

(18) Murphy Operating Corporation, Yates Petroleum Corporation, and Yates Energy Corporation, the only offset operators to the proposed project, were notified of the application in this case but did not appear in protest.

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

(20) The applicant's plan of development for the S/2 of Section 25 is reasonable and based upon good engineering principles.

(21) In the interest of conservation and prevention of waste, the application of Petroleum Development Company for a short radius horizontal directional drilling project within the S/2 of Section 25 should be approved.

(22) The allowable assigned to the project area should be assigned by the supervisor of the Hobbs district office of the Division and should be based upon the number of standard 40-acre proration units within the project area which are developed or traversed by a horizontal wellbore.

(23) The applicant should be authorized to produce the project allowable from any of the wells within the project area in any proportion.

(24) The applicant should be required to determine the actual location of the kick-off points within each well prior to commencing directional drilling operations. Also, the applicant should be required to conduct a directional survey on the lateral portion of each wellbore during or after completion of drilling operations.

(25) The applicant should notify the supervisor of the Hobbs district office of the Division of the date and time of conductance of any directional surveys in order that the same may be witnessed.

(26) The applicant should be required to submit copies of all directional surveys conducted on the subject well to both the Santa Fe and Hobbs offices of the Division.

(27) The project areas, non-standard oil proration units and oil allowables previously established for the Strange Federal Well Nos. 5 and 4 by Division Order Nos. R-9876 and R-9897, respectively, should be superseded by this order.

- (9) The proposed project area is located within the Tomahawk-San Andres Pool which is currently governed by Statewide Rules and Regulations which require standard 40-acre spacing and proration units with wells to be located no closer than 330 feet from the outer boundary of the spacing unit, a standard oil allowable of 80 barrels of oil per day, and a limiting gas-oil ratio of 2,000 cubic feet of gas per barrel of oil.
- (10) Testimony by the applicant indicates that it has successfully horizontally drilled its Strange Federal Well Nos. 4 and 5 as described above.
- (11) The applicant now seeks approval to continue developing the Strange Federal Lease with additional horizontal wellbores.
- (12) The procedures proposed by the applicant are more flexible and lenient than previously approved by the Division.
- (13) According to applicant's testimony, it has tentatively determined that the Strange Federal Well Nos. 1, 2 and 3 will be drilled in a northeast, northeast and west-southwest direction, respectively; however, the applicant seeks the flexibility to alter the proposed direction of any given wellbore in the project area when technological or geological data warrant such alteration.
- (14) The applicant further seeks the flexibility to traverse quarter or quarter-quarter section lines within the project area with any of its proposed horizontal wellbores in order to remove unnecessary restrictions on lateral wellbore distances which may restrict applicant's ability to test the limits of horizontal drilling technology.
- (15) Horizontal drilling within the S/2 of Section 25 should result in the recovery of a significant volume of oil and gas which was not recovered by the existing conventional vertical wellbores, thereby preventing waste.
- (16) The S/2 of Section 25 is a single Federal lease which is commonly owned throughout. Approval of the subject application as proposed should not result in the violation of the correlative rights of any interest owner within the project area.
- (17) According to applicant's testimony, the proposed 100 foot setback will allow for additional drilling flexibility; however, applicant further testified that it will attempt to maintain a reasonable distance from the outer boundary of the project area within its proposed horizontal wellbores.