

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 13859
ORDER NO. R-12768

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER FOR A COMPLIANCE ORDER AGAINST PRONGHORN MANAGEMENT CORP; (1) FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED NMSA 1978 SECTION 70-2-31(B)(2), 19.15.13.1115.A NMAC, AND 19.15.4.201 NMAC AS TO ELEVEN WELLS; (2) ASSESSING PENALTIES FOR THE VIOLATIONS; (3) REQUIRING OPERATOR TO FILE CORRECTED PRODUCTION REPORTS BY A DATE CERTAIN; (4) REQUIRING OPERATOR TO BRING THE ELEVEN WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN; AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE; AND REQUIRING OPERATOR TO PROVIDE CONTACT INFORMATION FOR PRIVATE LESSORS AFFECTED BY THE VIOLATIONS; LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 1, 2007, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 15th day of June 2007, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Division Case Nos. 13858 and 13859 were consolidated for the purpose of testimony, however, separate orders will be issued in each case.

(3) In Case No. 13859, the New Mexico Oil Conservation Division ("Division") seeks an order requiring Pronghorn Management Corporation to bring each of the following eleven listed wells into compliance with 19.15.4.201 NMAC within a date certain by either

Pronghorn Management Corp.
Case 13859
Case 14052
OCD Exhibit No. 6

plugging and abandoning the wells in accordance with 19.15.4.202 NMAC, or securing approved temporary abandonment status for the subject wells in accordance with 19.15.4.203, or returning the subject wells to Division approved beneficial use:

Well Name	API Number
(a) Fields #004	30-025-25348
(b) JF Black #001	30-025-11178
(c) Marshall #007	30-025-25201
(d) New Mexico BZ State NCT 5 #001	30-025-03521
(e) New Mexico BZ State NCT 5 #002	30-025-03522
(f) New Mexico BZ State NCT 5 #003	30-025-03523
(g) New Mexico DL State #001	30-025-28223
(h) New Mexico DL State #002	30-025-28607
(i) New Mexico EF State #001	30-025-28680
(j) State C #001	30-025-03485
(k) State HL #001	30-025-26492

(4) The Division also seeks an order determining that Pronghorn Management Corporation ("operator") knowingly and willfully violated NMSA 78, Section 70-2-31(B)(2), 19.15.13.1115-A NMAC, and 19.15.4.201 NMAC as to the subject wells, and if the wells are not brought into compliance with 19.15.4.201 by a date set in the order, the Division should be authorized to plug and abandon the wells and declare forfeiture of applicable financial assurance.

(5) Further, the Division seeks a penalty of \$72,000 for filing false production reports on the eleven wells, and requiring the operator to file corrected production reports by a date certain, and provide contact information for private lessors affected by filing false production reports.

(6) The Division appeared at the hearing through legal counsel and presented the following testimony.

- (a) Pronghorn Management Corporation is the current operator of the eleven wells listed in finding paragraph (3);

- (b) The eleven wells have been inactive for at least a continuous period of one (1) year plus ninety (90) days;
- (c) Pronghorn Management Corporation knowingly and willfully violated NMSA 1978, Section 70-2-31(B)(2), and 19.15.13.1115-A NMAC as to the subject wells because it filed false production reports; and
- (d) The subject wells are neither plugged and abandoned in accordance with 19.15.4.202 NMAC, nor placed on approved temporary abandonment status in accordance with 19.15.4.203,

(7) The Division records indicate that Pronghorn Management Corporation posted \$50,000 cash blanket plugging bond number OCD-482 secured by funds deposited with the Lea County State Bank in Hobbs, New Mexico.

(8) Pronghorn Management Corporation appeared at the hearing through legal counsel and argued that the Division has no jurisdiction to impose penalties in administrative hearings of this nature. He contended that any penalties should be assessed by the District Court.

(9) The Division concludes that Pronghorn Management Corporation is the operator of the eleven wells listed in Finding Paragraph (3). The Division also finds that Pronghorn Management Corporation knowingly and willfully violated NMSA 1978, Section 70-2-31(B)(2), and 19.15.13.1115-A NMAC by filing false production reports on the eleven wells, and therefore it should be ordered to plug and abandon the wells, pay a penalty of \$72,000, and file corrected production reports on the eleven wells.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of the Division, Pronghorn Management Corporation is hereby ordered to plug and abandon the following listed eleven wells, or secure approved temporary abandonment status for the wells, or return the subject wells to Division approved beneficial use by December 30, 2007.

Well Name	API Number
(a) Fields #004	30-025-25348
(b) JF Black #001	30-025-11178
(c) Marshall #007	30-025-25201
(d) New Mexico BZ State NCT 5 #001	30-025-03521
(e) New Mexico BZ State NCT 5 #002	30-025-03522

- | | | |
|-----|--------------------------------|--------------|
| (f) | New Mexico BZ State NCT 5 #003 | 30-025-03523 |
| (g) | New Mexico DL State #001 | 30-025-28223 |
| (h) | New Mexico DL State #002 | 30-025-28607 |
| (i) | New Mexico EF State #001 | 30-025-28680 |
| (j) | State C #001 | 30-025-03485 |
| (k) | State HL #001 | 30-025-26492 |

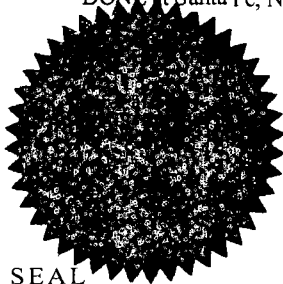
(2) Should Pronghorn Management Corporation fail to comply with the Ordering Paragraph (1) above, the Division shall be authorized to plug and abandon the subject wells, and the blanket cash plugging bond number OCD-482 shall be forfeited.

(3) Pronghorn Management Corporation shall pay a penalty of \$72,000 on or before July 30, 2007. Should Pronghorn Management Corporation fail to pay this penalty by July 30, 2007, the Division shall initiate additional enforcement actions against Pronghorn Management Corporation including imposition of additional penalties.

(4) Pronghorn Management Corporation shall file corrected production reports on the eleven wells, and provide contact information for private lessors affected by the false production reports on or before July 30, 2007. Should Pronghorn Management Corporation fail to correct the false production reports as to the eleven wells by July 30, 2007, no further Form C-104 shall be issued for any well Pronghorn operates until it has corrected those false production reports.

(5) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director