

RECEIVED

OCT 31 2003

Oil Conservation Division

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING SABA ENERGY OF TEXAS, INC., TO PROPERLY PLUG SIX WELLS, ASSESSING AN APPROPRIATE CIVIL PENALTY IN EVENT OF OPERATOR'S FAILURE TO COMPLY, AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND ORDERING A FORFEITURE OF APPLICABLE PLUGGING BOND; LEA COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

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

OPPONENTS  
Saba Energy of Texas, Inc.  
Redland Insurance Company

OPPONENTS' ATTORNEY  
No appearance has been entered.  
No appearance has been entered.

WTS  
11/10/03

STATEMENT OF THE CASE

APPLICANT

Saba Energy of Texas, Inc. is the operator of record for six abandoned wells in Lea County, New Mexico. The Division seeks an order requiring Saba to plug the wells by a date certain, assessing a civil penalty if Saba fails to comply, authorizing the Division to plug the wells and forfeiture of the bond.

OPPONENTS

PROPOSED EVIDENCE

APPLICANT

WITNESS:

ESTIMATED TIME:

EXHIBITS:

1. Chris Williams or Billy Prichard

20 min.

1A through 6A (well file information)  
7 (summary of well file exhibits)  
8 (compliance letters)  
9 (plugging procedures)

2. Jane Prouty	5 min.	10 (production report)
3. Dorothy Phillips	5 min.	11 (bond information)
		12 (affidavit of service)

OPPONENTS

WITNESS: ESTIMATED TIME: EXHIBITS:

**PROCEDURAL MATTERS**

None.

Respectfully submitted,  
This 31<sup>st</sup> day of October, 2003 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 was served upon the following this 31<sup>st</sup> day of October, 2003 by first class mail, postage pre-paid:

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

  
Gail MacQuesten

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

APPLICATION OF THE NEW MEXICO OIL  
CONSERVATION DIVISION, THROUGH THE  
SUPERVISOR OF DISTRICT I, FOR AN  
ORDER REQUIRING SABA ENERGY OF TEXAS,  
INC. TO PROPERLY PLUG SIX WELLS,  
ASSESSING AN APPROPRIATE CIVIL PENALTY  
IN THE EVENT OF OPERATOR'S FAILURE TO  
COMPLY, AUTHORIZING THE DIVISION TO  
PLUG SAID WELLS, AND ORDERING A  
FORFEITURE OF THE APPLICABLE PLUGGING  
BOND, LEA COUNTY, NEW MEXICO.

Case No. 13163

ENTRY OF APPEARANCE  
AND REQUEST FOR A CONTINUANCE

*Applicant  
concerns.  
Oil  
MOP  
11-3-05*

I. ENTRY OF APPEARANCE.

James Bruce enters his appearance in the above case on behalf of Saba Energy Company of Texas, Inc. ("Saba").

II. REQUEST FOR A CONTINUANCE.

Saba requests that this matter be continued to the first Examiner hearing in February 2004, and in support thereof, states;

There are two groups of wells involved in this case: (a) the "Harton" group, numbering four wells in Township 13 South, Range 36 East, N.M.P.M.; and (b) the "San Simon" group, numbering two wells in Township 22 South, Range 35 East, N.M.P.M.

The request for continuance is based on the following reasons:

1. All six wells are capable of production, or can be used for salt water disposal. Based on the issues discussed below, plugging is premature or improper during the next several months.
2. The Harton wells are the subject of a lawsuit entitled Harton v. Saba Energy Company of Texas, Inc., et al.,

*WVS 11/3/03*

Case No. D-0506-CV-2001-00417 pending in the District Court of Lea County. In that action, Harton, the lessor, seeks a determination that Saba's leases have terminated. The Harton wells have not been produced due the pendency of the lawsuit and the dispute over ownership. Trial in that matter is set for December 8, 2003. Until this matter is resolved at trial, Saba cannot plug the wells or it may face increased exposure to plaintiffs for plugging wells capable of producing. Conversely, if Saba is successful in the lawsuit, it can place the wells back on production or injection.

3. The San Simon wells are located on a State of New Mexico lease which expired several years ago. Upon information and belief, the lands on which the San Simon wells are located were subsequently leased by the state to another operator. The undersigned was just contacted in this matter, and has had insufficient time to review the Land Office's files to determine if Saba still has the right to re-enter the lands for plugging purposes, or to determine whether the new lessee desires to use the wellbores. Until that is done, plugging may be improper.
4. The Division's letters to Saba on these wells state that non-compliance is not significant. In addition, the amount of the plugging bond (\$50,000) substantially exceeds plugging costs for the six wells (even assuming no salvage value on the wells). Thus, there is no need

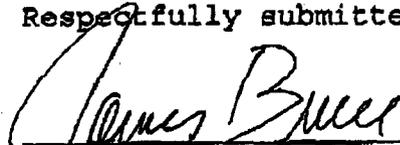
to immediately plug the wells.

5. Saba is checking into placing some or all of the wells in temporarily abandoned status pending resolution of the Harton lawsuit, which would again obviate the need for an immediate hearing.

III. CONCLUSION.

Saba requests that this matter be continued for three months, so that the Harton trial may be held, and the undersigned can determine issues regarding plugging wells on an expired state lease.

Respectfully submitted,



James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Saba Energy Company of  
Texas, Inc.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was served upon the following counsel of record this 31<sup>st</sup> day of October, 2003 by facsimile transmission and United States Mail:

Gail MacQuesten  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505  
(505) 476-3462



James Bruce