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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

24-Jul-08

MCKAY OIL CORP

One McKay Place

P. O. Box 2014

Roswell, NM 88202-

LOV NO. 2-08-131

**LETTER OF VIOLATION
Delinquent Regulatory Filings**

Dear Operator:

Oil Conservation Division ("OCD") records indicate that you failed to file the required reports identified below, or that your filings were incomplete or inaccurate.

NON-COMPLIANT WELL DETAIL SECTION

FOUR MILE DRAW C FEDERAL No.007

Location: 15-6S-22E

30-005-63967-00-00

Original Well Type: Gas (Producing)

Well Status: New (Not Drilled / Complete)

Determination or Violation Date: 7/24/2008

**Delinquent Report or Filing(s): - Other Paperwork or Filing - Other
Monitoring and Reporting Violation**

Comments: Review indicates C-104 not approved for transportation which is a violation of Rule 1104 and 801. -

CORRECTIVE ACTION ON THIS WELL DUE BY: 8/23/2008

Please file or correct the reports identified above by the corrective action due date indicated. If you fail to file or correct the reports by that date, the OCD will take enforcement action that may include but is not limited to applying for an order assessing civil penalties and/or requiring you to plug and abandon the wells associated with those reports.

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,


Artesia OCD District Office