

received within the prescribed time limit as described above, the Director shall, at the applicant's request, set said application for public hearing before a Division Hearing Examiner.

- (D). During or upon completion of drilling operations the operator shall further be required to conduct an acceptable directional survey on the vertical and lateral portions of the wellbore and shall submit a copy of said survey to the Santa Fe and Hobbs offices of the Division.
- (E). The operator shall notify the supervisor of the Hobbs District Office of the Division of the date and time of commencement of directional drilling operations and of the conductance of any directional surveys on the proposed well in order that these operations may be witnessed.
- (F). The Director, at his discretion, may set any application for intentionally deviated horizontal wellbores for public hearing before a Division Hearing Examiner.

RULE 2. Allowables shall be assigned in the following manner

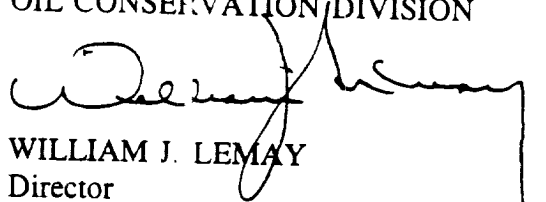
- (A). The allowable assigned to the proration units designated to the Tomahawk-San Andres Pool within the project area shall be assigned by the supervisor of the Division's Hobbs district office and shall be equal to 80 barrels of oil per day times the number of standard 40-acre tracts within each designated proration unit that are developed/traversed by a horizontal drainhole; or,
- (B). The supervisor of the Division's Hobbs district office may assign a "project allowable" based on the number of 40-acre tracts that are either developed by conventionally drilled wells or traversed by a horizontal drainhole. The operator may produce the assigned project allowable from the wells within the project area in any proportion.

RULE 3. The Director of the Division may rescind the authority for any horizontal drainhole if the perforated or openhole portion of such well bore is located closer to the boundary of the project area than permitted by these rules or if it should appear that such rescission is necessary to prevent waste or protect correlative rights.

(10) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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