells.

(d) If the subject wells are not plugged, or otherwise brought into compliance, fluids could escape from the formations in which they are encountered into other formations or to the surface, endangering fresh water and the environment.

(e) Saba had notice of the filing of the application in this case and of the entry of Order No. R-12132 by the Division.

(f) By failing to properly plug and abandon the subject wells, or to otherwise bring the subject wells into compliance with Division Rules , during the time from June 1, 2004 to July 15, 2004, Saba knowingly and willfully violated Rule 201, a rule of the Division duly adopted pursuant to the New Mexico Oil and Gas Act [NMSA 1978 Sections 70-2-1 through 70-2-38, as amended], and also knowingly and willfully violated Order No. R-12132, an order duly issued by the Division, which was not stayed or suspended.

(g) Pursuant to NMSA 1978 Section 70-2-31.A, as amended, civil penalties should be assessed against Saba for knowingly and willfully violating a Division rule and a Division order, in the amount of \$1,000 per day for each of the subject wells from June 1, 2004, through and including July 15, 2004, the date of the Commission hearing.

**IT IS THEREFORE ORDERED THAT:**

1. Saba is hereby ordered to properly plug and abandon the following wells within thirty (30) days after issuance of this order:

<u>Well Name</u>	<u>API Number</u>	<u>Well Location</u>
San Simon 5 State No. 1	30-025-27564	Unit E, Section 5, T22S, R35E
San Simon 5 State No. 2	30-025-28480	Unit G, Section 5, T22S, R35E

2. Saba is hereby ordered to bring each of the remaining subject wells into compliance with Division Rules by either (a) plugging such well in accordance with a Division-approved plugging program, in accordance with Rules 201 and 202, (b) restoring such well to production, or (c) causing such well to be placed in approved temporary abandonment status in accordance with Division Rule 203, no later than the respective dates indicated below:

<u>Well Name</u>	<u>API Number</u>	<u>Well Location</u>
Wells to be brought into compliance no later than thirty (30) days after issuance of this order		
Saba State No. 1	30-025-33726	Unit I, Section 7, T13S, R36E
Morris No. 1	30-025-29247	Unit D, Section 8, T13S, R36E
Wells to be brought into compliance no later than December 31, 2004		
Harton State No. 1	30-025-28540	Unit H, Section 7, T13S, R36E
Fern Guye No. 1	30-025-34488	Unit M, Section 5, T13S, R36E

3. In bringing the subject wells into compliance as directed in ordering paragraphs 1 and 2, Saba shall comply with all applicable Division rules, including but not limited to, Rules 201, 202 and 203, and with the plugging procedures admitted in evidence in this case as OCD Exhibit 15, or other Division-approved plugging procedure.

4. Saba shall notify the Hobbs District Office of the Division prior to conducting any procedures on the subject wells pursuant to this order, so that Division personnel may be present to witness such procedures.

5. In the event that Saba fails to plug and abandon any of the subject wells, or to otherwise restore any of such wells to compliance, in the manner and within the time herein provided, then:

(a) Saba's bond shall be forfeited as provided in NMSA 1978 Section 70-2-14, as amended;

(b) The Division is hereby authorized to plug and abandon any such well not brought into compliance within the time herein provided, and to remediate the site thereof in accordance with Division rules;

(c) The Division is further authorized to demand and collect reimbursement of its costs incurred in plugging and abandoning such wells and in remediating the sites thereof from the surety on Saba's bond, and from Saba to the

extent of any excess of such costs over and above the amount collected from the said surety.

6. A civil penalty is hereby assessed against Saba, in accordance with NMSA 1978 Section 70-2-31.A, as amended, in the amount of \$270,000 for knowing and willful violation of Division Rule 201 and of Division Order No. R-12132, as above described, during the period from June 1 through July 15, 2004. Saba shall deliver payment of such civil penalty to the Division no later than thirty (30) days from the issuance of this order.

7. Jurisdiction is hereby retained for the entry of such further orders 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**

  
**FRANK T. CHAVEZ, MEMBER**

SEAL

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

## 1. Article Addressed to:

Mr. Michael A. Short  
Short & Johnson  
P.O. Box 2890  
Midland, TX 79702-2890

April 24, 2006 Ltr.

## 2. Article Number

(Transfer from service label)

7002 3150 0004 4924 0212

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

## A. Signature

X *Sandra Johnston*  Agent  
 Addressee

## B. Received by (Printed Name)

SANDRA JOHNSTON

## C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

## 3. Service Type

- Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

## 1. Article Addressed to:

Redland Insurance Company  
1177 Avenue of the Americas  
New York, NY 10036

April 24, 2006 Ltr.

## 2. Article Number

(Transfer from service label)

7002 3150 0004 4924 0236

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

## A. Signature

X *[Signature]*  Agent  
 Addressee

## B. Received by (Printed Name)

Monika Sobers

## C. Date of Delivery

4/28/06

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

## 3. Service Type

- Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

## 1. Article Addressed to:

Redland Insurance Company  
300 West Broadway  
Council Bluffs, IA 51503

April 24, 2006 Ltr.

## 2. Article Number

(Transfer from service label)

7002 3150 0004 4924 0243

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

## A. Signature

X *[Signature]*  Agent  
 Addressee

## B. Received by (Printed Name)

[Signature]

## C. Date of Delivery

4-27

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

## 3. Service Type

- Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

Exhibit 2

To

Affidavit of Service

STATE OF NEW MEXICO  
ENERGY MINERALS AND  
NATURAL RESOURCES DEPARTMENT  
1220 SOUTH SAINT FRANCIS DRIVE  
SANTA FE, NEW MEXICO 87505

7002 3150 0004 4924 0229

*UFT*  
Forcon International  
P.O. Box 581  
Wayzata, MN 55391

5539140341-2975034000

|||||

BC: 97505400020 \*0369-06999-25-44

NOT DELIVERABLE TO ADDRESSEE  
RETURN TO SENDER  
UNABLE TO FORWARD

NIXIE 553 1 05 04/29/05

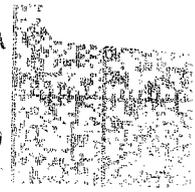
Postnet  
\$04.880  
04/29/05  
05 042905

STATE OF NEW MEXICO  
ENERGY MINERALS AND  
NATURAL RESOURCES DEPARTMENT  
1220 SOUTH SAINT FRANCIS DRIVE  
SANTA FE, NEW MEXICO 87505

2006 MAY 15 AM 11:00

*6527*  
Saba Energy of Texas, Inc.  
~~P.O. Box 5269~~  
Santa Maria, CA 93456

7002 3150 0004 4924 0250



\$04.880  
04/29/05  
US POSTAGE

NIXIE 930 1 21 05/09/05

RETURN TO SENDER  
REFUSED  
UNABLE TO FORWARD

BC: 97505400020 \*0369-06999-25-44

|||||

9750524000  
5539140341-2975034000

## Well List

## 34703 SABA ENERGY OF TEXAS INC

TOTAL WELL COUNT:6

PRINTED ON:TUESDAY, MAY 30, 2006

Property	Well Name	Lease Type	ULSTR	OCD UL	API	Well Type	Pool	Last Prod/Inj	Oil POD	Gas POD
23608	FERN GUYE #001	P	M-5 -13S-36E	M	30-025-34488	O	96786 TATUM;UPPER PENN	3/2000	2823305	282330
21107	HARTON STATE #001	P	H-7 -13S-36E	H	30-025-28540	O	96786 TATUM;UPPER PENN	3/2002	2819733	282092
23502	MORRIS #001	P	D-8 -13S-36E	D	30-025-29247	O	96786 TATUM;UPPER PENN	10/2001	2804490	282092
20071	SABA STATE #001	S	I-7 -13S-36E	I	30-025-33726	O	96786 TATUM;UPPER PENN	10/2001	2804490	282100
18031	SAN SIMON 5 STATE #001	S	E-5 -22S-35E	E	30-025-27564	G	53690 SAN SIMON;WOLFCAMP	11/1999	1932010	193203
	SAN SIMON 5 STATE #002	S	G-5 -22S-35E	G	30-025-28480	O	96342 SAN SIMON;STRAWN	8/1998	1932910	193293

**Before the OCC  
Case No. 13163  
Motion to Re-Open  
Exhibit B**

LOCATION	OPERATOR	WELL NAME	DEPTH	API NUMBER	ESTIMATE
B-33-21-35	Advanced Expl.	War Deck # 1	3975'	30-025-30626	\$15,900
F-02-26-37	B. Bernard Langford	Spear State # 1	3000'	30-025-22098	\$12,000
M-28-20-36	Carbon Energy, Inc	Aztec 28 State # 3	4307'	30-025-04361	\$17,228
C-06-19-37	Carbon Energy, Inc	Shell State # 1	4030'	30-025-26637	\$16,120
I-09-14-33	Eclipse O&G, Inc	State D SWD # 1	5480'	30-025-36171	\$21,920
K-30-18-37	Gordon M Cone	Beery-State # 1A	4609'	30-025-05514	\$18,436
<del>Q-23-16-33</del>	<del>Kelly H. Baxter</del>	<del>State "FP" # 1</del>	<del>11540'</del>	<del>30-025-21925</del>	<del>\$46,160</del>
<del>A-20-14-33</del>	<del>Kelly H. Baxter</del>	<del>WES # 1</del>	<del>10425'</del>	<del>30-025-28227</del>	<del>\$41,700</del>
E-07-21-37	Millard Deck Estate	Alexander # 1	4119'	30-025-08429	\$16,476
D-33-21-35	Millard Deck Estate	Lea 407 State # 5	3950'	30-025-03535	\$15,800
M-05-13-36	Saba(AKA)Greka	Fern Guye # 1	11220'	30-025-34488	\$44,880
H-07-13-36	Saba(AKA)Greka	Harton State # 1	11180'	30-025-28540	\$44,720
D-08-13-36	Saba(AKA)Greka	Morris # 1	11214'	30-025-29247	\$44,856
I-07-13-36	Saba(AKA)Greka	Saba State # 1	14031'	30-025-33726	\$56,124
E-05-22-35	Saba(AKA)Greka	San Simon 5 State # 1	10942'	30-025-27564	\$43,768
G-05-22-35	Saba(AKA)Greka	San Simon 5 State # 2	13274'	30-025-28480	\$53,096
F-25-21-36	Tahoe Energy Inc	Brownlee # 1	3720'	30-025-04461	\$14,880
J-18-16-37	Verde Grande, Inc	Aztec State # 1	11536'	30-025-22342	\$46,144

Total Cost \$570,208

- 87,860  
 for Kelly Baxter wells  
 \$482,348.00  
 48,238.80  
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 530,582.80