

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

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

ENTRY OF APPEARANCE AND  
PRE-HEARING STATEMENT

The Oil Conservation Division submits this entry of appearance and pre-hearing statement pursuant to OCD Rule 1211 [19.15.14.1211 NMAC].

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

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RESPONDENT

Pronghorn Management Corp.

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### STATEMENT OF THE CASE

The Oil Conservation Division (OCD) asks the examiner to re-open Case 13859 and issue an order requiring 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.

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 return the eleven wells to compliance by December 30, 2007 by plugging and abandoning the wells, placing them on approved temporary abandonment status, or returning them to beneficial use. The Order 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 eleven wells;
- c. provide contact information for private lessors affected by the false reporting.

The Order 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 the imposition of additional penalties."

To date, Pronghorn has not paid the penalty, filed corrected reports or provided contact information. It has returned only one of the eleven wells to compliance.

The OCD requests the imposition of additional penalties, as instructed in Order R-12768. It also seeks an order pursuant to 19.15.1.40.A(2) NMAC finding Pronghorn to be in violation of an order requiring corrective action, based on Pronghorn's failure to return the wells to compliance, file corrected reports and provide contact information. This will ensure that Pronghorn is in violation of Rule 40 until it completes the corrective action required by the Order.

### APPLICANT'S PROPOSED EVIDENCE

#### WITNESS:

#### ESTIMATED TIME:

Daniel Sanchez, Enforcement and Compliance  
Manager

10 minutes

Jane Prouty, Automation and Records Bureau

10 minutes

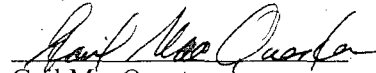
Dorothy Phillips, Financial Assurance Administrator

by affidavit

### PROCEDURAL MATTERS

The OCD asks that Case 13859 be consolidated with Case 14052 for the purposes of hearing testimony, because the testimony in the two cases will overlap. In Case 14052 the OCD seeks an order pursuant to NMSA 1978, Section 70-2-14(B) requiring Pronghorn to plug and abandon all the wells it operates in New Mexico, based on its history of non-compliance with the Oil and Gas Act and OCD rules.

Respectfully submitted  
this 3<sup>rd</sup> day of January 2008 by




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Attorney for the Oil Conservation Division

### CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was mailed to Pronghorn and faxed to Mr. Earnest Padilla this 3<sup>rd</sup> day of January 2008.

  
Gail MacQuesten