



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

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

October 22, 2007

Southwest Petroleum Land Services
Attn: James L. Schultz
100 N. Pennsylvania
Roswell, NM 88203

Administrative Order NSL- 5703

Re: McKay Oil Corp.
Charlotte B Fee Well No. 2
API No. 30-005-63986
Unit E, Section 17-6S-23E
Chaves County

Dear Mr. Schultz:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-26837880**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of McKay Oil Corp. (McKay), on September 24, 2007, and

(b) the Division's records pertinent to this request.

McKay has requested to drill the above-referenced well at an unorthodox Abo gas well location, 2310 feet from the North line and 1280 feet from the West line (Unit E) of Section 17, Township 6 South, Range 23 East, N.M.P.M., in Chaves County, New Mexico. The NW/4 of Section 17 will be dedicated to this well in order to form a standard 160-acre spacing unit in the West Pecos Slope-Abo Gas Pool (82740). Spacing in this pool is governed by Rule 4 of the Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool, as adopted by Order R-9976-C, issued on March 19, 1996, which provides for 160-acre units, with wells located at least 660 feet from a unit outer boundary. This location is less than 660 feet from the southern unit boundary.

Your application on behalf of McKay has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location for geologic reasons.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because McKay owns the entire working interest in the unit towards which this location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia