



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joana Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

April 14, 2007

Southwest Petroleum Land Services, LLC

Attn: James L. Schultz

100 N. Pennsylvania

Roswell, NM 88203

Administrative Order NSL-5600

**Re: McKay Oil Corp.
Four Mile Draw B Federal Well No. 7Y
API No. 30-005-63900
M-15-6S-22E
Chaves County**

Dear Mr. Schultz:

Reference is made to the following:

(a) your application (**administrative application reference No. pCLP07-07528566**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 14, 2007, on behalf of McKay Oil Corp. (McKay), and

(b) the Division's records pertinent to this request.

McKay has requested to drill its Four Mile Draw B Federal Well No. 7Y (API No. 30-005-63900) as a horizontal well at an unorthodox Abo gas well location. The well, as proposed, will commence from an orthodox surface location 695 feet from the South line and 660 feet from the West line (Unit M) of Section 15, Township 6 South, Range 22 East, N.M.P.M., in Chaves County, New Mexico; will intercept the Abo formation at an orthodox penetration point approximately 575 feet North 60 degrees East from the surface location; and will proceed laterally to an unorthodox terminus, or bottom-hole location, 1666 feet from the South line and 2332 feet from the West line (Unit K) of Section 15. The SW/4 of Section 15 will be dedicated to this well in order to form a standard 160-acre gas spacing unit and project area in the undesignated West Pecos Slope-Abo Gas Pool (82740).

This pool is governed by the Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool, as amended by Order No. R-9976-D, issued February 4, 2004, which provide for 160-acre units, with wells located at least 660 feet from a unit outer boundary. This location is unorthodox because the terminus is less than 660 feet from the eastern unit boundary.

Your application on behalf of McKay has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that McKay is seeking this location for geologic reasons, in order to penetrate the maximum amount of productive area within this formation in this unit.

It is also understood that McKay owns 100% of the working interest in the adjoining spacing unit to the east. Accordingly, notice of this application to offsetting operators or owners is unnecessary.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2) and Rule 5 of the Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool, the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
United States Bureau of Land Management - Roswell