

any governmental quarter-quarter section line or subdivision inner boundary;

(iv) an oil allowable of 222 barrels of oil per day for an 80-acre oil spacing and proration unit and a limiting gas-oil ratio ("GOR") of 6,500 cubic feet of gas per barrel of oil which results in a casinghead allowable of 1,443 MCF per day; and,

(v) maximum daily production allowed for a standard 160-acre gas spacing and proration unit pursuant the Associated Pool rules is 2,886 MCF;

- (3) It is our understanding that Yates intends to apply horizontal drainhole technology to the Fusselman formation as a way to delay or alleviate water coning;
- (4) The "project area" proposed by Yates would consist of an area comprising 320 acres within a single State lease (LG-5426) comprising the S/2 of said Section 21;
- (5) Within this project area Yates seeks:
 - a) the ability to traverse quarter section and quarter-quarter section lines within the project area in order to combine oil or gas spacing and proration units to accommodate such wellbores;
 - b) drill the proposed horizontal wellbores to within 330 feet of the outer boundary of the project area; and,
 - c) the assignment of an allowable for a horizontally drilled well based upon the number of standard 160 or 80-acre proration units, whichever is applicable that are developed or traversed by a horizontal wellbore;
- (6) Within this 320-acre project area Yates currently has four wells that are drilled to and completed in the Diablo-Fusselman Associated Pool;
 - a) Pathfinder "AFT" State Well No. 11 (API No. 30-005-62810), located