

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Lawrence 19 #1

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Case 13392

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached

- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

_____ Print or Type Name	_____ Signature	_____ Title	_____ Date
_____ e-mail Address			

PLATINUM EXPLORATION INC.
550 WEST TEXAS AVENUE, SUITE 500
MIDLAND, TEXAS 79701
OFFICE (432) 687-1664 • FAX (432) 687-2853

October 5, 2004

New Mexico Oil and Gas Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87504

RE: Application for Administrative Approval of a Non Standard Location
Lawrence 19 #1
API # 30-025-32737
Sec 19, T17S, R39E
Lea County, NM

Gentlemen:

Platinum Exploration Inc. respectfully submits the following Application for Administrative Approval of a Non Standard Location. Platinum Exploration Inc. requests approval to drill a horizontal Knowles Devonian oil well at our Lawrence 19 #1 location. The surface location of the Lawrence 19 #1 was staked at 660' FNL and 1980' FWL in Unit C, Sec 19, T17S, R39E and the bottomhole location will be approximately 150' FNL and 330' FWL in Unit D, Sec 19, T17S, R39E in Lea County New Mexico. Affected parties have been notified of this application via certified mail. The following items have been attached to aid in your review of this application:

- Reasons for NSL
- Lawrence 19 #1 Form C-102
- Land Plat
- Listing of offset ownership

Please do not hesitate to contact myself or Greg Rasmussen should you have any questions or need further information. Thank you for reviewing this Application.

Sincerely,



Diane Kuykendall
Regulatory Analyst

Attachment

2004 OCT 7 PM 11 00

Platinum Exploration Inc
Lawrence #1
Surface: 660 FNL, 1980 FWL – Unit C
BHL: 150 FNL, 330 FWL – Unit D
Sec 19, 17S, R39E
API # 30-025-32737
Lea County, NM

Pool or Formation

Knowles; Devonian, South (36480)

Rules Apply

Case # 819, order # R-638-B: “2. (As amended by Order No. R-638-C, September 13, 1956.) That all wells drilled in the South Knowles-Devonian Pool may be located on either 40-acre portion of the 80-acre proration unit, provided however that the well shall be located in the center of the 40-acre tract with a tolerance of 150 feet in any direction to avoid surface obstructions.”

Current Condition of Well

Producing

Procedure/Plan

Re-enter the existing borehole, deviate the wellbore below the existing 5 ½” casing set at 12,125’ in the Devonian formation and drill laterally in the Devonian formation on a 288 degree azimuth for 1800 feet to a bottomhole location of 150 feet from the north line and 330 feet from the west line in the NW/4, NW/4 of section 19.

Applicable Reason for NSL

We plan to re-enter and drill a horizontal lateral west, northwest that will have significant structural advantage to a standard bottomhole location drilled from this borehole and will drain the reservoir more efficiently.

Applicable Reason for NSL location

We are utilization of an existing wellbore.

Applicable Reason for NSL bottomhole location

We plan to drill a horizontal lateral west, northwest that will have structural advantage to a standard bottomhole location and will drain the reservoir more efficiently.

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-32737		² Pool Code 30480		³ Pool Name Knowles South Devonian	
⁴ Property Code		⁵ Property Name Lawrence 19			⁶ Well Number 1
⁷ OGRID No. 227103		⁸ Operator Name Platinum Exploration, Inc.			⁹ Elevation 3653' GR

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	19	17S	39E		660	North	1980	West	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	19	17S	39E		330	North	330	West	Lea

¹² Dedicated Acres 80	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>#1</p> <p>Standard 640-acre Section</p>	<p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>J. Michael Reeves</i> Signature</p> <p>J. Michael Reeves Printed Name</p> <p>Drilling Engineer petrofox@aol.com Title and E-mail Address</p> <p>9/30/04 Date</p>
		<p>¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>

Lawrence #1C- H offsetting owners

South Knowles Prospect
Lea County, New Mexico

SE/4 SE/4 Section 13, T-17-S, R-38-E

Operator: Platinum Exploration, Inc.
500 West Texas, Suite 500
Midland, TX 79701

Unleased Mineral owners: NONE

SW/4 SW/4 Section 18, T-17-S, R-39-E

Operator: Platinum Exploration, Inc.
500 West Texas, Suite 500
Midland, TX 79701

Unleased Mineral owner: NONE

SE/4 SW/4 Section 18, T-17-S, R-39-E

Operator: Platinum Exploration, Inc.
500 West Texas, Suite 500
Midland, TX 79701

Unleased Mineral Owner: NONE

SW/4 SE/4 Section 18, T-17-S, R-39-E

Operator: Mildren Energy Services
4925 Greenville Ave., Suite 712
Dallas, TX 75206
VOL ✓ 7-4026

Unleased Mineral Owner:

BP America
501 Westlake Park Blvd.
Houston, TX 77079

NE/4 NE/4 Section 24, T-17-S, R-38-E

Operator: Avra Oil Co.
P.O. Box 3193
Midland, TX 79702

Unleased Mineral Owner: NONE

W/2 NE/4 Section 19, T-17-S, R-39-E

Operator: NONE

Unleased Mineral Owner:

BP America
501 Westlake Park Blvd.
Houston, TX 77079

William K. Warren Foundation
6585 S. Yale, Suite 900
Tulsa, OK 74136

Claudette Hill Culp
8502 Oxford Avenue
Lubbock, TX 79413

J.M. Hill
2204 Landmark Court
Arlington, TX 76013-6249

S/2 NW/4 Section 19, T-17-S, R-39-E

Operator: Platinum Exploration, Inc./RJR Resources
500 West Texas, Suite 500
Midland, TX 79701

Unleased Mineral Owner:

EFS Royalty Partners, LP
c/o GE Energy Financial Services
120 Long Ridge Road
Stamford CT 06927

Black Stone Minerals Company
P.O. Box 201709
Houston, TX 77216

Tritex Production Company
17194 Preston Road, #123
Dallas, TX 75252

FCH Exploration Corp.
1560 Broadway, Suite 2200
Denver, CO 80202

Kenneth G. Cone, Individually and as Trustee
u/w/o and Codicil of Kathleen Cone
deceased f/b/o the Children of Kenneth
G. Cone
P.O. Box 11310
Midland, TX 79702

Bank of Oklahoma, N.A., Trustee
u/w/o and Codicil of Kathleen Cone
deceased f/b/o the Children of Tom R. Cone
P.O. Box 1588
Tulsa, OK 74101

SE/4 NE/4 Section 24, T-17-S, R-38-E

Operator: Hog Partnership
5950 Cedar Springs Road, Suite 242
Dallas, TX 75235

Randall Foster
P.O. Box 10034
Midland, TX 79702

William Clelland
2302 Gray Falls
Houston, TX 77077

David Essex
P.O. Box 50577
Midland, TX 79702

Unleased Mineral Owner:

Vaughn Petroleum Partners, LP
3738 Oak Lawn, Suite 101
Dallas, TX 75219

Montgomery Petroleum, Inc.
P.O. Box 600490
Dallas, TX 75360-0490

Black Stone Minerals Company
P.O. Box 201709
Houston, TX 77216

The Joy Partners, Ltd.
P.O. Box 576
Ardmore, OK 73402-0576

Tritex Production Company
17194 Preston Road, #123
Dallas, TX 75252

Purnell Morrow Co.
4925 Greenville Ave., Suite 1116
Dallas, TX ~~75216~~ ?

Everett Coon, Jr.
3536 Rankin
Dallas, TX 75205

75206 - 4020


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Street, **Mildren Energy Services**

City, State, Zip **4925 Greenville Ave., Suite 712
Dallas, TX 75206-4026**

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Street, **Avra Oil Co.**

City, State, Zip **P O Box 3193
Midland, TX 79702**

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Street, A **BP America**

City, State, Zip **501 Westlake Park Blvd.
Houston, TX 77079**

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Street, A **Claudette Hill Culp**

City, State, Zip **8502 Oxford Avenue
Lubbock, TX 79413**

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Street, **William K. Warren Foundation**

City, State, Zip **6565 S. Yale, Suite 900
Tulsa, OK 74136**

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Street **J. M. Hill**

City, State, Zip **2204 Landmark Court
Arlington, TX 76013-6249**

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Street, **EFS Royalty Partners, LP**

City, St **c/o GE Energy Financial Services**

120 Long Ridge Road

PS Form **Stamford, CT 06927** Instructions

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Street **Black Stone Minerals Company**

City, St **P O Box 201709**

PS Form **Houston, TX 77216** Instructions

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Street, **Tritex Production Company**

City, St **17194 Preston Road, #123**

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Street, **FCH Exploration Corp.**

City, St **1560 Broadway, Suite 2200**

PS Form **Denver, CO 80202** Instructions

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Recipient's Name (Please Print Clearly) (to be completed by mailer)

Street, **Kenneth G. Cone, Individually & as Trustee**

City, St **u/w/o & Codicil of Kathleen Cone**

deceased f/b/o children of Kenneth G. Cone

P O Box 11310

Midland, TX 79702

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Recipient's Name (Please Print Clearly) (to be completed by mailer)

Street, **Bank of Oklahoma, NA Trustee**

City, St **u/w/o and Codicil of Kathleen Cone**

deceased f/b/o the Children of Tom R. Cone

P O Box 1588

Tulsa, OK 74101

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Recipient's Name (Please Print Clearly) (to be completed by mailer)

Street, Hog Partnership
City, 5950 Cedar Springs Road, Suite 242
Dallas, TX 75235

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Recipient's Name (Please Print Clearly) (to be completed by mailer)

Street, Randall Foster
City, P O Box 10034
Midland, TX 79702

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Recipient's Name (Please Print Clearly) (to be completed by mailer)

Street, William Clelland
City, 2302 Gray Falls
Houston, TX 77077

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Street, David Essex
City, P O Box 50577
Midland, TX 79702

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Street, A Vaughn Petroleum Partners, LP
City, Sta. 3738 Oak Lawn, Suite 101
Dallas, TX 75219

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Street, Montgomery Petroleum, Inc.
City, P O Box 600490
Dallas, TX 75360-0490

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Recipient's Name (Please Print Clearly) (to be completed by mailer)

Street **The Joy Partners, Ltd**
City **P O Box 576**
Ardmore, OK 73402-0576

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Street **Purnell Morrow Co.**
City **4925 Greenville Ave, Suite 1116**
Dallas, TX 75206-4026

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Recipient's Name (Please Print Clearly) (to be completed by mailer)

Street **Everett Coon, Jr.**
City, State **3536 Rankin**
Dallas, TX 75205

PS Form Instructions



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 28, 2004

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

Attention: Diane Kuykendall
Regulator Analyst

Re: *Administrative application for an exception to the well location provisions of the rules and regulations governing the South Knowles-Devonian Pool (36480) for Platinum Exploration Inc.'s existing Lawrence "19" Well No. 1 (API No. 30-025-32737) to be re-completed utilizing horizontal drilling techniques such that the resulting drainhole's producing area will extend beyond the standard setback requirements from the outer boundary of the proposed project area, being a standard 80-acre lay-down oil spacing and proration unit, comprising the N/2 NW/4 of Section 19, Township 17 South, Range 39 East, NMPM, Lea County, New Mexico.*

Dear Ms. Kuykendall:

This letter acknowledges the above-described administrative application received by the Division on October 7, 2004 and assigned *administrative application reference No. pSEM0-428147329*. Please refer to this number in future correspondence with the Division.

My preliminary review indicates that the information provided in the application is not sufficient to process an administrative order. You mention in your application a couple of times that the proposed horizontal lateral drainhole "will have structural advantage to a standard bottomhole location" and "will drain the reservoir more effectively." However no details were provided nor were there any geological or engineering support data included. Please provide me with a detailed discussion how the proposed drainhole will drain or deplete the reservoir more efficiently and a geological interpretation on the Devonian structure underlying the N/2 NW/4 of Section 19. Also, provide sufficient information (plats, maps, cross-sections, calculations) to support your claim.

Since the submitted information is insufficient to review, the application was ruled as incomplete on October 28, 2004. Please submit the above stated information by Friday, November 12, 2004.

October 28, 2004

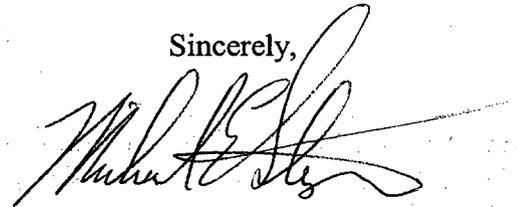
Platinum Exploration Inc.

Page 2

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be: (i) faxed to (505) 476-3462; (ii) e-mailed to "mstogner@state.nm.us"; or (iii) mailed to the address shown above.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465. Thank you.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs



(2)

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

October 28, 2004

RECEIVED

NOV 12 2004

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

FROM: *DOROTHY LOGAN*
Attention: *Diane Kuykendall*
Regulator Analyst

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: *Administrative application for an exception to the well location provisions of the rules and regulations governing the South Knowles-Devonian Pool (36480) for Platinum Exploration Inc.'s existing Lawrence "19" Well No. 1 (API No. 30-025-32737) to be re-completed utilizing horizontal drilling techniques such that the resulting drainhole's producing area will extend beyond the standard setback requirements from the outer boundary of the proposed project area, being a standard 80-acre lay-down oil spacing and proration unit, comprising the N/2 NW/4 of Section 19, Township 17 South, Range 39 East, NMPM, Lea County, New Mexico.*

Dear Ms. Kuykendall:

This letter acknowledges the above-described administrative application received by the Division on October 7, 2004 and assigned *administrative application reference No. pSEM0-428147329*. Please refer to this number in future correspondence with the Division.

My preliminary review indicates that the information provided in the application is not sufficient to process an administrative order. You mention in your application a couple of times that the proposed horizontal lateral drainhole "will have structural advantage to a standard bottomhole location" and "will drain the reservoir more effectively." However no details were provided nor were there any geological or engineering support data included. Please provide me with a detailed discussion how the proposed drainhole will drain or deplete the reservoir more efficiently and a geological interpretation on the Devonian structure underlying the N/2 NW/4 of Section 19. Also, provide sufficient information (plats, maps, cross-sections, calculations) to support your claim.

Since the submitted information is insufficient to review, the application was ruled as incomplete on October 28, 2004. Please submit the above stated information by Friday, November 12, 2004.

October 28, 2004

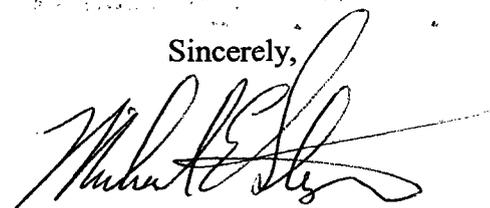
Platinum Exploration Inc.

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The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be: (i) faxed to (505) 476-3462; (ii) e-mailed to "mstogner@state.nm.us"; or (iii) mailed to the address shown above.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", written over a horizontal line.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs

Platinum Exploration Inc., Lawrence "19" #1H,
Knowles, South Field, Lea County, New Mexico

RE: Administrative application reference No. **pSEM0-428147329**

The **Platinum Exploration Inc.** (Platinum), **Lawrence "19" #1H** proposed directional well is located in the NE/4 NW/4 of section 19, T-17S, R-39E in Lea County, New Mexico. The proposed lateral "toe", or endpoint, is located 150' FNL and 660' FWL (amended) and is a non-standard location. Platinum applies for this non-standard location to improve structural advantage.

The Knowles, South Devonian field is a heterogeneous reservoir. Careful studies of electric logs, mudlogs, cores, drillstem tests, and stratigraphic cross-sections across the field indicate the reservoir is interbedded with limestones, dolomites, and shales that would inhibit the upward migration of hydrocarbons in various degrees thus creating separate, or "baffled" reservoirs. The proposed non-standard Platinum, Lawrence "19" #1H will drill through the uppermost, or first, dolomite pay and then encounter "Stray Shale 1", below which is a second dolomite pay also produced in the Lawrence "19" #1. This zone, historically, has been the primary producing zone. This entire section will be drilled and below this second dolomite pay is an intermittent "Stray Shale 2", below of which should be a third dolomite pay zone. This zone has only been produced in the Federal-Davis #2 (structurally 30 feet downdip to the northwest), the Wilhoit #2 (structurally 100 feet updip and 1500' northwest), and the Anshutz, Arco #1 (structurally 110 feet updip and 2700' north). The geometry of the lateral will "heel" 40 feet in this zone, turn, and drill an additional 500 feet of measured depth and extend across this pay 550 feet beyond the initial penetration point. We will continue drilling back up through the "Stray Shale 2" and re-enter the second, main Dolomite pay zone 1050 feet northwest of the original penetration point. We will drill the entire second Dolomite pay section by 1500 feet vertical section. In total, there should be 450 feet of this pay section open. The result will be we will have up to 1600 feet of total pay open. The lateral will help prevent "coning" or prematurely "watering out" of the pay zones. Platinum considers these as justified and prudent reasons for applying for this non-standard location and drilling a northwest lateral.



NSL-BHL-12 *01/13/11/13*
**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 *10:30AM*

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

Telefax No. (432) 687-2853

Attention: **Diane Kuykendall**
Regulator Analyst

*Note to file p MESCO-428147329
Additional information for the Lawrence 19
#1 filing can be found in
this record*

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 than 390 feet to the western boundary of the subject 80-acre unit; and

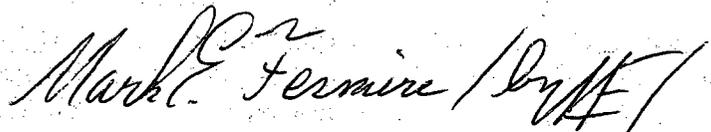
(c) no closer than 240 feet to the southern boundary of the subject 80-acre unit.

(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)