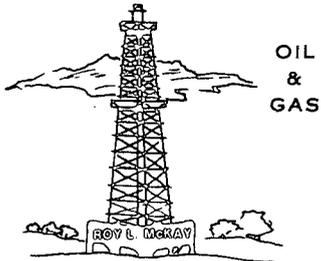


Release Immediately
Waiver in.

By DLG

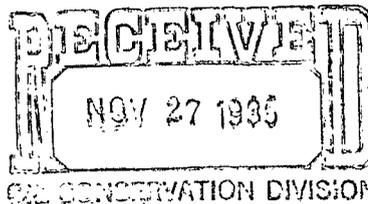
McKay Oil Corporation

ROY L. MCKAY, PRESIDENT HOME OFFICE, P.O. BOX 2014 ROSWELL, N.M. 88202 • TELEPHONE 505/623-4735
(DFW) OFFICE FIRST CITY TOWER, SUITE 590
201 E. ABRAM, ARLINGTON, TX 76010 817-265-5515



November 25, 1985 NSL-2198
RULE-104 FEL

Oil Conservation Division
New Mexico State Land Office
P.O. Box 2088
Santa Fe, New Mexico 87501



Attention: Dave Catanach

2310 FSL &
2310 FEL
Section 31, T-6S, R-23E.
Chaves Co. N.M.

China Draw Federal No. 3
RE: Well Location
SE/4 Sec. 31-6S-23E
Chaves County, New Mexico
Worst Pecos Slope Also Gas Pool
160 Acres dedicated SE/4 Section 31.

Gentlemen:

McKay Oil Corporation desires to drill a Federal lease in the SE/4 of Section 31, Township 6 South, Range 23 East, NMPM. (See Attachment "A") Due to topography and geological problems, McKay Oil is requesting an unorthodox location.

The well was originally staked at 1980' feet from the South line and 1980' feet from the East line. This location proved to be very unfavorable due to the terrain. The location would have been situated on the side of a very steep hill and the access road would have had to cross an arroya, which would have been economically unfeasible to construct. (See Attachment "B")

This original location was picked due to geological data on wells to the South, East and West. The Mesa Petroleum's Macho Federal #6 well in NE/4 of Section 6, Township 7 South, Range 23 East, NMPM was a dry hole, but the Macho Federal #13 in the NW/4 of Section 6 was commercially productive. We have just completed the drilling of the China Draw Federal #1 well in the SW/4 of Section 31, Township 6 South, Range 23 East, NMPM and although we have not completed or tested this well, the logs looked very promising. The Transwestern Gas Supply's Macho State #1 well in the NE/4 of Section 32, Township 6 South, Range 23 East, NMPM, was very marginal and only produced for 3 month before the pressure dropped to a point where it was shut-in. Therefore, it is our opinion that the NW/4SE/4 in Section 31 would be the only possible productive location in which to drill. (See Attachment "C")

page 2 of 2

O.C.D.

November 25, 1985

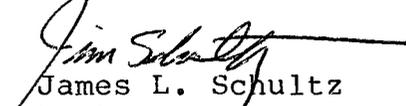
All minerals surrounding this proration unit, with the exception of to the South, is leased to McKay Oil Corporation. (See Attachment "A") The minerals to the South is leased to Mesa Petroleum Co. However, Mesa Petroleum Co. will not object to this request and will be sending us written confirmation of this within the next few days. A copy of this letter will be forwarded to you upon our receipt.

Therefore, McKay Oil requests that the O.C.D. approve the unorthodox location located at 2310' feet from the South line and 2310' feet from the East line Section 31, Township 6 South, Range 23 East, NMPM, which has been approved by the BLM and the Eastern New Mexico Archological Service.

McKay Oil Corporation would request and appreciate your immediate attention to this matter. We desire to spud this well on or about the 1st day of December, 1985. Thank you for your cooperation and assistance.

Very truly yours,

McKAY OIL CORPORATION


James L. Schultz
Contracts & Land

Attachements

MCKAY OIL CORPORATION
 China Draw Federal #3
 NW/4SE/4 Sec. 31-6S-23E
 Chaves County, New Mexico

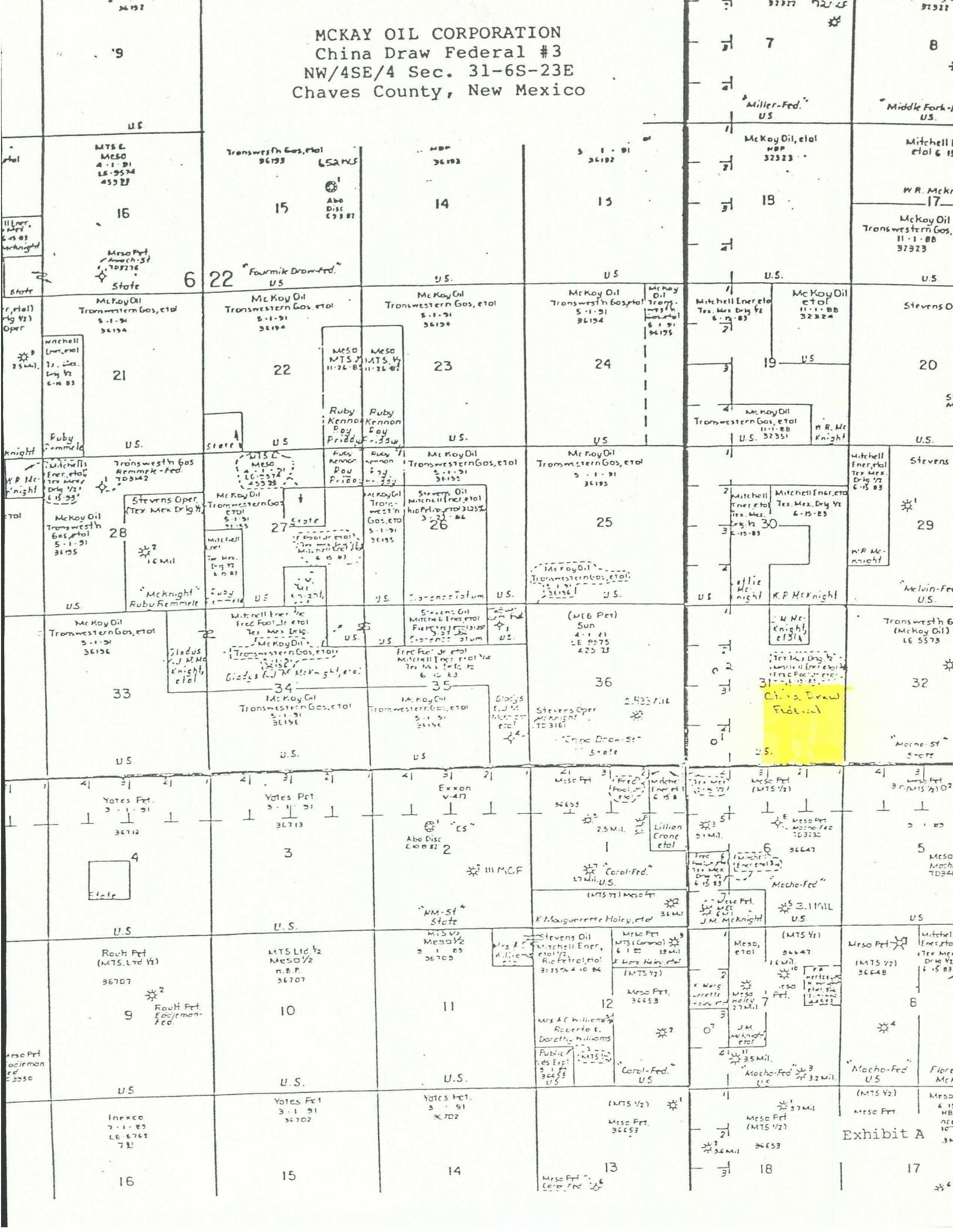
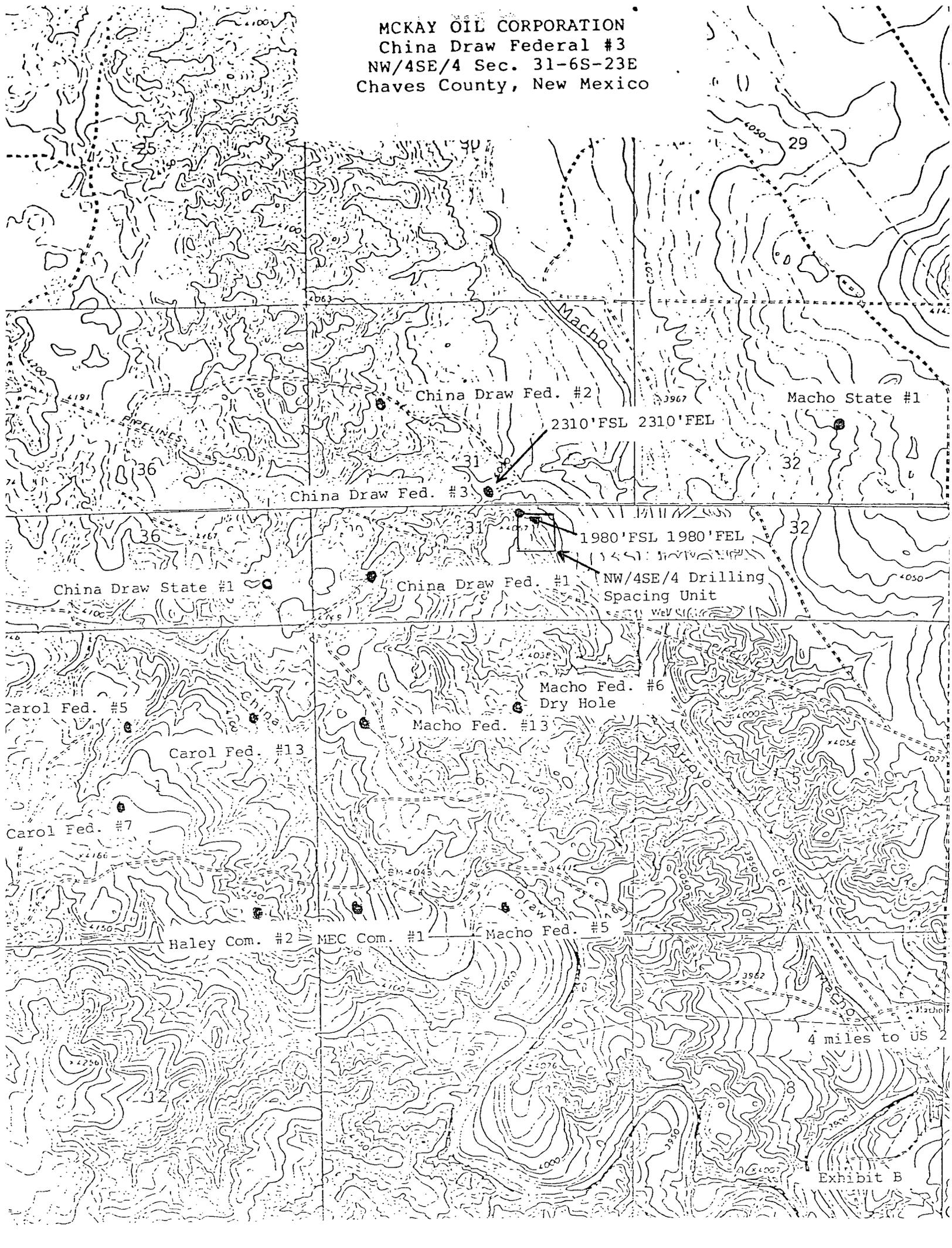


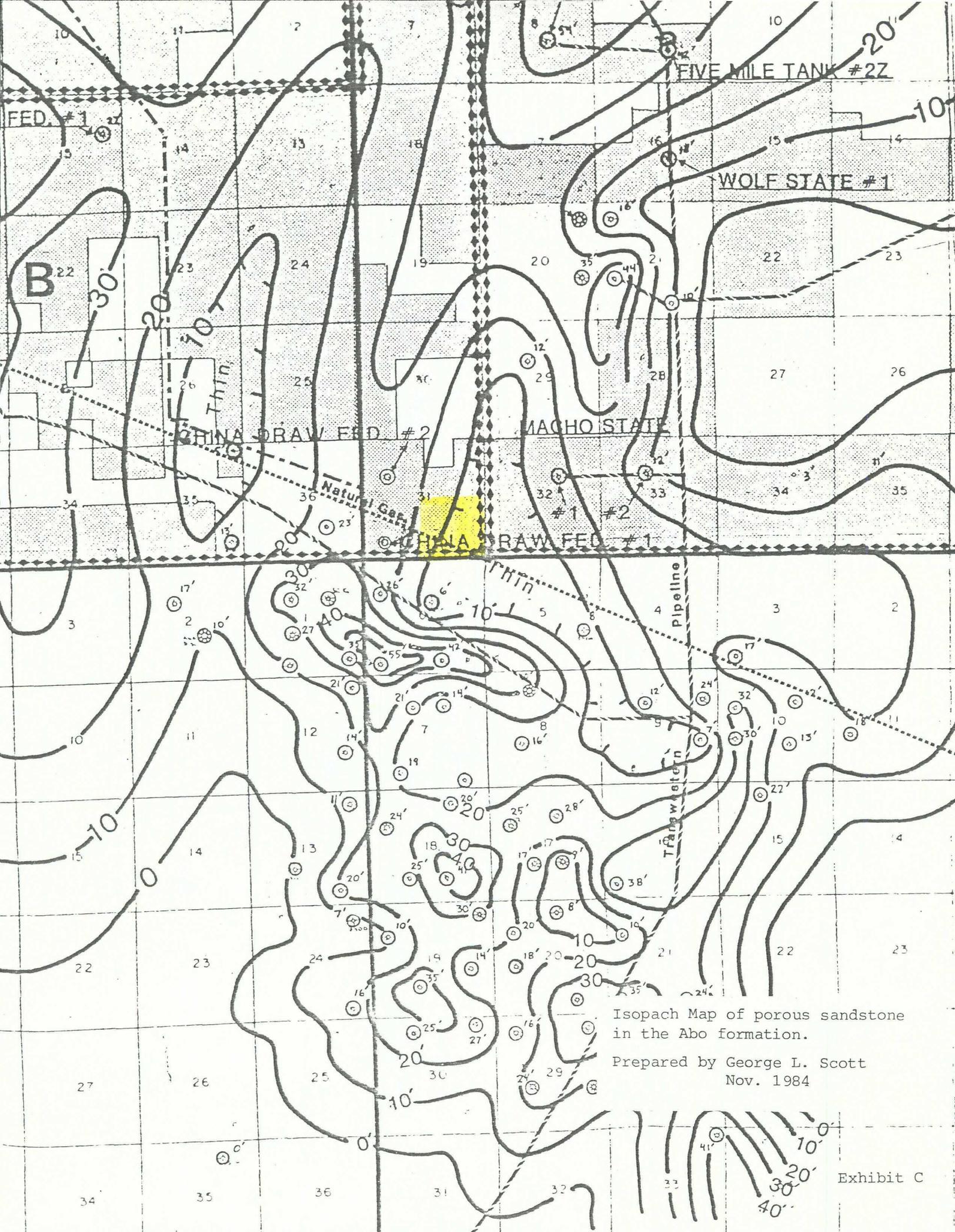
Exhibit A

MCKAY OIL CORPORATION
China Draw Federal #3
NW/4SE/4 Sec. 31-6S-23E
Chaves County, New Mexico



4 miles to US 2

Exhibit B



Isopach Map of porous sandstone in the Abo formation.

Prepared by George L. Scott
Nov. 1984

OIL CONSERVATION DIVISION

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

Form C-102
Revised 10-1-

All distances must be from the outer boundaries of the Section.

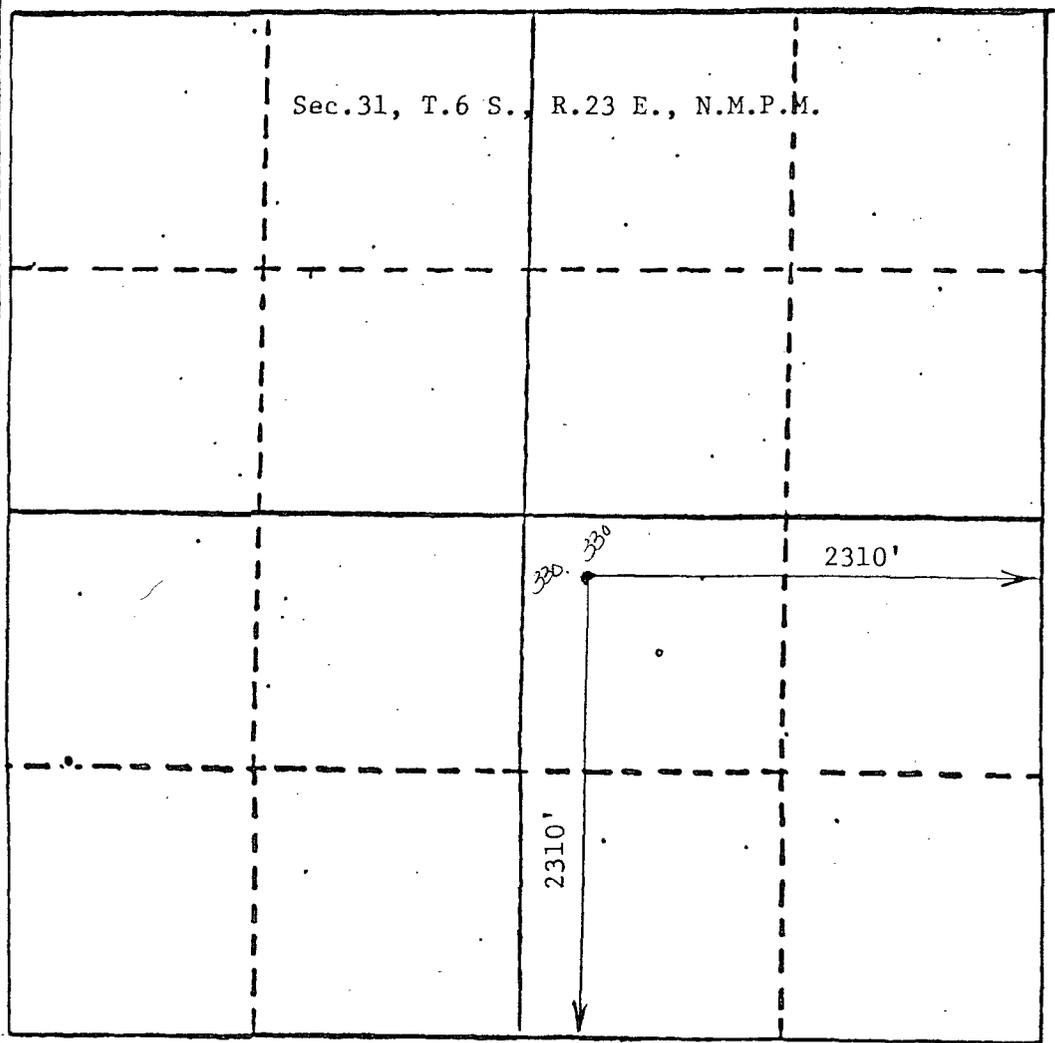
Operator McKay Oil Corp.		Lease China Draw Federal		Well No. #3
Unit Letter J	Section 31	Township 6 South	Range 23 East	County Chaves
Actual Wellbore Location of Well 2310 feet from the South line and 2310 feet from the East line				
Ground Level Elev. 3997'	Producing Formation ABO	Pool undesignated		Dedicated Acreage .160' Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes" type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

James L. Schultz
Name
James L. Schultz

Position
Landman

Company
McKay Oil Corporation

Date
11-22-85

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
November 11, 1985

Registered Professional Engineer and/or Land Surveyor
6290

John D. Laques
John D. Laques, P. E. & L.S.

Certificate No.
6280

PROFESSIONAL ENGINEER

McKay Oil Corporation

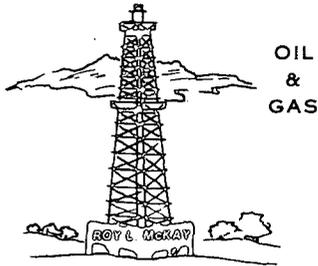
ROY L. MCKAY, PRESIDENT

HOME OFFICE, P.O. BOX 2014 ROSWELL, N.M. 88202 • TELEPHONE 505/623-4735

(DFW) OFFICE FIRST CITY TOWER, SUITE 590

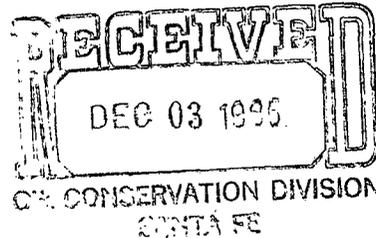
201 E. ABRAM, ARLINGTON, TX 76010 817-265-5515

November 27, 1985



Oil Conservation Division
New Mexico State Land Office
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Dave Catanach



Re: Well Location
SE/4 Section 31-6S-23E
Chaves County, New Mexico

Gentlemen:

Enclosed please find a copy of a letter dated November 26, 1985 from Mesa Petroleum wherein they advised they had no objection to our drilling an Abo test well at an unorthodox location of 2310' FSL and 2310' FEL of said Section 31.

Yours very truly,

McKAY OIL CORPORATION

Sharon R. Hamilton
Land Coordinator

Enclosure



RECEIVED NOV 27 1985

November 26, 1985

McKay Oil Corporation
Box 2014
Roswell NM 88201

Attention Mr. Roy McKay

Gentlemen:

Subject: Unorthodox Location
2310' FSL and 2310' FEL
Section 31, T-16-S, R-23-E
Chaves County, New Mexico
Mesa OP 05-NM-0138

Please be advised that Mesa Petroleum Co. has reviewed your proposed unorthodox location 2310' FSL and 2310' FEL of Section 31, T-16-S, R-23-E, Chaves County, New Mexico and has no objection to your drilling an Abo test at the said location.

Very truly yours,

A handwritten signature in cursive script that reads 'G. Shell Boudreaux' with a small 'KO' above the 'u'.

G. Shell Boudreaux *ROP*

EKD/kdm