

IT IS THEREFORE ORDERED THAT:

(1) The operator, UMC Petroleum Corporation ("UMC"), is hereby authorized to recomplete its Townsend State Well No. 1 (API No. 30-025-33713), from a standard surface oil well location 3526 feet from the South line and 727 feet from the East line (Lot 16/Unit P) of irregular Section 2, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico, by milling a window in the 5 1/2-inch production casing string at a depth of approximately 11,473 feet, kick-off from the vertical in a south southeasterly direction with a short radius curve (71 deg./100 feet), and drill horizontally within the Strawn formation a lateral distance of approximately 1100 feet.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.

PROVIDED FURTHER THAT during or upon completion of said directional drilling operations, the applicant shall conduct an accurate wellbore survey from the kick-off point to total depth in order that the subsurface bottomhole location, as well as the wellbore's true depth and course, may be determined.

(2) The applicant shall notify the supervisor of the Hobbs District office of the Division of the date and time said wellbore surveys are to be conducted so that they may be witnessed. The applicant shall further provide a copy of said wellbore surveys to the Santa Fe and Hobbs offices of the Division upon completion.

(3) The "project area" for said horizontal drainhole shall comprise the existing 80-acre non-standard oil spacing and proration unit comprising Lot 16 and the NE/4 SE/4 (approved by Division Order No. R-10803, dated May 22, 1997) of said Section 2.

(4) The applicable drilling window or "producing area" for said horizontal drainhole shall include that area within said 80-acre tract (Lot 16 and the NE/4 SE/4 of said Section 2) that is no closer than 330 feet to the outer boundary of said 80-acre non-standard oil spacing and proration unit.

(5) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F and said Order Nos. R-9722-C/R-10448-A and R-10803.

(6) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth (TVD) in addition to measured depths (MVD).