

- (a) the W/2 to form a standard 320-acre stand-up gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, which presently include only the Undesignated Johnson Ranch-Wolfcamp Gas Pool;
- (b) the NW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; and
- (c) the NE/4 NW/4 (Unit C) to form a standard 40-acre oil spacing and proration unit for formations and/or pools developed on 40-acre spacing within that vertical extent.

(2) These units are to be dedicated to Threshold's proposed Johnson Ranch "16" State Well No. 1 (API No. 30-025-35400) to be drilled at a location considered to be standard for all three units 990 feet from the North line and 1980 feet from the West line of Section 16.

PROVIDED HOWEVER THAT, the operator of the units shall commence drilling the well on or before August 1, 2001, and shall thereafter continue drilling the well with due diligence to a depth sufficient to test the Mississippian formation.

PROVIDED FURTHER THAT, in the event the operator does not commence drilling the well on or before August 1, 2001, Ordering Paragraph (1) shall be of no effect, unless the operator obtains a time extension from the Division Director for good cause.

PROVIDED FURTHER THAT, should the well not be drilled to completion or abandoned within 120 days after commencement thereof, the operator shall appear before the Division Director and show cause why Ordering Paragraph (1) should not be rescinded.

(3) Threshold is hereby designated the operator of the subject well and units.

(4) After pooling, uncommitted working interest owners are referred to as "non-consenting working interest owners." After the effective date of this order and within 90 days prior to commencing the well, the operator shall furnish the Division and each known non-consenting working interest owner in the units an itemized schedule of estimated well costs.

