



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

October 11, 2000

McKay Oil Corporation

Attention: Bill J. Milstead

P. O. Box 2014

Roswell, New Mexico 88202

Re: *Two administrative applications submitted on September 27, 2000 for unorthodox West Pecos Slope-Abo infill gas well locations for McKay Oil Corporation's: (i) Five Mile Tank "B" Federal Well No. 5 to be drilled in Unit L of Section 17; and (ii) Snakeweed "B" Federal Well No. 4 to be drilled in Unit P of Section 18, both in Township 6 South, Range 23 East, NMPM, Chaves County, New Mexico.*

Dear Mr. Milstead:

Both wells in which the subject applications were filed are located within the West Pecos Slope-Abo Gas Pool and are therefore subject to the "*Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool*", as promulgated by Division Order No. R-9976-C, dated March 19, 1996 (see copy attached). These rules do not include an administrative procedure for authorizing unorthodox gas well locations (see Rule 5). Since these applications will require a hearing for processing I am returning them both to you at this time.

Also, please refer to Division Order No. R-11193 issued in Case No. 12183, involving McKay in a similar situation last year.

Sincerely,

Michael E. Stogner

Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Roswell
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Kathy Valdes, NMOCD - Santa Fe

McKay Oil Corporation
ROY L. MCKAY, PRESIDENT

MAILING ADDRESS: P.O. BOX 2014 ROSWELL, N.M. 88202 • TELEPHONE 505 / 623 - 4735

STREET ADDRESS: ONE MCKAY PLACE ROSWELL, N.M. 88201 • FAX NO. 505 / 624 - 2202

OIL
&
GAS

September 26, 2000

SEP 27 2000

CONSERVATION DIVISION

Case 12547

Mr. William J. LeMay, Director
State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

REFERENCE: Snakeweed "B" Federal #4.

Dear Mr. LeMay:

McKay Oil Corporation hereby requests the Oil Conservation Division administratively approve the location for the referenced well. The well was drilled in an unorthodox location due to topographic constraints. We have attached a copy of the topographic map showing the area around the drillsite for your review, along with a copy of the approved APD.

The topographic map shows the location is in the proximity of natural gas pipeline right of way. Moving the pipeline would require extensive excavation of the pipeline. McKay Oil placed the location in an area that was the least obtrusive for those concerned with surface use.

We have also attached a copy of the Land Base Map, which reflects the ownership in the adjacent tracts. McKay Oil owns and is the Operator of the adjacent leases so there is no necessity to mail any affected party letters.

We hereby request you grant administrative approval of the location pursuant to Rule 104.F(2) of the Rules and Regulations of the Oil Conservation Division.

Thank you for your immediate attention in this matter.

Sincerely,

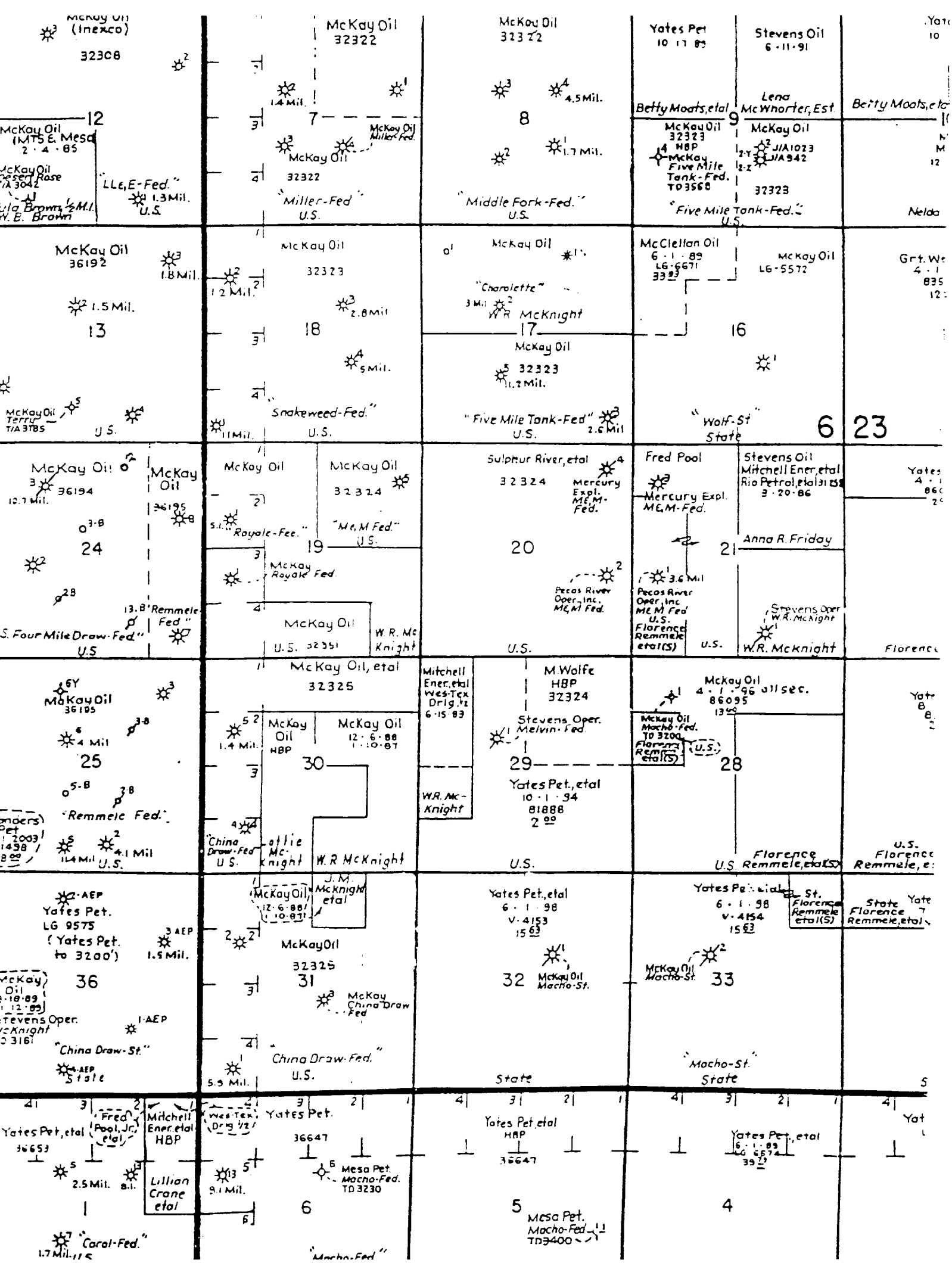
MCKAY OIL CORPORATION

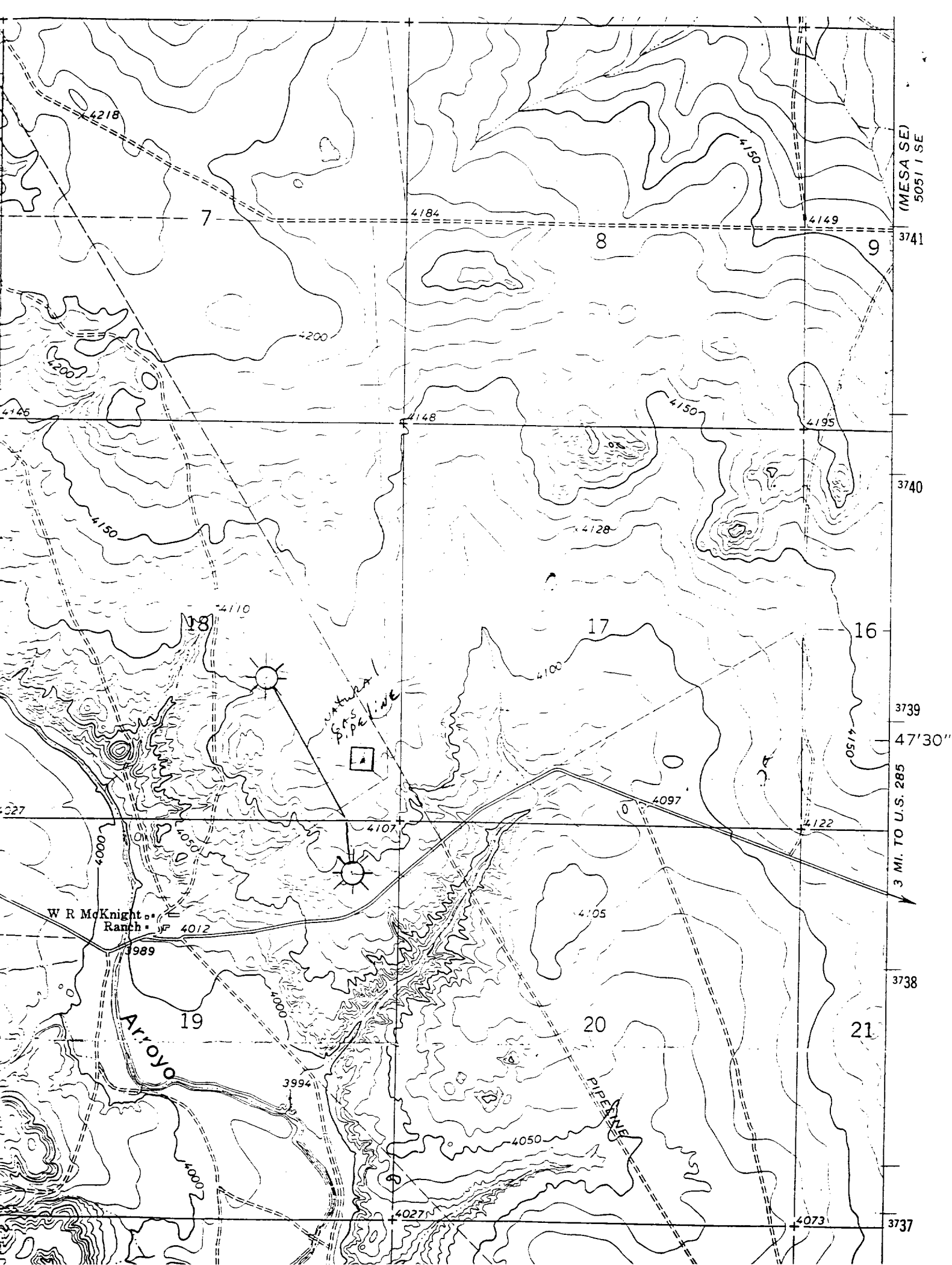
Bill J. Milstead

Bill J. Milstead

Vice President - Land and Legal

enclosures





McKay Oil Corporation
ROY L. MCKAY, PRESIDENT

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OIL
&
GAS

September 26, 2000

Mr. William J. LeMay, Director
State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

SEP 27 2000

REFERENCE: Five Mile Tank "B" Federal #5.

Dear Mr. LeMay:

McKay Oil Corporation hereby requests the Oil Conservation Division administratively approve the location for the referenced well. The well was drilled in an unorthodox location due to topographic constraints. We have attached a copy of the topographic map showing the area around the drillsite for your review, along with a copy of the approved APD.

The topographic map shows the location is on the western edge of a major draw and will cause the least amount of erosion from the potential production location. McKay Oil placed the location in an area that was the least obtrusive for those concerned with surface use.

We have also attached a copy of the Land Base Map, which reflects the ownership in the adjacent tracts. McKay Oil owns and is the Operator of the adjacent leases so there is no necessity to mail any affected party letters.

We hereby request you grant administrative approval of the location pursuant to Rule 104.F(2) of the Rules and Regulations of the Oil Conservation Division.

Thank you for your immediate attention in this matter.

Sincerely,

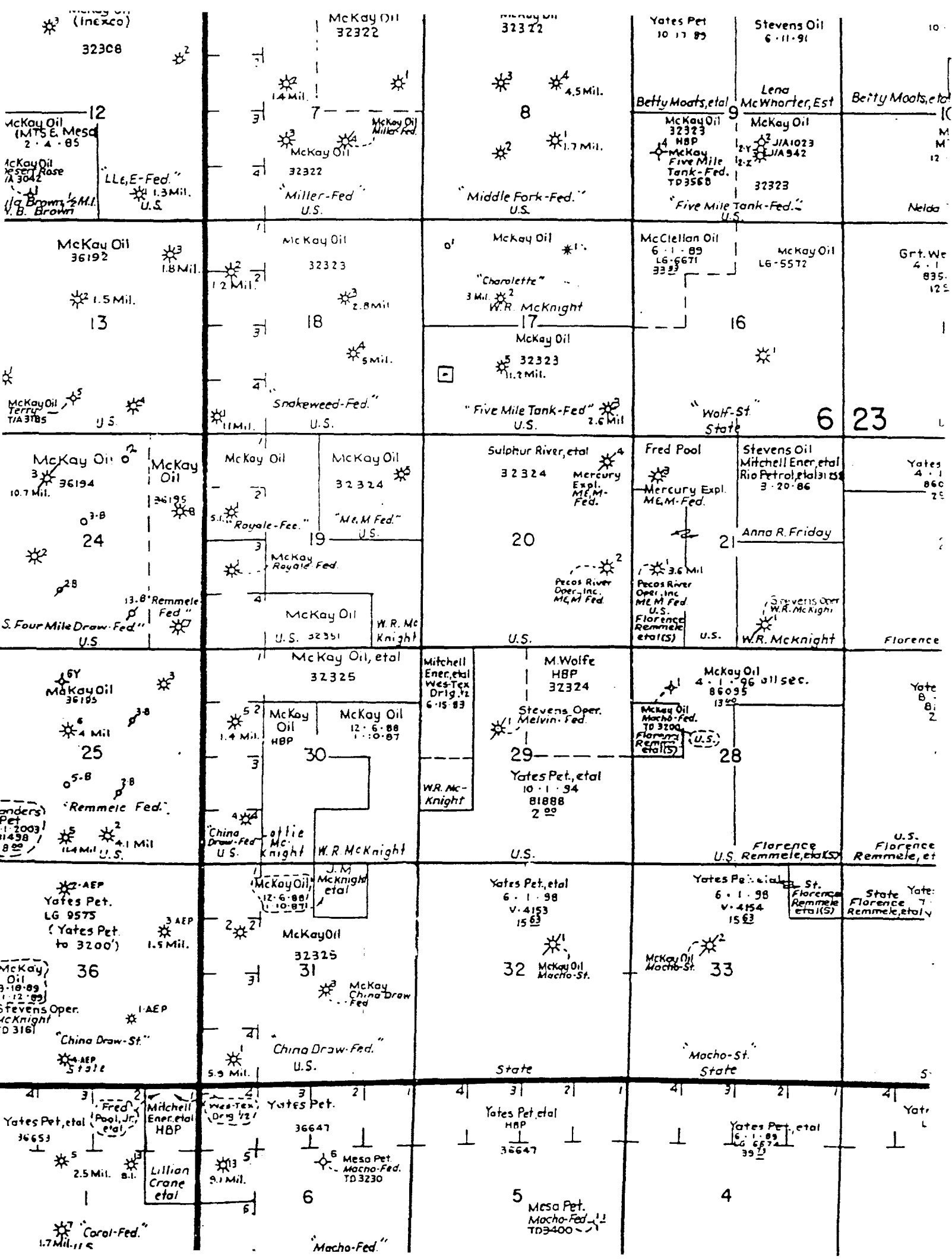
MCKAY OIL CORPORATION

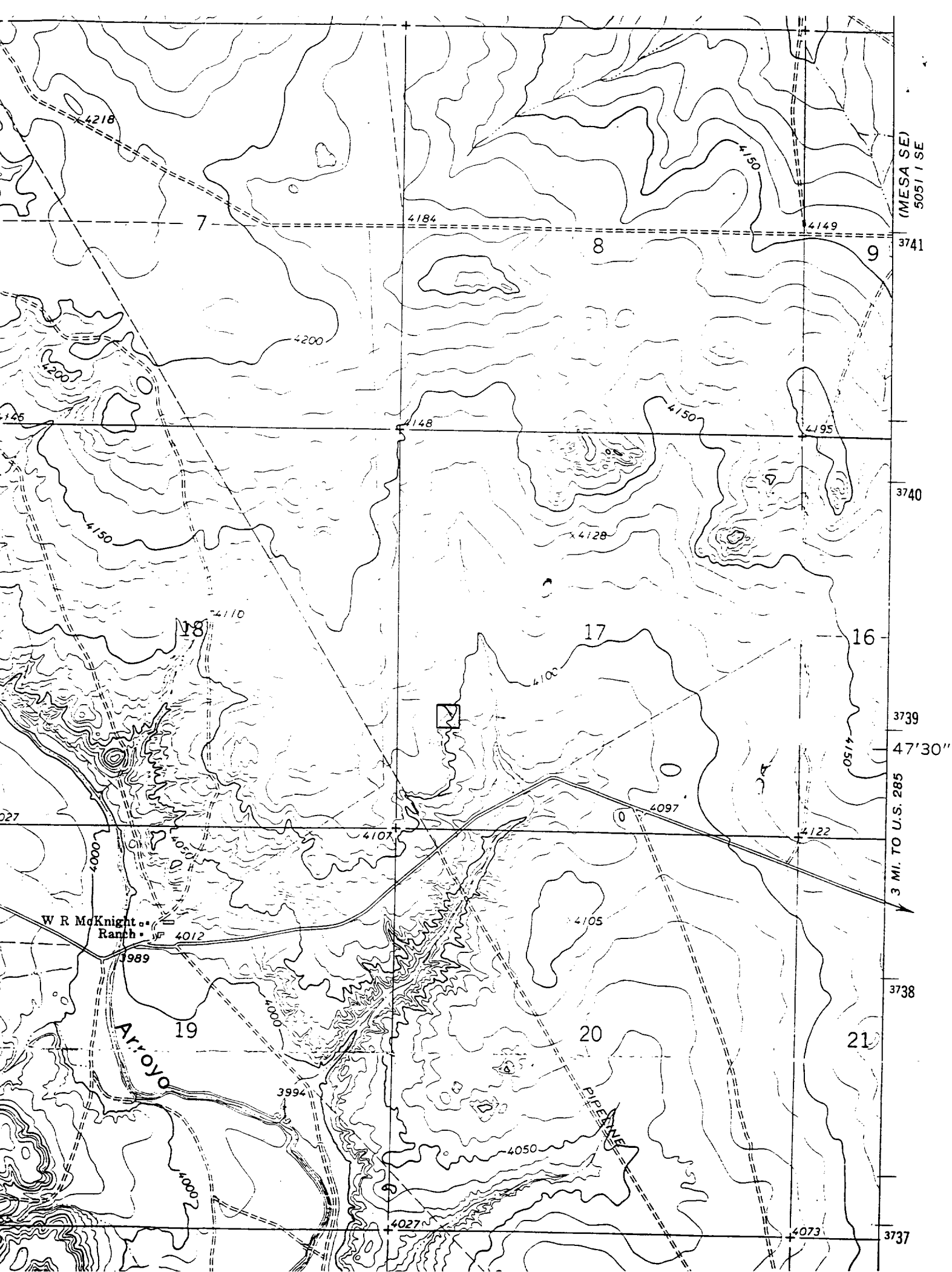
Bill J. Milstead

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Vice President - Land and Legal

enclosures





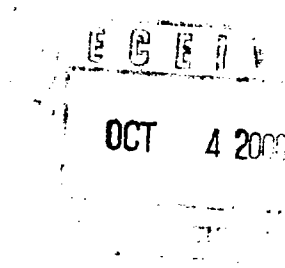
PECOS RIVER OPERATING COMPANY

550 West Texas Avenue, Suite 720

Midland, Texas 79701

Phone (915) 620-8480

Fax (915) 682-2197



September 29, 2000

Mr. William J. LeMay, Director
State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

Re: McKay Oil Corporation
Five Mile Tank "B" Federal #5
Snakeweed "B" Federal #4
Chaves County, New Mexico

Dear Mr. LeMay:

Pecos River Operating Company owns and operates the M&M Federal Lease located in Section 20, T6S, R23E, NMPM, Chaves County, New Mexico. McKay Oil recently proposed the two captioned wells above. This letter is to inform you that Pecos River Operating has no objection to the well locations as they are proposed.

Sincerely,

PECOS RIVER OPERATING COMPANY

Steven D. Gray
President

cc: Mr. Bill Millstead
McKay Oil Corporation
P.O. Box 2014
Roswell, NM 88202