

Administrative Order DD-106

February 15, 1995

Page No. 2

to directionally drill its proposed Farewell "18" Federal Com Well No. 1 (API No. 30-015-28303), the surface which shall be 1026 feet from the North line and 409 feet from the West line (Lot 1/Unit D) of Section 18, Township 22 South, Range 26 East, NMPM, Eddy County, New Mexico, by kicking-off from vertical in an easterly direction and drilling in such a manner as to bottom in the Undesignated Happy Valley-Morrow Gas at a standard gas well location in the NE/4 NW/4 (Unit C) of said Section 18.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations into said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED HOWEVER THAT during or upon completion of said directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Artesia district office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Artesia offices of the Division upon completion.

(3) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(4) Lots 1 and 2, the NE/4, and E/2 NW/4 (N/2 equivalent) of said Section 18 shall be dedicated to said well to form a standard 318.35-acre gas spacing and proration unit for said interval.

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