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New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



November 17, 2008

30 005 61616

McKay Oil Corporation
One McKay Place
PO Box 2014
Roswell, NM 88202

Dear Operator;

A review of well records for your company indicates you have five (5) wells on the inactive well list which is in violation of the provisions of OCD Rule 19.15.4.201 which states in part "...A well shall be either properly plugged and abandoned or placed in approved temporary abandonment in accordance with these rules within 90 days after:

- (1) a 60 day period following suspension of drilling operations;
- (2) a determination that a well is no longer usable for beneficial purposes; or
- (3) **a period of one year in which a well has been continuously inactive."**

To prevent further enforcement action one of the following actions must occur;

1. Well must be returned to beneficial use within 30 days.
2. If well has been inactive for less than 7 years, the well may be placed in approved temporary abandon status. This requires submission of a notice of intent to temporary abandon within 15 days with a subsequent report of request for temporary abandonment and proof of mechanical integrity within 30 days of approval.
3. If well has been inactive for more than 7 years, a notice of intent to plug and abandon must be submitted within 15 days with the final abandonment notice submitted within 90 days of approval.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerry Guye", is written over a horizontal line.

Gerry Guye
Compliance Officer
District II – Artesia
(575)748-1283 x 105

Encl: Inactive Well List



Inactive Well List

Total Well Count: 178 Inactive Well Count: 4 Since: 8/25/2007

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District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-005-61616	HUSKY-MCKAY #001	O-18-08S-26E	O	14424	MCKAY OIL CORP	F	G	02/2006			
2	30-005-61586	NEW MEXICO CS STATE #002	J-2 -07S-22E	J	14424	MCKAY OIL CORP	S	G	11/2005			
2	30-005-62625	WEST FORK UNIT #001	C-32-04S-22E	C	14424	MCKAY OIL CORP	S	G	11/2003		T	9/20/2008
2	30-005-62189	WEST MCKAY HARVEY FEDERAL A #001	B-26-08S-23E	B	14424	MCKAY OIL CORP	F	G	02/1997	ABO		

WHERE Ogrid:14424, County:All, District:2, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period