

(20) The Division Director should have the authority to administratively grant a higher allowable to the subject well and project area upon a satisfactory presentation of data regarding the drainage characteristics of the well.

(21) The applicant should be required to determine the actual location of the kick-off point prior to commencing directional drilling operations. Also, the applicant should be required to conduct a directional survey on the lateral portion of the wellbore during or after completion of drilling operations.

(22) The applicant should notify the supervisor of the Aztec district office of the Division of the date and time of conductance of any directional surveys in order that the same may be witnessed.

(23) The applicant should be required to submit copies of all directional surveys conducted on the subject well to both the Santa Fe and Aztec offices of the Division.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Meridian Oil Inc., is hereby authorized to initiate a high angle/horizontal directional drilling pilot project in the SW/4 of Section 24, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico, by utilizing its existing USA Well No. 2 located at a standard surface location 930 feet from the South line and 1050 feet from the West line (Unit M) of Section 24 to drill a lateral wellbore in the following unconventional manner:

Cement squeeze existing Dakota perforations at 6692 feet to 7033 feet. Mill a section from 5660 feet to 5720 feet. Plug back to the kickoff point at 5700 feet. Kickoff in a northeasterly direction building angle to approximately 80 degrees. Penetrate the top of the Niobrara member of the Gallup formation at an estimated vertical depth of 6160 feet. Continue drilling horizontally a distance of approximately 1250 feet bottoming said wellbore no closer than 330 feet from the outer boundary of the project area.

PROVIDED HOWEVER THAT, no portion of the horizontal portion of the wellbore shall be located closer than 330 feet from the outer boundary of the project area.

(2) The SW/4 of Section 24 shall be dedicated to the above-described well forming a non-standard 160-acre oil spacing and proration unit, also hereby approved.