



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

November 17, 2003

Mr. Ernest L. Padilla
Padilla Law Firm, P.A.
P.O.Box 2523
Santa Fe, NM 87504-2523

Re: Pronghorn Management Corp.
Case No. 12811
Order No. R-11934

Dear Mr. Padilla:

Your letter misconstrues the nature of the penalty assessment set forth in Order No. R-11934. The penalties there assessed are not for non-compliance with the order, but are for failure, prior to the issuance of the order, to bring the subject wells into compliance with Rule 201. The non-compliance and failure of Pronghorn for a period of years to remedy the non-compliance was the subject of proof at the hearing on March 22, 2002, long before the transfer of ownership or operatorship.

In Order No. R-11934, the Division, as a matter of clemency and as an incentive to secure compliance, provided that the penalties assessed would be remitted if the wells were brought into compliance within a specified time. To the extent that the terms of the provision suspending or remitting the penalties is not complied with, the penalties remain in effect, and Pronghorn remains liable therefor. OCD expects payment from Pronghorn. Any indemnification would be a private matter between the parties concerned.

The OCD will look to the present operator of the wells for future compliance.

Should you have questions, please feel free to call the undersigned at (505)-476-3450.

Very truly yours,

David K. Brooks
Assistant General Counsel

cc. Tim Gum
OCD Artesia