



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

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Director
Oil Conservation Division

January 24, 2007

Mr. William Jones, Hearing Examiner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Hand Delivered

CASE 13845: AMENDED 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.

Dear Mr. Jones:

The above-captioned matter is currently scheduled for hearing on the February 1, 2007 docket. The Applicant Oil Conservation Division (OCD) respectfully requests a continuance until the April 12, 2007 docket.

The OCD and the Respondent Platinum Exploration Inc. (Platinum) have entered into an agreed compliance order to resolve the issues raised in Case 13845. A copy of the order, ACOI 155, is attached. As you will see, Platinum has agreed to return the wells to compliance by March 31, 2007. The Order provides that if Platinum does not do so, the OCD will proceed to hearing in Case 13845 and Platinum agrees that certain penalties may be imposed.

If Platinum successfully completes ACOI 155, the OCD will dismiss Case 13845. If Platinum does not successfully complete ACOI 155, the OCD will proceed to hearing on Case 13845 on April 12, 2007.

Very truly yours,



Gail MacQuesten
Assistant General Counsel

CC: Mr. David Brooks, OCD Counsel
Mr. Hal J. Rasmussen, President, Platinum Exploration, Inc.
Julie Faulkner, West Texas State Bank
EC: Daniel Sanchez, Enforcement and Compliance Manager
Chuck Finley, Platinum Exploration, Inc.

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

NMOCD – ACOI 125

IN THE MATTER OF PLATINUM EXPLORATION INC.,

Respondent.

AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), the Director of the Oil Conservation Division ("OCD") and Platinum Exploration Inc. ("Operator") enter into this Agreed Compliance Order ("Order") under which Operator agrees to:

- a) pay \$3,000 in penalties for violating the terms of ACOI 123;
- b) pay \$4,000 in penalties for the knowing and willful violation of OCD Rule 201 [19.15.4.201 NMAC] as to four identified wells after the expiration of ACOI 123;
- c) comply with the schedule set out below for returning the four identified wells to compliance or transferring their operations to another operator; and
- d) penalties as set out below if Operator fails to meet the compliance schedule.

FINDINGS

- 1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
- 2. Operator operates wells in New Mexico under OGRID 227103.
- 3. OCD Rule 201 [19.15.4.201 NMAC] states, in relevant part:

"A. The operator of any of the following wells, whether cased or uncased, shall be responsible for the plugging thereof: wells drilled for oil or gas; or service wells including but not limited to seismic, core, exploration or injection wells.

B. A well shall be either properly plugged and abandoned or placed in approved temporary abandonment in accordance with these rules within 90 days after:

....

....

(3) a period of one year in which a well has been continuously inactive."

4. On March 23, 2006 Operator and the OCD entered into Agreed Compliance Order 123 (ACOI 123), to address the following wells out of compliance with Rule 201:
 - Angel #003 30-025-07133
 - Shelton #001 30-025-05128
 - Shelton #004 30-025-05131
 - TD Pope 26#012 30-025-05146
 - TD Pope 35 #006 30-025-05189
5. ACOI 123 required Operator to return four of the identified wells to compliance with Rule 201 by September 25, 2006 by
 - (a) restoring the well to production or other OCD-approved beneficial use and filing a C-115 documenting such production or use;
 - (b) causing the wellbore to be plugged in accordance with OCD Rule 202.B(2) and filing a C-103 describing the completed work; or
 - (c) placing the well on approved temporary abandonment status pursuant to OCD Rule 203.
6. ACOI 123 further required Operator to file a compliance report by September 25, 2006.
7. According to the terms of ACOI 123, Operator would be subject to a penalty of \$1,000 times the number of wells it failed to bring into compliance by the applicable deadline. ACOI 123 outlined a procedure for Operator to request a waiver or reduction of the penalty, if it encountered unforeseen circumstances that prevented it from meeting its schedule.
8. Operator failed to file a compliance report for ACOI 123, and ACOI 123 expired October 25, 2006.
9. Operator did not apply for a waiver or reduction of the penalties due under ACOI 123.
10. By letter dated October 16, 2006, the OCD notified Operator that penalties were due under ACOI 123. OCD records showed that Operator had returned only one of the identified wells to compliance: the Angel #003.
11. On December 1, 2006, OCD filed the amended application in Case 13845, seeking an order finding that Operator knowingly and willfully violated Rule 201 as to the following wells, which remained out of compliance with Rule 201:

- Shelton #001 30-025-05128
- Shelton #004 30-025-05131
- TD Pope 26#012 30-025-05146
- TD Pope 35 #006 30-025-05189

12. Operator has completed the field work to request approved temporary abandonment status for the TD Pope 35, #006, but has not filed all the required paperwork.
13. Operator has represented that it is in negotiations to transfer the other three wells identified in Findings Paragraph 11 to a new operator.
14. NMSA 1978, Section 70-2-31(A) authorizes the assessment of civil penalties of up to one thousand dollars per day per violation against any person who knowingly and willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.
15. NMSA 1978, Section 70-2-3(A) defines "person" in relevant part as

"any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity..."

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Operator is subject to a \$3,000 penalty under the terms of ACOI 123.
3. The wells identified in Findings Paragraph 11 are out of compliance with Rule 201.
4. Operator has knowingly and willfully violated Rule 201 as to the wells identified in Findings Paragraph 11 by failing to return them to compliance after the expiration of ACOI 123.
5. Operator is a "person" as defined by OCD Rule 7.P(2) and may be subject to civil penalties for knowing and willful violations of the Oil and Gas Act or rules or orders adopted pursuant to the Act.

ORDER

1. Operator agrees to pay a penalty of \$3,000 for violating the terms of ACOI 123. The penalty shall be paid at the time this Order is executed.

2. Operator agrees to pay a penalty of \$4,000 for the knowing and willful violation of Rule 201 as to the wells identified in Findings Paragraph 11 after the expiration of ACOI 123. The penalty shall be paid at the time this Order is executed.
3. Operator agrees to file the paperwork for the temporary abandonment of the TD Pope 35 #006 by January 31, 2007.
4. Operator agrees that by March 31, 2007 it will either transfer the wells identified in Findings Paragraph 11 to another operator or return each identified well to compliance with OCD Rule 201 by
 - (a) restoring the well to production or other OCD-approved beneficial use and filing a C-115 documenting such production or use;
 - (b) causing the wellbore to be plugged in accordance with OCD Rule 202.B(2) and filing a C-103 describing the completed work; or
 - (c) placing the well on approved temporary abandonment status pursuant to OCD Rule 203.
5. If Operator meets the March 31, 2007 deadline set in Ordering Paragraph 4, the OCD will dismiss Case 13845.
6. If Operator fails to meet the March 31, 2007 deadline as to all wells identified in Findings Paragraph 11, the OCD will proceed to hearing on Case 13845. Operator agrees that the hearing examiner may assess a penalty of not less than \$3,000 for each well still operated by Operator at the time of the hearing that remains out of compliance with Rule 201.
7. On April 1, 2007, any wells identified in Findings Paragraph 11 that remain out of compliance with Rule 201 will appear on the inactive well list kept pursuant to 19.15.1.40 NMAC.
8. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to pay a penalty of \$3,000 at the time the Order is executed to resolve the violation of ACOI 123;
 - (c) agrees to pay a penalty of \$4,000 at the time the Order is executed, to resolve the knowing and willful violation of Rule 201 as to the wells identified in Findings Paragraph 11 after the expiration of ACOI 123;
 - (d) agrees to either return the wells identified in Findings Paragraph 11 to compliance with Rule 201 or complete the transfer of the wells to a new operator of record by March 31, 2007; and
 - (e) agrees that if it fails to return the wells identified in Findings Paragraph 11 to compliance with Rule 201 or complete the transfer of the wells to a new operator of record by March 31, 2007, the OCD will proceed to hearing in

Case 13845 and Operator agrees that the hearing examiner may assess a penalty of not less than \$3,000 for each well still operated by Operator at the time of the hearing that remains out of compliance with Rule 201;

- (f) waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior to or subsequent to the entry of this Order or to an appeal from this Order; and
- (g) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.

- 9. This Order applies only to those wells identified in Findings Paragraph 11. Other wells operated by Operator out of compliance with Rule 201 may be subject to immediate enforcement action under the Oil and Gas Act.
- 10. The Oil Conservation Division reserves the right to file an application for hearing to obtain authority to plug any well identified in Findings Paragraph 11 and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 24th day of July, 2007

By: [Signature]
Mark Fesmire, P.E.
Director, Oil Conservation Division

ACCEPTANCE

Platinum Exploration Inc. hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Platinum Exploration Inc.

By: [Signature]
(please print name) Hal J. Rasmussen
Title: President
Date: 1/22/07

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