

well that produces casing-head gas located in the NE/4, NE/4 of said Section 16 (the subject well).

2. The subject well is dually completed in the Lybrook Gallup Pool and the Undesignated Graneros Pool, with commingled production having been previously authorized by Administrative Order No. DHC-672, dated October 15, 1987.

3. Pursuant to the statewide spacing requirements of Rule 104(C) of the Rules and Regulations of the Division, the subject well is presently spaced on a standard forty (40) acre spacing and proration unit, and is located 540 feet from the North line and 820 feet from the East line of Section 16.

4. Applicant believes that the subject well is located on or near a fault structure which distinguishes this well from others completed in the same formations in this area. Applicant believes that as a result of the fault structure, the drainage pattern of the subject well is primarily in a westerly direction from the well, having no apparent communication with offsetting wells to the north or east of the subject well.

5. Applicant further believes that the subject well is capable of draining, and in fact is draining, oil and gas reserves not only from the forty-acre tract presently dedicated to the well, but also from the adjoining forty-acre tract to the west of the subject well, being the NW/4, NE/4 of Section 16.