

(10) Through its evidence and testimony, the applicant demonstrated that the proposed horizontal wellbore should encounter a substantially greater number of natural fractures within the Niobrara member of the Gallup formation than would a conventional wellbore, which should substantially increase the productivity of the subject well and which should ultimately result in the recovery of a greater amount of oil and gas from the proposed project area, thereby preventing waste.

(11) The SW/4 of Section 24 is owned and controlled solely by Meridian Oil Inc.

(12) No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(13) In the interest of conservation and prevention of waste, the application of Meridian Oil Inc. for a high angle/horizontal directional drilling project should be approved.

(14) In support of its request for a special project allowable of 568 barrels of oil per day, the applicant presented drilling cost estimates of \$850,000 to \$1.4 million dollars as compared to conventional vertical well costs in the ranges of \$500,000 to \$600,000.

(15) In addition, the applicant contends that each of the 40-acre tracts within the proposed project area will either be penetrated by the producing interval in the wellbore or will be so closely located to that interval as to contribute production to the well.

(16) The applicant further contends that the requested allowable gives proper credit to the contribution of reserves from each of the 40-acre tracts and would afford the applicant an allowable incentive to justify the risk and higher cost for such a project.

(17) It has been the practice of the Division in previously heard cases of this nature to assign an allowable based upon the number of standard proration units actually contacted by the wellbore.

(18) Such allowable based upon the number of standard proration units contacted by the wellbore has proven to be adequate in previous instances.

(19) The subject well and project area should be assigned an allowable in conformance with current Division policy. Based upon the evidence presented, the subject well should be assigned an allowable equal to 142 BOPD times the number of 40-acre tracts contacted by the wellbore as determined from directional surveys.