



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

February 15, 2007

Pronghorn Management Corp.
P.O. Box 1772
Hobbs, NM 88241

Certified Mail Number 7004 2510 0006 6624 3873

Email: gababer@hotmail.com

Re: Cancellation of Authority to Transport from or Inject into Wells Operated by Pronghorn Management Corp., OGRID 122811

Dear Operator,

Effective immediately, the Oil Conservation Division (OCD) cancels the authority of Pronghorn Management Corp. (Pronghorn) to transport from or inject into the wells it operates in New Mexico. This cancellation is issued pursuant to OCD Rule 1115.C [19.15.13.1115.C NMAC].

Rule 1115.C provides:

If an operator fails to file a form C-115 that the division accepts, the division shall, within 60 days of the appropriate filing date, notify the operator by electronic mail or letter of its intent to revoke the operator's authorization to transport or inject if the operator does not submit an acceptable and complete form C-115. If the operator does not file an acceptable and complete form C-115 or request a hearing on the proposed cancellation within 120 days of the original due date of the form C-115, the division may cancel the operator's authority to transport from or inject into all wells it operates.

By letter dated November 6, 2006, the OCD notified Pronghorn that it had not received a C-115 report for August 2006, and that it intended to revoke Pronghorn's authorization to transport or inject if it did not receive an acceptable and complete C-115 for August 2006 within 120 days of the original due date for that report. The notice further stated that Pronghorn may request a hearing on this proposed cancellation within 120 days of the original due date for the August 2006 report. A copy of the OCD's November 6, 2006 letter is attached.

To date, Pronghorn has not submitted a C-115 report for August 2006, and has not requested a hearing on the proposed cancellation. More than 120 days have passed from the original due date for the August 2006 report. Pronghorn's authority to transport from or inject into its wells in New Mexico is cancelled. When Pronghorn has filed an acceptable and complete C-115 for August 2006 it may apply for reinstatement of its authority to transport from or inject into the wells it operates. If Pronghorn transports from or injects into wells it operates while the cancellation is in effect, it will be in violation of OCD Rules 1104 [19.15.13.1104 NMAC], 804.A [19.15.10.804.A NMAC] and/or 701 [19.15.9.701 NMAC]. A knowing and willful violation of an OCD rule may subject the operator to penalties of up to \$1,000 per day. NMSA 1978, Section 70-2-31(A).

Please note that although this cancellation of authority to transport from or inject into wells operated by Pronghorn relates to its failure to file a report for August 2006, Pronghorn is delinquent in filing C-115 reports for September, October and

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Pronghorn Management Corp.
Cases 13858 & 13859
OCD Ex. No. 37

November 2006 as well. Pronghorn can expect to receive additional notices of cancellation of authority to transport from or inject into its wells in connection with these more recent failures.

In addition, Pronghorn was late in filing reports for March, April, May and June 2006. If Pronghorn continues to file late reports the OCD will take additional enforcement action against it. The enforcement actions may include seeking penalties under NMSA 1978, Section 70-2-31(A) and/or an order requiring the operator to plug and abandon its wells pursuant to NMSA 1978, Section 70-2-14(B).

Sincerely,

Daniel Sanchez
Enforcement and Compliance Manager
Oil Conservation Division

cc: Chris Williams, District I
Tim Ginn, District II
Charlie Perrin, District III
David Bradshaw, Automation and Records Bureau
Gail MacQuesten, OCD Attorney
Theresa Duran-Saenz, Legal Assistant

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

DAVID BRADSHAW
Director
Oil Conservation Division

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Dear Sir:

RE: HIGHWAY MANAGEMENT CORP - 122811
HWY 100 - 1772
4601 S. ILLINOIS ST

Rule 1115 of the Oil Conservation Division requires that C-115s (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production (see attached copy of Rule 1115). As of today, we have not received your electronically submitted C-115s for the following periods: 8/2006. If you do not believe you are required to file C115 Production Reports, please contact me immediately.

Otherwise, you are being notified that the OCD intends to revoke your authorization to transport from or inject into all wells you operate if an acceptable and complete C-115 is not received electronically within 10 days of the original due date. You may choose to request a hearing on this proposed cancellation within 10 days of the original due date.

Additionally, this letter is notifying you of ongoing violations of Rule 1115. Notices of non-compliance with Rule 1115's reporting requirements were issued for the following months:

March and April 2006 - notice issued on 6/16/2006, May 2006 - notices issued on 9/7/2006, June 2006 - notice issued on 9/7/2006

The repeated failure to comply with Rule 1115's reporting requirement to file C115 Production Reports on or before the 15th day of the second month following the month of production will result in further enforcement action. That action may include one or more of the following: 1) issuance of a Notice of Violation proposing the assessment of penalties pursuant to NMSA 1978, Section 70-2-31 (A) (each failure to file constitutes a separate violation of Rule 1115, subject to a penalty of \$1000); 2) cancellation of the operator's authorization to transport from or inject into the wells it operates, pursuant to Rule 1115.C [19-15.13-1115.C NMAC]; 3) and filing an application for an order requiring the operator to plug and abandon its wells, pursuant to NMSA 1978, Section 70-2-14.B, with authorization for the OCD to plug its wells if the operator fails to do so.

If you contact me at 505-476-3484 or by email at david.bradshaw@state.nm.us if you have any questions or if I may help you regarding this matter.

David Bradshaw
Director
Oil Conservation and Enforcement
Oil Conservation Division