



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

April 26, 2006

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-5372

Dear Mr. Schultz:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-611432521*) dated April 19, 2006 and filed with the New Mexico Oil Conservation Division's ("Division") office in Santa Fe, New Mexico on behalf of the operator, McKay Oil Corporation ("MOC") on April 21, 2006; and (ii) the Division's records in Artesia and Santa Fe, including the file on Division Administrative Order NSP-1504, as amended: all concerning McKay's 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 a non-standard infill gas well location within an existing non-standard 131.20-acre gas spacing unit (*approved by Division Administrative Order NSP-1504, dated February 2, 1087, as administratively amended by a Division order dated October 21, 1987*) for the West Pecos Slope-Abo Gas Pool (82740) comprising Lots 3 and 4 and the S/2 SW/4 (SW/4 equivalent) of Irregular Section 1, Township 6 South, Range 22 East, NMPM, Chaves County, New Mexico.

Your application for MOC has been duly filed under the provisions of: (i) *Rule 5* of the special West Pecos Slope-Abo Gas Pool rules and (ii) Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

This non-standard Abo gas unit is currently dedicated to McKay's L. L. & E. Federal Well No. 4 (*API No. 30-005-62377*), located at a standard gas well location 660 feet from the South line and 1650 feet from the West line (Unit N) of Irregular Section 1.

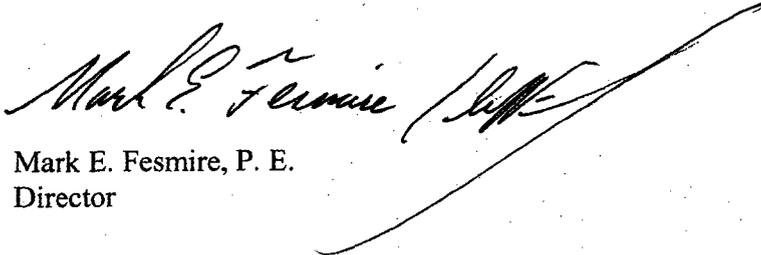
By the authority granted me under the applicable provisions of the special pool rules governing the West Pecos Slope-Abo Gas Pool and Division Rule 104.F (2), the following described unorthodox infill gas well location being less than 10 feet off of an internal quarter-quarter section/lot line within this 131.20-acre non-standard gas spacing unit is hereby approved:

L. L. & E. "B" Federal Well No. 4
860' FNL & 1887' FWL (Unit N).

Further, gas production from both McKay's above-described existing L. L. & E. Federal Well No. 4 and proposed L. L. & E. "B" Federal Well No. 4 are to be simultaneously dedicated to the subject 131.20-acre unit.

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 (april@mckayoil.com)
File: NSP-1504
