



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

August 25, 2003

Lori Wrotenbery
Director

Oil Conservation Division

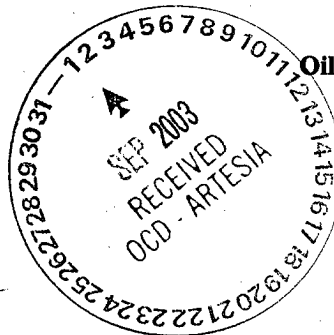
McKay Oil Corporation

Attention: April McKay

P. O. Box 2014

Roswell, New Mexico 88202

30-005-63615



Re: Administrative application submitted on August 18, 2003 (*administrative application reference No. pMES0-323332996*) for an unorthodox West Pecos Slope-Abo gas well location for McKay Oil Corporation's proposed Cactus "B" Federal Well No. 6 to be drilled 330' FSL & 2430' FWL (Unit N) of Section 35, Township 6 South, Range 22 East, NMPM, Chaves County, New Mexico.

Dear Ms. McKay:

The well in which the subject application was filed is located within the West Pecos Slope-Abo Gas Pool and is 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). This application will therefore be set for hearing and will be placed on the next available docket scheduled for September 18, 2003.

Please provide adequate notice pursuant to Rule 1207.A (2) of the Division's Rules and Regulations, also attached.

For reference please refer to the following Cases and Division Orders involving McKay Oil Corporation for unorthodox Abo gas wells in Chaves County: (i) Case No. 12183, Order No. R-11193; (ii) Case No. 12694, Order No. R-11628; (iii) Case No. 12695, Order No. R-11634; (iv) Case No. 12696, Order No. R-11635; (v) Case No. 12547, Order No. R-11514; and (vi) Case No. 12546, Order No. R-11513.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Roswell

(e) At the request of any interested person or upon the Division's own initiative, any pooling application submitted shall be set for full hearing with oral testimony by the applicant. [Rn, 19 NMAC 15.N.1207.A.(4), 7-15-99; A, 7-15-99]

(2) Unorthodox Well Locations: [1-1-87...2-1-96; Rn, 19 NMAC 15.N.1207.A.(5), 7-15-99; A, 7-15-99]

(a) Definition: "Affected persons" are the following persons owning interests in the adjoining spacing units:

1. the Division-designated operator;
2. in the absence of an operator, any lessee whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application is filed; and
3. in the absence of an operator or lessee, any mineral interest owner whose interest is evidenced by a written document of conveyance either of record or known to the applicant as of the date the application was filed.

In the event the operator of the proposed unorthodox well is also the operator of an existing adjoining spacing unit and ownership is not common between the adjoining spacing unit and the spacing unit containing the proposed unorthodox well, then "affected persons" include all working interest owners in that spacing unit. [1-1-87...2-1-96; N, 7-15-99]

(b) If the proposed location is unorthodox by being located closer to the outer boundary of the spacing unit than permitted by rule, notice shall be given to the affected persons in the adjoining spacing units towards which the unorthodox location encroaches. [Rn, 19 NMAC 15.N.1207.A.(5).(a), 7-15-99, A, 7-15-99]

(c) If the proposed location is unorthodox by being located in a different quarter-quarter section or quarter section than provided in special pool orders, notice shall be given to all affected persons. [Rn, 19 NMAC 15.N.1207.A.(5).(a), A, 7-15-99]