

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 29, 2008

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

Certified Mail No. 7002 0510 0003 5125 2874

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

Certified Mail No. 7002 0510 0003 5125 2867

Demand for payment of \$249,373.74

Re: Pronghorn Management Corp., OGRID 122811

Dear Mr. Baber,

Pursuant to Order No. R-12767, issued in Case No. 13858, the Oil Conservation Division (OCD) plugged seven wells operated by Pronghorn Management Corp. (Pronghorn) on state or fee lands. The wells, and the costs to the state to plug the wells, are listed below:

30-025-28197	Fowler B No. 1	\$32,753.86
30-025-11182	JF Black No. 3	\$50,097.38
30-025-11183	JF Black No. 4	\$34,102.40
30-025-21401	JF Black No. 5	\$71,270.52
30-025-21478	JF Black No. 6	\$38,025.60
30-025-00479	JF Black No. 7	\$38,086.90
30-025-03524	New Mexico BZ State No. NCT 5 #4	<u>\$35,037.08</u>

Total: \$299,373.74

Copies of the invoices are attached. Note that the costs exclude the salvage amounts.

Pronghorn had posted a \$50,000 cash bond and assignment of cash collateral pursuant to NMSA 1978, Section 70-2-14 to secure its obligation to plug and abandon wells on privately owned or state-owned lands in New Mexico in compliance with the rules of the OCD. Lea

Oil Conservation Division * 1220 South St. Fran
* Santa Fe, New Mexico 87505
* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www>

Oil Conservation Commission
Cases 13859 & 14052 De Novo
Pronghorn Management Corp.
OCD Exhibit 24

County State Bank in Hobbs, New Mexico held the certificate of deposit: CD #10071567. The OCD has forfeited the \$50,000 financial assurance posted by Pronghorn, and deposited the \$50,000 into the Oil and Gas Reclamation Fund. NMSA 1978, Section 70-2-14(E) provides, in relevant part:

When the financial assurance proves insufficient to cover the cost of plugging oil and gas wells on land other than federal land and funds must be expended from the oil and gas reclamation fund to meet the additional expenses, the oil conservation division is authorized to bring suit against the operator in the district court of the county in which the well is located for indemnification for all costs incurred by the oil conservation division in plugging the well.

The \$50,000 financial assurance posted by Pronghorn was insufficient, and the OCD was required to spend \$249,373.74 from the Oil and Gas Reclamation Fund to plug the seven wells.

Please pay the \$249,373.74 to the Oil Conservation Division within 30 days. If the OCD does not receive payment in full within 30 days it will file suit for indemnification. Make the check out to "Oil Conservation Division," and send it to me at the OCD's Santa Fe office.

Please also be advised that Pronghorn is in violation of the OCD's financial assurance requirements. Because its \$50,000 cash bond was forfeited, Pronghorn needs to replace that \$50,000 blanket financial assurance or post single well financial assurances for each state or fee well it operates in New Mexico. See 19.15.3.101 NMAC. If Pronghorn chooses to post a new \$50,000 blanket financial assurance, it will also be required to post single well financial assurances for each state or fee well it operates in New Mexico that has been inactive for a period in excess of two years. See 19.15.3.101(B) NMAC. I have attached a copy of the Inactive Well Additional Financial Assurance Report for Pronghorn, which is available on OCD's website. The report identifies those wells requiring a single well financial assurance, and the amount of that financial assurance. Please note that the wells plugged by the state still require financial assurances until the well site has been remediated and released.

This letter applies to the seven wells identified above, that have been plugged by the State of New Mexico. The OCD will be plugging additional wells operated by Pronghorn, and will seek reimbursement for those costs in excess of the available financial assurance(s) posted by Pronghorn. If the OCD incurs additional costs to reclaim the well sites of the seven wells identified above, it will also seek reimbursement for those costs.

Sincerely,



Daniel Sanchez,
OCD Compliance and Enforcement Manager

Cc: Gail MacQuesten, OCD Attorney
Mikal Altomare, OCD Attorney
David Brooks, OCD Hearing Examiner
Dorothy Phillips, OCD Financial Assurance Administrator

Inactive Well Additional Financial Assurance Report

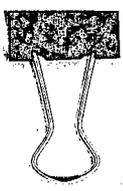
122811 PRONGHORN MANAGEMENT CORP

Total Well Count: 21

Printed On: Monday, September 29 2008

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Bond In Place	In Violation
16106	ATLANTIC STATE #001	S	N-4 -17S-28E	N	30-015-10266	G	09/2000	10/01/2002	1368	6368	Y	0	Y
15356	EDDY STATE #001	S	G-6 -19S-25E	G	30-015-23248	O	07/2008	08/01/2010	Unknown	Unknown		0	
14992	FOWLER B #001	P	K-6 -19S-38E	K	30-025-28197	O	09/1985	10/01/1987	4303	9303	Y	0	Y
16105	HANNAFIN STATE #001	S	L-17-19S-29E	L	30-015-26727	O	07/2006	08/01/2008	2112	7112	Y	0	Y
14995	HOWSE C #001	P	H-11-20S-38E	H	30-025-22165	O	07/2008	08/01/2010	7810	12810		0	
14988	J F BLACK #001	P	G-21-24S-37E	G	30-025-11178	O	12/2001	01/01/2004	3495	8495	Y	0	Y
	J F BLACK #003	P	B-21-24S-37E	B	30-025-11182	O	12/1993	01/01/1996	3600	8600	Y	0	Y
	J F BLACK #004	P	F-21-24S-37E	F	30-025-11183	O	10/1987	11/01/1989	3617	8617	Y	0	Y
	J F BLACK #005	P	K-21-24S-37E	K	30-025-21401	O	01/1984	02/01/1986	3700	8700	Y	0	Y
	J F BLACK #006	P	F-21-24S-37E	F	30-025-21478	I	07/1991	08/01/1993	3696	8696	Y	0	Y
	J F BLACK #007	P	C-21-24S-37E	C	30-025-21479	I	05/1985	06/01/1987	3635	8635	Y	0	Y
15327	LONG BOX COM #001	F	H-30-20S-24E	H	30-015-22624	G	10/2005		8649			0	
14987	NEW MEXICO BZ STATE NCT 5 #001	S	D-29-21S-35E	D	30-025-03521	O	12/2001	01/01/2004	3899	8899	Y	0	Y
	NEW MEXICO BZ STATE NCT 5 #002	S	C-29-21S-35E	C	30-025-03522	O	12/2001	01/01/2004	3900	8900	Y	0	Y
	NEW MEXICO BZ STATE NCT 5 #003	S	E-29-21S-35E	E	30-025-03523	O	12/1992	01/01/1995	3951	8951	Y	0	Y
	NEW MEXICO BZ STATE NCT 5 #004	S	F-29-21S-35E	F	30-025-03524	O	06/1986	07/01/1988	3941	8941	Y	0	Y
	NEW MEXICO BZ STATE NCT 5 #005	S	D-29-21S-35E	D	30-025-32362	O	06/2008	07/01/2010	3963	8963		0	
16104	SIVLEY STATE #001	S	M-17-19S-29E	M	30-015-26837	O	04/2006	05/01/2008	99999	Unknown	Y	0	Y
14984	STATE C #001	S	M-20-21S-35E	M	30-025-03485	O	12/2001	01/01/2004	3921	8921	Y	0	Y
15000	STATE HL #001	S	L-2 -23S-33E	L	30-025-26492	O	12/2001	01/01/2004	15640	20640	Y	0	Y
15358	STATE M #001	S	M-36-17S-27E	M	30-015-24612	O	11/1995	12/01/1997	1451	6451	Y	0	Y

WHERE Ogrid:122811



SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	A. Signature <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee B. Received by (Printed Name) C. Date of Delivery <i>Guy Baber</i>
1. Article Addressed to: <i>Guy Baber Pronghorn Management Corp. P.O. Box 1772 Hobbs, NM 88241</i>	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No 3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes
2. Article Number (Transfer from service label) <i>7002 0510 0003 5125 2874</i>	
PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1035	

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1. Article Addressed to: <i>Ernest A. Padilla P.O. Box 2523 Santa Fe, NM 87504-2523 Attorney for Pronghorn Management Corp.</i>	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No 3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D. 4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes
2. Article Number (Transfer from service label) <i>7002 0510 0003 5125 2867</i>	
PS Form 3811, August 2001 Domestic Return Receipt 102595-02-M-1035	