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June 5, 2006

Case 13739

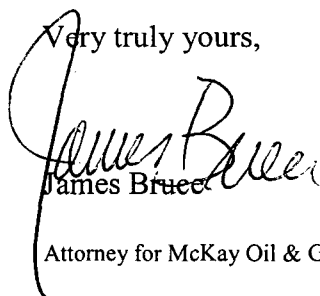
Florene Davidson
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of McKay Oil & Gas, LLC, are an original and one copy of an application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the July 6, 2006 Examiner hearing. Thank you.

A pre-hearing statement is also enclosed.

Very truly yours,


James Bruce

Attorney for McKay Oil & Gas, LLC

PARTIES BEING POOLED

Speerex Limited Partnership
c/o Stephen Speer
P.O. Box 1363
Mt. Pleasant, South Carolina 29465

Burlington Resources Oil & Gas Company LP
ConocoPhillips Company
P.O. Box 4289
Farmington, New Mexico 87499

Attention: Ben Malone

Bolack Minerals Co.
3901 Bloomfield Highway
Farmington, New Mexico 87401

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF MCKAY OIL & GAS,
LLC FOR COMPULSORY POOLING,
SAN JUAN COUNTY, NEW MEXICO.**

Case No. 13739

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APPLICATION

McKay Oil & Gas, LLC applies for an order pooling all mineral interests from the surface to the base of the Fruitland Coal formation underlying Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, and SW $\frac{1}{4}$ (the W $\frac{1}{2}$) of Section 1, Township 30 North, Range 12 West, N.M.P.M., San Juan County, New Mexico, and in support thereof, states:

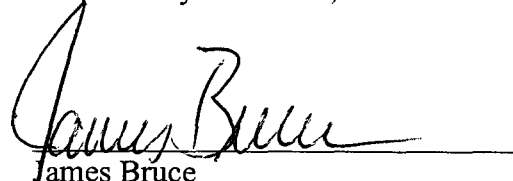
1. Applicant is an interest owner in the W $\frac{1}{2}$ of Section 1, and has the right to drill a well thereon.
2. Applicant proposes to drill its Kelly Well No. 1, at an orthodox location in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 1, to a depth sufficient to test the Fruitland Coal formation, and seeks to dedicate the W $\frac{1}{2}$ of Section 1 to the well to form a standard 319.40 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent, including the Basin-Fruitland Coal Gas Pool.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 1 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the W $\frac{1}{2}$ of Section 1, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the W½ of Section 1 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the W½ of Section 1, from the surface to the base of the Fruitland Coal formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for McKay Oil & Gas, LLC

PROPOSED ADVERTISEMENT

Case No. 13739: **Application of McKay Oil & Gas, LLC for compulsory pooling, San Juan County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Fruitland Coal formation underlying Lots 3, 4, S/2NW/4, and SW/4 (the W/2) of Section 1, Township 30 North, Range 12 West, NMPM to form a standard 319.40-acre gas spacing and proration unit for all pools or formations developed on 320 acre spacing, including the Basin-Fruitland Coal Gas Pool. The unit is to be dedicated to the Kelly Well No. 1, to be located at an orthodox location in the SE/4NW/4 of Section 1. Also to be considered will be the cost of drilling and completing the well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 3 miles north-northeast of Flora Vista, New Mexico.

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