<u>TOWNSHIP 23 SOUTH, RANGE 32 EAST, NMPM</u>
Section 1:   NE/4;

(3)   Said pool is subject to the statewide rules and regulations, as promulgated by Rule 104.C(1)(a), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit;

(4)   A "project area", pursuant to Division General Rule 111.A(9) is defined as *"an area designated on Form C-102 that is enclosed by the outer boundaries of a spacing unit, a combination of complete spacing units, or an approved waterflood, secondary, tertiary, or pressure maintenance project;"* further, in accordance with Division General Rule 111.C(3), the maximum allowable assigned to such a project area with multiple proration units shall be based upon the number of standard spacing units that are developed or traversed by the producing interval of a horizontal/high angle wellbore;

(5)   According to the information submitted this well was originally drilled in 1994 to a total depth of 8,892 feet. In September, 1997 Burlington recompleted said well by kicking-off at a depth of approximately 8,196 feet, built the angle up until a 90-degree inclination was obtained, and directionally drilled a horizontal drainhole at an angle of 23 degrees east of true north an approximate distance of 1,560 feet;

(6)   The end or bottomhole location of the resulting drainhole is reported to be 1720 feet from the South line and 1604 feet from the West line (Unit K) of said Section 14;

(7)   The resulting project area for this well should therefore be the 120-acre area comprising the NE/4 SW/4 and S/2 SW/4 of said Section 14;

(8)   Burlington is currently developing the West Red Tank-Delaware Pool within the subject 120-acre project area with its:

      (A)   Red Tank Federal Well No. 1 (**API No. 30-025-32469**) located at a standard oil well location 330 feet from the South line and 1980 feet from the West line (Unit N) of said Section 14; and,

      (B)   Red Tank Federal Well No. 4 (**API No. 30-025-**