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OIL CONSERVATION DIVISION  
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PLEASE DELIVER THIS FAX:

TO: Mr. Ernest Padilla

FROM: Gail MacQueten

DATE: 11-15-07

PAGES: 4, including cover

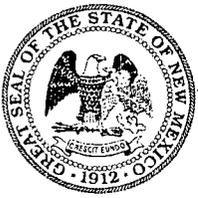
SUBJECT: Motion for Order to Show

Cause - Pronghorn Management

Case 13859

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**Pronghorn Management Corp.**  
**Case 13859**  
**Case 14052**  
**OCD Exhibit No. 2-A**



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

November 15, 2007

Mr. Earnest A. Padilla  
Padilla Law Firm, P.A.  
P.O. Box 2523  
Santa Fe, NM 87504-2523

Re: Pronghorn Management Corporation, OGRID 122811  
Case No. 13859  
Motion for Order to Show Cause

Dear Mr. Padilla,

Enclosed please find a copy of the Motion for Order to Show Cause, filed today in Case 13859.

Sincerely,

Gail MacQuesten  
Attorney for the Oil Conservation Division

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

**MOTION FOR ORDER TO SHOW CAUSE  
AGAINST PRONGHORN MANAGEMENT CORP.**

The Enforcement and Compliance Manager of the Oil Conservation Division (OCD) respectfully asks that Case No. 13859 be re-opened, an order be issued against Pronghorn Management Corp. (Pronghorn) to show cause why additional penalties should not be assessed and why an order should not be issued finding Pronghorn in violation of 19.15.1.40.A(2) NMAC, and the matter set for hearing. The following grounds support this motion:

1. On June 15, 2007, the Division Director issued Order R-12768 in Case No. 13859. The Order found that Pronghorn knowingly and willfully violated NMSA 1978, Section 70-2-31(B)(2) and 19.15.13.1115.A NMAC by filing false production reports on eleven inactive wells. The Order required Pronghorn to plug and abandon the

11 wells, or secure approved temporary abandonment status for the wells, or return the wells to Division-approved beneficial use by December 30, 2007.

2. Order R-12768 also required Pronghorn to do the following by July 30, 2007:

- a. pay a penalty of \$72,000;
- b. file corrected production reports on the 11 wells
- c. provide contact information for private lessors affected by the false production reports.

3. Order R-12768 specifically provided, "Should Pronghorn Management Corporation fail to pay this penalty by July 30, 2007, the Division shall initiate additional enforcement actions against Pronghorn Management Corporation including imposition of additional penalties."

4. Pronghorn filed a request for de novo review of case No. 13859, but later withdrew its request.

5. To date, Pronghorn has not paid the \$72,000 penalty, filed corrected production reports, or provided contact information for private lessors affected by the false production reports.

6. Rule 19.15.1.40.A(2) NMAC provides, in relevant part,

A. A well operator is in compliance with Subsection A of 19.15.1.40 NMAC if the operator:

- (1) ....
- (2) is not subject to a division or commission order, issued after notice and hearing, finding the operator to be in violation of an order requiring corrective action;

For the foregoing reasons, the Enforcement and Compliance Manager of the Division moves that the Director re-open Case 13859, issue an order requiring Pronghorn Management Corporation to show cause why an order should not be entered assessing Case 13859 - Motion for Order to Show Cause Pronghorn Management Corp.

additional penalties, and why an order should not be entered finding Pronghorn to be in violation of an order requiring corrective action, and set the matter for hearing.

RESPECTFULLY SUBMITTED, this   11   day of November 2007 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  
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Attorney for the New Mexico Oil  
Conservation Division

Certificate of Service

I hereby certify that a true and correct copy of this motion was served on Earnest Padilla, counsel for Pronghorn Management Corporation by fax to (505) 988-7592 and by first class mail to the following address:

Mr. Earnest Padilla  
Padilla Law Firm, P.A.  
P.O. Box 2523  
Santa Fe, NM 87504-2523

This   11   day of November 2007.



Gail MacQuesten