



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



December 6, 2011

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

McKay Oil & Gas, LLC
c/o Ms. Dana L. Delventhal

Administrative Order NSL-6515
Administrative Application Reference No. pTWG11-31141001

McKay Oil & Gas, LLC
OGRID 10715
McKay Well No. 1R
API No. 30-045

Proposed Location:

<u>Footages</u>	<u>Unit</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>County</u>
381 FSL & 2255 FWL	N	19	29N	10W	San Juan

Proposed Unit:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
W/2 of Section 19	320	Basin Fruitland Gas Pool	71629
SW/4 of Section 19	160	Aztec Pictured Cliffs Gas Pool	71280

Reference is made to your application received on November 7, 2011.

You have requested to drill or re-complete this well at an unorthodox gas well location described above, in the referenced pools or formations. As to the Basin Fruitland Coal Gas Pool, this location is governed by the Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool, as amended by Order No. R-8768-F, effective July 17, 2003, which provide generally for 320-acre units with wells to be located at least 660 feet from any unit boundary. As to the Aztec Pictured Cliffs Gas Pool, this location is governed by statewide Rule 15.9.B(3) [19.15.15.9.B(3)]

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NMAC], 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 a unit boundary.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

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

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.5.9 NMAC].

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 "Jami Bailey". The signature is fluid and cursive, with the first name "Jami" and last name "Bailey" clearly distinguishable.

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Aztec