

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, BY
AND THROUGH ITS ATTORNEY, FOR
A COMPLIANCE ORDER AGAINST HAL
J. RASMUSSEN OPERATING, INC.,
DIRECTORS AND OFFICERS, HAROLD
JAMES RASMUSSEN AND GREGORY J.
RASMUSSEN, JOINTLY AND SEVERALLY.

CASE NO. 15187

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

August 21, 2014

Santa Fe, New Mexico

BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
GABRIEL WADE, LEGAL EXAMINER

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This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, and Gabriel Wade, Legal Examiner, on
Thursday, August 21, 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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1 (8:49 a.m.)

2 EXAMINER McMILLAN: I would like to call
3 Case 15187, application of the New Mexico Oil
4 Conservation Division, by and through its attorney, for
5 a compliance order against Hal J. Rasmussen Operating,
6 Incorporated, directors, and officers, Harold James
7 Rasmussen and Gregory James Rasmussen, jointly and
8 severally.

9 Okay. Call for appearances.

10 MR. HERRMANN: Keith Herrmann, Assistant
11 General Counsel with the OCD (indicating).

12 MR. WADE: Is this for the Hearing Examiner
13 or for me?

14 MR. HERRMANN: For both you guys. I only
15 have five copies, so you might have to share.

16 EXAMINER McMILLAN: And you have how many?

17 MR. HERRMANN: I have one witness,
18 Mr. Daniel Sanchez.

19 EXAMINER McMILLAN: Okay. And --

20 MR. HERRMANN: I don't believe
21 Mr. Rasmussen will appear today.

22 EXAMINER McMILLAN: And an opening
23 statement?

24 OPENING STATEMENT

25 MR. HERRMANN: This hearing is for a

1 compliance order against Hal J. Rasmussen Operating,
2 Incorporated and its Officers, Hal J. Rasmussen and
3 Gregory James Rasmussen, and any other officers of that
4 company. They have a history of noncompliance with
5 Division orders either under Hal J. Rasmussen or under
6 their other companies, such as Platinum Exploration,
7 Incorporated.

8 They currently have 12 wells, all of which
9 are violating Division rules in some manner, and we are
10 seeking an order to plug and abandon all the wells that
11 they have because they do pose a great environmental
12 risk and are not producing.

13 EXAMINER McMILLAN: Okay.

14 MR. HERRMANN: So if I may call my first
15 witness, Mr. Daniel Sanchez.

16 DANIEL SANCHEZ,

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

19 DIRECT EXAMINATION

20 BY MR. HERRMANN:

21 Q. Mr. Sanchez, can you please state your name,
22 title and place of employment for the record?

23 A. Daniel Sanchez. I am the Compliance and
24 Enforcement manager for the Oil Conservation Division
25 here in Santa Fe.

1 Q. And could you briefly describe the duties you
2 perform for the OCD?

3 A. I oversee the compliance and enforcement
4 program for the OCD, the UIC program. I oversee the
5 administrative staff and the district superv- -- the
6 various districts, Hobbs, Artesia and Aztec.

7 Q. And do you have direct knowledge of the
8 violations committed by Hal J. Rasmussen Operating,
9 Incorporated?

10 A. Yes, I do.

11 MR. HERRMANN: I would also like to certify
12 you as an expert witness in enforcement operations by
13 the OCD.

14 EXAMINER McMILLAN: So qualified.

15 Q. (BY MR. HERRMANN) Let's start by turning to
16 Exhibit 5, which is a list of violations, followed by a
17 recommended decision. Could you briefly describe the
18 violations that are contained in this exhibit?

19 A. The first violation is by Harold James
20 Rasmussen and Gregory James Rasmussen as officers of
21 Platinum Exploration, and they are out of compliance
22 with Rule 19.15.5.9.

23 The second one would be 19.15.9 [sic] for
24 the Amoco Stone #1, the State E #22.

25 Q. Let me clarify that. The first violation of

1 5.9 was with their duties through Platinum Exploration?

2 A. That's correct.

3 Q. And was that to having too many inactive wells?

4 A. Yes. And I believe it also included bonding
5 issues as well.

6 Q. And the next group of violations, that will be
7 against the current company, Hal J. Rasmussen Operating,
8 or we'll call them Rasmussen for short?

9 A. Okay. That will work.

10 Q. Please continue.

11 A. Okay. Under Rasmussen Operating, Inc., they
12 are in violation of 5.9 again. This is for producing
13 gas only in an oil pool, and that's for the Amoco Stone
14 #1, the State E #22 and the Wilson State #4.

15 The third issue is by having wells that
16 have been inactive for a continuous period exceeding one
17 year, plus the 90 days, if they are not plugged and
18 abandoned in accord with Division rules nor on approved
19 temporary abandonment status, they are in violation of
20 19.15.25.12. And those wells are the Amoco Stone #1,
21 the Gecko 27 State #1, Reed Estate #1, State B #12.

22 Number 4. "Division Rule 19.15.5.9(A)(4)
23 permits an operator with less than 100 wells to have no
24 more than two wells out of compliance with" the Division
25 rules. Rasmussen is out of compliance with that by

1 having all their wells out of compliance at this point.

2 Number 5. The following wells are not in
3 compliance with Division Rule 19.15.16.8 requiring
4 operators properly identify all wells with the correct
5 signage, the State A #22, the State B #12, Kaiser State
6 #10, Kaiser State #43, Wilson State #4, Gecko 27 State
7 #1, Amoco Stone #1 and Reed Estate #1.

8 6. The following wells are not in
9 compliance with Division Rule 15.29.8 [sic] and 15.29.11
10 [sic] requiring operators to complete a
11 Division-approved abatement plan in accordance with the
12 Division rules. The Reed Estate #1 is in violation of
13 that rule.

14 Number 7. By reporting false amounts of
15 gas, Rasmussen Operating, Inc. is in violation of
16 Division Rule 19.15.19.9. This dictates how an operator
17 is to report volumes of produced gas on the following
18 wells: Kaiser State #10, State P #6, Kaiser State #14,
19 Kaiser State #43, State 23 #25, Wilson State #4 and
20 State E #22.

21 Q. We can stop there.

22 Let's start with reporting false amounts of
23 gas. If you would go to Exhibit 2 and describe how you
24 know they are reporting false gas.

25 A. I had our Hobbs District Office do a follow-up

1 inspection prior to this hearing to identify any wells
2 that may still be operating properly, and none of the
3 wells that were inspected indicate that they've been
4 operating at all, at least recently. The sites are
5 covered in weeds and grass. It looks like no one's been
6 out there for months other than our own inspectors.

7 We have wells that do not have pumps. We
8 have wells that are not connected to the electric lines
9 anymore. They've been removed -- or the meters have
10 been removed.

11 Q. Could you tell me what page you're on when you
12 point these out?

13 A. Yeah. Page number 2 of Exhibit Number 2 is the
14 State B #12, and this shows the site of the well. And,
15 I mean, absolutely no indication that anyone's been out
16 there for quite some time.

17 And let me go to another one here. They're
18 showing gas only -- and this is page 7 -- for the Kaiser
19 State #10, although there is no indication that there is
20 a meter or anything else to measure the gas coming out
21 of that well.

22 On page 9, there's a casing flow line only
23 from that well and no indication that there's actual gas
24 being produced or oil being produced out of that well.

25 Q. And on page 11, there is a motor on this pump

1 jack?

2 A. No, there is not, making it very difficult for
3 that well to operate.

4 Q. And when did he last report production on this
5 well?

6 A. Let's see. February 1st of 2014.

7 Q. So going by this site inspection, do you
8 believe that that is an accurate production report?

9 A. No, I do not. Just to follow up on that, there
10 is also no meter, and the lines have been disconnected
11 to that site from the power poles.

12 I mean, I can go through each one of these
13 individually, but for the sake of expediency and to get
14 going with other ones, if you look through each one of
15 these, you'll find it very difficult to believe that
16 anything has been done with these sites or that any of
17 them are actually capable of operation at this time.

18 Q. Let's skip ahead, then, if the Hearing Examiner
19 has no further questions on these wells, to the Reed
20 Estate well. That begins on page 42 of Exhibit 2.

21 A. This is what we are considering a very high
22 priority site.

23 EXAMINER McMILLAN: I'm sorry.

24 THE WITNESS: Page 43.

25 MR. HERRMANN: It starts on page 42 and

1 goes on for several pages.

2 EXAMINER McMILLAN: Okay. I'm on page 43.

3 THE WITNESS: This is the Reed Estate #1,
4 and you can see from the pictures, there has been what I
5 would consider a major leak on this property. It looks
6 like a small lake. And there are several pictures, as
7 you go through here, from different locations, and it is
8 a huge mess out here. I mean, it's going to take
9 considerable cleanup. On page 47, there is a shot using
10 Google Earth, and it shows that site and the extent of
11 that spill.

12 EXAMINER McMILLAN: So on page 47, the
13 spill is the dark area? I've got black-and-whites.

14 THE WITNESS: Yes.

15 EXAMINER McMILLAN: Is that a safe
16 characterization?

17 THE WITNESS: Yes. You can see it from
18 here probably (indicating), so yes. Nothing has been
19 done by Rasmussen Operating, Inc. to take care of that
20 problem whatsoever.

21 Q. (BY MR. HERRMANN) If you would, look at page
22 48.

23 A. Okay.

24 Q. Would you identify that e-mail?

25 A. This is an e-mail from Tomas Oberding. He is

1 one of our -- well, not compliance officer but
2 environmental specialists in Hobbs, and he was
3 contacting who we believe to be Rasmussen's man on the
4 ground out there and describing the spill that we were
5 just talking about on the Reed Estate #1. And this was
6 asking for a C-141 form to be filled out within 15 days
7 of the release of it, and this is back in June.
8 Nothing's been turned in to us regarding that spill.

9 Q. I would just like to briefly touch on Exhibit
10 3. These pages are not all in order, but it's the page
11 after page 53. Would you identify that for the record?

12 A. This is an order in Case Number 14389, Order
13 Number 13190, and this was an order against Platinum
14 Exploration, Inc.

15 EXAMINER McMILLAN: And it's part of the
16 record, right?

17 THE WITNESS: Yes.

18 MR. HERRMANN: Yes.

19 EXAMINER McMILLAN: Okay.

20 THE WITNESS: What that order did was allow
21 the OCD to go ahead and plug Platinum wells if they
22 hadn't met the requirements of that order, which from
23 what I remember back in 2010, they didn't. We actually
24 went in and plugged most, if not all those wells.

25 Q. (BY MR. HERRMANN) Did they forfeit -- did

1 Platinum also forfeit their financial insurance then?

2 A. I believe they did.

3 Q. Jumping to the end of that order, I'm also
4 submitting Division Order R-13866, which is
5 approximately five pages after 13190. Would you
6 identify that for the record?

7 A. This is also an order that was entered into
8 very recently, 23rd of July 2014, and this is also
9 against Platinum Exploration for one of the wells that
10 we hadn't plugged, and that is the Rose Eaves Well
11 No. 1. And the operator, Platinum, has until September
12 22nd of this year to plug that well out, or the Division
13 will be doing the plugging on that well.

14 Q. Do you have any indication that Platinum will
15 comply with that order?

16 A. None whatsoever.

17 Q. If we could go to Exhibit 4, that's our notice
18 documents. Could you describe the steps we took to
19 notify Rasmussen of this hearing?

20 A. Yes. We issued certified mail, and that was
21 dated August 6th, I believe.

22 Q. Those are receipts. After page 76, those are
23 the return receipts.

24 A. Oh, okay. That was return receipts. These
25 ones are July 24th when he was notified.

1 Q. Did you also notify the bank?

2 A. Yes, we did.

3 MR. WADE: On the return receipts or even
4 the green cards, how did you determine which addresses
5 to send it to?

6 THE WITNESS: The addresses were the ones
7 we had on record from the district office.

8 MR. WADE: And I think on one of the return
9 receipts, page 4, does it appear that would be Harold
10 Rasmussen's signature signing it?

11 THE WITNESS: Yes.

12 MR. WADE: Any indication of the person
13 above who signed for it?

14 MR. HERRMANN: I believe the originals are
15 over there (indicating). They might come out a little
16 easier.

17 THE WITNESS: I can't read the signature,
18 to be honest.

19 MR. HERRMANN: Try the original binder,
20 Daniel.

21 THE WITNESS: Oh, this one (indicating)?

22 MR. HERRMANN: Yeah.

23 MR. WADE: That's okay.

24 And you did put in the record that you sent
25 notice to the insurance company as well?

1 MR. HERRMANN: Yes. That's the RLI
2 Insurance Company.

3 And the very last page is a certification,
4 service from the New Mexico Superintendent of Insurance.

5 If there are no further questions, I just
6 have a closing statement.

7 CROSS-EXAMINATION

8 BY EXAMINER McMILLAN:

9 Q. One thing that I'm not clear on, Platinum
10 Operating and Hal J. Rasmussen are separate operating
11 entities?

12 A. That's correct.

13 Q. So why are -- why -- I'm just curious. Why are
14 you bringing Platinum as part of this? What's the --

15 A. Mr. Rasmussen was a partner in Platinum.

16 MR. HERRMANN: Mr. Rasmussen and his son
17 Gregory Rasmussen are both the vice president and -- the
18 president and vice president, respectively, of both
19 companies.

20 Q. (BY EXAMINER McMILLAN) Were those two
21 individuals listed as part of the R-13866?

22 A. I believe they were.

23 MR. HERRMANN: Yes.

24 EXAMINER McMILLAN: Okay. If you'll make
25 your closing comments.

1 CLOSING STATEMENT

2 MR. HERRMANN: I would like to note that in
3 R-13866, item four identifies Harold Rasmussen and Greg
4 Rasmussen as the president and vice president, so this
5 has been found. And by not complying with this order
6 they will be found, per se, out of violation with the
7 Division order, which would -- by Division rules, if
8 they do try to apply for a new OGRID number, we will
9 have the ability to deny it under those circumstances.

10 EXAMINER McMILLAN: Okay.

11 MR. HERRMANN: But given the history of
12 noncompliance with Division orders and flat-out
13 nonresponsiveness, we would like to order [sic] that all
14 wells be plugged by Mr. Rasmussen within 30 days, with
15 priority on the Reed Estate #1 well. And if they do not
16 comply or even contact the Division, by then declaring
17 the wells abandoned, authorizing the OCD to take care of
18 the well sites to plug and abandon them in accordance
19 Division rules and potentially seek to recover costs
20 from Rasmussen in accordance with Division Rule
21 19.15.8.13 and additional penalties.

22 EXAMINER McMILLAN: Okay. For the record,
23 you want Exhibits 1 through 5 as part of the record,
24 correct.

25 MR. HERRMANN: Yes, I would.

1 EXAMINER McMILLAN: So Exhibits 1 through 5
2 will be part of the record.

3 And you will prepare a draft within the
4 next two weeks?

5 MR. HERRMANN: Uh-huh.

6 (NMOCD Exhibit Numbers 1 through 5 were
7 offered and admitted into evidence.)

8 EXAMINER McMILLAN: Okay. So Case Number
9 15187 will be taken under advisement.

10 (Case Number 15187 concludes, 9:09 a.m.)
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____,
heard by me on _____,
_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

3

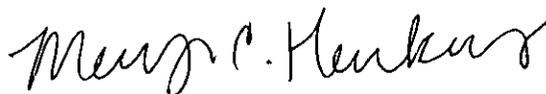
4 CERTIFICATE OF COURT REPORTER

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, CCR, RPR
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