

August 17, 2005

McKay Oil Corporation
c/o Southwest Petroleum Land Services, LLC
100 N. Pennsylvania
Roswell, New Mexico 88203

Attention: Jim Schultz
jschultz80@hotmail.com

Administrative Order NSL-5256

Dear Mr. Schultz:

Reference is made to the following: (i) your application under an original signature on behalf of the operator, McKay Oil Company ("McKay"), dated July 19, 2005 but was not filed with the New Mexico Oil Conservation Division's ("Division") office in Santa Fe, New Mexico until August 15, 2005 (*administrative application reference No. pSEM0-522841932*); (ii) Ms. April McKay's e-mail to Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, New Mexico, on July 21, 2005 inquiring as to the status of this application, which had not been filed; (iii) your telephone conversation with Mr. Stogner on Tuesday afternoon, August 16, 2005; and (iv) the Division's records in Artesia and Santa Fe: all concerning McKay's request for an exception to the well location requirements (Rule 4) provided within 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, as amended by Division Order No. R-9976-D, issued in Case No. 13057 on February 4, 2004, for a non-standard infill gas well location within an existing standard 160-acre gas spacing unit for the West Pecos Slope-Abo Gas Pool (**82740**) comprising the NW/4 of Section 15, Township 6 South, Range 22 East, NMPM, Chaves County, New Mexico.

This application has been duly filed under the provisions of: (i) Rule 5 of the "*Special Rules and Regulations for the West Pecos Slope-Abo Gas Pool*;" and (ii) Division Rules 104.F and 1207.A (2).

This unit is currently dedicated to McKay's Four Mile Draw Federal Well No. 8 (**API No. 30-005-62349**), located at a standard gas well location 1780 feet from the North and West lines (Unit F) of Section 15.

By the authority granted me under the applicable provisions of the special pool rules governing the West Pecos Slope-Abo Gas Pool and Division Rule 104.F (2), the following described unorthodox infill gas well location within the above-described 160-acre gas spacing unit is hereby approved:

Four Mile Draw "B" Federal Well No. 8
510' FNL & 660' FWL (Unit D)
(API No. 30-005-63756).

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Further, gas production from both McKay's above-described existing Four Mile Draw Federal Well No. 8 and proposed Four Mile Draw "B" Federal Well No. 8 are to be simultaneously dedicated to the subject 160-acre gas spacing unit.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Roswell
Ms. April McKay, Vice President – McKay Oil Corporation, Roswell