

(4) Current plans for the drilling project include five wells, Nos. 1, 2, 3, 5 and 10. Well No. 2 was approved by Division Order No. R-10023. The applicant is requesting approval for the remaining four wells. Surface locations for the four wells are shown in Exhibit "A".

(5) Kinlaw intends to drill horizontally from its Mexico "F" Well Nos. 1, 3, 5 and 10, all located at standard locations as shown in Exhibit "A". After plugging back above Devonian perforations in each well, the downhole location at approximately 11,900 feet would be determined. The well would then be kicked off from the vertical within the Devonian formation at that depth. Proven technology would be used to drill a short-radius or medium radius curve and then to drill horizontally within the Devonian formation for a distance of approximately 660 feet.

(6) The direction of the horizontal part of each well would be decided after determining the downhole location of the kick-off point. All portions of each well would be controlled to stay at least 330 feet away from the outer boundary of the Mexico "F" Lease. Applicant is requesting approval to cross quarter-quarter section lines within the lease if necessary to properly develop the project with horizontal wellbores.

(7) Applicant's witness testified that the direction of the horizontal portion of a well would not affect the wells' productivity.

(8) Top allowable for the Denton-Devonian Pool is 365 barrels of oil per day for a well on 40 acres. Kinlaw requests that a horizontal well which extends into more than one quarter-quarter section be assigned an allowable of up to 365 barrels per day for each additional quarter-quarter section penetrated by the horizontal well. However, each 40-acre quarter-quarter section should provide a total allowable of no more than 365 barrels per day to all wells which have penetrated and are producing from that quarter-quarter section.

(9) Kinlaw requests authorization for an administrative approval procedure for any future horizontal wells on the Mexico "F" Lease project.

(10) Applicant's witness testified that the horizontal wells are expected to recover a substantially greater amount of oil and produce at economic rates seven to ten years longer than conventional wells, thereby preventing waste.

(11) Well No. 4 located in the NW/4 NW/4 of Section 2 is a salt water disposal well with disposal into the Devonian formation. There are currently no plans for using this well for horizontal drilling.