

be determined to be in compliance with the terms of this order;

- (c) the applicant should further be required to submit copies of said directional surveys to the Santa Fe and Hobbs offices of the Division; and,
- (d) the applicant should 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.

IT IS THEREFORE ORDERED THAT:

(1) The application of Petroleum Development Company, to institute a short radius horizontal directional drilling project in the Tomahawk-San Andres Pool on its Tom "36" State Lease comprising the NE/4 NE/4, S/2 NE/4, and SE/4 of Section 36, Township 7 South, Range 31 East, NMPM, Chaves County, New Mexico, hereinafter referred to as the "project area", is hereby approved.

(2) The applicant is further authorized to proceed with its initial plans to recomplete its existing Tom "36" State Well No. 1 (API No. 30-005-20686), located 660 feet from the North and East lines (Unit A), its Tom "36" State Well No. 4 (API No. 30-005-21015), located 1980 feet from the South and East lines (Unit J), and its Tom "36" State Well No. 5 (API No. 30-005-21105), located 660 feet from the South and East lines (Unit P), all in said Section 36, by plugging back, milling a window in the existing production casing, kick-off from the vertical, drill a short radius curve hole to approximately 90 degrees and continue drilling horizontally within the Tomahawk-San Andres Pool a distance of approximately 1,500 feet in a direction to be determined by the applicant.

(3) The horizontal wellbores may traverse quarter and quarter-quarter section lines within the project area provided that the horizontal or producing portion of each wellbore shall be located no closer than 100 feet from the outer boundary of the project area.

(4) The applicant, upon completion of drilling a horizontal drainhole, shall submit to the Division's district office in Hobbs a Form C-102 indicating the appropriate contiguous 40-acre tract or tracts to be dedicated to that well.

(8) Through its evidence and testimony, the applicant demonstrated that drainhole drilling within the San Andres formation has been successful in intersecting and connecting natural fractures resulting in increased productivity of wells and should ultimately lead to the recovery of additional reserves which would not otherwise be produced, thereby preventing waste, and prevent the economic loss caused by the drilling of unnecessary wells.

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

(10) Approval of this application is in the best interest of conservation, exhibits sound engineering practices, and should further serve to protect correlative rights.

(11) Adoption of special procedures allowing for administrative approval of additional horizontal drainholes in the Tomahawk-San Andres Pool within the Tom "36" State Lease will serve to promote such supplemental drilling activity in fields nearing depletion and should aid in expediting any further request to drill drainholes in this project area without the necessity for additional hearings.

(12) The allowable assigned to either a single proration unit or 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.

(13) The applicant should further be required to submit to the Hobbs district office a Form C-102 showing the appropriate acreage to be dedicated to a well having a horizontal drainhole.

(14) Certain provisions should be included within this approval to assure orderly development and depletion of this reservoir with horizontal drainholes and the continued protection of correlative rights within the immediate area of this project:

- (a) no portion of a drainhole should be closer than 100 feet to the outer boundary circumventing said project area;
- (b) the applicant should be required to conduct a directional survey on the vertical portion of a wellbore prior to commencing directional drilling operations, and on the horizontal portion of the wellbore during or subsequent to completion of directional drilling operations in order that direction, extent and terminus of said wellbore may