

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

AMENDED APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER UNDER NMSA 1978, SECTION 70-2-14(B) AGAINST PLATINUM EXPLORATION INC. AND/OR DEVONIAN PARTNERS, LLC, FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.25 NMAC OR 19.15.7.24 NMAC, 19.15.8.9 NMAC, 19.15.29.11 NMAC, 19.15.16.8 NMAC AND 19.15.9.8-9 NMAC, REQUIRING OPERATOR TO RETURN ITS WELLS TO COMPLIANCE OR PROPERLY PLUG AND ABANDON ALL ITS WELLS BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION TO PLUG AND ABANDON THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, LEA COUNTY, NEW MEXICO.

CASE NO. 14380

PRE-HEARING STATEMENT OF THE OIL CONSERVATION DIVISION

The Oil Conservation Division (OCD) submits this pre-hearing statement pursuant to 19.15.4.13.B NMAC.

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

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RESPONDENT

Platinum Exploration, Inc.
550 West Texas Avenue, Suite 500
Midland, TX 79701

RESPONDENT'S ATTORNEY

No entry of appearance at this time.

Devonian Partners, LLC
4711 W. Golf Rd., Ste. 915
Skokie, IL 60076

No entry of appearance at this time.

STATEMENT OF CASE

The OCD seeks an order pursuant to NMSA 1978, Section 70-2-14(B) requiring the operator or operators to return ten wells to compliance or plug them by a date certain, and authorizing the OCD to plug the wells and forfeit the applicable financial assurances if the operator or operators fail to meet that deadline.

The underlying violations that form the basis of the claim under NMSA 1978, Section 70-2-14(B) are: inactive wells (19.15.25 NMAC) or, in the alternative, failure to file accurate production reports (19.15.7.24 NMAC); failure to post required financial assurances (19.15.8.9 NMAC); failure to take corrective action for releases (19.15.29.11 NMAC); and failure to post correct well signs (19.15.16.8 NMAC).

The OCD has listed two parties. Platinum Exploration, Inc. is the operator of record for all ten wells. The OCD amended its application to add Devonian Partners, LLC as a party, based on information from a surface owner indicating that Devonian Partners, LLC has been the operator in fact of four of the wells: the Barnhill #001, the Post #001, Post #002 and Post #003. The OCD takes the position that both Platinum Exploration, Inc, and Devonian Partners, LLC are responsible for returning these four wells to compliance. In addition, if Devonian Partners, LLC was operating the wells without becoming operator of record, that is a violation of additional rules: 19.15.9.8 NMAC and 19.15.9.9.B NMAC. Those violations also provide a basis for an order under NMSA 1978, Section 70-2-14(B).

OCD'S PROPOSED EVIDENCE

Witness: Dorothy Phillips, Financial Assurance Administrator
Estimated time: By affidavit

Witness: Daniel Sanchez, OCD Compliance and Enforcement Manager
Estimated time: 20 minutes, and pre-filed written testimony

Witness: Jane Prouty, Automation and Records Bureau Chief
Estimated time: 20 minutes

PROCEDURAL MATTERS

The OCD intends to present Ms. Phillips' testimony in the form of an affidavit. It also intends to offer pre-filed written testimony from Mr. Sanchez. Mr. Sanchez will be present to adopt his testimony under oath, introduce the exhibits referenced in his testimony, and be subject to cross examination. A copy of Mr. Sanchez' pre-filed written testimony is attached to this pre-hearing statement, with copies of the exhibits referenced in that testimony. The OCD is not sure at this time if it will call Ms. Prouty.

The OCD requests that an expedited order be issued after the hearing in this case. Since filing the application, the OCD has received a number of inquiries from entities interested in becoming the operator of record for the wells. If an order is issued as requested, the OCD will be able to require any new operator to enter into an agreed compliance order setting a schedule for compliance. See 19.15.9.9.C(2) NMAC. In such cases, the OCD usually requires the new operator to post financial assurances in the form of cash bonds or letters of credit, and agree that the OCD may plug the wells and forfeit the financial assurances without hearing if the new operator fails to return the wells to compliance by the agreed deadline. This prevents the OCD from having to go to hearing again on the same wells and issues to obtain compliance from the new operator.

If any applications for change of operator involving these wells are filed before an order is issued in this case, the OCD may ask the division director to refer the matter for hearing, pursuant to 19.15.4.18 NMAC. A hearing on the application would enable the OCD to determine if the prospective new operator is connected to either Platinum Exploration, Inc. or Devonian Partners, LLC, and give the OCD the opportunity to request that any new operator enter into an agreement to address the violations that are the subject of this case.

Respectfully submitted
this 7th day of October 2009 by



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Resources Department
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Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading with attachments was mailed by first class mail this 7th day of October to Platinum Exploration, Inc. and Devonian Partners, LLC at the addresses listed above and to CT Corporation System, 123 East Marcy, Santa Fe, NM 87501, the registered agent for both Platinum Exploration, Inc. and Devonian Partners, LLC.



Gail MacQuesten