



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 22, 2004

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

Telefax No. (432) 687-2853

Attention: Diane Kuykendall
Regulator Analyst

Administrative Order NSL-5135 (NSBHL)

Dear Ms. Kuykendall:

Reference is made to the following: (i) your application initially submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe on September 24, 2004 (***administrative application reference No. pSEM0-426848750***); (ii) Mr. Greg Rasmussen's telephone conversation with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the Division in Santa Fe, on Wednesday afternoon, October 27, 2004; (iii) Mr. Stogner's letter dated October 28, 2004 requesting additional information to support your application; (iv) Ms. Dorothea Logan's response of November 12, 2004 with the necessary data to complete your filing; and (v) the Division's records in Santa Fe: all concerning Platinum Exploration Inc.'s ("Platinum") request for exception to Division Rules 111.A (13) and 111.C (2) and the well location provisions of the special rules governing the South Knowles-Devonian Pool (36480), as promulgated by Division Orders No. R-638-B, issued in Reopened Case No. 819 on September 15, 1955, as amended by Division Orders No. R-638-C, issued in Case Reopened Case No. 819 on September 13, 1956, R-638-D, issued in Case No. 4869 on January 5, 1973, and R-638-E, issued in Case No. 8520 on May 13, 1985.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 1207.A (2), and 111.C (2) and the applicable provisions of the special rules governing the South Knowles-Devonian Pool;
- (2) By Order No. R-512, issued in Case No. 750 on July 21, 1954, the Division created and defined the South Knowles-Devonian Pool for the production of oil from the Devonian formation. The horizontal limits for this pool, as currently designated, include the following lands in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 38 EAST, NMPM

Sections 12 and 13:	All
Section 24:	N/2 and SW/4

TOWNSHIP 17 SOUTH, RANGE 39 EAST, NMPM

Section 7:	All
Section 18:	All
Section 19:	NW/4;

- (3) The special rules governing the South Knowles-Devonian Pool provides for 80-acre oil spacing and proration units to consist of the N/2, S/2, E/2, or W/2 of a single governmental quarter section and requires wells be located within 150 feet of the center of a governmental quarter-quarter section or lot;
- (4) The "project area," as defined by Division Rule 111.A (8), proposed by Platinum is to consist of a former 80-acre standard stand-up oil spacing and proration unit comprising the E/2 NE/4 of Section 13, Township 17 South, Range 38 East, NMPM, Lea County, New Mexico;
- (5) From the Division's records, initial development of the South Knowles-Devonian Pool and this 80-acre unit commenced in 1954 when Jake L. Hamon of Odessa, Texas completed its Federal Davis Well No. 1, also known as the Davis Federal Well No. 1, (API No. 30-025-07304) as the discovery well for this pool at a standard oil well location 660 feet from the North and East lines (Unit A) of Section 13. This well was plugged and abandoned by Triumph Exploration of Midland, Texas in April, 2002;
- (6) It is the Division's understanding that Platinum proposes to reestablish production from this 80-acre unit by drilling its Federal Davis Well No. 4 at an unorthodox surface location 2400 feet from the North line and 930 feet from the East line (Unit H) of Section 13, kick-off from vertical to the north within the Devonian formation and built angle until a 90 degree inclination, plus or minus, is achieved; a horizontal drainhole will then be drilled a lateral distance of 1,900 feet to a targeted end point that is also unorthodox 510 feet from the North line and 930 feet from the East line (Unit A) of Section 13;

- (7) The geologic interpretation submitted with this application indicates that by drilling a horizontal drainhole in this matter and by following the proposed unorthodox subsurface pathway the wellbore is more likely to intersect the Devonian oil bearing intervals within this 80-acre unit in a more favorable geologic position; further, this replacement wellbore should enable Platinum to further develop and deplete Devonian reserves underlying the E/2 NE/4 of Section 13 that might not otherwise be recovered;
- (8) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rules 111.C (2), 104.F, and 1207.A (2); therefore the subject application should be approved; and
- (9) The provisions contained within this order and all other applicable provisions of Division Rule 111 and Division Order No. R-638-B, as amended, should govern the subject 80-acre oil spacing and proration unit/project area.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rule 104.F (2), the above-described application of Platinum Exploration Inc. ("Platinum") for exception to Division Rules 111.A (13) and 111.C (2) and the well location provisions of the special rules governing the South Knowles-Devonian Pool (36480), as promulgated by Division Orders No. R-638-B, issued in Reopened Case No. 819 on September 15, 1955, as amended by Division Orders No. R-638-C, issued in Case Reopened Case No. 819 on September 13, 1956, R-638-D, issued in Case No. 4869 on January 5, 1973, and R-638-E, issued in Case No. 8520 on May 13, 1985, is hereby approved.

(2) Platinum is authorized to operate a horizontal/high angle directional drilling project area comprising a former 80-acre standard stand-up oil spacing and proration unit consisting of the E/2 NE/4 of Section 13, Township 17 South, Range 38 East, NMPM, Lea County, New Mexico.

(3) Platinum is further authorized to drill its Federal Davis Well No. 4 at an unorthodox surface location 2400 feet from the North line and 930 feet from the East line (Unit H) of Section 13, kick-off from vertical to the north within the Devonian formation and built angle until a 90 degree inclination, plus or minus, is achieved; a horizontal drainhole will then be drilled a lateral distance of 1,900 feet to a targeted end point that is also unorthodox 510 feet from the North line and 930 feet from the East line (Unit A) of Section 13.

(4) The applicable drilling window or producing area within the South Knowles-Devonian Pool for this wellbore shall include that area within the subject 80-acre unit that is:

- (a) no closer then 510 feet to the North and East lines of Section 13:

(b) no closer then 390 feet to the western boundary of the subject 80-acre unit; and

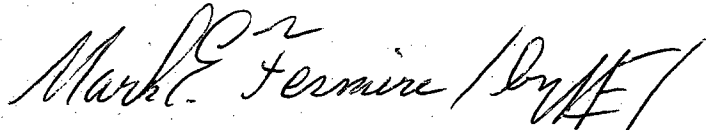
(c) no closer then 240 feet to the southern boundary of the subject 80-acre unit.

(5) The operator shall comply with all applicable requirements and conditions set forth in Division Rule 111 and Division Order No. R-638-B, as amended.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management - Carlsbad
Ms. Dorothea Logan, Platinum Exploration Inc. – Midland, Texas (dlogan@t3wireless.com)