

northeasterly direction, drill a medium radius curve hole to approximately 90 degrees so as to encounter the upper portion of the Fusselman formation and continue drilling horizontally a distance of approximately 1,000 feet.

PROVIDED HOWEVER THAT any drainhole drilled within said project area may traverse quarter section and quarter-quarter section lines provided that the horizontal or producing portion of any drainhole shall be located no closer than 330 feet from the outer boundary of the above-described "project area".

PROVIDED FURTHER THAT the applicant shall determine the actual location of the kick-off points in each well prior to commencing directional drilling operations. Also, the applicant shall conduct a directional survey on the lateral portion of any horizontal wellbore during or after completion of drilling operations.

(3) 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.

(4) The allowable assigned to the proration units designated to the Diablo-Fusselman Associated Pool within the project area shall be assigned by the supervisor of the Division's Artesia district office and shall be equal to:

(a) 222 barrels of oil per day times the number of standard 80-acre oil spacing and proration units that are developed/traversed by a horizontal drainhole; or,

(b) 2,886 MCF per day times the number of standard 160-acre gas spacing and proration units that are developed/traversed by a horizontal drainhole; or,

(c) The supervisor of the Division's Artesia district office may assign a "project allowable" based on the number of tracts that are either developed by conventionally drilled wells or traversed by a horizontal drainholes, in which case the operator may then produce the assigned project allowable from the wells within the project area in any proportion.

(5) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F, and Division Order Nos. R-9131-A/R-5353-K, R-9131-B, and R-9131-C/R-5353-K-1.

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

(7) Jurisdiction of this cause is retained for the entry of such further orders as the