



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

February 19, 2004

Lori Wrotenbery
Director
Oil Conservation Division

McKay Oil Corporation
P. O. Box 2014
Roswell, New Mexico 88202

Attention: April D. McKay
april@mckayoil.com

Administrative Order NSL-5005

Dear Ms. McKay:

Reference is made to the following: (i) your initial e-mail to Mr. Michael E. Stogner, Engineer/Hearing Officer with the New Mexico Oil Conservation Division ("Division") in Santa Fe on Thursday, February 5, 2004; (ii) your telephone conversation with Mr. Stogner Friday morning, February 6, 2004; (iii) your subsequent application submitted to the Division by telefax on February 10, 2004 (*administrative application reference No. pMES0-405033984*); (iv) your follow-up e-mail of Tuesday, February 17, 2004 to Mr. Stogner inquiring as to the status of your application; (v) your telephone conversation with Mr. Stogner Wednesday afternoon, February 18, 2004; (vi) Mr. Stogner's e-mail sent to you late Wednesday afternoon, February 18, 2004 for verification of ownership in the effected offsetting acreage; (vii) Mr. Stogner's telephone conversation with you and Mr. Roy McKay this afternoon; and (viii) the Division's records in Artesia and Santa Fe: all concerning McKay Oil Corporation's ("McKay") request for an exception to the well location requirements (Rule 4) provided within the "*Special Rules and Regulations for the West Pecos-Slope Abo Gas Pool*," as promulgated by Division Order No. R-9976-C, dated March 19, 1996, as amended by Division Order No. R-9976-D, issued in Case No. 13057 on February 4, 2004, for a non-standard infill gas well location within an existing 160-acre gas spacing unit for the West Pecos Slope-Abo Gas Pool (**82740**) comprising the SE/4 of Section 22, Township 6 South, Range 22 East, NMPM, Chaves County, New Mexico.

This application has been duly filed under the provisions of: (i) Rule 5 of the "*Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool*;" (ii) Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission ("Commission") in Case No. 12119 on August 12, 1999; and (iii) Rule 1207.A (2), revised by Division Order No. R-11205, issued by the Commission in Case No. 12177 on June 17, 1999.

This unit is currently dedicated to McKay's South Four Mile Draw Federal Com. Well No. 8 (API No. **30-005-62427**), located at a standard gas well location 1980 feet from the South and East lines (Unit J) of Section 22.

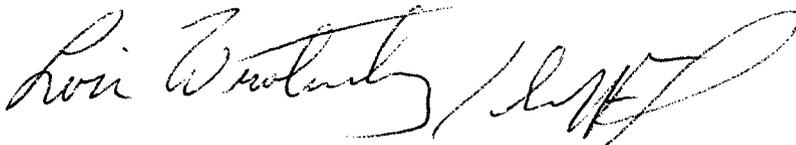
By the authority granted me under the applicable provisions of the special pool rules governing the West Pecos Slope-Abo Gas Pool and Division Rule 104.F (2), the following described unorthodox infill gas well location recently drilled (spud date – September 3, 2003) within the above-described 160-acre gas spacing unit is hereby approved:

**South Four Mile Draw "B" Federal Com. Well No. 8-Y
708' FSL & 2129' FEL (Unit O)
(API No. 30-005-63639).**

Further, both the above-described South Four Mile Draw Federal Com. Well No. 8 and South Four Mile Draw "B" Federal Com. Well No. 8-Y are to be simultaneously dedicated to the subject 160-acre gas spacing unit.

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

Sincerely,



Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management - Roswell