



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Lori Wrotenbery**

Director

**Oil Conservation Division**

February 9, 2004

Mr. Hal J. Rasmussen  
President, Platinum Exploration, Inc.  
550 West Texas Avenue, Suite 200  
Midland, TX 79701

Dear Mr. Rasmussen:

This letter memorializes the agreement between Platinum Exploration, Inc. ("Platinum") and the New Mexico Oil Conservation Division ("OCD") regarding the well Huber State #1, API #30-025-27290, located at Lot 1, Section 5, Township 16 South, Range 38 East, in Lea County, New Mexico ("well").

Platinum and the OCD agree to the following:

1. The Huber State #1 is the subject of OCD case number 13165: "Application of the New Mexico Oil Conservation Division, Through the Supervisor of District I, for an Order Requiring EnergyPro, Inc. to Properly Plug One Well, Assessing an Appropriate Civil Penalty in Event of Operator's Failure to Comply, Authorizing the Division to Plug Said Well and Ordering a Forfeiture of Applicable Plugging Bond; Lea County, New Mexico."
2. After the OCD filed the application in case number 13165, EnergyPro, Inc. and the OCD entered into a letter agreement, dated December 15, 2003, under which EnergyPro, Inc. agreed to plug the well according to OCD Rule 202 and District I specifications by April 1, 2004. The agreement further provides that case number 13165 be continued to the first available docket after April 1, 2004. (According to the calendar for division hearings, the next division hearing docket would be April 15, 2004.)
3. Platinum intends to purchase the well from EnergyPro, Inc. and use the well for salt water disposal.
4. Platinum agrees that it will take the following actions by April 8, 2004:
  - a) Platinum will complete the purchase of the well from EnergyPro, Inc.;

*Before the OCD*

*Case 13728*

Ex. 1

b) Platinum will complete all the necessary steps to become the operator of record for the well, including registering with the New Mexico Corporation Commission to do business in this state, posting a \$50,000 blanket financial assurance under OCD Rule 101, and filing an administratively complete change of operator form; and

c) Platinum will file an administratively complete application with the OCD to use the well for salt water disposal.

5. The OCD agrees that if Platinum completes the acts set out in Paragraph 4, above, by April 8, 2004, and becomes the operator of record for the well, the OCD will dismiss case number 13165 and release EnergyPro, Inc. from the December 15, 2003 letter agreement.

6. Platinum agrees that if the OCD denies its application to use the well for salt water disposal, Platinum will plug the well according to OCD Rule 201 and District I specifications within 60 days of the date the OCD denies the application. Specifically, Platinum agrees to:

a) file with the OCD a notice of intention to plug the well using Form C-103, Sundry Notices and Reports on Wells, prior to commencing plugging operations, containing all of the information required by Rule 1103 including operator and well identification, proposed procedures for plugging the subject well and a well-bore diagram showing the proposed plugging procedure, as required by Rule 202.A(1);

b) notify the District I office forty-eight hours notice prior to commencing any plugging operations;

c) plug the well according to District I guidelines;

d) remove all trash from the site of the well and any related tank battery sites;

e) remove all surface equipment at the site of the well including tanks, production equipment and flow lines;

f) remediate all spills, leaks and tank battery sites at the location of the well in accordance with Rule 202.B(3) and District I guidelines; and

g) contact the District I office to arrange for an inspection of the subject well and location pursuant to Rule 202.B(4) to take place prior to the sixty-day deadline.

7. Platinum agrees that if it becomes the operator of record for the well and fails to meet the 60-day plugging deadline set out in Paragraph 6, above, the OCD may apply for an order requiring Platinum to plug the well and imposing penalties. Platinum agrees that

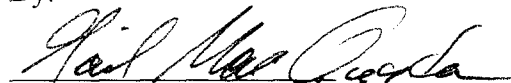
the OCD may introduce a copy of this agreement into evidence at a hearing on the application as evidence of the following:

- a) Platinum acknowledges that it is the operator of the Huber State #1;
- b) Platinum acknowledges that the Huber State #1 is out of compliance with OCD Rule 203 because it has neither produced any hydrocarbon or carbon dioxide substance nor been used for injection for more than one year, and the OCD has not approved temporary abandonment of the well pursuant to Division Rule 203; and
- c) Platinum agrees that it will pay a civil penalty of \$1000 for its failure to comply with OCD Rule 201.B by the deadline set out in this agreement, and that the hearing examiner may impose additional penalties for any delay in plugging the well after the deadline set out in this agreement.

Agreed to this 10<sup>th</sup> day of February, 2004 by

Oil Conservation Division  
New Mexico Energy, Minerals and Natural  
Resources Department  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

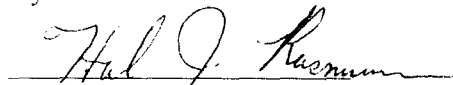
By:



Gail MacQuesten  
Assistant General Counsel  
Oil Conservation Division  
(505) 476-3451

Platinum Exploration, Inc.  
550 West Texas Avenue, Suite 200  
Midland, TX 79701

By:



Hal J. Rasmussen  
President, Platinum Exploration, Inc.

cc: Don Pfieter, President  
EnergyPro, Inc.  
500 South Hanger Drive  
Georgetown, TX 78628

cc: Chris Williams, Hobbs District Supervisor  
Billy Prichard