

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.  
PURSUANT TO NMSA 1978, SECTION 70-2-14(B) ORDERING PRONGHORN  
MANAGEMENT CORP. TO PLUG AND ABANDON ALL WELLS IT  
OPERATES IN NEW MEXICO BY A DATE CERTAIN AND AUTHORIZING  
THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE  
FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE; LEA AND  
EDDY COUNTIES, NEW MEXICO.

RECEIVED  
2008 JUN 3 3 PM 2

CASE NO. 14052

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

Gail MacQuesten  
Oil Conservation Division  
Energy, Minerals and Natural  
Resources Department  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

(505) 476-3451  
FAX: 476-3462  
Gail.macquesten@state.nm.us

RESPONDENT

Pronghorn Management Corp.

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

Mr. Earnest Padilla  
Padilla Law Firm, P.A.  
P.O. Box 2523  
Santa Fe, NM 87504-2523  
Attorney for Pronghorn Management  
Corp.

(505) 988-7577  
FAX: (505) 988-7592

(1/8/08 wjr)

## STATEMENT OF THE CASE

The Oil Conservation Division (OCD) seeks a compliance order against Pronghorn Management Corp. (Pronghorn) pursuant to NMSA 1978, Section 70-2-14(B). That statute provides:

If any of the requirements of the Oil and Gas Act [70-2-1 NMSA 1978] or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

As outlined below, Pronghorn's extensive history of non-compliance with the Oil and Gas Act and OCD rules warrants application of the extraordinary remedy provided in Section 70-2-14(B): an order requiring Pronghorn to plug and abandon all its wells.

Pronghorn operates 39 wells in New Mexico. At the time the application in this case was filed, all but one of the 39 wells – the New Mexico DL State #007 -- were in violation of an OCD rule. Exhibit A to the application sets out the violations.

The wells coded in green are in violation of 19.15.4.201 NMAC (the inactive well rule) and were found to be in violation in Case No. 13858, Order R-12767. The order required Pronghorn to return them to compliance by October 2, 2007. All – except for the New Mexico DL State #7 – remain out of compliance.

The wells coded in blue are in violation of NMSA 1978, Section 70-2-31(B)(2), 19.15.13.1115.A NMAC and 19.15.4.201 NMAC, and were found to be in violation in Case No. 13859, Order R-12768. As found in the order, Pronghorn was filing false reports of production on the wells although the wells were inactive. The order required Pronghorn to do the following by July 30, 2007: pay a penalty of \$72,000, file corrected production reports, and provide contact information for private lessors affected by the false reports. To date, Pronghorn has not taken any of the corrective action required by the order.

The wells coded in yellow are in violation of 19.15.4.201 NMAC (the inactive well rule), but are not yet subject to a plugging order. One of the wells, the State M #001, also has an unpermitted, unlined pit on location, in violation of 19.15.2.50 NMAC.

The wells coded in purple reported production or injection during a period in which the OCD had cancelled Pronghorn's authority to transport or inject. Transportation would be a violation of 19.15.13.1105 NMAC; injection would be a violation of 19.15.9.701 NMAC. Three of the 4 wells coded in purple have additional compliance issues: the Howse C #001 has the wrong Ulster number on its well sign, which is a violation of 19.15.3.103.F NMAC; although the Marshall #002 and the New Mexico BZ State NCT #005 are reporting activity, inspection reports show them to be shut in, and if Pronghorn is reporting activity on a shut in well it is filing false reports in violation of 19.15.13.1115 NMAC and NMSA 1978, Section 70-2-31(B)(2).

The single well coded in pink is in violation of 19.15.4.202 NMAC, which requires the operator to clean the well site of a plugged well no later than one year after plugging, and file a record of the work done within 30 days after completing the restoration work.

Because of Pronghorn's history of violating the provisions of the oil and gas act and OCD rules, and its disregard for orders issued to achieve compliance with the oil and gas act and OCD rules, the OCD asks for an order under Section 70-2-14(B) requiring Pronghorn to plug and abandon all its wells.

### APPLICANT'S PROPOSED EVIDENCE

WITNESS:

ESTIMATED TIME:

Daniel Sanchez, Enforcement and Compliance  
Manager

1 hour

Jane Prouty, Automation and Records Bureau

10 minutes

Dorothy Phillips, Financial Assurance Administrator

by affidavit

### PROCEDURAL MATTERS

The OCD asks that Case 14052 be consolidated with the show cause hearing in Case 13859 for the purposes of hearing testimony, because the testimony in the two cases will overlap. In Case 13859, also scheduled for the January 10, 2008 docket, the OCD asks the examiner to issue an order to Pronghorn requiring it 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, based on Pronghorn's failure to comply with Order R-12768.

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

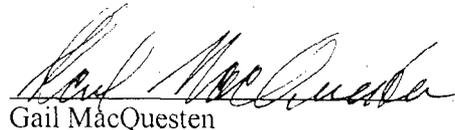


Gail MacQuesten  
Oil Conservation Division  
Energy, Minerals and Natural  
Resources Department  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
(505) 476-3451

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