

inner boundary, and includes a provision for administrative approval of high angle/horizontal wellbores provided that the producing interval of said wellbore be confined to an area that conforms to the above-described setback requirements other than the 10-foot setback distance from the quarter-quarter section line or subdivision inner boundary rule.

(4) The applicant seeks approval of this application in order to determine if this type of wellbore and completion in the Basin-Fruitland Coal Gas Pool will result in the recovery of substantially greater amounts of hydrocarbons in an area of the pool that exhibits under-pressured and low permeability characteristics but has substantial thickness than would normally be recovered by a conventional well thereby improving ultimate recovery and preventing waste.

(5) The S/2 of said Section 21 is currently dedicated to the applicant's Hughes "B" Well No. 18 located at a standard coal gas well location 1370 feet from the North line and 1500 feet from the East line (Unit G) of said Section 21.

(6) The applicant proposes to replace its Hughes "B" Well No. 18 with a well to be drilled vertically from a standard surface coal gas well location 85 feet from the North line and 1270 feet from the East line (Unit A) of said Section 17 to an approximate depth of 2588 feet and then kick-off in a southerly direction, build angle and continue drilling horizontally in the coal seam. Further, the applicant proposes to keep the horizontal displacement of said well's producing interval no closer than 790 feet from the outer boundary of the subject proration unit.

(7) The applicant proposes to utilize the above-described existing Hughes "B" Well No. 18 as an observation well in the Basin-Fruitland Coal Gas Pool should this matter be authorized.

(8) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed horizontal directional drilling pilot project.

(9) The application as proposed exhibits sound engineering practices, promotes the conservation of gas underlying the unit, and serves to prevent waste and protect correlative rights. This application would therefore be approved provided however that:

- (a) no part of the horizontal wellbore should be located closer than 100 feet from the outer boundary of the project area;