

Stogner, Michael

From: April McKay [april@mckayoil.com]
Sent: Thursday, February 05, 2004 4:11 PM
To: MSTOGNER@STATE.NM.US
Subject: South Four Mile Draw B Fed Com #8Y

Mr. Stogner,

Sorry to take up any of your time, but I have interesting situation this just arose. I received an e-mail from Bryan Arrant from the OCD in Artesia requesting a NSL approval for a well that has already been completed and put on line. All forms have been completed and approved as well as being issued an API# with no stipulations.

The South Four Mile Draw B Fed Com #8 (not 8y) was drilled at 704' FSL & 2112' FEL in Sec 22, T6S, R22E in Chaves County in 1998 without a NSL approval. The rig collapsed on the location, so we put a dry hole marker. We decided that the location was still good and moved the well bore over 17 ft, at 708' FSL & 2129' FEL, filed APD with all approvals and drilled in Sept 2003 and completed this well in October 2003 and put it on line. So having said that, is it my understanding that I need to go ahead and file for a NSL on our new well South Four Mile Draw B Fed Com #8Y as if it had not been drilled yet, eventhough we have already completed and put on line?

South Four Mile Draw B Fed Com #8 API# 30-005-63152
South Four Mile Draw B Fed Com #8Y API# 30-005-63639

Thanks for your time!
April McKay
McKay Oil Corporation
505-623-4735

10:35 AM Friday February 6, 2004

Talked w/ April. The rig blew over on the #8 back in 1997 and has been inactive since then. The #8-Y was recently drilled as the replacement. Sargeyer discovered the error that the original well core wrong.

Stogner, Michael

From: April McKay [april@mckayoil.com]
Sent: Tuesday, February 17, 2004 10:06 AM
To: mstogner@state.nm.us
Subject: South Four Mile Draw B Fed Com #8Y

February 17, 2004

Mr. Stogner,

I just wanted to follow up on the administrative approval for NSL on the South Four Mile Draw B Fed Com #8Y. I was informed by the OCD in Artesia that this well could not produce again til we had approval. We shut the well in on February 7th and we still have the well shut in. Please let me know what the status is on the approval and or if you need anything else to complete your decision. Thanks for your time.

April McKay
McKay Oil Corporation
505-623-4735

*2:40 PM
Feb. 18, 2004
Call April
I need her to send me an
explanation about
the old well had the
old location being wrong,
the discovery of the
survey error when
the #8Y was started.*

Stogner, Michael

From: Stogner, Michael
Sent: Wednesday, February 18, 2004 5:18 PM
To: 'April McKay'
Cc: Arrant, Bryan
Subject: RE: South Four Mile Draw B Fed Com #8Y

See attachment.

2/18/2004

February 18, 2004

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

Attention: April D. McKay
april@mckayoil.com

Re: *Your recent administrative application seeking an exception to Rule 4 (unorthodox infill gas well location) for McKay Oil Corporation's existing South Four Mile Draw "B" Federal Com. Well No. 8-Y (API No. 30-005-63639), located 708 feet from the South line and 2129 feet from the East line (Unit O) Section 22, Township 6 South, Range 22 East, NMPM, Chaves County, New Mexico.*

Dear Ms. McKay:

My preliminary review indicates your application may be incomplete with respect to notice. Please refer to Division Rule 1207.A (2) (a) which reads:

“(2) Unorthodox Well Locations: [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A. (5), 7-15-99; A, 7-15-99]

(a) Definition: “Affected persons” are the following persons owning interests in the adjoining spacing units:

- (i) the Division-designated operator;
- (ii) in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
- (iii) in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then “affected persons” include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]”

Since McKay is the operator of the effected 160-acre Abo gas spacing unit, the SW/4 of



State of New Mexico
OIL CONSERVATION COMMISSION

From

MICHAEL E. STOGNER
PETROLEUM ENGINEER

Memo

Phone Message

~ 2:00 PM

To

February 19, 2004

Roy
~~McKay~~ McKay w/ April McKay

called about South 4 Mile

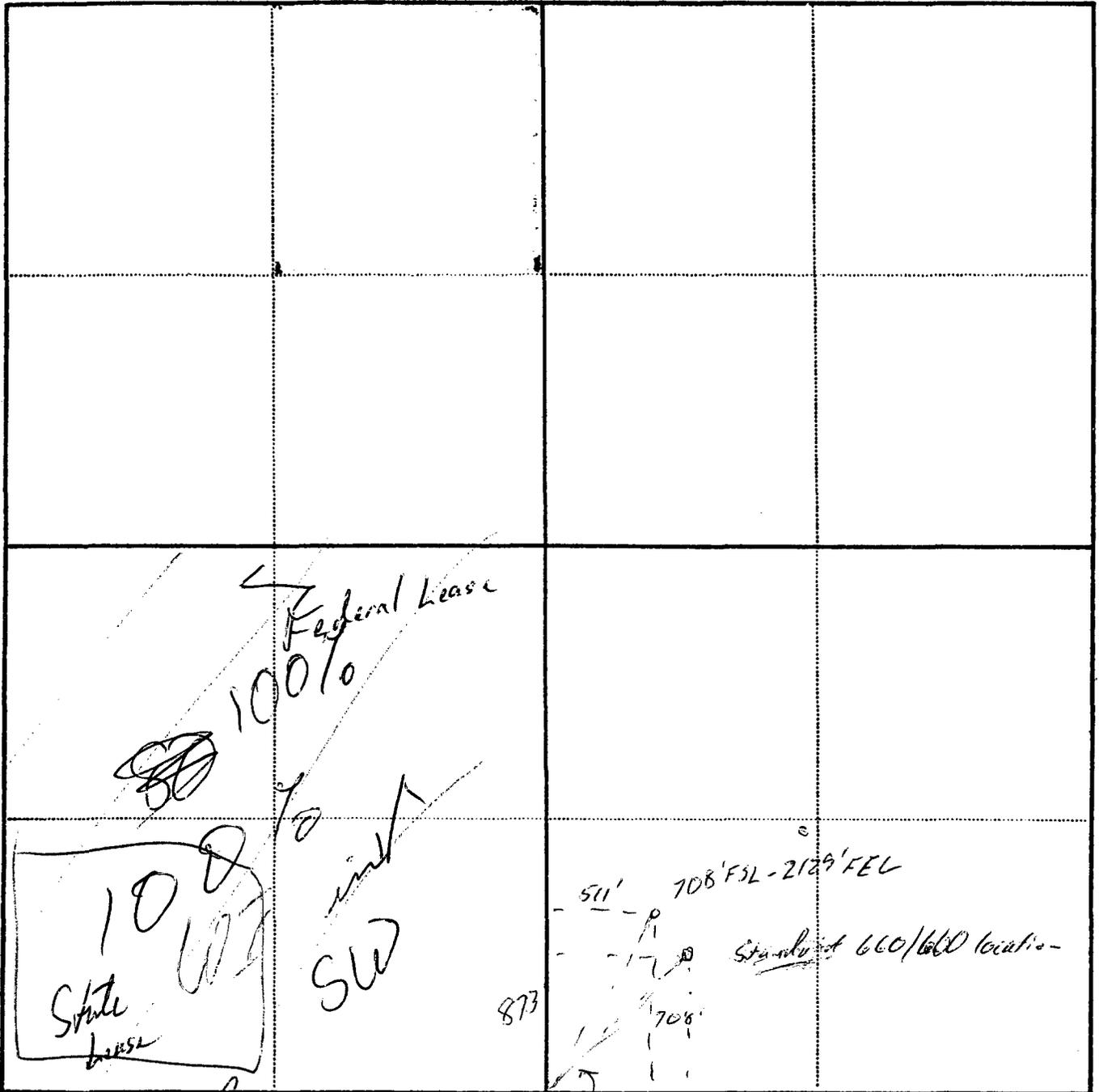
Draw B Fed. Com #8X

NSL application

505-623-4735

Please return call

P.O. BOX 2088
LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
505-827-5811



Feb. 19, 2004

1933'

4:30 PM Phone call w/ Roy and April McKay
 Confirmed 100% of the Working Interest in the
 SW/4 of Sec. 22 is owned by McKay
 (40-acre State lease 100% W/ McKay and 120-acre
 Federal lease 100% W/ McKay).