

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

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APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST PRONGHORN MANAGEMENT CORP., 1) FINDING THAT THE OPERATOR KNOWINGLY AND WILLFULLY VIOLATED NMSA 1978, SECTION 70-2-31(B)(2), 19.15.13.1115.A NMAC, AND 19.15.4.201 NMAC AS TO ELEVEN WELLS; 2) ASSESSING PENALTIES FOR THE VIOLATIONS; 3) REQUIRING OPERATOR TO FILE CORRECTED PRODUCTION REPORTS BY A DATE CERTAIN; 4) REQUIRING OPERATOR TO BRING THE ELEVEN WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE; AND REQUIRING OPERATOR TO PROVIDE CONTACT INFORMATION FOR PRIVATE LESSORS AFFECTED BY THE VIOLATIONS; LEA COUNTY, NEW MEXICO.

CASE NO. 13859

**APPLICATION FOR COMPLIANCE ORDER
AGAINST PRONGHORN MANAGEMENT CORP.**

1. Pronghorn Management Corp. ("Pronghorn") is a corporation operating wells in New Mexico under OGRID 122811.

2. Pronghorn posted a \$50,000 cash bond and assignment of cash collateral pursuant to NMSA 1978, Section 70-2-14 to secure its obligation to plug and abandon wells on privately owned or state-owned lands in New Mexico in compliance with the rules of the Oil Conservation Division ("OCD"). Lea County State Bank in Hobbs, New Mexico holds the certificate of deposit: CD # 10071567.

3. NMSA 1978, Section 70-2-31(B)(2) prohibits any person from knowingly and willfully making any false entry or statement in a report required by the Oil and Gas

Act or by any rule issued pursuant to that act, for the purpose of evading or violating the Oil and Gas Act or any rule issued pursuant to that Act.

4. OCD Rule 1115.A [19.15.13.1115.A NMAC] requires operators to file a monthly C-115 production report for each non-plugged well completion for which the division has approved a C-104 authorization to transport, and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state of New Mexico, setting forth complete information and data indicated on said forms in the order, format and style the division director prescribes.

5. Pronghorn filed C-115 production reports for the following wells indicating that the wells were producing oil or gas during the listed time periods, although OCD inspections of the wells indicated that the wells were incapable of production during those time periods:

Fields #004	30-025-25348	3/02-3/06
JF Black #001	30-025-11178	3/00-3/06
Marshall #007	30-025-25201	3/02-8/05
New Mexico BZ State NCT 5 #001	30-025-03521	9/00-3/06
New Mexico BZ State NCT 5 #002	30-025-03522	9/00-3/06
New Mexico BZ State NCT 5 #003	30-025-03523	6/04-2/06
New Mexico DL State #001	30-025-28223	3/02-3/06
New Mexico DL State #002	30-025-28607	3/02-3/06
New Mexico EF State #001	30-025-28680	9/00-11/00; 1/01-8/02; 10/02-3/06
State C #001	30-025-03485	6/00-2/06
State HL #001	30-025-26492	9/00-3/06

6. OCD Rule 201 [19.15.4.201 NMAC] requires the operator of an oil or gas well to properly plug and abandon the well or place the well on approved temporary abandonment status within 90 days after a period of one year in which the well has been continuously inactive.

7. Each well identified in Paragraph 5, above, has been continuously inactive for a period in excess of one year plus ninety days and is neither properly plugged and abandoned nor on approved temporary abandonment status.

8. OCD Rule 101(H) [19.15.101(H) NMAC] authorizes the Director to order the operator to plug and abandon any well not in compliance with Rule 201 and restore and remediate the location by a date certain, and to direct the Division to forfeit the financial assurance upon failure or refusal of the operator, surety or other responsible party to properly plug and abandon the well and restore and remediate the location.

9. NMSA 1978, Section 70-2-12(B)(18) and NMSA 1978, Section 70-2-38 authorize the Division to plug and abandon wells, and restore and remediate the location of abandoned wells.

10. On October 23, 2006, the OCD issued Notice of Violation 1-06-16 to Pronghorn, citing violations of NMSA 1978, Section 70-2-31(B)(2), OCD Rule 1115.A and OCD Rule 201.

11. On November 2, 2006, Mr. G.A. Baber of Pronghorn met with OCD District I Supervisor Chris Williams for a compliance conference regarding Notice of Violation 1-06-16. At that conference Mr. Baber stated that he had reported production on inactive wells to avoid losing his leases.

12. The wells identified in Paragraph 5, above, are on federal, state and private lands.

13. NMSA 1978, Section 70-2-31(A) authorizes the assessment of civil penalties of up to one thousand dollars per day per violation against any person who

knowingly or willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.

14. NMSA 1978, Section 70-2-3(A) defines "person" in relevant part to include corporations.

WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

A. Determining that Pronghorn knowingly and willfully violated NMSA 1978, Section 70-2-31(B)(2) and OCD Rule 1115.A as to the wells identified in Paragraph 5, above, by making false entries in the C-115 production reports required by OCD Rule 1115.A for the purpose of evading or violating Rule 1115.A and Rule 201;

B. Determining that Pronghorn knowingly and willfully left the wells identified in Paragraph 5, above, inactive for a period in excess of one year plus ninety days without properly plugging and abandoning the wells or placing the wells on approved temporary abandonment status, in violation of OCD Rule 201;

C. Assessing a penalty of \$1,000 for each false report filed in knowing and willful violation of NMSA 1978, Section 70-2-31(B)(2) and OCD Rule 1115.A;

D. Assessing a penalty totaling not less than \$11,000 for the knowing and willful violation of OCD Rule 201 as to the eleven wells identified in Paragraph 5;

E. Requiring the Operator to file corrected production reports for the wells identified in Paragraph 5, above, by a date certain;

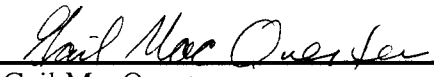
F. Requiring the Operator to bring each of the wells identified in Paragraph 5, above, into compliance with OCD Rule 201 within a date certain by plugging and abandoning the well in accordance with 19.15.4.202 NMAC, securing approved temporary abandonment status for the subject well in accordance with 19.15.4.203 NMAC, or returning the subject well to a Division-approved beneficial use and if the subject wells are not brought into compliance with OCD Rule 201 by the date set in the order:

- (1) Authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program; and
- (3) If any of the non-compliant subject wells is located on privately owned or state owned lands, authorizing the Division to declare forfeit the security furnished by the Operator; and

G. Requiring operator to provide contact information for private lessors affected by the violations of NMSA 1978, Section 70-2-31(B)(2) and OCD Rules 1115.A and 201; and

H. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 6th day of December 2006 by


Gail MacQuesten
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Conservation Division

Case No. 13859. Application of the New Mexico Oil Conservation Division for a Compliance Order against Pronghorn Management Corp. The Applicant seeks an order requiring finding operator to be in knowing and willful violation of NMSA 1978, Section 70-2-31(B)(2), 19.15.13.1115.A NMAC, and 19.15.4.201 NMAC as to eleven wells; assessing penalties for the violations; requiring operator to file corrected production reports by a date certain; requiring operator to bring the wells into compliance with 19.15.4.201 NMAC by a date certain and authorizing the Division to plug said wells and forfeit the applicable financial assurance in the event of non-compliance; and requiring operator to provide contact information for private lessors affected by the violations. The wells at issue are: Fields #004, 30-025-25348, A-25-23S-32E; JF Black #001, 30-025-11178, G-21-24S-37E; Marshall #007, 30-025-25201, C-19-23S-33E; New Mexico BZ State NCT 5 #001, 30-025-03521, D-29-21S-35E; New Mexico BZ State NCT 5 #002, 30-025-03522, C-29-21S-35E; New Mexico BZ State NCT 5 #003, 30-025-03523, E-29-21S-35E; New Mexico DL State #001, 30-025-28223, I-18-23S-33E; New Mexico DL State #002, 30-025-28607, O-18-23S-33E; New Mexico EF State #001, 30-025-28680, L-17-23S-33E; State C #001, 30-025-03485, M-20-21S-35E; State HL #001, 30-025-26492, L-2-23S-33E. The wells are located southern Lea County, New Mexico.