

**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:**

**CASE NO. 13401
ORDER NO. R-23-A**

**APPLICATION OF PLATINUM EXPLORATION, INC. TO ABOLISH THE
SPECIAL RULES AND REGULATIONS FOR THE KNOWLES (DEVONIAN)
POOL, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 6 and March 17, 2005, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner, respectively.

NOW, on this 20th day of April, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Division Cases No. 13400 and 13401 were consolidated at the hearing for the purpose of testimony.

(3) The Knowles (Devonian) Pool (Oil-36290) currently comprises the following-described area in Lea County, New Mexico:

Township 16 South, Range 38 East, NMPM

Section 34: E/2
Section 35: All

Township 17 South, Range 38 East, NMPM

Section 2: N/2
Section 3: NE/4

(4) The Knowles (Devonian) Pool is currently governed by special pool rules established by Division Order No. R-23 dated June 14, 1950, as amended by Division Order No. R-40 dated December 20, 1950. These pool rules require that:

- (a) wells be located on a standard unit containing 80 acres, more or less, comprising the N/2, S/2, W/2 or E/2 of a standard governmental quarter section; and
- (b) only two wells may be drilled per quarter section, and these wells shall be located within 150 feet of the center of either the northwest or southeast quarter of the quarter-section.

(5) The applicant, Platinum Exploration, Inc. ("Platinum" or "applicant"), seeks an order abolishing the special pool rules for the Knowles (Devonian) Pool, and instituting statewide 40-acre oil spacing and statewide well location requirements (19.15.3.104.B(1) NMAC) within this pool.

(6) The Knowles (Devonian) Pool was discovered in 1949. Approximately eleven (11) wells have cumulatively produced 4.978 million barrels of oil from the Knowles (Devonian) Pool. Although the pool is spaced on 80-acre units, the pool has effectively been developed on 40-acre spacing.

(7) According to Platinum's testimony, there is currently only one (1) active producing well within the pool, the Paladin Energy Corporation W. W. Hamilton Well No. 2Y (API No. 30-025-29316) located 1520 feet from the South line and 500 feet from the West line (Unit L) of Section 35, Township 16 South, Range 38 East, NMPM.

(8) Platinum testified that it plans to drill additional vertical and/or horizontal wells within the Knowles (Devonian) Pool.

(9) Platinum presented geologic evidence that demonstrates that:

- (a) the productive area within the Knowles (Devonian) Pool appears to be limited to the E/2 SE/4 of Section 34, and the S/2 N/2 and S/2 of Section 35, Township 16 South, Range 38 East, and the N/2

N/2 of Section 2, Township 17 South, Range 38 East, NMPM;

- (b) the Knowles (Devonian) Pool is a water-drive dolomite reservoir that has an oil column approximately 360 feet thick;
- (c) the Knowles (Devonian) Pool appears to be geologically similar to the South Knowles-Devonian Pool, which is located approximately one mile southwest of the Knowles (Devonian) Pool; and
- (d) due to the heterogeneity of this dolomite reservoir, there are opportunities to drill additional wells, deepen existing wells, and/or drill horizontal wells to encounter dolomite sections within the reservoir that have not been effectively exploited.

(10) Platinum owns or controls approximately 44% of the acreage in the Knowles (Devonian) Pool.

(11) The applicant presented engineering evidence that demonstrates that:

- (a) based upon its research of existing Devonian pools in Lea County, New Mexico, it has determined that the typical oil recovery for pools of this type is approximately 100 barrels per acre-foot;
- (b) the cumulative oil recovery from the Knowles (Devonian) Pool is approximately 4.978 million barrels of oil, or 51 barrels per acre-foot;
- (c) the estimated minimum remaining oil reserves within the Knowles (Devonian) Pool are approximately 4.783 million barrels of oil; and

(d) through additional drilling and development, Platinum estimates that a field-wide recovery of 68 barrels per acre-foot can be achieved within the Knowles (Devonian) Pool. This would result in the recovery of an additional 5 million barrels of oil.

(12) Platinum has drilled numerous horizontal wells within the South Knowles-Devonian Pool. These wells typically produce at initial rates of approximately 130-160 barrels of oil and 2,400 barrels of water per day.

(13) The geologic and engineering evidence presented by Platinum demonstrates that a well within the Knowles (Devonian) Pool will not drain an area of 80 acres.

(14) Platinum further testified that reducing the spacing from 80 acres to 40 acres within the Knowles (Devonian) Pool will not adversely affect any interest owner in any well it operates.

(15) Platinum further testified that the Paladin Energy Corporation W. W. Hamilton Well No. 2Y is located on a single lease comprising at least 80 acres, and that reducing the spacing within the Knowles (Devonian) Pool will not adversely affect any interest owner in that particular well.

(16) The applicant provided notice of its application to Paladin Energy Corporation, the only operator of a Devonian well within the Knowles (Devonian) Pool, or within one-mile of the Knowles (Devonian) Pool.

(17) In accordance with a directive by Division counsel, Platinum also provided notice of its application to all interest owners in the only existing spacing unit within the Knowles (Devonian) Pool.

(18) No operator or interest owner appeared at the hearing in opposition to the application.

(19) Approval of the subject application will provide Platinum greater flexibility to locate and drill additional wells within the Knowles (Devonian) Pool, will increase the recovery of oil, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

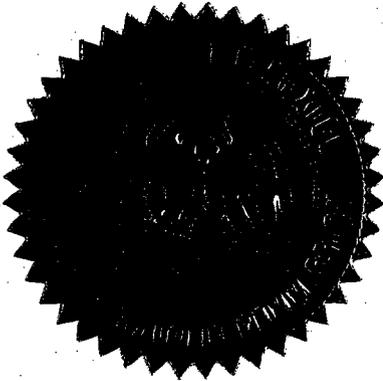
(1) Pursuant to the application of Platinum Exploration, Inc., the special pool rules for the Knowles (Devonian) Pool, Lea County, New Mexico, established by Division Order No. R-23, as amended by Division Order No. R-40, are hereby abolished.

(2) The Knowles (Devonian) Pool shall be governed by the provisions of Division Rule No. 19.15.3.104.B(1) NMAC.

(3) Within 30-days from the entry of this order, all operators of wells within the Knowles (Devonian) Pool shall file a new Form C-102 (Acreage Dedication Plat) with the Hobbs District Office of the Division to reflect the change in acreage dedication for each well that they operate.

(4) Jurisdiction is hereby 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director