



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

August 17, 2005

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

McKay Oil Corporation
c/o **Southwest Petroleum Land Services, LLC**
100 N. Pennsylvania
Roswell, New Mexico 88203

Attention: Jim Schultz
jschultz80@hotmail.com

Administrative Order NSL-5258

Dear Mr. Schultz:

Reference is made to the following: (i) Ms. April McKay's initial application for McKay Oil Corporation ("McKay") submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 5, 2005 (*administrative application reference No. pSEM0-509729980*) 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 a non-standard infill gas well location within an existing standard 160-acre gas spacing unit for the West Pecos Slope-Abo Gas Pool (**82740**) comprising the SE/4 of Section 31, Township 5 South, Range 22 East, NMPM, Chaves County, New Mexico; (ii) an e-mail on April 22, 2005 from Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, to Ms. McKay denying this application; (iii) a second e-mail from Ms. McKay to Mr. Stogner on June 20, 2005 requesting information regarding the status of a supplemental application filed by you; (iv) Mr. Stogner's e-mail response on June 23, 2005 informing Ms. McKay that no supplemental application was on file as being received by the Division; (v) your telefaxed transmittal of a supplemental application on behalf of McKay to Mr. David Catanach, Engineer/Hearing Officer with the Division in Santa Fe, New Mexico, on June 29, 2005, which was assigned *administrative application reference No. pSEM0-518128518*; (vi) Mr. Stogner's initial reply to you with a copy sent to Ms. McKay by letter dated July 19, 2005 requesting additional data to support your application to be filed no later than July 29, 2005; (vii) Ms. McKay's e-mail to Mr. Stogner on July 21, 2005 inquiring as to the status of your application; (viii) a third application, assigned *administrative application reference No. pSEM0-522841728*, filed with the Division on August 15, 2005; (ix) your telephone conversation with Mr. Stogner on Tuesday afternoon, August 16, 2005; (x) your reply by e-mail on August 16, 2005; and (xi) the Division's records in Artesia and Santa Fe.

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*," and (ii) Division Rules 104.F and 1207.A (2).

This unit is currently dedicated to McKay's Samantha Federal Well No. 1 (API No. 30-005-62893), located at a standard gas well location 660 feet from the South and East lines (Unit P) of Section 31.

It is the Division's understanding that all of Section 31 is a single Federal lease (*United States Government lease No. NM-88084*) with common mineral interests in which Devon is the leasehold operator.

It is further understood 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 infill gas well location to be drilled within the above-described 160-acre gas spacing unit is hereby approved:

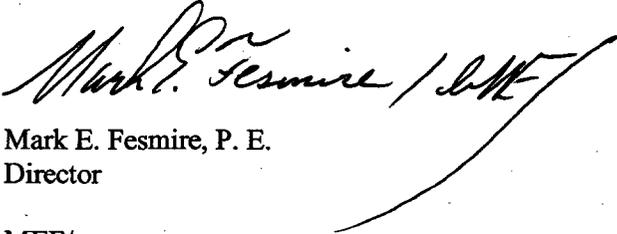
**Samantha "B" Federal Well No. 1
660' FSL & 2080' FEL (Unit O).**

Further, both the above-described existing Samantha Federal Well No. 8 and proposed Samantha "B" Federal Well No. 1 are to be simultaneously dedicated to the subject 160-acre shallow Abo gas spacing unit.

Also, the second application for this well filed on June 29, 2005 (*administrative application reference No. pSEM0-518128518*) is hereby dismissed.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Roswell
Ms. April McKay, Vice President – McKay Oil Corporation, Roswell