

March 9, 2006

Burlington Resources Oil and Gas, Co.
Attn: Ben Malone
3401 E. 30th St.
Farmington, NM 87402

Re: W ½ Sections 1 & E ½ Sections 2
Twp. 30N, Range 12W
San Juan County, NM
Kelly #1 and Red River # 1
Fruitland Coal ONLY

Ladies and Gentlemen:

Enclosed is a proposal to drill 2 Fruitland coal wells, one the SE ¼ of Section 2 and one in the NW ¼ of Section 1, T30N, and R12W. I have enclosed an A.F.E. and an Operating Agreement for your review. If they meet with your approval, please sign the AFE's one for the Red River # 1 and one for the Kelly #1. Return one signed copy of each to this office.

Also, please sign the signature pages of the Operating Agreement and return one to this office. Please call Bill Mayhew, if you have any questions.

Sincerely,

McKay Oil and Gas, LLC

By: William J. Mayhew
General Manager

WJM:mm
Enclosures

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER 3

March 9, 2006

William Robert Speer
Anne Richardson Speer
P.O. Box 2551
Farmington, New Mexico 87401

Re: W ½ Sections 1 & E ½ Sections 2
Twp. 30N, Range 12W
San Juan County, NM
Kelly #1 and Red River # 1
Fruitland Coal ONLY

Ladies and Gentlemen:

Enclosed is a proposal to drill 2 Fruitland coal wells, one the SE ¼ of Section 2 and one in the NW ¼ of Section 1, T30N, and R12W. I have enclosed an A.F.E. and an Operating Agreement for your review. If they meet with your approval, please sign the AFE's one for the Red River # 1 and one for the Kelly #1. Return one signed copy of each to this office.

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Sincerely,

McKay Oil and Gas, LLC

By: William J. Mayhew
General Manager

WJM:mm
Enclosures

March 9, 2006

**Bolack Minerals Co.
3901 Bloomfield Highway
Farmington, New Mexico 87401**

**Re: W ½ Sections 1 & E ½ Sections 2
Twp. 30N, Range 12W
San Juan County, NM
Kelly #1 and Red River # 1
Fruitland Coal ONLY**

Ladies and Gentlemen:

Enclosed is a proposal to drill 2 Fruitland coal wells, one the SE ¼ of Section 2 and one in the NW ¼ of Section 1, T30N, and R12W. I have enclosed an A.F.E. and an Operating Agreement for your review. If they meet with your approval, please sign the AFE's one for the Red River # 1 and one for the Kelly #1. Return one signed copy of each to this office.

Also, please sign the signature pages of the Operating Agreement and return one to this office. Please call Bill Mayhew, if you have any questions.

Sincerely,

McKay Oil and Gas, LLC

**By: William J. Mayhew
General Manager**

**WJM:mm
Enclosures**

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:
Edward M. Hartman
2500 Tramway Terrace
Ct. N. E.
Alb. N. M 87122

1. Article Addressed to:
Bobak Muradas Co
3901 Bloomfield Highway
Farmington, NM 87402

2. Article Number (Transfer from service label) 7002 3150 0005 6654 8796
PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* Agent Addressee

B. Received by (Printed Name) *[Signature]* C. Date of Delivery 3-10-06

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:
Bobak Muradas Co
3901 Bloomfield Highway
Farmington, NM 87402

1. Article Addressed to:
Bobak Muradas Co
3901 Bloomfield Highway
Farmington, NM 87402

2. Article Number (Transfer from service label) 7002 3150 0005 6654 8772
PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* Agent Addressee

B. Received by (Printed Name) *[Signature]* C. Date of Delivery 3-13-07

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:
William R. Speer - Annie R. Speer
900 Crestview Dr.
Farmington, NM 87401

1. Article Addressed to:
Burlington Resources Co
3401 E 30th St
Farmington, NM 87402

2. Article Number (Transfer from service label) 7002 3150 0005 6654 9038
PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* Agent Addressee

B. Received by (Printed Name) *[Signature]* C. Date of Delivery 3-31-06

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, 3. Also complete item 4 if Restricted Delivery is desired. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits.

Article Addressed to:
Burlington Resources Co
3401 E 30th St
Farmington, NM 87402

1. Article Addressed to:
Burlington Resources Co
3401 E 30th St
Farmington, NM 87402

2. Article Number (Transfer from service label) 7002 3150 0005 6654 8765
PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature *[Signature]* Agent Addressee

B. Received by (Printed Name) *[Signature]* C. Date of Delivery 3-13-07

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

3. Service Type Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes No