

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF MCKAY OIL & GAS, LLC
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.**

Case No. 13739

2006 JUN 5 PM 2 54

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by applicant as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

McKay Oil & Gas, LLC
P.O. Box 14738
Albuquerque, New Mexico 87191

Attention: Bill Mayhew
(505) 296-5508

APPLICANT'S ATTORNEY

James Bruce
P.O. Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

OPPONENT

OPPONENT'S ATTORNEY

STATEMENT OF THE CASE

APPLICANT

Applicant seeks an order pooling all mineral interests from the surface to the base of the Fruitland Coal formation underlying Lots 3, 4, S/2NW/4, and SW/4 (the W/2) of Section 1, Township 30 North, Range 12 West, NMPM to form a standard 319.40-acre gas spacing and proration unit for all pools or formations developed on 320 acre spacing, including the Basin-Fruitland Coal Gas Pool. The unit is to be dedicated to the Kelly Well No. 1, to be located at an orthodox location in the SE/4NW/4 of Section 1. Also to be considered will be the cost of drilling and completing the well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

WITNESSES

EST. TIME

EXHIBITS

Bill Mayhew

20 min.

Approx. 5

OPPONENT

WITNESSES

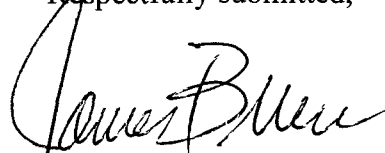
EST. TIME

EXHIBITS

PROCEDURAL MATTERS

-None-

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for McKay Oil & Gas, LLC