

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. 13,163

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 )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: MARK E. FESMIRE, CHAIRMAN  
JAMI BAILEY, COMMISSIONER  
WILLIAM C. OLSON, COMMISSIONER

2006 JUN 22 AM 10 08

June 15th, 2006

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, MARK E. FESMIRE, Chairman, on Thursday, June 15th, 2006, 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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Commission Hearing  
CASE NO. 13,163

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## A P P E A R A N C E S

## FOR THE COMMISSION:

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## FOR THE DIVISION:

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By: KEVIN M. SEXTON

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 9:29 a.m.:

3           CHAIRMAN FESMIRE: The next cause before the  
4 Commission is Case Number 13,163, the Application of the  
5 New Mexico Oil Conservation Division for an order requiring  
6 Saba Energy of Texas, Inc., to bring six wells into  
7 compliance with 19.15.4.201 NMAC.

8           Ms. MacQuesten, do you have an entry of  
9 appearance in this case?

10          MS. MacQUESTEN: I do, and I also have Mr. Daniel  
11 Sanchez as a witness.

12          CHAIRMAN FESMIRE: Okay, is there any other --

13          MR. SEXTON: Yes, good morning. May it please  
14 the Commission, my name is Kevin Sexton. I'm an attorney  
15 who has been retained by Capitol, C-a-p-i-t-o-l, Insurance  
16 Company, which is the successor-in-interest to Redlands  
17 Insurance Company, which was the surety named on the bond  
18 in question.

19          CHAIRMAN FESMIRE: Okay. Mr. Sexton, do you have  
20 any witnesses today?

21          MR. SEXTON: I do not, Mr. Chairman.

22          CHAIRMAN FESMIRE: Okay. Ms. MacQuesten, do you  
23 have an opening statement?

24          MS. MacQUESTEN: I do again, just a brief  
25 statement of what we seek in the case, and I'd like to

1 review some of the documents in the also exhibit file.

2 CHAIRMAN FESMIRE: Okay. Mr. Sexton, would you  
3 like to sit up here?

4 MR. SEXTON: Just so I don't have to yell over  
5 this poor woman sitting here, I will do that.

6 CHAIRMAN FESMIRE: Mostly so the court reporter  
7 can get you on the record, on the recorder.

8 MR. SEXTON: Thank you, Mr. Chairman.

9 MS. MacQUESTEN: We're here on a motion to reopen  
10 Case 13,163, a compliance action against Saba Energy of  
11 Texas, Inc. We are here seeking an order finding Saba to  
12 be in violation of the Commission order issued in Case  
13 13,163, requiring corrective action. If such an order is  
14 issued, Saba will be in violation of Rule 40 until it  
15 returns to the Commission and convinces you to release that  
16 order.

17 I would like to draw your attention to the  
18 exhibit packet you have and add an exhibit to that.

19 CHAIRMAN FESMIRE: Has Mr. Sexton been provided  
20 with that?

21 MS. MacQUESTEN: He's been provided with the  
22 original packet of exhibits, but he hasn't seen this new  
23 one. This is simply a continuation of our efforts to serve  
24 Saba. If I may approach the Commission --

25 CHAIRMAN FESMIRE: You may.

1 MS. MacQUESTEN: -- with copies of this second  
2 affidavit of service to supplement the first affidavit. We  
3 did have some service issues in this case, and I wanted to  
4 address those up front.

5 The first exhibit in your exhibit packet is the  
6 original affidavit of service, and you'll see that we  
7 served the parties to the original case by certified mail  
8 dated April 24th, 2006. Those parties were Saba, Redlands  
9 Insurance Company, and also Mr. Michael Short who was an  
10 attorney who appeared on behalf of the owners of mineral  
11 interests in some of the wells in the original action.

12 We did not serve Saba's attorney, because he had  
13 formally withdrawn from the case.

14 We did serve an entity called Forcon  
15 International, which I understand is a servicing company  
16 for the surety. We served them as a courtesy, because  
17 although they weren't a party to the original action they  
18 had corresponded with the OCD during the course of that  
19 case on behalf of the surety.

20 Attached to the original affidavit of service are  
21 the return receipts showing service to Redlands Insurance  
22 Company and Mr. Short. But we received return envelopes  
23 from Forcon and from Saba.

24 Also attached to Exhibit A is the letter that was  
25 sent notifying the parties of this hearing and a copy of

1 the order issued in Case 13,163 that we'll be addressing  
2 today.

3 Now as I discussed in the prehearing statement,  
4 although Forcon did not receive the mailing of April 24th  
5 notifying them of the hearing, they did hear about the case  
6 through Redlands Insurance Company and contacted me. They  
7 provided a new address.

8 I also researched the Internet in an attempt to  
9 find Saba, because our first efforts didn't reach them, and  
10 I did find an address for Saba that I hadn't seen before.

11 So I did a second mailing dated May 30th, 2006.  
12 Now notice that that's not more than 20 days before the  
13 hearing as required by Rule 1210.B, but I wasn't able to  
14 obtain the addresses until that time.

15 You'll see from this second affidavit of service  
16 that the notice did reach Forcon. Of course, they all had  
17 actual notice of the hearing prior to that time. But  
18 again, we were unsuccessful in reaching Saba.

19 I asked that we proceed to hearing anyway. We  
20 were not required to give notice to Forcon, and they did  
21 have actual notice anyway because they contacted us and  
22 gave us their address. And the addresses for Saba that we  
23 have used have all turned out to be bad addresses.

24 We did publish notice of the hearing, and the  
25 affidavit of publication is included in that second

1 affidavit of service. So I would ask that we be allowed to  
2 proceed to hearing at this time.

3 CHAIRMAN FESMIRE: Mr. Sexton, your has had  
4 actual notice of this hearing, have they not, for greater  
5 than 20 days?

6 MR. SEXTON: Mr. Chairman, my client, just to be  
7 clear, is the surety itself --

8 CHAIRMAN FESMIRE: Right.

9 MR. SEXTON: -- which is Capitol Insurance  
10 Company, successor-in-interest to Redlands. And yes, we  
11 did receive actual notice. I cannot speak to whether or  
12 not the principal, Saba Energy of Texas, has received  
13 actual notice of this hearing.

14 CHAIRMAN FESMIRE: Okay. Ms. MacQuesten, I see  
15 no reason not to proceed to hearing at this time.

16 MS. MacQUESTEN: All right, thank you. Then I  
17 would ask you to look at the order we are attempting to  
18 enforce here. It's attached to that first affidavit of  
19 service. It's just before the copies of the return  
20 receipts. If I could turn your attention to the first page  
21 of that order, you'll note that it was issued on August  
22 12th, 2004. And if you'll turn to page 4 and 5 of the  
23 order, that is the portion of the order directing Saba to  
24 take corrective action as to six wells.

25 The order identifies specific corrective action

1 as to each well or group of wells. For two of the wells,  
2 it required Saba to plug and abandon them. For four other  
3 wells, it simply told Saba to bring the wells into  
4 compliance, so Saba could plug the wells, place them on  
5 temporary abandonment status, or return them to productive  
6 use.

7 The order has different deadlines for each group  
8 of wells. For some of the wells the action was to be taken  
9 within 30 days of the issuance of the order, and for two of  
10 the wells the action was to be taken by December 31st,  
11 2004.

12 CHAIRMAN FESMIRE: Ms. MacQuesten, if I remember  
13 correctly, that was to provide the mineral owner an  
14 opportunity to do something with those well -- One of them  
15 was apparently a good producer and one they wanted to use.

16 MS. MacQUESTEN: That's right, there were two  
17 wells that the mineral interest owners were interested in,  
18 one because it was a productive well and the other because  
19 they wanted to use it as an injection well. So the  
20 Commission wrote the order to give them time to take  
21 whatever action they needed to take on those two wells.

22 CHAIRMAN FESMIRE: Do you know what the status of  
23 that is, or --

24 MS. MacQUESTEN: I received a call from Michael  
25 Short, who is the attorney representing the mineral

1 interest owners in that Commission action. He is still  
2 interested in dealing with those wells. He indicated to me  
3 they've had trouble doing anything because -- his  
4 understanding is that the parent company for Saba is in  
5 bankruptcy, and for some reason that has caused them  
6 problems in getting -- to do what they want to do.

7 I informed him that -- as you'll learn through  
8 our witness, that the wells are currently on line to be  
9 plugged by the State, because significant time has passed  
10 since this issuance of the order, and we hadn't heard from  
11 Mr. Short or anyone else. And I advised him to contact  
12 David Brooks, who is handling the plugging of the cases,  
13 and find out from him whether there was anything that could  
14 be done about those two wells or whether Mr. Brooks  
15 intended to proceed with them.

16 I also told him that we were seeking to re-open  
17 the case in this motion strictly to deal with the Rule 40  
18 issue, that if he wanted to ask the Commission to issue a  
19 new order on those two wells, that he should do that as a  
20 separate action. So that was the end of that.

21 CHAIRMAN FESMIRE: Okay, I'm sorry to interrupt  
22 you there. Continue.

23 MS. MacQUESTEN: With that I would like to call  
24 Daniel Sanchez.

25 CHAIRMAN FESMIRE: Mr. Sanchez, you've been

1 previously sworn today. Why don't, just to make sure, we  
2 swear him in in this case too?

3 (Thereupon, the witness was sworn.)

4 DANIEL SANCHEZ,

5 the witness herein, after having been first duly sworn upon  
6 his oath, was examined and testified as follows:

7 DIRECT EXAMINATION

8 BY MS. MacQUESTEN:

9 Q. Mr. Sanchez, would you state your name for the  
10 record?

11 A. Daniel Sanchez.

12 Q. And did you just testify in the preceding case?

13 A. Yes, I did.

14 Q. And are you still employed at OCD as the  
15 compliance and enforcement manager?

16 A. Yes, ma'am.

17 Q. And do you still supervise the District Offices  
18 and track compliance with orders issued by the Division and  
19 the Commission?

20 A. Yes, I do.

21 Q. Are you familiar with the order issued against  
22 Saba Energy of Texas in Case 13,163?

23 A. Yes, I am.

24 Q. Have you reviewed the well files for the wells  
25 identified in that order and consulted with the District

1 Office regarding Saba's compliance with that order?

2 A. Yes, I have.

3 Q. Let's go through the current status of the wells  
4 covered by that order. I'd like you to turn to what has  
5 been marked as Exhibit B. Can you identify this document?

6 A. Yes, it's the well list for Saba Energy of Texas,  
7 Incorporated, showing all six of their wells that are in  
8 question in this case.

9 Q. Where does this well list come from?

10 A. From the OCD website.

11 Q. So all of the six wells covered by the Commission  
12 order are shown as Saba wells?

13 A. Yes.

14 Q. Let's go through those wells in the order they  
15 appear on this well list, and let's start with the first  
16 two wells, the Fern Guye Number 1 and the Harton State  
17 Number 1. What did the Commission order require Saba to do  
18 with these wells?

19 A. To return these two wells into compliance with  
20 Rule 201, which would mean, of course, bringing them back  
21 into production, plugging them, or putting them on TA  
22 status.

23 Q. And what was the deadline for compliance?

24 A. December 31st, 2004.

25 Q. Do the well files show any activity on these two

1 wells since the issuance of the Commission order?

2 A. No.

3 Q. Let's move to the second two wells, the Morris  
4 Number 1 and the Saba State Number 1. What did the  
5 Commission order require?

6 A. The order also required them to come into  
7 compliance with Rule 201.

8 Q. And what was the deadline for compliance?

9 A. That would be 30 days from the order date, which  
10 was August 12th, 2004.

11 Q. Does the well file show any activity on these two  
12 wells since the issuance of the order?

13 A. No.

14 Q. And turning to the last two wells, the San Simon  
15 5 State 1 and San Simon 5 State 2, what did the order  
16 require as to these two wells?

17 A. These wells were to be plugged and abandoned 30  
18 days after the signing of the order.

19 Q. Does the well file show any activity on these  
20 wells after the issuance of the Commission order?

21 A. No, it does not.

22 Q. Have you spoken to the District Office about  
23 these six wells?

24 A. Yes, yesterday I talked to them about them.

25 Q. Did they indicate that any activity had taken

1 place on any of these wells?

2 A. There has been no activity.

3 Q. Is the OCD taking any action with regard to these  
4 six wells?

5 A. Yes, the OCD has them on contract at this time  
6 with Mayo-Marrs to have them plugged. That contract begins  
7 next week, and we have those six wells under contract, and  
8 the estimated cost is \$287,462.

9 Q. I'd like you to turn to what's been marked as  
10 Exhibit C and tell us what that is.

11 A. This is a copy of the wells and the estimate of  
12 the cost to plug those wells that are under contract with  
13 Mayo-Marrs.

14 Q. And just to -- looking at the Saba wells  
15 specifically, they run between \$44,000 and \$56,000 per well  
16 to plug?

17 A. Yes.

18 Q. What financial assurance do we have from Saba?

19 A. We have \$50,000.

20 Q. What are we seeking in this action?

21 A. We're looking for an order from the Commission  
22 showing that Saba is in violation of a previous Commission  
23 order, in order for us to implement Rule 40.

24 Q. Is Saba in compliance with Rule 40 today?

25 A. No, they are not.

1 Q. And what is the lack of compliance based on?

2 A. All six wells being out of compliance with the  
3 previous Commission order, of course, and all being  
4 inactive for longer than necessary.

5 Q. If the State went ahead and plugged all these six  
6 wells and we didn't have an order from the Commission  
7 finding Saba to be in violation of the Commission order,  
8 would Saba be in compliance with Rule 40?

9 A. Yes, they would.

10 Q. If the Commission issues an order finding Saba to  
11 be in violation of this order requiring corrective action  
12 and the State goes ahead and plugs these wells, what would  
13 Saba have to do to regain compliance with Rule 40?

14 A. Saba would also have to petition the Commission  
15 to get back into good standing.

16 Q. And what would you ask Saba to do before the  
17 Commission issued an order reinstating their good standing?

18 A. To pay the difference on the cost to plug those  
19 wells that the State took, less the \$50,000 bond.

20 Q. And based on the estimates -- and of course these  
21 are just estimates right now, because we haven't actually  
22 plugged the wells -- what amount would Saba be looking at?

23 A. Right about \$237,000.

24 MS. MacQUESTEN: I would move to admit Exhibits A  
25 through D in this case.

1 CHAIRMAN FESMIRE: Mr. Sexton, any objection?

2 MR. SEXTON: No objection, Mr. Chairman, thank  
3 you.

4 CHAIRMAN FESMIRE: Commissioners?

5 COMMISSIONER BAILEY: Is there a penalty assigned  
6 on these -- in this case also?

7 THE WITNESS: The original order from the  
8 Commission fined Saba \$270,000 for not acting on a previous  
9 order. We figured we probably wouldn't be asking for that  
10 again in this case.

11 COMMISSIONER BAILEY: Okay, so the \$237,000 is  
12 straight, without penalties or cost of cleanup?

13 THE WITNESS: Yes, ma'am.

14 COMMISSIONER BAILEY: Okay, that's all I have.

15 CHAIRMAN FESMIRE: Commissioner Olson, any  
16 objection to the admission of the exhibits?

17 COMMISSIONER OLSON: No.

18 CHAIRMAN FESMIRE: Okay. Exhibits A through D  
19 will be admitted.

20 MS. MacQUESTEN: And that concludes the OCD's  
21 case.

22 CHAIRMAN FESMIRE: Okay. Mr. Sexton, do you have  
23 a cross-examination?

24 MR. SEXTON: I do not, Mr. Chairman. Thank you.

25 CHAIRMAN FESMIRE: Commissioner Bailey?

1 COMMISSIONER BAILEY: No.

2 CHAIRMAN FESMIRE: Commissioner Olson?

3 COMMISSIONER OLSON: No, Commissioner Bailey  
4 already addressed my concern.

5 CHAIRMAN FESMIRE: I have no further questions  
6 either. With that, I guess -- Oh --

7 MR. SEXTON: May I just make a -- I didn't do an  
8 opening statement, but I would like to make a statement to  
9 the Commission, if I may.

10 CHAIRMAN FESMIRE: You may, sir.

11 MR. SEXTON: Thank you. Mr. Chairman,  
12 Commissioner Bailey, Commissioner Olson, I've never  
13 appeared before your Commission before. This is the first  
14 time for me. So if I violate any protocol, I apologize in  
15 advance.

16 Just so everyone is aware, I am very new to this  
17 matter, and I would like to state on the record that Ms.  
18 MacQuesten has been very kind and courteous through -- I  
19 called her yesterday, and she was very generous with her  
20 time to explain the status of this matter for me, and I  
21 greatly appreciated that. She was nice enough to provide  
22 me with a copy of the prehearing statement this morning.

23 My appearance here today is very simply to meet  
24 two goals. One is to impress upon the Commission that my  
25 client, Capitol Insurance Company, which is the successor-

1 in-interest of Redlands Insurance Company, did receive  
2 notice of this hearing, is interested in this process, and  
3 in no wanted the message to be sent that they are ignoring  
4 the Commission's authority regarding this matter, so they  
5 wanted me to appear today and make sure that that was  
6 understood.

7 Secondly, there is a concern on the part of  
8 Capitol Insurance in that they have also had a difficult  
9 time contacting their principal, Saba, and they quite  
10 frankly have the information, as Ms. MacQuesten alluded to  
11 in her presentation of evidence, that Saba may be in  
12 bankruptcy.

13 Now I will tell you that I do have a copy of a  
14 notice of Chapter VII bankruptcy which lists Saba  
15 Enterprises, Inc., and then a number of d/b/a's, doing  
16 business as. As Ms. MacQuesten indicated -- and she  
17 referred to Saba Enterprises, Inc., I guess, as the parent  
18 company. I don't even have that information, quite  
19 frankly.

20 My concern is whether or not Saba Energy of  
21 Texas, Inc., is covered by or is included in this  
22 bankruptcy filing. I acknowledge they are not listed as  
23 one of the d/b/a's, but that is a concern I have of whether  
24 or not we'd be violating some sort of an automatic stay of  
25 the administrative proceedings if we proceeded, so that was

1 another issue I wanted to raise to the commission.

2           Having said that, the only, I guess, request that  
3 I would make is -- and I guess this was somehow implied in  
4 the testimony of the witness -- that as part of this order  
5 there would be some sort of an automatic forfeiture of the  
6 bond amount, because we were only talking about including  
7 in the order that Saba would be responsible for the  
8 overage, over and above the financial assurance.

9           And I would make the request and ask the  
10 Commission's leave, if they could refrain from ordering  
11 forfeiture of the bond until we can determine, and just for  
12 a short period of time, a reasonable period of time, to  
13 determine this bankruptcy question, and for us to try to  
14 contact Saba and determine what their status is.

15           That's my statement and my only request of the  
16 Commission. I appreciate your time.

17           MS. MacQUESTEN: If I could clarify, the normal  
18 procedure that the OCD follows in this sort of case is, we  
19 contract for plugging of the wells, we plug the wells using  
20 the Reclamation Fund, and at that point we seek to forfeit  
21 whatever financial assurance is available to us. And it's  
22 our policy only to seek what we need to reimburse us for  
23 our costs and not the full amount of the bond.

24           Now as this case illustrates, and you'll see in  
25 many other cases, it's seldom the situation that the bond

1 is sufficient to cover the costs. But we do -- just to  
2 reassure the surety, we only seek reimbursement, we don't  
3 seek the full amount if the full amount is not necessary.

4 The way the orders are generally written is to  
5 simply allow us to take whatever action is necessary to  
6 forfeit the financial assurance when that time occurs. The  
7 order itself doesn't forfeit the bond.

8 CHAIRMAN FESMIRE: Right, the bond forfeiture  
9 could occur at a separate proceeding, at which time your  
10 client would have the opportunity to present their  
11 evidence. And I realize that there's going to be an  
12 argument as to who is the beneficiary of this bond -- I  
13 mean -- yeah, of the bond. So -- But at this time that  
14 would not be part of the order.

15 MR. SEXTON: Well then based on that, it sounds  
16 like my request was premature, but I stand by my statement.

17 CHAIRMAN FESMIRE: Okay. It's good to have it on  
18 the record, anyhow.

19 MR. SEXTON: Thank you.

20 CHAIRMAN FESMIRE: Ms. MacQuesten, do you have a  
21 closing?

22 MS. MacQUESTEN: No, I do not.

23 CHAIRMAN FESMIRE: Mr. Sexton, anything else you  
24 want to --

25 MR. SEXTON: No, thank you, Mr. Chairman.

1           CHAIRMAN FESMIRE: Commissioners, anything else  
2 we want on the record?

3           COMMISSIONER BAILEY: To ask Ms. MacQuesten to  
4 prepare the order in this case also.

5           CHAIRMAN FESMIRE: Is that a motion?

6           COMMISSIONER BAILEY: I so move.

7           COMMISSIONER OLSON: I'll second that.

8           CHAIRMAN FESMIRE: Ms. MacQuesten, the Commission  
9 has moved and seconded a motion that you prepare an order  
10 pursuant to your motion in this case, and all those in  
11 favor?

12           COMMISSIONER BAILEY: Aye.

13           COMMISSIONER OLSON: Aye.

14           CHAIRMAN FESMIRE: Let the record reflect that  
15 that motion passed unanimously and that this case will be  
16 continued until later today, at which time we will address,  
17 hopefully, the orders that you've prepared.

18           MS. MacQUESTEN: All right, thank you.

19           CHAIRMAN FESMIRE: Thank you, Ms. MacQuesten.

20           MR. SEXTON: Thanks.

21           CHAIRMAN FESMIRE: Why don't we take a 10-minute  
22 break? When we come back we will consider the three cases,  
23 Cause Number 13,367, 13,368 and 13,372.

24           (Off the record at 9:50 a.m.)

25           (The following proceedings had at 12:15 p.m.)

1           CHAIRMAN FESMIRE: We're going back on the  
2 record. This is a continuation of Case Number 13,163.

3           Counsel Bada, working with the Division's  
4 counsel, has presented us with a draft of the order in  
5 Cause Number 13,163, Application of the New Mexico Oil  
6 Conservation Division through the supervisor of District 1  
7 for an order requiring Saba Energy of Texas, Inc., to bring  
8 six wells into compliance with 19.15.4.201 NMAC, assessing  
9 appropriate civil penalties and authorizing the Division to  
10 plug said wells and forfeit the applicable security in  
11 default of compliance by the operator, in Lea County, New  
12 Mexico.

13           Counsel Bada, have you had a chance to review  
14 this order?

15           MS. BADA: Yes, I have.

16           CHAIRMAN FESMIRE: And does that in opinion  
17 effectively reflect the order of the Commission discussed  
18 earlier today?

19           MS. BADA: Yes, it does.

20           CHAIRMAN FESMIRE: Counsel Bailey -- Commissioner  
21 Bailey, have you had a chance to look at the order?

22           COMMISSIONER BAILEY: Yes, I have, and I believe  
23 I will sign it.

24           CHAIRMAN FESMIRE: Okay. Commissioner Olson,  
25 have you had a chance to review this order?

1           COMMISSIONER OLSON: Yes, I've also reviewed it  
2 and it appears to reflect our deliberations accurately.

3           CHAIRMAN FESMIRE: Okay. At this time the Chair  
4 would entertain a motion to sign this order as accurately  
5 reflecting the wishes of the Commission.

6           COMMISSIONER BAILEY: I so move.

7           COMMISSIONER OLSON: Second.

8           CHAIRMAN FESMIRE: All those in favor?

9           COMMISSIONER BAILEY: Aye.

10          COMMISSIONER OLSON: Aye.

11          CHAIRMAN FESMIRE: Let the record reflect that  
12 the motion to sign the order was passed unanimously. At  
13 this time I will sign the order and transmit it to  
14 Commissioner Bailey and Commissioner Olson.

15                 With that, we will transmit it to secretary  
16 Davidson, and we will adjourn Cause Number 13,163.

17                 (Thereupon, these proceedings were concluded at  
18 12:17 p.m.)

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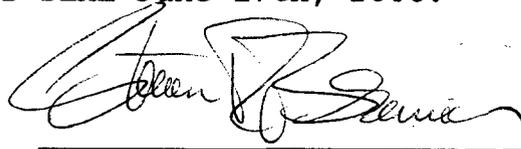
## CERTIFICATE OF REPORTER

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 Commission 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 June 17th, 2006.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 16th, 2006