

09-Apr-07

D. Brooks

10-Apr-07

USL

PCLP 0710031002

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



Mc Kay Oil
5 4-Mile Draw C Field
5612

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 - NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 - DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 - WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or
- [F] Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Signature

Title

Date

E-mail Address

SOUTHWEST PETROLEUM LAND SERVICES L.L.C.

**100 N. PENNSYLVANIA
ROSWELL, NEW MEXICO 88203**

(505) 622-6713 OFFICE
(505) 626-6879 CELLPHONE

(505) 622-9282 FAX
(505) 622-3615 HM

RECEIVED

April 6, 2007

APR 09 2007

Oil Conservation Division
New Mexico State Land Office
1220 S. St. Francis Drive
Santa Fe, NM 87505

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

RE: McKay Oil Corp.
Non-Standard Location of the South Four Mile Draw C Federal #1H
Sec. 22: NW4, T6S, R22E
Chaves County, NM

30-005-63766

Gentlemen:

Recent reservoir studies conclude that based on porosity and volumetric calculations that there are substantial reserves in the West Pecos Slope Abo formation. However, that due to low permeability of the formation that only approximately 10 to 20 acres of gas is being drained from a single vertical wellbore. Therefore, horizontal drilling is necessary to enhance the ability to extract the gas reservoirs in each proration unit.

The attached geological isopach map shows the formation channel thickening to the south. McKay Oil Corp. owns all of the operating rights surrounding this location that are toward the unorthodox well location encroachment. (See attached map)

Therefore, McKay Oil Corp. drilled a test horizontal well in the South Four Mile Draw C Federal #1H proration unit (Sec. 22: NW4, T6S, R22E). The surface location is at 660'FNL and 890'FWL of Section 22, Township 6 South, Range 22 East, NMPM. The well was drilled vertically to approximately 2,250' then began curving the wellbore to a horizontal position over a 600' distance. The horizontal hole penetrated to Abo formation at approximately 1,260'FNL and 890'FWL, Sec. 22, Township 6 South, Range 22 East, NMPM, at 2811' TVD. The bottom hole location was at 2,637'FNL and 1,017'FWL, Sec. 22, Township 6 South, Range 22 East, NMPM. (See attached Survey)

Page 2 of 2
Oil Conservation Division
April 6, 2007

McKay Oil Corporation is requesting that the OCD grant administrative approval to the unorthodox location of a location of 660'FNL and 890'FWL in Section 22, Township 6 South, Range 22East, NMPM with a bottom hole location of 2,637'FNL and 1,017'FWL in Section 22, Township 6 South, Range 22 East, NMPM.

Thank you for your cooperation and assistance in this matter.

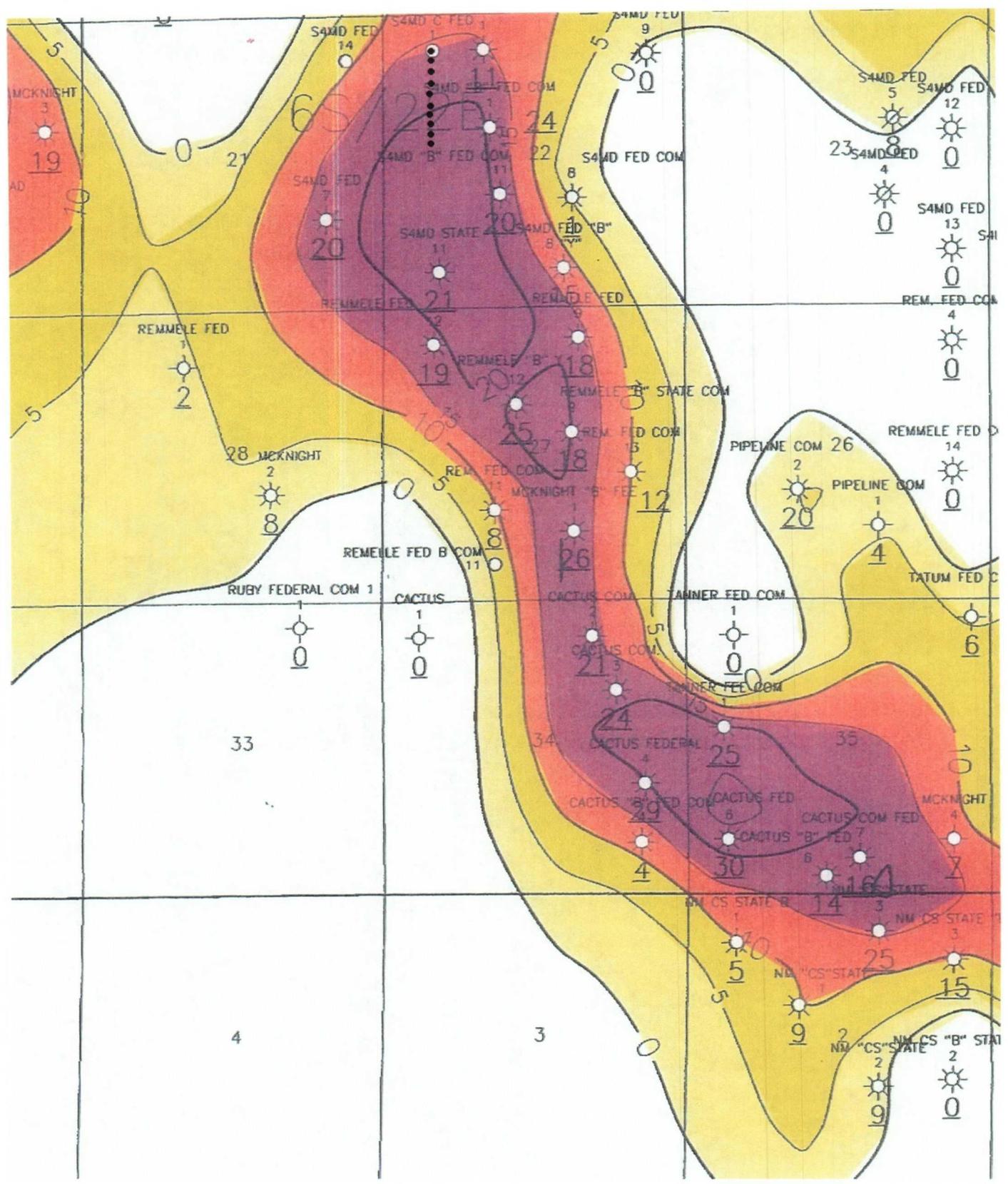
Sincerely,



James L. Schultz, Manager
Agent for McKay Oil Corp.

cc: McKay Oil Corp.

S4MD "C" 11





Survey Certification Sheet

Company: Conquest Energy Services LP
Well Name: South Four Mile Draw C Federal #1-H

SURFACE LOCATION

Chavez County, New Mexico
Sec. 22-T6S-R22E
660' From North Line, 890' From West Line

BOTTOM HOLE LOCATION @

4502' Measured Depth
2811' True Vertical Depth
2637' From North Line, 1017' From West Line
Job Number: CDD-WYL0706D008

Surveyed from a depth of 0' - 4502'
Type of survey: MWD (Measurement While Drilling)
Directional Supervisor: John Stringfellow

To whom it may concern,

I attached surveys and in pdf format of the South Four Mile Draw C Federal #1-H

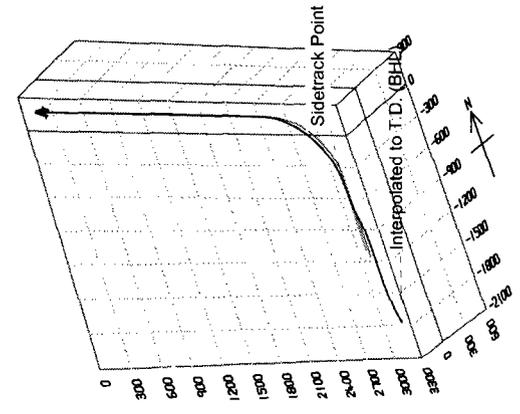
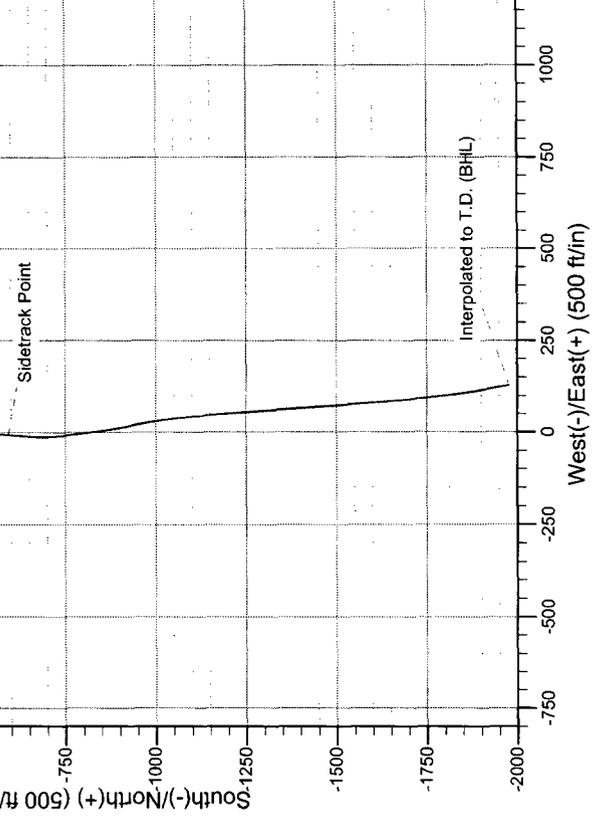
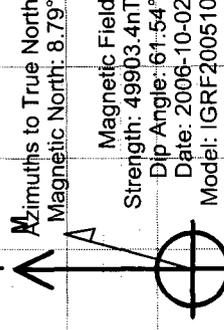
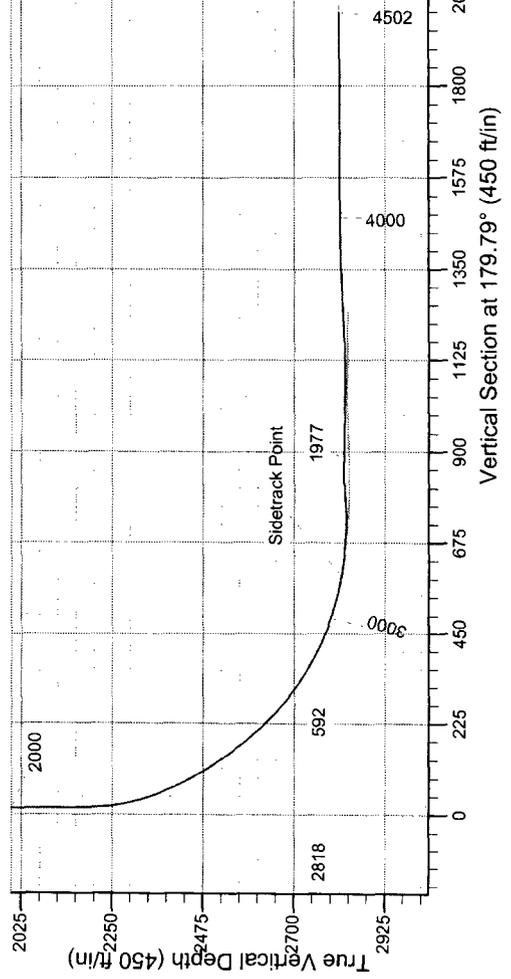
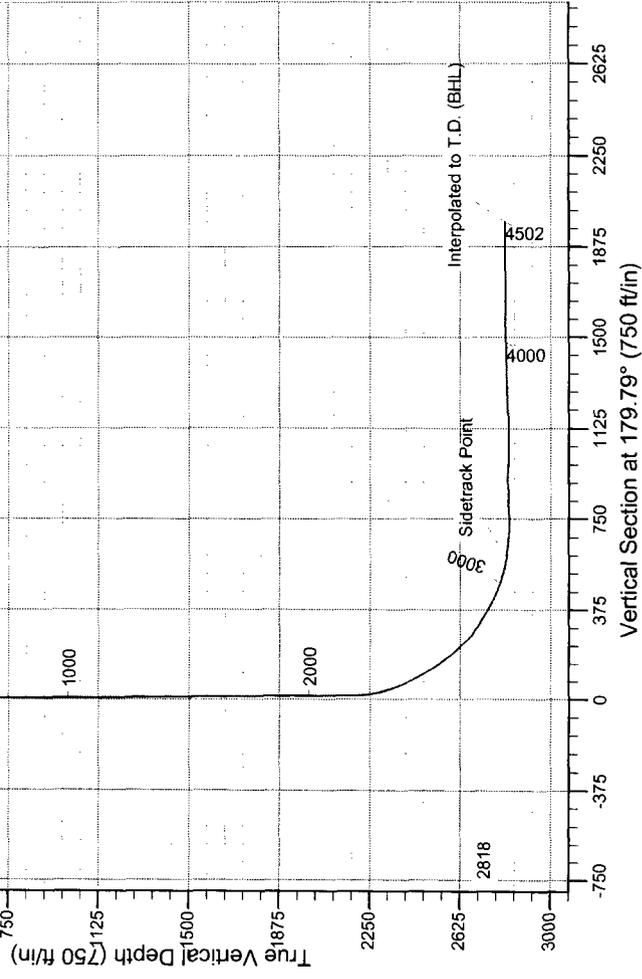
The data and calculations for this survey have been checked by me and conform to the standards and procedures set forth by Crescent Directional Drilling.
This report represents a true and correct Directional Survey of this well based on the original data obtained at the well site. Wellbore Coordinates are calculated using minimum curvature.

John Stringfellow
Directional Coordinator
Rocky Mtn. Region
Crescent Directional Drilling
Off. (307)266-6500
Cell. (307)259-7827

Conquest Energy Services of N.M.

SITE DETAILS: South Four Mile Draw C

Site Centre Latitude: 33° 47' 11.570 N
 Longitude: 104° 42' 50.510 W





Conquest Energy Services of N.M.
Chaves County, New Mexico
South Four Mile Draw C
Federal # 1H
Sidetrack

Design: Sidetrack

Survey Report - Geographic

04 April, 2007



Crescent Directional Drilling

Survey Report - Geographic

Company:	Conquest Energy Services of N.M.	Local Co-ordinate Reference:	Well Federal # 1H
Project:	Chaves County, New Mexico	TVD Reference:	RKB + 12" @ 4338.0ft (Rig Unknown)
Site:	South Four Mile Draw C	MD Reference:	RKB + 12" @ 4338.0ft (Rig Unknown)
Well:	Federal # 1H	North Reference:	True
Wellbore:	Sidetrack	Survey Calculation Method:	Minimum Curvature
Design:	Sidetrack	Database:	EDM 2003.14 Single User Db

Project	Chaves County, New Mexico		
Map System:	US State Plane 1927 (Exact solution)	System Datum:	Mean Sea Level
Geo Datum:	NAD 1927 (NADCON CONUS)		
Map Zone:	New Mexico East 3001		

Site		South Four Mile Draw C			
Site Position:		Northing:	1,013,902.30ft	Latitude:	33° 47' 11.570 N
From:	Lat/Long	Easting:	384,330.80ft	Longitude:	104° 42' 50.510 W
Position Uncertainty:	0.0 ft	Slot Radius:	"	Grid Convergence:	-0.21 °

Well		Federal # 1H				
Well Position	+N/-S	0.0 ft	Northing:	1,013,902.30 ft	Latitude:	33° 47' 11.570 N
	+E/-W	0.0 ft	Easting:	384,330.80 ft	Longitude:	104° 42' 50.510 W
Position Uncertainty		0.0 ft	Wellhead Elevation:	0.0 ft	Ground Level:	4,326.0 ft

Wellbore		Sidetrack			
Magnetics	Model Name	Sample Date	Declination	Dip Angle	Field Strength
	IGRF200510	2006-10-02	(°)	(°)	(nT)
			8.79	61.54	49,903

Design		Sidetrack			
Audit Notes:					
Version:	1.0	Phase:	ACTUAL	Tie On Depth:	3,108.0
Vertical Section:	Depth From (TVD)	+N/-S	+E/-W	Direction	
	(ft)	(ft)	(ft)	(°)	
	0.0	0.0	0.0	179.79	

Survey Program		Date 2007-04-04			
From	To	Survey (Wellbore)	Tool Name	Description	
(ft)	(ft)				
1,180.0	3,108.0	Original Hole (Wellbore #1)	MWD	MWD - Standard	
3,182.0	4,502.0	Sidetrack Surveys (Sidetrack)	MWD	MWD - Standard	

Crescent Directional Drilling

Survey Report - Geographic

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Site:	South Four Mile Draw C	MD Reference:	RKB + 12" @ 4338.0ft (Rig Unknown)
Well:	Federal # 1H	North Reference:	True
Wellbore:	Sidetrack	Survey Calculation Method:	Minimum Curvature
Design:	Sidetrack	Database:	EDM 2003.14 Single User Db

Survey										
Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Map Northing (ft)	Map Easting (ft)	Latitude	Longitude	
0.0	0.00	0.00	0.0	0.0	0.0	1,013,902.30	384,330.80	33° 47' 11.570 N	104° 42' 50.510 W	
1,180.0	1.80	112.09	1,179.8	-7.0	17.2	1,013,895.27	384,347.95	33° 47' 11.501 N	104° 42' 50.307 W	
1,672.0	0.40	178.69	1,671.7	-11.6	24.4	1,013,890.62	384,355.13	33° 47' 11.455 N	104° 42' 50.221 W	
2,042.0	0.70	175.19	2,041.7	-15.1	24.6	1,013,887.08	384,355.34	33° 47' 11.420 N	104° 42' 50.219 W	
2,086.0	0.40	192.89	2,085.7	-15.6	24.6	1,013,886.66	384,355.33	33° 47' 11.416 N	104° 42' 50.219 W	
2,118.0	0.70	180.09	2,117.7	-15.9	24.6	1,013,886.36	384,355.30	33° 47' 11.413 N	104° 42' 50.219 W	
2,148.0	0.40	176.69	2,147.7	-16.1	24.6	1,013,886.07	384,355.30	33° 47' 11.410 N	104° 42' 50.219 W	
2,163.0	0.70	162.99	2,162.7	-16.3	24.6	1,013,885.93	384,355.33	33° 47' 11.409 N	104° 42' 50.219 W	
2,180.0	0.70	149.29	2,179.7	-16.5	24.7	1,013,885.74	384,355.42	33° 47' 11.407 N	104° 42' 50.218 W	
2,211.0	2.70	177.99	2,210.7	-17.4	24.8	1,013,884.85	384,355.54	33° 47' 11.398 N	104° 42' 50.216 W	
2,242.0	6.90	182.39	2,241.6	-20.0	24.7	1,013,882.26	384,355.47	33° 47' 11.373 N	104° 42' 50.217 W	
2,274.0	11.30	182.39	2,273.1	-25.0	24.5	1,013,877.20	384,355.24	33° 47' 11.323 N	104° 42' 50.219 W	
2,305.0	15.50	182.19	2,303.3	-32.2	24.2	1,013,870.02	384,354.93	33° 47' 11.252 N	104° 42' 50.223 W	
2,337.0	18.40	182.59	2,333.9	-41.5	23.9	1,013,860.71	384,354.51	33° 47' 11.159 N	104° 42' 50.227 W	
2,367.0	21.10	183.49	2,362.1	-51.6	23.3	1,013,850.59	384,353.93	33° 47' 11.059 N	104° 42' 50.234 W	
2,399.0	23.60	182.99	2,391.7	-63.8	22.6	1,013,838.44	384,353.20	33° 47' 10.939 N	104° 42' 50.242 W	
2,430.0	26.20	182.39	2,419.8	-76.8	22.0	1,013,825.41	384,352.54	33° 47' 10.810 N	104° 42' 50.249 W	
2,461.0	28.70	181.89	2,447.4	-91.1	21.5	1,013,811.13	384,351.96	33° 47' 10.669 N	104° 42' 50.255 W	
2,491.0	30.90	181.79	2,473.4	-106.0	21.0	1,013,796.23	384,351.43	33° 47' 10.521 N	104° 42' 50.261 W	
2,523.0	32.80	181.29	2,500.6	-122.9	20.6	1,013,779.35	384,350.91	33° 47' 10.354 N	104° 42' 50.266 W	
2,554.0	34.80	181.29	2,526.3	-140.1	20.2	1,013,762.12	384,350.46	33° 47' 10.184 N	104° 42' 50.271 W	
2,586.0	37.10	182.09	2,552.2	-158.9	19.6	1,013,743.34	384,349.83	33° 47' 9.998 N	104° 42' 50.278 W	
2,610.0	38.90	183.19	2,571.1	-173.7	18.9	1,013,728.58	384,349.10	33° 47' 9.852 N	104° 42' 50.286 W	
2,642.0	41.10	183.09	2,595.7	-194.2	17.8	1,013,708.05	384,347.89	33° 47' 9.649 N	104° 42' 50.299 W	
2,673.0	43.50	183.09	2,618.6	-215.0	16.7	1,013,687.22	384,346.69	33° 47' 9.443 N	104° 42' 50.312 W	
2,704.0	46.20	182.79	2,640.6	-236.9	15.6	1,013,665.40	384,345.49	33° 47' 9.227 N	104° 42' 50.326 W	
2,736.0	48.80	182.19	2,662.2	-260.4	14.5	1,013,641.83	384,344.39	33° 47' 8.993 N	104° 42' 50.338 W	
2,767.0	52.00	182.09	2,681.9	-284.3	13.7	1,013,617.97	384,343.41	33° 47' 8.757 N	104° 42' 50.348 W	
2,798.0	54.90	182.09	2,700.4	-309.2	12.7	1,013,593.09	384,342.41	33° 47' 8.511 N	104° 42' 50.359 W	
2,830.0	57.00	182.09	2,718.3	-335.7	11.8	1,013,566.60	384,341.34	33° 47' 8.249 N	104° 42' 50.370 W	
2,861.0	59.60	182.89	2,734.6	-362.0	10.6	1,013,540.25	384,340.10	33° 47' 7.988 N	104° 42' 50.384 W	
2,892.0	62.40	183.69	2,749.6	-389.1	9.1	1,013,513.19	384,338.44	33° 47' 7.721 N	104° 42' 50.402 W	
2,923.0	65.10	184.79	2,763.3	-416.8	7.0	1,013,485.48	384,336.28	33° 47' 7.446 N	104° 42' 50.427 W	
2,953.0	67.70	185.29	2,775.3	-444.2	4.6	1,013,458.11	384,333.76	33° 47' 7.175 N	104° 42' 50.455 W	
2,984.0	70.40	185.19	2,786.4	-473.0	2.0	1,013,429.29	384,331.01	33° 47' 6.890 N	104° 42' 50.487 W	
3,015.0	72.80	185.39	2,796.2	-502.3	-0.8	1,013,400.01	384,328.20	33° 47' 6.600 N	104° 42' 50.519 W	
3,046.0	75.40	185.09	2,804.7	-532.0	-3.5	1,013,370.33	384,325.36	33° 47' 6.307 N	104° 42' 50.551 W	
3,077.0	78.00	184.69	2,811.8	-562.0	-6.0	1,013,340.29	384,322.68	33° 47' 6.009 N	104° 42' 50.582 W	
3,108.0	80.80	184.29	2,817.5	-592.4	-8.4	1,013,309.92	384,320.19	33° 47' 5.709 N	104° 42' 50.610 W	
Sidetrack Point										
3,182.0	85.10	182.99	2,826.6	-665.7	-13.1	1,013,236.67	384,315.26	33° 47' 4.984 N	104° 42' 50.665 W	
3,221.0	87.50	177.69	2,829.1	-704.6	-13.3	1,013,197.77	384,314.89	33° 47' 4.599 N	104° 42' 50.668 W	
3,266.0	93.10	172.69	2,828.9	-749.4	-9.5	1,013,152.94	384,318.50	33° 47' 4.156 N	104° 42' 50.623 W	
3,296.0	94.20	172.09	2,827.0	-779.1	-5.6	1,013,123.25	384,322.35	33° 47' 3.862 N	104° 42' 50.576 W	
3,327.0	94.10	172.89	2,824.7	-809.7	-1.5	1,013,092.59	384,326.28	33° 47' 3.559 N	104° 42' 50.528 W	
3,358.0	90.80	172.69	2,823.4	-840.5	2.4	1,013,061.85	384,330.05	33° 47' 3.255 N	104° 42' 50.482 W	
3,390.0	88.10	170.19	2,823.7	-872.1	7.1	1,013,030.20	384,334.70	33° 47' 2.942 N	104° 42' 50.426 W	
3,421.0	89.10	169.59	2,824.5	-902.6	12.6	1,012,999.67	384,340.03	33° 47' 2.640 N	104° 42' 50.361 W	
3,453.0	91.10	169.39	2,824.4	-934.1	18.4	1,012,968.19	384,345.75	33° 47' 2.329 N	104° 42' 50.292 W	
3,485.0	88.40	170.49	2,824.6	-965.6	24.0	1,012,936.66	384,351.22	33° 47' 2.017 N	104° 42' 50.226 W	
3,516.0	87.60	170.89	2,825.6	-996.1	29.0	1,012,906.07	384,356.12	33° 47' 1.715 N	104° 42' 50.166 W	
3,547.0	89.50	172.29	2,826.4	-1,026.8	33.5	1,012,875.40	384,360.54	33° 47' 1.411 N	104° 42' 50.113 W	
3,578.0	90.20	172.69	2,826.5	-1,057.5	37.6	1,012,844.65	384,364.48	33° 47' 1.107 N	104° 42' 50.065 W	
3,608.0	90.50	174.39	2,826.3	-1,087.3	41.0	1,012,814.83	384,367.75	33° 47' 0.812 N	104° 42' 50.025 W	
3,640.0	90.70	175.09	2,826.0	-1,119.2	43.9	1,012,782.96	384,370.56	33° 47' 0.497 N	104° 42' 49.990 W	



Crescent Directional Drilling

Survey Report - Geographic

Company:	Conquest Energy Services of N.M.	Local Co-ordinate Reference:	Well Federal # 1H
Project:	Chaves County, New Mexico	TVD Reference:	RKB + 12" @ 4338.0ft (Rig Unknown)
Site:	South Four Mile Draw C	MD Reference:	RKB + 12" @ 4338.0ft (Rig Unknown)
Well:	Federal # 1H	North Reference:	True
Wellbore:	Sidetrack	Survey Calculation Method:	Minimum Curvature
Design:	Sidetrack	Database:	EDM 2003.14 Single User Db

Survey

Measured Depth (ft)	Inclination (°)	Azimuth (°)	Vertical Depth (ft)	+N/-S (ft)	+E/-W (ft)	Map Northing (ft)	Map Easting (ft)	Latitude	Longitude
3,669.0	91.40	174.39	2,825.5	-1,148.1	46.6	1,012,754.07	384,373.12	33° 47' 0.211 N	104° 42' 49.958 W
3,701.0	91.80	175.99	2,824.6	-1,179.9	49.2	1,012,722.19	384,375.68	33° 46' 59.896 N	104° 42' 49.927 W
3,732.0	93.40	175.59	2,823.2	-1,210.8	51.5	1,012,691.30	384,377.84	33° 46' 59.590 N	104° 42' 49.900 W
3,763.0	93.80	175.79	2,821.2	-1,241.7	53.8	1,012,660.44	384,380.05	33° 46' 59.285 N	104° 42' 49.872 W
3,793.0	92.90	175.59	2,819.5	-1,271.5	56.1	1,012,630.57	384,382.20	33° 46' 58.990 N	104° 42' 49.845 W
3,841.0	91.10	174.19	2,817.8	-1,319.3	60.4	1,012,582.78	384,386.29	33° 46' 58.517 N	104° 42' 49.795 W
4,502.0	90.00	174.19	2,811.4	-1,976.9	127.3	1,011,924.97	384,450.78	33° 46' 52.011 N	104° 42' 49.002 W

Interpolated to T.D. (BHL)

Design Annotations

Measured Depth (ft)	Vertical Depth (ft)	Local Coordinates		Comment
		+N/-S (ft)	+E/-W (ft)	
3,108.0	2,817.5	-592.4	-8.4	Sidetrack Point
4,502.0	2,811.4	-1,976.9	127.3	Interpolated to T.D. (BHL)

Checked By: _____ Approved By: _____ Date: _____

Well File Search - Select API Number to View

Please select the API Number you wish to view from the list below by clicking the radio button next to the API Number. Then click the "Continue" button to see the thumbnails for the API you selected. The search results are broken out by groups of 25 on each page. Switching pages can be done by clicking the "Next 25" or "Previous 25" links.

11 Records found

Displaying Screen 1 of 1

- | API Number | ULSTR | Footages |
|--|-------------|---------------------|
| <input checked="" type="radio"/> 3000562309 | C-22-6S-22E | 660 FNL & 1780 FWL |
| Well Name & Number: SOUTH FOUR MILE DRAW FEDERAL No. 001 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000562427 | J-22-6S-22E | 1980 FSL & 1980 FEL |
| Well Name & Number: SOUTH FOUR MILE DRAW FEDERAL No. 008 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000562428 | A-22-6S-22E | 790 FNL & 660 FEL |
| Well Name & Number: SOUTH FOUR MILE DRAW FEDERAL No. 009 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000562445 | M-22-6S-22E | 660 FSL & 990 FWL |
| Well Name & Number: SOUTH FOUR MILE DRAW FEDERAL No. 011 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563152 | O-22-6S-22E | 660 FSL & 2058 FEL |
| Well Name & Number: SOUTH FOUR MILE DRAW B FEDERAL COM No. 008 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563153 | G-22-6S-22E | 1965 FNL & 1740 FEL |
| Well Name & Number: SOUTH FOUR MILE DRAW B FEDERAL COM No. 009 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563154 | K-22-6S-22E | 2058 FSL & 2058 FWL |
| Well Name & Number: SOUTH FOUR MILE DRAW B FEDERAL COM No. 011 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563155 | F-22-6S-22E | 2058 FNL & 1890 FWL |
| Well Name & Number: SOUTH FOUR MILE DRAW B FEDERAL No. 001 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563639 | O-22-6S-22E | 708 FSL & 2129 FEL |
| Well Name & Number: SOUTH FOUR MILE DRAW B FEDERAL COM No. 008Y | | |
| Operator: MCKAY OIL CORP | | |
| <input checked="" type="radio"/> 3000563766 | D-22-6S-22E | 660 FNL & 890 FWL |
| Well Name & Number: SOUTH FOUR MILE DRAW C FEDERAL No. 001H | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563921 | D-22-6S-22E | 660 FNL & 820 FWL |
| Well Name & Number: FOUR MILE DRAW C FEDERAL No. 007H | | |
| Operator: MCKAY OIL CORP | | |

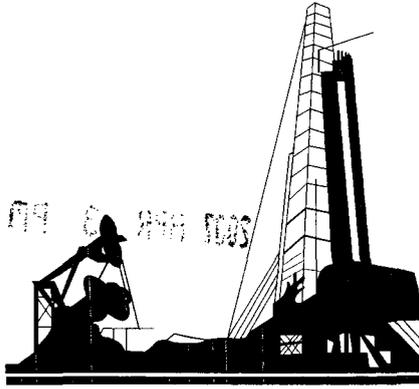
Handwritten grid:

D	C	B	A
E	F	G	H
L	K	J	I
M	N	O	P

11 Records found

Displaying Screen 1 of 1

80 8 079 6 276 5025



TRANSMITTAL COVER SHEET

OIL CONSERVATION DIVISION
1220 S. ST. FRANCIS DRIVE
SANTA FE, NM 87505
(505) 476-3440
(505)476-3462 (Fax)

PLEASE DELIVER THIS FAX:

TO: James L. Schultz 505 - 622-9282

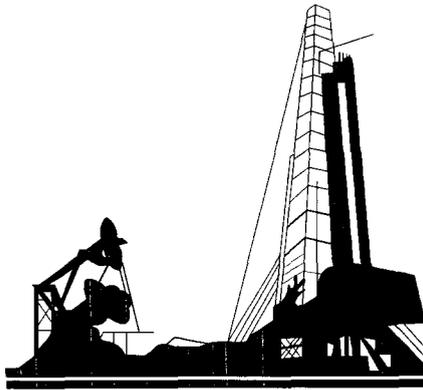
FROM: David Brooks

DATE: 4/24/07

PAGES: 3

SUBJECT: South Four Mile Draw C Fed #1H
Chaves County

IF YOU HAVE TROUBLE RECEIVING THIS FAX, PLEASE CALL THE OFFICE NUMBER ABOVE.



TRANSMITTAL COVER SHEET

OIL CONSERVATION DIVISION
1220 S. ST. FRANCIS DRIVE
SANTA FE, NM 87505
(505) 476-3440
(505)476-3462 (Fax)

PLEASE DELIVER THIS FAX:

TO: Bryan Arvant

FROM: David Brooks

DATE: 4/24/07

PAGES: 3

SUBJECT: Mc Kay Oil Corp - 5 Four Mile Draw
Feed # 1 H - Chaves County

IF YOU HAVE TROUBLE RECEIVING THIS FAX, PLEASE CALL THE OFFICE NUMBER ABOVE.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

April 24, 2007

Southwest Petroleum Land Services, LLC

Attn: James L. Schultz

Fax No. 505-622-9282

**Re: McKay Oil Corp.
South Four Mile Draw C Federal Well No. 1H
API No. 30-005-63766
D-22-6S-22E
Chaves County**

Dear Mr. Schultz:

I have before me your request, on behalf of McKay Oil Corp, for approval of a non-standard location for this well.

I am confused because it appears to me that there are three, possibly four, Abo wells in this NW/4 spacing unit. I attach a copy of the print-out of wells located in this section. The circled wells appear to be in the NW/4. The Four Mile Draw C Federal No. 7H shows a bottom-hole location in Section 15, but it also is said to be a horizontal well, and I have not found anything that indicates what the plans are for completion of this well.

The Special Rules and Regulations for the West Pecos Slope Abo only allow two wells in a 160-acre spacing unit. Thus, it would appear that this well would require not only a non-standard location exception, but also a simultaneous dedication exception. The latter, pursuant to Rule 5 of the pool rules, would require a hearing. Please advise if I am missing something.

Should you have questions, please feel free to call the undersigned at (505)-476-3450.

Very truly yours,

David K. Brooks

cc: Bryan Arrant, OCD Artesia

Well File Search - *Select API Number to View*

Please select the API Number you wish to view from the list below by clicking the radio button next to the API Number. Then click the "Continue" button to see the thumbnails for the API you selected. The search results are broken out by groups of 25 on each page. Switching pages can be done by clicking the "Next 25" or "Previous 25" links.

11 Records found

Displaying Screen 1 of 1

- | API Number | ULSTR | Footages |
|--|-------------|---------------------|
| <input checked="" type="radio"/> 3000562309 | C-22-6S-22E | 660 FNL & 1780 FWL |
| Well Name & Number: SOUTH FOUR MILE DRAW FEDERAL No. 001 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000562427 | J-22-6S-22E | 1980 FSL & 1980 FEL |
| Well Name & Number: SOUTH FOUR MILE DRAW FEDERAL No. 008 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000562428 | A-22-6S-22E | 790 FNL & 660 FEL |
| Well Name & Number: SOUTH FOUR MILE DRAW FEDERAL No. 009 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000562445 | M-22-6S-22E | 660 FSL & 990 FWL |
| Well Name & Number: SOUTH FOUR MILE DRAW FEDERAL No. 011 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563152 | O-22-6S-22E | 660 FSL & 2058 FEL |
| Well Name & Number: SOUTH FOUR MILE DRAW B FEDERAL COM No. 008 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563153 | G-22-6S-22E | 1965 FNL & 1740 FEL |
| Well Name & Number: SOUTH FOUR MILE DRAW B FEDERAL COM No. 009 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563154 | K-22-6S-22E | 2058 FSL & 2058 FWL |
| Well Name & Number: SOUTH FOUR MILE DRAW B FEDERAL COM No. 011 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563155 | F-22-6S-22E | 2058 FNL & 1890 FWL |
| Well Name & Number: SOUTH FOUR MILE DRAW B FEDERAL No. 001 | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563639 | O-22-6S-22E | 708 FSL & 2129 FEL |
| Well Name & Number: SOUTH FOUR MILE DRAW B FEDERAL COM No. 008Y | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563766 | D-22-6S-22E | 660 FNL & 890 FWL |
| Well Name & Number: SOUTH FOUR MILE DRAW C FEDERAL No. 001H | | |
| Operator: MCKAY OIL CORP | | |
| <input type="radio"/> 3000563921 | D-22-6S-22E | 660 FNL & 820 FWL |
| Well Name & Number: FOUR MILE DRAW C FEDERAL No. 007H | | |
| Operator: MCKAY OIL CORP | | |

11 Records found

Displaying Screen 1 of 1