

TRANSMITTAL COVER SHEET

OIL CONSERVATION DIVISION
1220 S. ST. FRANCIS DRIVE
SANTA FE, NM 87505
(505) 476-3440
(505) 476-3462 (Fax)

PLEASE DELIVER THIS FAX:

TO: Ernest Padilla

FROM: Gail MacQuisten

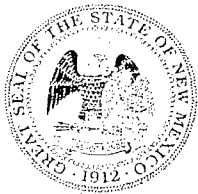
DATE: 8-24-07

PAGES: 6, including cover

SUBJECT: Pronghorn

IF YOU HAVE TROUBLE RECEIVING THIS FAX, PLEASE CALL THE OFFICE
NUMBER ABOVE.

Pronghorn Management Corp.
Case 13859
Case 14052
OCD Exhibit No. 11



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 24, 2007

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

Fax: 505 988 7592

Re: Pronghorn Management Corp., OGRID 122811
Order R-12767
Order R-12768
Cancellation of Authority, Dated February 15, 2007

Dear Mr. Padilla,

I want to thank you and Mr. Baber for meeting with Daniel Sanchez, Mikal Altomare and me this morning to discuss Pronghorn Management Corp.'s compliance issues.

During that meeting I told you that the Oil Conservation Division (OCD) has received Pronghorn's production report for August 2006, and will reinstate Pronghorn's authority to transport and inject once it receives a written request for reinstatement from Pronghorn. I received Pronghorn's written request for reinstatement this afternoon, and the reinstatement has been issued. A copy of the reinstatement letter is attached.

Order R-12768 required Pronghorn to pay a \$72,000 penalty and file corrected reports by July 30, 2007. Pronghorn did not request a stay of the order. Pronghorn's penalty and corrected reports are overdue. As we discussed, the OCD is not willing to waive or reduce the penalties assessed in Order R-12768, due to the seriousness of the violation and Pronghorn's history of non-compliance, including its continued failure to file corrected reports after issuance of the order, and its continued transportation of production after its authority to transport had been cancelled. If Pronghorn wishes to establish a payment plan, it will need to re-open the case to request a plan from the hearing examiner, or seek more favorable terms from the Oil Conservation Commission. Pronghorn also needs to file corrected reports, as required in Order R-12768. Please contact Jane Prouty at (505) 476-3475 if you have questions on how to file corrected reports.

Order R-12767 (the inactive well case) requires Pronghorn to return 16 wells to compliance by October 2, 2007. Order R-12768 (the false reporting case) requires Pronghorn to return 11 wells to compliance by December 30, 2007. Again, Pronghorn has not requested a stay of these orders. If Pronghorn needs a different schedule, it need to re-open the cases and request additional time from the examiner, or pursue its de novo case.

During our meeting you stated that the Hobbs District Office was not approving C-103s filed by Pronghorn, and you asked why the C-103s were not being approved. The C-103s in question are actually federal sundry notices: Form 3160-5. The Bureau of Land Management, rather than the OCD, has denied these sundry notices until Pronghorn resolves its outstanding compliance issues with the BLM. I have attached a sample sundry, showing the BLM's response.

Sincerely,



Gail MacQuesten
Attorney, Oil Conservation Division

cc: Daniel Sanchez, Enforcement and Compliance Manager
Mikal Altomare, OCD Attorney
Chris Williams, District I
Larry "Buddy" Hill, District I



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Director

Oil Conservation Division

August 24, 2007

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

e-mail: gababer@hotmail.com

Re: Reinstatement of Authority to Transport from or Inject into Wells Operated by Pronghorn Management Corp., OGRID 122811

Dear Operator,

By letter dated February 15, 2007, the Oil Conservation Division (OCD) cancelled the authority of Pronghorn Management Corp. (Pronghorn) to transport from or inject into all wells it operates. The cancellation was issued pursuant to OCD Rule 1115.C [19.15.13.1115.C NMAC], because of Pronghorn's failure to file C-115 production reports for August 2006.

Pronghorn has now filed C-115 production reports for August 2006 as well as other delinquent periods.

Effective immediately, the **OCD reinstates** the authority of Pronghorn Management Corp., OGRID 122811 to transport from or inject into wells as that authority existed immediately prior to the February 15, 2007 cancellation.

Sincerely,

Mark Fesmire, P.E.
Director, Oil Conservation Division

cc: Daniel Sanchez, OCD Enforcement and Compliance Manager
Chris Williams, OCD District I
Tim Gum, OCD District II
Charlie Perrin, OCD District III
Gail MacQuesten, OCD Attorney
Theresa Duran-Saenz, OCD Legal Assistant

Fax: Padilla Law Firm, P.A., 505 988 7592

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OFFICE
HOBBS

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

5. Lease Designation and Serial No.
NMLC068848 ✓

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

MARSHALL FED. #7 ✓

9. API Well No.

30-025-25201 ✓

10. Field and Pool, or Exploratory Area
CRUZ DELAWARE

11. County or Parish, State
LEA

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

PRONGHORN MANAGEMENT CORPORATION ✓

3. Address and Telephone No.

P. O. BOX 1772 HOBBS, NM 88241 505-392-2495

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

990' FNL & 1980' FWL
S19-T23S-R33E

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☐ Other

- ☐ Change of Plans
☐ New Construction
☒ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

1. Move in and rig up. POOH with rods and pump.
2. Swab well. Check production and fluid level.
3. Install B.O.P. POOH with tubing.
4. Rig up wireline and perforate additional Bell Canyon Ramsey Sand pay.
5. TIH with frac tubing and packer.
6. Rig up BJ. Frac well.
7. Swab and flow test well.
8. Put well on production.
9. Clean location. Rig down. Move out.

see conditions



14. I hereby certify that the foregoing is true and correct

Signed

Title President

(This space for Federal or State office use)

Approved by

Title

Conditions of approval, if any:

7/17/07
ACCEPTED FOR RECORD
Date AUG 8 2007
WESLEY W. INGRAM
PETROLEUM ENGINEER

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**Marshall Federal #5, #6, #7, #8
Pronghorn Management Corporation
August 6, 2007
Conditions**

It has come to my attention that Pronghorn Management Corporation is currently under a shut-in order.

Therefore, until the bond conditions required in the shut-in order have been met and the assessments paid, the proposed plan for these wells can't be approved.

After the bond has been increased to \$150,000 and proper documentation submitted to the Carlsbad Field Office, the program for these wells can be resubmitted and will be reviewed again.

The plan to reduce the spacing to 20 acres will have to be reviewed by NMOCD as a non-standard spacing unit. 19.15.3.104.D.2.

WWI 080607