

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF MCKAY OIL CORPORATION FOR
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 10852

A P P L I C A T I O N

Comes now McKay Oil Corporation, by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests in the Wolfcamp formation underlying the N/2 of Section 25, T20S, R24E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for the Wolfcamp production from said well. Said unit is to be dedicated to its re-entry of its Charolette McKay Federal Com #3 Well which is located in Unit C of said Section 25. Applicant further proposes that it be designated the operator and that the Division consider the costs of reentering and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision and a charge for the risk involved in reentering and completing said well. Said Well is located approximately 20 miles southwest from Artesia, New Mexico, and in support states:

1. Applicant, McKay Oil Corporation, has a working interest ownership in the oil and gas minerals underlying the N/2 of Section 25, T20S, R24E, NMPM, Eddy County, New Mexico.

2. Applicant has re-entered its Charolette McKay Federal Com #3 Well, located in Unit C of Section 25, T20S, R24E, NMPM and undertaken operations to test for production in the Wolfcamp formation in that wellbore and to complete and produce said well accordingly.

4. The working interest ownership in the oil & gas minerals underlying the N/2 of Section 25 is believed by the applicant to as described as follows:

McKay Oil Corporation: NE/4, N/2NW/4 & SE/4NW/4

Yates Petroleum Corporation: SW/4NW/4

5. McKay Oil Corporation has proposed the subject well to Yates Petroleum Company but, as of the date of this application, McKay Oil Corporation has not be able to obtain a voluntary agreement from Yates Petroleum Company

6. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, McKay Oil Corporation needs an order of the Division pooling the mineral interests involved in order to protect correlative rights and prevent waste.


7. Pursuant to the Division's notice requirements, McKay Oil Corporation has notified Yates Petroleum Corporation of this application for compulsory pooling and the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for October 21, 1993.

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WHEREFORE, McKay Oil Corporation, as applicant, requests that this application be set for hearing on October 21, 1993 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in this spacing unit for the drilling of the subject well upon terms and conditions which included that:

- (1) McKay Oil Corporation be named operator;
- (2) The order make provisions for applicant and all working interest owners to participate in the costs of re-entering, re-completing, equipping and operating the well;
- (3) Compensating McKay Oil Corporation for the value of the existing wellbore;
- (4) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the reasonable value of the cost of the existing wellbore, the re-entry, the re-completing, equipping and operating the well, including a risk factor penalty to be determined by the Division;
- (5) The adoption of COPAS accounting procedures to apply to this well and its spacing unit;
- (6) The adoption of appropriate provisions set forth in the A.A.P.L. Form 610 Joint Operating Agreement-1989; and
- (7) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHN