

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 PLATINUM EXPLORATION INC. 1) FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED 19.15.4.201 NMAC AS TO FOUR WELLS AND ASSESSING PENALTIES FOR THOSE VIOLATIONS; 2) REQUIRING OPERATOR TO RETURN SAID WELLS TO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN; AND 3) AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE, LEA COUNTY, NEW MEXICO.

CASE NO. 13845

AMENDED
APPLICATION FOR COMPLIANCE ORDER

1. Platinum Exploration Inc. ("Operator") is a corporation operating wells in New Mexico under OGRID 227103.

2. Operator has posted a \$50,000 letter of credit through West Texas State Bank in Odessa, Texas 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 ("Division").

3. Division rule 19.15.4.201 NMAC requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity.

4. The following wells ("subject wells") operated by Operator in New Mexico have been inactive for a continuous period exceeding one year plus 90 days, and

are neither plugged and abandoned in accord with 19.15.4.202 NMAC nor on approved temporary abandonment status in accord with 19.15.4.203 NMAC:

- | | | |
|-------------------|--------------|--------------|
| • Shelton #001 | F-26-14S-37E | 30-025-05128 |
| • Shelton #004 | E-26-14S-37E | 30-025-05131 |
| • TD Pope 26 #012 | K-26-14S-37E | 30-025-05146 |
| • TD Pope 35 #006 | P-35-14S-37E | 30-025-05189 |

5. Operator entered into inactive well agreed compliance order 123 (ACOI 123) under which Operator agreed to return the subject wells to compliance with 19.15.4.201 NMAC under an agreed schedule and file compliance reports. ACOI 123 expired on October 26, 2006, when Operator failed to meet its compliance schedule and failed to file a compliance report.

6. Division rule 19.15.101(H) NMAC authorizes the Director to order the operator to plug and abandon any well not in compliance with 19.15.4.201 NMAC and restore and remediate the location by a date certain, and to direct the Division to forfeit the financial assurance upon failure or refusal of the operator, surety or other responsible party to properly plug and abandon the well and restore and remediate the location.

7. NMSA 1978, Section 70-2-12(B)(18) and NMSA 1978, Section 70-2-38 authorize the Division to plug and abandon wells, and restore and remediate the location of abandoned wells.

8. NMSA 1978, Section 70-2-31(A) provides that any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars for each violation, and that in the case of a continuing violation, each day of violation shall constitute a separate violation.

9. NMSA 1978, Section 70-2-33(A) defines "person" to include corporations.

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

- A. Determining that the subject wells are not in compliance with 19.15.4.201 NMAC;
- B. Determining that Operator has knowingly and willfully violated 19.15.4.201 NMAC as to the subject wells;
- C. Assessing penalties pursuant to NMSA 1978, Section 70-2-31(A) for the Operator's knowing and willful violation of 19.15.4.201 NMAC as to the subject wells after the expiration of ACOI 123;
- D. Requiring the Operator to bring each of the subject wells into compliance with 19.15.4.201 NMAC within a date certain by plugging and abandoning the well in accordance with 19.15.4.202 NMAC, securing approved temporary abandonment status for the subject well in accordance with 19.15.4.203 NMAC, or returning the subject well to a Division-approved beneficial use; and
- E. Further, if the subject wells are not brought into compliance with 19.15.4.201 NMAC by the date set in the order:
 - (1) Assessing a penalty of \$1,000 per day for each of the subject wells out of compliance with the order;

- (2) Authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program; and
- (3) If any of the non-compliant subject wells is located on privately owned or state owned lands, authorizing the Division to declare forfeit the security furnished by the Operator; and
- F. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 15th day of December 2006 by



Gail MacQuesten
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
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Santa Fe, NM 87505
(505) 476-3451

Attorney for The New Mexico Oil
Conservation Division

- Case No. 13845. Application of the New Mexico Oil Conservation Division for a Compliance Order. The Applicant seeks an order 1) finding that Platinum Exploration Inc., OGRID 227103, knowingly and willfully violated 19.15.4.201 NMAC as to four wells and imposing penalties for those violations; 2) requiring the operator to return said wells to compliance with 19.15.4.201 NMAC by a date certain; and 3) in the event of non-compliance, authorizing the Division to plug said wells and forfeit the operator's financial assurance. The affected wells are: Shelton #001, F-26-14S-37E, 30-025-05128; Shelton #004, E-26-14S-37E, 30-025-05131; TD Pope 26 #012, K-26-14S-37E, 30-025-05146; TD Pope 35 #006, P-35-14S-37E, 30-025-05189. The wells are located approximately 15-20 miles northeast of Lovington, in Lea County, New Mexico.

**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 PLATINUM EXPLORATION INC. 1) FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED 19.15.4.201 NMAC AS TO FOUR WELLS AND ASSESSING PENALTIES FOR THOSE VIOLATIONS; 2) REQUIRING OPERATOR TO RETURN SAID WELLS TO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN; AND 3) AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE, LEA COUNTY, NEW MEXICO.

CASE NO. 13845

APPLICATION FOR COMPLIANCE ORDER

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2. Operator has posted a \$50,000 letter of credit through West Texas State Bank in Odessa, Texas 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 ("Division").

3. Division rule 19.15.4.201 NMAC requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity.

4. The following wells ("subject wells") operated by Operator in New Mexico have been inactive for a continuous period exceeding one year plus 90 days, and

are neither plugged and abandoned in accord with 19.15.4.202 NMAC nor on approved temporary abandonment status in accord with 19.15.4.203 NMAC:

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5. Division rule 19.15.101(H) NMAC authorizes the Director to order the operator to plug and abandon any well not in compliance with 19.15.4.201 NMAC and restore and remediate the location by a date certain, and to direct the Division to forfeit the financial assurance upon failure or refusal of the operator, surety or other responsible party to properly plug and abandon the well and restore and remediate the location.

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7. NMSA 1978, Section 70-2-31(A) provides that any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars for each violation, and that in the case of a continuing violation, each day of violation shall constitute a separate violation.

8. NMSA 1978, Section 70-2-33(A) defines "person" to include corporations.

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

- A. Determining that the subject wells are not in compliance with 19.15.4.201 NMAC;
- B. Determining that Operator has knowingly and willfully violated 19.15.4.201 NMAC as to the subject wells;
- C. Requiring the Operator to bring each of the subject wells into compliance with 19.15.4.201 NMAC within a date certain by plugging and abandoning the well in accordance with 19.15.4.202 NMAC, securing approved temporary abandonment status for the subject well in accordance with 19.15.4.203 NMAC, or returning the subject well to a Division-approved beneficial use; and
- D. Further, if the subject wells are not brought into compliance with 19.15.4.201 NMAC by the date set in the order:
 - (1) Assessing a penalty of \$1,000 per day for each of the subject wells out of compliance with the order;
 - (2) Authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program; and
 - (3) If any of the non-compliant subject wells is located on privately owned or state owned lands, authorizing the Division to declare forfeit the security furnished by the Operator; and
- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 27th day of November, 2006 by



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Resources Department of the State of
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Attorney for The New Mexico Oil
Conservation Division

- Case No. 13845. Application of the New Mexico Oil Conservation Division for a Compliance Order. The Applicant seeks an order 1) finding that Platinum Exploration Inc., OGRID 227103, knowingly and willfully violated 19.15.4.201 NMAC as to four wells and imposing penalties for those violations; 2) requiring the operator to return said wells to compliance with 19.15.4.201 NMAC by a date certain; and 3) in the event of non-compliance, authorizing the Division to plug said wells and forfeit the operator's financial assurance. The affected wells are: Shelton #001, F-26-14S-37E, 30-025-05128; Shelton #004, E-26-14S-37E, 30-025-05131; TD Pope 26 #012, K-26-14S-37E, 30-025-05146; TD Pope 35 #006, P-35-14S-37E, 30-025-05189. The wells are located approximately 15-20 miles northeast of Lovington, in Lea County, New Mexico.