

CASE NO. 9830
Order No. R-9097
Page -2-

Commence drilling at an unorthodox surface location 460 feet from the South line and 1780 feet from the East line (Unit O) of said Section 18, drilling to a true vertical depth of approximately 4900 feet in the Bone Spring formation whereby the formation will be evaluated to determine the proper direction for the horizontal extension (either north, east, or northeast), plug back to a depth of approximately 4375 feet, and commence a medium radius curve in the predetermined direction to encounter the Bone Spring formation at approximately 4680 feet at which point the well will be drilled horizontally within the Bone Spring formation a distance of approximately 1200-1500 feet.

(3) The applicant further seeks special rules and provisions within the pilot project area including the designation of a prescribed area limiting the horizontal displacement of the proposed wellbore such that it cannot be closer than 660 feet from the north, east, or west lines of the subject proration unit nor closer than 460 feet from the south line of said unit.

(4) Through its evidence and testimony, the applicant demonstrated that the proposed horizontal wellbore, which is experimental in nature, should encounter a substantially greater number of natural fractures within the Bone Spring formation than would a conventional wellbore, which may ultimately result in the recovery of a greater amount of gas from the subject proration unit, thereby preventing waste.

(5) According to the testimony presented, the proposed unorthodox surface location is necessitated by archeological restrictions.

(6) The evidence presented indicates that in its traverse of the Bone Spring formation, the subject wellbore may encroach upon the 660-foot setback requirement only slightly in the South direction.