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July 24, 2007

*Case 13976*

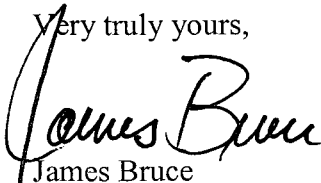
Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of McKay Oil Corporation, are an original and one copy of an application to amend special pool rules, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the August 23, 2007 Examiner hearing. Thank you.

A pre-hearing statement is also enclosed.

Very truly yours,

  
James Bruce

Attorney for McKay Oil & Gas, LLC

PARTIES BEING NOTIFIED

Margaret Whited  
M.E.W. Enterprises  
300 South Kentucky Avenue  
Roswell, New Mexico 88203

Mercury Exploration Company  
Suite 300  
777 West Rosedale Street  
Fort Worth, Texas 76104

William Huck  
Pecos River Operating Inc.  
Suite 1070  
400 W. Illinois  
Midland, Texas 79701

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF MCKAY OIL CORPORATION  
TO AMEND THE SPECIAL RULES AND  
REGULATIONS FOR THE WEST PECOS SLOPE-  
ABO GAS POOL, CHAVES COUNTY, NEW MEXICO.

Case No. 13976

APPLICATION

McKay Oil Corporation applies for an order amending the special rules and regulations for the West Pecos Slope-Abo Gas Pool (the "Pool"), and in support thereof, states:

1. Applicant is an operator in the Pool.
2. The Pool was created by Division Order No. R-6876, and currently encompasses the following lands:

Township 5 South, Range 21 East, N.M.P.M.

Section 25: NE $\frac{1}{4}$   
Section 27: SW $\frac{1}{4}$   
Sections 30-34: All  
Section 25: SW $\frac{1}{4}$

Township 5 South, Range 22 East, N.M.P.M.

Section 7: SW $\frac{1}{4}$   
Section 18: W $\frac{1}{2}$   
Section 19: W $\frac{1}{2}$   
Section 25: SE $\frac{1}{4}$   
Section 27: SW $\frac{1}{4}$   
Section 30: NW $\frac{1}{4}$  and S $\frac{1}{2}$   
Section 31: All  
Section 32: SE $\frac{1}{4}$   
Section 33: SW $\frac{1}{4}$   
Section 34: All  
Section 35: All  
Section 36: N $\frac{1}{2}$

Township 6 South, Range 22 East, N.M.P.M.

Sections 1-4: All  
Sections 9-16: All  
Section 17: E $\frac{1}{2}$   
Sections 20-28: All

Sections 33-36: All

Township 6 South, Range 23 East, N.M.P.M.

Section 4: All

Section 6: S½

Section 7-9: All

Sections 16-21: All

Sections 29-32: All

Township 7 South, Range 22 East, N.M.P.M.

Sections 1-4: All

Sections 9-16: All

Sections 21-28: All

Sections 33-36: All

Township 7 South, Range 23 East, N.M.P.M.

Section 3: SW¼

Section 4: S½

Sections 5-10: All

Section 11: W½

Section 15: W½

Sections 16-21: All

Sections 28-32: All

Township 8 South, Range 22 East, N.M.P.M.

Sections 1-4: All

Sections 9-16: All

Section 17: SE¼

Sections 21-29: All

Section 33: W½

Township 8 South, Range 23 East, N.M.P.M.

Sections 3-10: All

Section 15: NW¼

Section 16: E½

Section 17: W½

Section 18: All

Section 19: All

Section 20: W½

Section 29: W½

Sections 30-32: All

Sections 33: NW¼

Township 9 South, Range 22 East, N.M.P.M.

Section 1: E½

Section 4: W½

Section 12: E½  
Section 13: E½  
Section 24: E½

Township 9 South, Range 23 East, N.M.P.M.

Sections 2-8: All  
Section 11: N½  
Section 18: W½  
Section 19: W½

3. Division Order No. R-9976, as amended, instituted special rules and regulations for the Pool, including: (i) 160 acre well units; (ii) wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line; and (iii) two wells per well unit.

4. Applicant requests that the special rules and regulations for the Pool be amended to provide for:

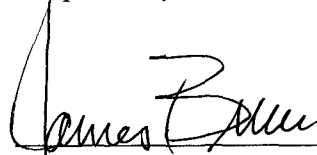
- (a) Four wells on each quarter section, whether they are vertical or horizontal wells;
- (b) Wells to be located no closer than 330 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line, subject to the directional drilling provisions of Division Rule 111 (NMAC 19.15.3.111);
- (c) An administrative procedure for an exception to the well density provisions of the amended Pool rules; and
- (d) A buffer zone whereby the amended Pool rules will not apply to any quarter section adjoining any other Division-designated Abo gas pool.

All other rules for the Pool will remain the same.

5. The granting of this application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division grant the relief requested above.

Respectfully submitted,

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

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

Attorney for McKay Oil Corporation

PROPOSED ADVERTISEMENT

Case No. 13976 **Application of McKay Oil Corporation to amend the special rules and regulations for the West Pecos Slope-Abo Gas Pool, Chaves County, New Mexico.** Applicant seeks an order amending the special rules and regulations for the West Pecos Slope-Abo Gas Pool. Division Order No. R-9976, as amended, instituted special rules and regulations for the pool including: (i) 160 acre well units; (ii) wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line; and (iii) two wells per well unit. Applicant requests that the special rules and regulations for the Pool be amended to provide for: (a) four wells per well unit, whether they are vertical or horizontal wells; (b) wells to be located no closer than 330 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line, subject to the directional drilling provisions of NMAC 19.15.3.111; (c) an administrative procedure for an exception to the well density provisions of the amended rules; and (d) a buffer zone whereby the amended rules will not apply to any quarter section adjoining any other Division-designated Abo gas pool. The pool includes all or parts of Township 5 South, Ranges 21-22 East, N.M.P.M., Township 6 South, Ranges 22-23 East, N.M.P.M., Township 7 South, Ranges 22-23 East, N.M.P.M., Township 8 South, Ranges 22-23 East, N.M.P.M., and Township 9 South, Ranges 22-23 East, N.M.P.M. The pool is centered approximately 25 miles northwest of Roswell, New Mexico.

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