



Case No. 12696

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

June 15, 2004

Mark E. Fesmire, P.E.
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-5074

Dear Ms. McKay:

Reference is made to the following: (i) your application dated June 3, 2004 (*administrative application reference No. pMES0-416154171*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Artesia and Santa Fe, including the file on Division Case No. 12696: 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 an unorthodox gas well location within a proposed 160-acre gas spacing unit for the West Pecos Slope-Abo Gas Pool (82740) comprising the SE/4 of Section 35, 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.

It is our understanding that McKay seeks this location exception for both topographical and geological reasons.

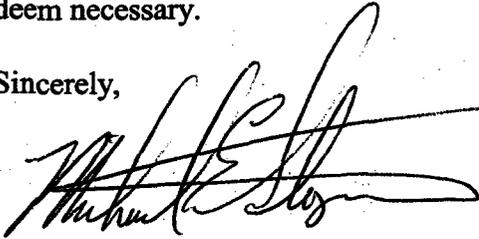
By the authority granted me under the applicable provisions of the special pool rules governing the West Pecos Slope-Abo Gas Pool and Division Rule 104.F (2), the following described unorthodox gas well location within the above-described 160-acre gas spacing unit is hereby approved:

Cactus Federal Well No. 7
660' FSL & 2310' FEL (Unit O).

Further, Division Order No. R-11635, issued in Case No. 12696 on August 13, 2001, shall be placed in abeyance until further notice.

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

Sincerely,



Michael E. Stogner
Engineer/Hearing Officer

MS/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Roswell
File: Case No. 12696