

(3) The "project area" for said horizontal well shall consist of a standard 40-acre oil spacing and proration unit for said pool comprising the NE/4 SE/4 of said Section 7.

(4) The applicable drilling window or "producing area" for said wellbore as requested by Texaco shall include that unorthodox area within the subject 40-acre standard oil spacing and proration unit comprising the NE/ SE/4 of said Section 7 that is:

(a) no closer than 330 feet to the east, south, and west boundaries of said quarter-quarter section; and,

(b) is no closer than 240 feet to the northern boundary of said quarter-quarter section;

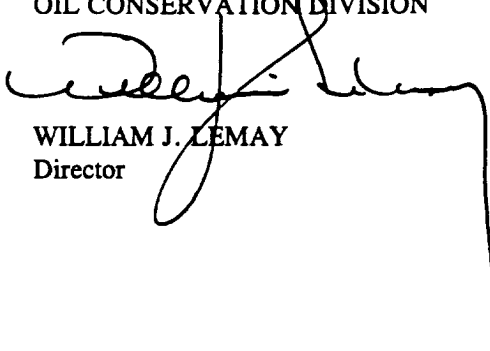
(5) The operator shall comply with all requirements and conditions set forth in Division General Rule 111.E(2) and any applicable requirements in 111.D and F.

(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 vertical depth (MVD).

(7) 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

S E A L

cc: Oil Conservation Division - Hobbs /
New Mexico State Land Office - Santa Fe