

TRANSMITTAL COVER SHEET

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

PLEASE DE	LIVER THIS FAX:
1 0:	Earnest Padilla
FROM:	Gail Mac Quester
DATE:	8-24-07
PAGES:	6, includence cover
SUBJECT:	Preughorn

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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.

> Oil Conservation Division * 1220 South St. Francis Drive * Santa Fe. New Mexico 87505 Phone: (505) 476-3440 * Fax (505) 476-3462 * http://www.chund.gtglc.up.ug

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. Thave attached a sample sundry, showing the BLM's response.

Sincerely.

Gail MacQuesten Attorney, Oil Conservation Division

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



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cabinet Sceretary Mark E. Fesmire, P.E. 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 <u>reinstates</u> 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

ee:

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

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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