

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

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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.

CASE NO. 14052

APPLICATION FOR COMPLIANCE ORDER
AGAINST PRONGHORN MANAGEMENT CORP.

1. Pronghorn Management Corp. ("Pronghorn") is a corporation operating wells in New Mexico under OGRID 122811.

2. Pronghorn 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 Oil Conservation Division ("OCD"). Lea County State Bank in Hobbs, New Mexico holds the certificate of deposit: CD # 10071567.

3. NMSA 1978, Section 70-2-14(B) provides:

If any of the requirements of the Oil and Gas Act [700-2-1 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.

4. Attached as Exhibit A to this application is a list of the 39 wells for which Pronghorn is operator of record in New Mexico.

5. In Case No. 13858, Order No. R-12767, the Division Director found that Pronghorn was in violation of 19.15.4.201 NMAC as to the following 16 wells:

- Fowler B #001 30-025-28197
- JF Black #003 30-025-11182
- JF Black #004 30-025-11183
- JF Black #005 30-025-21401
- JF Black #006 30-025-21478
- JF Black #007 30-025-21479
- Marshall #001 30-025-08358
- Marshall #005 30-025-25000
- Marshall #008 30-025-25642
- New Mexico BZ State NCT 5 #004 30-025-03524
- New Mexico DL State #003 30-025-28608
- New Mexico DL State #004 30-025-28609
- New Mexico DL State #005 30-025-28610
- New Mexico DL State #006 30-025-28659
- New Mexico DL State #007 30-025-28681
- New Mexico EF State #003 30-025-28697

These wells are highlighted in green on Exhibit A. Order No. R-12767 required Pronghorn to plug and abandon the wells, secure approved temporary abandonment status for the wells, or return them to OCD-approved beneficial use by October 2, 2007. As of today's date, Pronghorn has reported production on one of the 16 wells: the New Mexico DL State #007, 30-025-28681. The other 15 wells remain out of compliance.

6. In Case No. 13859, Order No. R-12768, the Division Director found that Pronghorn 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 the following 11 wells by filing false reports of production on the wells although the wells were inactive:

- Fields #004 30-025-25348

- JF Black #001 30-025-11178
- Marshall #007 30-025-25201
- New Mexico BZ State NCT 5 #001 30-025-03521
- New Mexico BZ State NCT 5 #002 30-025-03522
- New Mexico BZ State NCT 5 #003 30-025-03523
- New Mexico DL State #001 30-025-28223
- New Mexico DL State #002 30-025-28607
- New Mexico EF State #001 30-025-28680
- State C #001 30-025-03485
- State HL #001 30-025-26492

Those wells are highlighted in blue on Exhibit A. Order No. R-12768 required Pronghorn to plug and abandon the wells, secure approved temporary abandonment status for the wells, or return them to OCD-approved beneficial use by December 30, 2007. In addition, Order No. R-12768 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 production reports. Pronghorn has not paid the penalty, filed corrected production reports, or provided contact information for private lessors affected by the false production reports.

7. Seven additional wells not covered by Case 13858 or Case 13859 are out of compliance with 19.15.4.201 NMAC because they have been inactive for a continuous period in excess of one year plus 90 days and they are neither plugged and abandoned nor on approved temporary abandonment status:

- Atlantic State #001 30-015-10266
- Eddy State #001 30-015-23248
- Hannafin State #001 30-015-26727
- Long Box Com #001 30-015-22624
- Marshall #006 30-025-25151
- Sivley State #001 30-015-26837
- State M #001 30-015-24612

Those seven wells are highlighted in yellow on Exhibit A. One of the wells highlighted in yellow, the State M # 001, 30-015-24612, also has an un-permitted, unlined pit on location, in violation of 19.15.2.50 NMAC, which requires pits to be permitted, properly lined, and closed within six months of cessation of use.

8. Four other wells not covered by Case 13858 or Case 13859 are out of compliance with other OCD rules, and are highlighted in purple on Exhibit A:

- Gila 4 Deep #001 30-025-30872
- Howse C #001 30-025-22165
- Marshall #002 30-025-08359
- New Mexico BZ State NCT 5 #005 30-025-32362

All four wells reported production or injection between February 15, 2007 and August 24, 2007. The OCD had cancelled Pronghorn's authority to transport or inject during that period pursuant to 19.15.13.1115.C NMAC because of Pronghorn's failure to file production reports. Transportation of oil or gas during that period would be a violation of 19.15.13.1105 NMAC. Injection during that period would be a violation of 19.15.9.701 NMAC. Three of the four wells highlighted in purple have additional compliance issues:

a. Howse C #001, 30-025-22165. The well has the wrong ULSTR listed on its well sign, which is a violation of 19.15.3.103.F NMAC.

b. Marshall #002, 30-025-08359. Although the well is reporting injection, inspection reports indicate the well is shut in. If Pronghorn is reporting injection on an inactive well, Pronghorn is filing false reports in violation of 19.15.13.1115 NMAC and NMSA 1978, Section 70-2-31.B(2).

c. New Mexico BZ State NCT #005, 30-025-32362. Again, although the well is reporting production, inspection reports indicate the well is shut in. If Pronghorn is reporting production on an inactive well, Pronghorn is filing false reports in violation of 19.15.13.1115 NMAC and NMSA 1978, Section 70-2-31.B(2).

9. The Hastie #005, 30-015-01417, is highlighted in pink on Exhibit A. Pronghorn filed a notice of intent to plug and abandon the well in 1995, and no production has been reported since 1995. The well file contains no additional filings from Pronghorn on this well. In 2001 the OCD issued a Letter of Violation to Pronghorn regarding the well after an inspection found the location not clean after an apparent plugging. To date, Pronghorn has not filed a Form C-103 to report completion of restoration work. Rule 19.15.4.201 NMAC requires a well to be plugged and abandoned or placed on approved temporary abandonment status after one year plus ninety days of continuous inactivity. Rule 19.15.4.202 NMAC requires the operator to clean the well site "as soon as practical but no later than one year after the completion of plugging operations," and file a record of the work done within thirty days after completing all required restoration work.

10. NMSA 1978, Section 70-2-3(A) defines "person" in relevant part to include corporations.

WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

A. Determining that 38 of the 39 wells operated by Pronghorn in New Mexico (all wells except the New Mexico DL State #007, 30-025-28681) are in violation of one or more of the following: NMSA 1978, Section 70-2-31(B)(2); 19.15.4.201 NMAC; 19.15.4.202 NMAC; 19.15.13.1115 NMAC; 19.15.13.1105 NMAC; 19.15.9.701 NMAC; 19.15.3.103.F NMAC; and 19.15.2.50 NMAC;

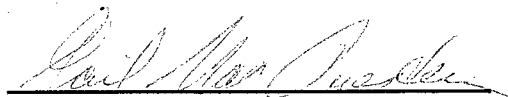
B. Requiring Pronghorn to plug and abandon all its wells by a date certain; and if the subject wells are not plugged and abandoned by the date set in the order:

(1) Authorizing the OCD to plug the wells in accordance with a Division-approved plugging program; and

(2) If any of the non-compliant subject wells is located on privately owned or state owned lands, authorizing the OCD to declare forfeit the security furnished by the Operator; and

C. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 15th day of November 2007 by



Gail MacQuesten
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
Phone: (505) 476-3451
FAX: (505) 476-3462
e-mail: gail.macquesten@state.nm.us

Attorney for the New Mexico Oil
Conservation Division

Case No. 14052. Application of the New Mexico Oil Conservation Division for a Compliance Order against Pronghorn Management Corp. The Applicant seeks an order pursuant to NMSA 1978, Section 70-2-14(B) requiring operator to plug and abandon all its wells 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. The wells at issue are:
ATLANTIC STATE #001, N-4 -17S-28E, 30-015-10266; EDDY STATE #001, G-6 -19S-25E, 30-015-23248; FIELDS #004, A-25-23S-32E, 30-025-25348; FOWLER B #001, K-6 -19S-38E, 30-025-28197; GILA 4 DEEP #001, G-4 -25S-33E, 30-025-30872; HANNAFIN STATE #001, L-17-19S-29E, 30-015-26727; HASTIE #005, F-18-17S-28E, 30-015-01417; HOWSE C #001, H-11-20S-38E, 30-025-22165; J F BLACK #001, G-21-24S-37E, 30-025-11178; J F BLACK #003, B-21-24S-37E, 30-025-11182; J F BLACK #004, F-21-24S-37E, 30-025-11183; J F BLACK #005, K-21-24S-37E, 30-025-21401; J F BLACK #006, F-21-24S-37E, 30-025-21478; J F BLACK #007, C-21-24S-37E, 30-025-21479; LONG BOX COM #001, H-30-20S-24E, 30-015-22624; MARSHALL #001, 4-19-23S-33E, 30-025-08358; MARSHALL #002, K-19-23S-33E, 30-025-08359; MARSHALL #005, F-19-23S-33E, 30-025-25000; MARSHALL #006, B-19-23S-33E, 30-025-25151; MARSHALL #007, C-19-23S-33E, 30-025-25201; MARSHALL #008, 3-19-23S-33E, 30-025-25642; NEW MEXICO BZ STATE NCT 5 #001, D-29-21S-35E, 30-025-03521; NEW MEXICO BZ STATE NCT 5 #002, C-29-21S-35E, 30-025-03522; NEW MEXICO BZ STATE NCT 5 #003, E-29-21S-35E, 30-025-03523; NEW MEXICO BZ STATE NCT 5 #004, F-29-21S-35E, 30-025-03524; NEW MEXICO BZ STATE NCT 5 #005, D-29-21S-35E, 30-025-32362; NEW MEXICO DL STATE #001, I-18-23S-33E, 30-025-28223; NEW MEXICO DL STATE #002, O-18-23S-33E, 30-025-28607; NEW MEXICO DL STATE #003, H-18-23S-33E, 30-025-28608; NEW MEXICO DL STATE #004, N-18-23S-33E, 30-025-28609; NEW MEXICO DL STATE #005, J-18-23S-33E, 30-025-28610; NEW MEXICO DL STATE #006, P-18-23S-33E, 30-025-28659; NEW MEXICO DL STATE #007, A-18-23S-33E, 30-025-28681; NEW MEXICO EF STATE #001, L-17-23S-33E, 30-025-28680; NEW MEXICO EF STATE #003, M-17-23S-33E, 30-025-28697; SIVLEY STATE #001, M-17-19S-29E, 30-015-26837; STATE C #001, M-20-21S-35E, 30-025-03485; STATE HL #001, L-2 -23S-33E, 30-025-26492; STATE M #001, M-36-17S-27E, 30-015-24612.
The wells are located in the southwest corner of New Mexico, south of Lovington and east of Carlsbad in Lea and Eddy Counties.

Well List

122811 PRONGHORN MANAGEMENT CORP

TOTAL WELL COUNT:39

PRINTED ON:WEDNESDAY, NOVEMBER 14, 2007

Property	Well Name	Lease Type	ULSTR	OCD UL	API	Well Type	Pool	Last Prod/Inj	Oil POD	Gas POD	In Add. Bond
16106	ATLANTIC STATE #001	S	N-4 -17S-28E	N	30-015-10266	G	86960 VANDAGRIFF KEYES;QUEEN (GAS)	9/2000		944830	10/1/2002
15356	EDDY STATE #001	S	G-6 -19S-25E	G	30-015-23248	O	50270 PENASCO DRAW;SA-YESO (ASSOC)	7/2006	502110	502130	8/1/2008
15001	FIELDS #004	F	A-25-23S-32E	A	30-025-25348	O	14910 CRUZ;DELAWARE	3/2006	498810	498830	
14992	FOWLER B #001	P	K-6 -19S-38E	K	30-025-28197	O	31920 HOBBS;GRAYBURG-SAN ANDRES	9/1985	499110	499130	10/1/1987
14986	GILA 4 DEEP #001	F	G-4 -25S-33E	G	30-025-30872	G	79335 JOHNSON RANCH;WOLFCAMP (GAS)	8/2007	2804889	501730	
16105	HANNAFIN STATE #001	S	L-17-19S-29E	L	30-015-26727	O	46555 MILLMAN;YATES-SR-QN-GB-SA, EAST	7/2006	944610	944630	8/1/2008
15324	HASTIE #005	F	F-18-17S-28E	F	30-015-01417	O		12/1995			
14995	HOWSE C #001	P	H-11-20S-38E	H	30-025-22165	O	33210 HOUSE;ABO	8/2007	501610	501630	9/1/2009
14988	J F BLACK #001	P	G-21-24S-37E	G	30-025-11178	O	37240 LANGLIE MATTIX;7 RVRs-Q-GRAYBURG	3/2006	500910	500930	4/1/2008
	J F BLACK #003	P	B-21-24S-37E	B	30-025-11182	O	37240 LANGLIE MATTIX;7 RVRs-Q-GRAYBURG	12/1993	500910	500930	1/1/1996
	J F BLACK #004	P	F-21-24S-37E	F	30-025-11183	O	33820 JALMAT;TAN-YATES-7 RVRs (OIL)	10/1987	499810	499830	11/1/1989
	J F BLACK #005	P	K-21-24S-37E	K	30-025-21401	O	37240 LANGLIE MATTIX;7 RVRs-Q-GRAYBURG	1/1984	500910	500930	2/1/1986
	J F BLACK #006	P	F-21-24S-37E	F	30-025-21478	I	37240 LANGLIE MATTIX;7 RVRs-Q-GRAYBURG	7/1991			8/1/1993
	J F BLACK #007	P	C-21-24S-37E	C	30-025-21479	I	37240 LANGLIE MATTIX;7 RVRs-Q-GRAYBURG	5/1985			6/1/1987
15327	LONG BOX COM #001	F	H-30-20S-24E	H	30-015-22624	G	86423 TRES HOMBRES;ATOKA (GAS)	10/2005	499310	499330	
14997	MARSHALL #001	F	4-19-23S-33E	M	30-025-08358	O	14910 CRUZ;DELAWARE	2/1990	498810	498830	
	MARSHALL #002	F	K-19-23S-33E	K	30-025-08359	S	96100 SWD;DELAWARE	8/2007			
	MARSHALL #005	F	F-19-23S-33E	F	30-025-25000	O	14910 CRUZ;DELAWARE	4/1998	498810	498830	
	MARSHALL #006	F	B-19-23S-33E	B	30-025-25151	O	14910 CRUZ;DELAWARE	2/1996	498810	498830	
	MARSHALL #007	F	C-19-23S-33E	C	30-025-25201	O	14910 CRUZ;DELAWARE	8/2005	498810	498830	
	MARSHALL #008	F	3-19-23S-33E	L	30-025-25642	O	14910 CRUZ;DELAWARE	2/1996	498810	498830	
14987	NEW MEXICO BZ STATE NCT 5 #001	S	D-29-21S-35E	D	30-025-03521	O	53790 SAN SIMON;YATES, NORTH (ASSOC)	3/2006	501310	501330	4/1/2008
	NEW MEXICO BZ STATE NCT 5 #002	S	C-29-21S-35E	C	30-025-03522	O	53790 SAN SIMON;YATES, NORTH (ASSOC)	3/2006	501310	501330	4/1/2008
	NEW MEXICO BZ STATE NCT 5 #003	S	E-29-21S-35E	E	30-025-03523	O	53790 SAN SIMON;YATES, NORTH (ASSOC)	2/2006	501310	501330	3/1/2008
	NEW	S	F-29-21S-35E	F	30-025-03524	O	53790 SAN SIMON;YATES,	6/1986	501310	501330	7/1/1988

NORTH (ASSOC)

MEXICO
BZ STATE
NCT 5
#004

NEW S D-29-21S-35E D 30-025-32362 O 53790 SAN SIMON;YATES,
NORTH (ASSOC) 8/2007 501310 501330 9/1/2009

MEXICO
BZ STATE
NCT 5
#005

14998 NEW S J-18-23S-33E I 30-025-28223 O 14910 CRUZ;DELAWARE 3/2006 499010 499030 4/1/2008

MEXICO
DL STATE
#001

NEW S O-18-23S-33E O 30-025-28607 O 14910 CRUZ;DELAWARE 3/2006 499010 499030 4/1/2008

MEXICO
DL STATE
#002

NEW S H-18-23S-33E H 30-025-28608 O 14910 CRUZ;DELAWARE 4/2001 499010 499030 5/1/2003

MEXICO
DL STATE
#003

NEW S N-18-23S-33E N 30-025-28609 O 14910 CRUZ;DELAWARE 7/2002 499010 499030 8/1/2004

MEXICO
DL STATE
#004

NEW S J-18-23S-33E J 30-025-28610 O 14910 CRUZ;DELAWARE 4/2001 499010 499030 5/1/2003

MEXICO
DL STATE
#005

NEW S P-18-23S-33E P 30-025-28659 O 14910 CRUZ;DELAWARE 10/1989 499010 499030 11/1/1991

MEXICO
DL STATE
#006

NEW S A-18-23S-33E A 30-025-28681 O 14910 CRUZ;DELAWARE 8/2007 499010 499030 9/1/2009

MEXICO
DL STATE
#007

14985 NEW S L-17-23S-33E L 30-025-28680 O 14910 CRUZ;DELAWARE 3/2006 499010 499030 4/1/2008

MEXICO
EF STATE
#001

NEW S M-17-23S-33E M 30-025-28697 I 14910 CRUZ;DELAWARE 4/2001 5/1/2003

MEXICO
EF STATE
#003

16104 SIVLEY S M-17-19S-29E M 30-015-26837 O 46555 MILLMAN;YATES-SR- 3/2006 944510 944530 4/1/2008

STATE
#001

QN-GB-SA, EAST

14984 STATE C S M-20-21S-35E M 30-025-03485 O 53790 SAN SIMON;YATES, 3/2006 501410 501430 4/1/2008

#001

NORTH (ASSOC)

15000 STATE HL S L-2 -23S-33E L 30-025-26492 O 7320 BRINNINSTOOL;BONE 3/2006 499510 499530 4/1/2008

#001

SPRING

15358 STATE M S M-36-17S-27E M 30-015-24612 O 51300 RED LAKE;QUEEN- 11/1995 1206610 1206630 12/1/1997

#001

GRAYBURG-SA