

"Green" Wells:

Violation alleged:

- Inactive wells (19.15.4.201 NMAC)

Wells at issue:

1. Fowler B #001 –plugged by state; not released
2. J F Black #003 –plugged by state; not released
3. J F Black #004 –plugged by state; not released
4. J F Black #005 –plugged by state; not released
5. J F Black #006 –plugged by state; not released
6. J F Black #007 –plugged by state; not released
7. Marshall #001*
8. Marshall #005*
9. Marshall #008*
10. New Mexico BZ State NCT 5#004 –plugged by state; not released
11. New Mexico DL State #003*
12. New Mexico DL State #004*
13. New Mexico DL State #005*
14. New Mexico DL State #006*
15. New Mexico DL State #007*
16. New Mexico EF State #003*

History of Compliance Action by OCD:

7-30-05 ACOI 77 executed (covers all 16 wells at issue)
11-15-05 ACOI 77-A executed (covers all 16 wells at issue)
12-6-06 Case 13858 filed (covers all 16 wells at issue)
3-1-07 Case 13858 heard
6-15-07 Case 13858 Order R-12767 filed (covers all 16 wells at issue)
9-13-07 De Novo application dismissed
11-15-07 Case 14052 filed (subject of de novo review)
1-10-08 Case 14052 heard
6-23-08 Case 14052 Order R- 12768-C filed

Wells plugged under Order R-12767 to date, and cost to the State of New Mexico:

- | | |
|------------------------|--------------------|
| • Fowler B No. 1 | \$32,753.86 |
| • JF Black No. 3 | \$50,097.38 |
| • JF Black No. 4 | \$34,102.40 |
| • JF Black No. 5 | \$71,270.52 |
| • JF Black No. 6 | \$38,025.60 |
| • JF Black No. 7 | \$38,086.90 |
| • NM BZ State NCT 5 #4 | <u>\$35,037.08</u> |

Total: **\$299,373.74**

Amount covered by blanket bond: \$50,000.00

Amount owed to State of New Mexico: \$249,373.74

9-29-08 Demand letter sent to Pronghorn for \$249,373.74

*Oil Conservation Commission
Cases 13859 & 14052 De Novo
Pronghorn Management Corp.
OCD Exhibit 5*

Pending Orders:

- ACOI 77-A: Operator agreed to return all 16 wells to compliance by May 31, 2006, pay \$2,000 per well for each full month well remains out of compliance after that date.
- R-12767: Requires operator to return all 16 wells to compliance by October 2, 2007; authorizes OCD to plug wells and forfeit financial assurance if operator fails to meet deadline.
- R-12768-C: Requires operator to plug or transfer all wells by 12-31-08.

Compliance Action by Operator:

- Transferred 9 wells to TriTex without first returning them to compliance.

Compliance Action Not Taken:

- Has not paid penalty under ACOI 77-A
- Did not return any of the wells to compliance; has not remediated sites of plugged wells
- Has not reimbursed state for \$249,373.74 spent to date to plug wells
- Has not replaced blanket bond forfeited for partial payment of plugging costs

*Wells transferred to TriTex Resources, LLC, effective 9/15/08.