

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

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

ORIGINAL

APPLICATION OF THE NEW MEXICO
OIL CONSERVATION DIVISION FOR
A COMPLIANCE ORDER AGAINST
PLATINUM EXPLORATION, INC.

CASE NO. 15138

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

June 12, 2014

Santa Fe, New Mexico

BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Richard Ezeanyim,
Chief Examiner, on Thursday, June 12, 2014, at the New
Mexico Energy, Minerals and Natural Resources
Department, Wendell Chino Building, 1220 South St.
Francis Drive, Porter Hall, Room 102, Santa Fe,
New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
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APPEARANCES

FOR APPLICANT NEW MEXICO OIL CONSERVATION DIVISION:

KEITH HERMAN, ESQ.
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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EXHIBITS OFFERED AND ADMITTED

New Mexico Oil Conservation Division
Exhibit Numbers 1 through 5

13

1 (8:34 a.m.)

2 EXAMINER EZEANYIM: At this time, I call
3 Case 15138. This was continued from May 29th as well,
4 and this is the application of New Mexico Oil
5 Conservation Division for a compliance order against
6 Platinum Exploration, Inc.

7 Call for appearances.

8 MR. HERMAN: Keith Herman with the OCD.

9 EXAMINER EZEANYIM: Do you have any
10 witnesses?

11 MR. HERMAN: Yes, one, Daniel Sanchez.

12 EXAMINER EZEANYIM: Any other appearances?

13 Okay. May the witness stand up, state your
14 name and be sworn, please?

15 MR. SANCHEZ: Daniel Sanchez.

16 DANIEL SANCHEZ,
17 after having been first duly sworn under oath, was
18 questioned and testified as follows:

19 EXAMINER EZEANYIM: You may proceed.

20 DIRECT EXAMINATION

21 BY MR. HERMAN:

22 Q. Mr. Sanchez, can you please state your title
23 for the record and where you work?

24 A. I work for the Oil Conservation Division. I am
25 a compliance and enforcement manager.

1 Q. Could you briefly describe your duties?

2 A. I oversee the compliance and enforcement
3 program for the Division, and I manage the district
4 offices.

5 Q. Have you researched the alleged violations in
6 the complaints against Platinum Exploration?

7 A. Yes, I have.

8 Q. Could you explain the investigation?

9 A. Yes. One of our districts, the Hobbs District,
10 has had more inactive wells, or orphan wells as we call
11 them, than our other district. So they went ahead and
12 did an investigation of the ones in their district, and
13 they came up with several actual wells that we consider
14 orphan, and through that investigation we decided to go
15 to hearing to try to get an order out to plug these
16 wells.

17 EXAMINER EZEANYIM: Counsel, if I may
18 suggest, we need to qualify the witness as an actual
19 witness. That is the procedure. So we can get that in
20 the record. You want to qualify him as an expert
21 witness or a factual witness so the record will reflect
22 that?

23 MR. HERMAN: I'd like to move to qualify
24 him as a factual witness.

25 EXAMINER EZEANYIM: Factual. Okay. Go

1 ahead and do that.

2 MR. HERMAN: I'd move that he's a factual
3 witness.

4 EXAMINER EZEANYIM: Not an expert witness?
5 Okay. He's accepted, if you just want a factual
6 witness.

7 MR. HERMAN: These are facts.

8 EXAMINER EZEANYIM: Okay. Mr. Sanchez is
9 so qualified.

10 Q. (BY MR. HERMAN) Can you identify Exhibit 1 for
11 me?

12 A. Yes. Exhibit 1 is the affidavit of Maxey
13 Brown, our Hobbs District supervisor, and he is
14 discussing what he found in his investigation on the
15 Platinum wells.

16 Q. Could you read items six through eight on
17 Exhibit 1?

18 A. Number six is from Maxey. "I researched the
19 ONGARD records for production and injection information
20 regarding well Rose Eaves #1 located in Lea County,
21 New Mexico." The API number is 3002507290. "ONGARD
22 contains no production or injection records for these
23 wells since June of 2006."

24 Number seven: "Operator is operating under
25 OGRID 227103. Operator has not posted financial

1 assurances to secure its obligation to plug and abandon
2 the well."

3 And number eight: "The subject well
4 operated by Operator in New Mexico has been inactive for
5 a continuous period exceeding one year plus 90 days, and
6 is neither plugged and abandoned in accord with Division
7 Rules 19.15.25.9 to- 11 NMAC nor on approved temporary
8 abandonment status in accord with the Division Rules
9 19.15.25.12 NMAC."

10 MR. HERMAN: Sorry. I mixed up my exhibits
11 for this case and for the next, so if you would bear
12 with me for one moment.

13 Q. (BY MR. HERMAN) Can you identify OCD Exhibit 2?

14 A. Exhibit 2 is six pictures of the Eaves well #1
15 site. It shows an open pit that has not been closed.
16 It shows the wellhead and, in general, a very sloppy
17 well site.

18 Q. Were these photos taken under the direction of
19 the OCD?

20 A. Yes, they were.

21 Q. As far as you know, have these sites been
22 cleaned up since these photos were taken?

23 A. They have not.

24 Q. Is this well producing?

25 A. No. It hasn't produced since 2006, according

1 to our records.

2 Q. Would you identify OCD Exhibit 3?

3 A. Exhibit 3 is a filing from the Office of the
4 Secretary of State identifying the owners, president,
5 vice president, of Platinum. And Harold James Rasmussen
6 is listed as the president, and Gregory J. Rasmussen is
7 listed as the vice president.

8 Q. And what's the corporation status?

9 A. Canceled.

10 Q. To your knowledge, has the OCD had any other
11 compliance issues with Platinum?

12 A. Yes, we have. In OCC Case Number 14380, the
13 Commission issued an order to plug and abandon ten
14 Platinum wells and forfeit all financial assurance.
15 There was only a blanket bond of \$50,000, which the OCD
16 received on September of 2012. It did not cover the
17 cost of the actual plugging work. Now we have
18 discovered another Platinum well that was not included
19 in this order, and Platinum has not replenished their
20 bond and is, therefore, out of financial assurance for
21 that well as well.

22 MR. HERMAN: Like to move for admission of
23 Exhibit 4, which is the order of the Division in OCC
24 Case 14380.

25 (NMOCD Exhibit Number 4 was offered into

1 evidence.)

2 Q. (BY MR. HERMAN) What steps were taken to notify
3 the operator?

4 A. We put out notice in the Lovington Daily Leader
5 and the OCD Website, as required by the OCD rules. We
6 also sent copies of the hearing notice directly to the
7 notices on file with the Secretary of State, which
8 according to the certified mail receipt was delivered on
9 April 29th of 2014. And the letter was delivered to the
10 corporate address, and it was returned to sender. An
11 agent in Santa Fe did accept the letter, but we haven't
12 heard from them.

13 MR. HERMAN: At this point, I'm going to
14 move for admission of OCD 5, which is our notice
15 documents.

16 (NMOCD Exhibit Number 5 was offered into
17 evidence.)

18 Q. (BY MR. HERMAN) Could you briefly describe the
19 other OCD rules that this well is violating?

20 A. Sure. Under Rule 19.15.28.8, it requires an
21 operator to plug and abandon or temporally abandon a
22 well in accordance with Division rules within a 90-day
23 period of one year of continuous inactivity.

24 Rule 19.15.25.10(B) [sic] provides that as
25 soon as practical but not later than one year after the

1 completion of plugging operations, the operator shall
2 level the location and remove deadman and other junk and
3 take measures necessary or required by the OCD to
4 restore the location to a safe and clean condition.

5 Rule 19.15.25.11 requires that the operator
6 shall file with the OCD the record of the work done
7 within 30 days of completion.

8 The operator is also out of compliance with
9 19.15.5.9(A)(1) NMAC by not meeting the financial
10 assurance requirements, and 19.15.5.9(A)(4) by having
11 one out of its one remaining wells out of compliance
12 with 19.15.25.8.

13 MR. HERMAN: No further questions.

14 EXAMINER EZEANYIM: You done with the
15 witness?

16 MR. HERMAN: Yes.

17 If there are no further questions, I would
18 just like to move that the subject well, Rose Eaves #1
19 is out of compliance with 19.15.25.8. I'd like to
20 require that the operator plug and abandon the well
21 within 30 days, and if he does not, I would like to find
22 him out of compliance with -- and that's find Platinum
23 Exploration, and its president and vice president,
24 Harold Rasmussen and Greg Rasmussen, out of compliance
25 with 19.15.5.8, and also the financial assurance

1 requirements and having too many wells out of
2 compliance.

3 EXAMINER EZEANYIM: Okay. Couple of
4 questions here.

5 CROSS-EXAMINATION

6 BY EXAMINER EZEANYIM:

7 Q. Did you find the Rasmussens? The president and
8 vice president, did you find any of them?

9 A. We went after them with notice, but we never
10 got any returned.

11 Q. Did you send notice to the -- are they still
12 alive?

13 A. Yes, they are.

14 Q. Did you find the address to send them a letter?

15 A. We sent letters to two different addresses, and
16 we got responses from neither.

17 Q. Nothing?

18 A. Nothing.

19 Q. And you published it, and nothing?

20 A. Nothing.

21 Q. Now, the second question: Did they comply with
22 the 2009 order, Order Number 13190?

23 A. No, they did not.

24 Q. What happened with that order?

25 A. They did not respond, and the OCD ended up

1 plugging those wells and recovering the bond, the single
2 bond, blanket bond.

3 Q. And for this case, how many wells are we
4 talking about? Two wells?

5 A. One.

6 Q. One well.

7 Does this well have any financial
8 assurance?

9 A. No, it does not.

10 Q. Why is that? I mean, if you drill a well, you
11 have to have financial assurance.

12 A. Well, it was one of the wells we found after
13 the initial ten wells that we went after in that
14 previous case. And once -- we plugged those wells. We
15 went after their financial assurance. We did get a
16 blanket bond, but we didn't know there was another well
17 out there. So they never decided to do business any
18 further in New Mexico and, therefore, never bonded that
19 well.

20 Q. Okay. So we have a blanket bond to cover this
21 well?

22 A. Yes.

23 Q. So what happened with that bond now?

24 A. It went back to the cost of plugging the other
25 ten wells.

1 Q. Platinum is supposed to plug the well within 30
2 days, and if not, what happens? If they don't plug it,
3 what happens?

4 A. The OCD will plug that well and clean up the
5 site.

6 Q. Okay. With the blanket bond?

7 A. No. The blanket bond wouldn't cover it. It
8 didn't cover the plugging costs of the original ten. It
9 will come out of the reclamation fund.

10 Q. So you made an attempt to comply with -- you
11 didn't get them published in the paper, either of them?

12 A. That's correct.

13 Q. So they didn't comply with the 2009 order.

14 Are they still doing business in
15 New Mexico?

16 A. No, they're not.

17 Q. They have withdrawn their license to do
18 business in New Mexico?

19 A. Their license was canceled with the Secretary
20 of State's Office.

21 Q. What is the name of that? Platinum
22 Exploration, Inc.? So if I get an application from
23 Platinum, it's fraudulent?

24 A. That's correct.

25 EXAMINER EZEANYIM: Anything further from

1 counsel?

2 MR. HERMAN: No.

3 EXAMINER EZEANYIM: I'm done with you, so
4 you may step down.

5 MR. HERMAN: We've got one more case.

6 EXAMINER EZEANYIM: Yeah, but we have to
7 conclude this first.

8 At this point, Case Number 15138 will be
9 taken under advisement.

10 MR. HERMAN: I'd submit our originals.
11 These are the original exhibits.

12 EXAMINER EZEANYIM: How many exhibits do
13 you have so we can admit them into the record?

14 MR. HERMAN: A total of five.

15 EXAMINER EZEANYIM: Exhibits 1 through 5?

16 MR. HERMAN: Yes.

17 EXAMINER EZEANYIM: For the record,
18 Exhibits 1 through 5 will be admitted.

19 (NMOCD Exhibit Numbers 1 through 5 were
20 offered and admitted into evidence.)

21 EXAMINER EZEANYIM: Case Number 15138 will
22 be taken under advisement. I think I've already said
23 that.

24 (Case Number 15138 concludes. 8:49 a.m.)

25

*I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15138
heard by me on*

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
3

4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

19

20

Mary C. Hankins

21

MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2014

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