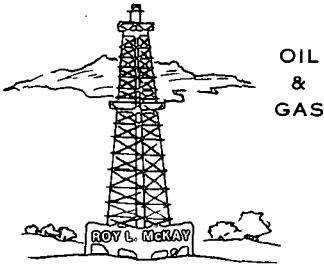


McKay Oil Corporation

ROY L. MCKAY, PRESIDENT

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



January 19, 1987

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

Attention: Dave Catanach

NSL-2318
RULE-104F(I)
West Pecos Slope Abo Gas Pool
160 Acre dead
NE1/4, Section 12

Re: LL&E Federal #2
NE/4, Sec. 12, T6S, R22E
Chaves County, N.M.

Gentlemen:

McKay Oil Corporation desires to drill a location in the NE/4, Section 12, Township 6 South, Range 22 East, NMPM. (See Attachment 'A') Due to topography and geological problems, McKay Oil is requesting an unorthodox status.

The well was originally staked at 1650 feet from the North line and 660 feet from the East line. Due to the terrain, the BLM would not approve this location or any other normal location within this particular drilling spacing unit. (See Attachment 'B')

The SE/4 of this quarter section was chosen because of geological data on surrounding wells. Further, any location in this quarter section that would be feasible to drill would have to be a non-standard location. Therefore, it is our opinion that this location would be the best economical and productive location to drill. (See Attachment 'C')

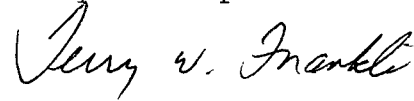
All minerals surrounding this proration unit, with the exception of to the Southwest, are leased or 'farmed out' to McKay Oil Corporation. (See Attachment 'A') The minerals to the Southwest are leased to Mesa Petroleum. A notification letter to Mesa Petroleum is being mailed on this date in regards to the unorthodox location. Written confirmation of approval from Mesa to McKay Oil was requested as soon as possible. A copy of the letter will be forwarded to you upon our receipt.

page 2 of 2
O.C.D.
January 19, 1987

Therefore, McKay Oil requests that the O.C.D. approve the unorthodox location at 1400 feet from the North line and 660 feet from the East line, Section 12, Township 6 South, Range 22 East, NMPM, which has been approved by the BLM and E.N.M. Archaeological Service.

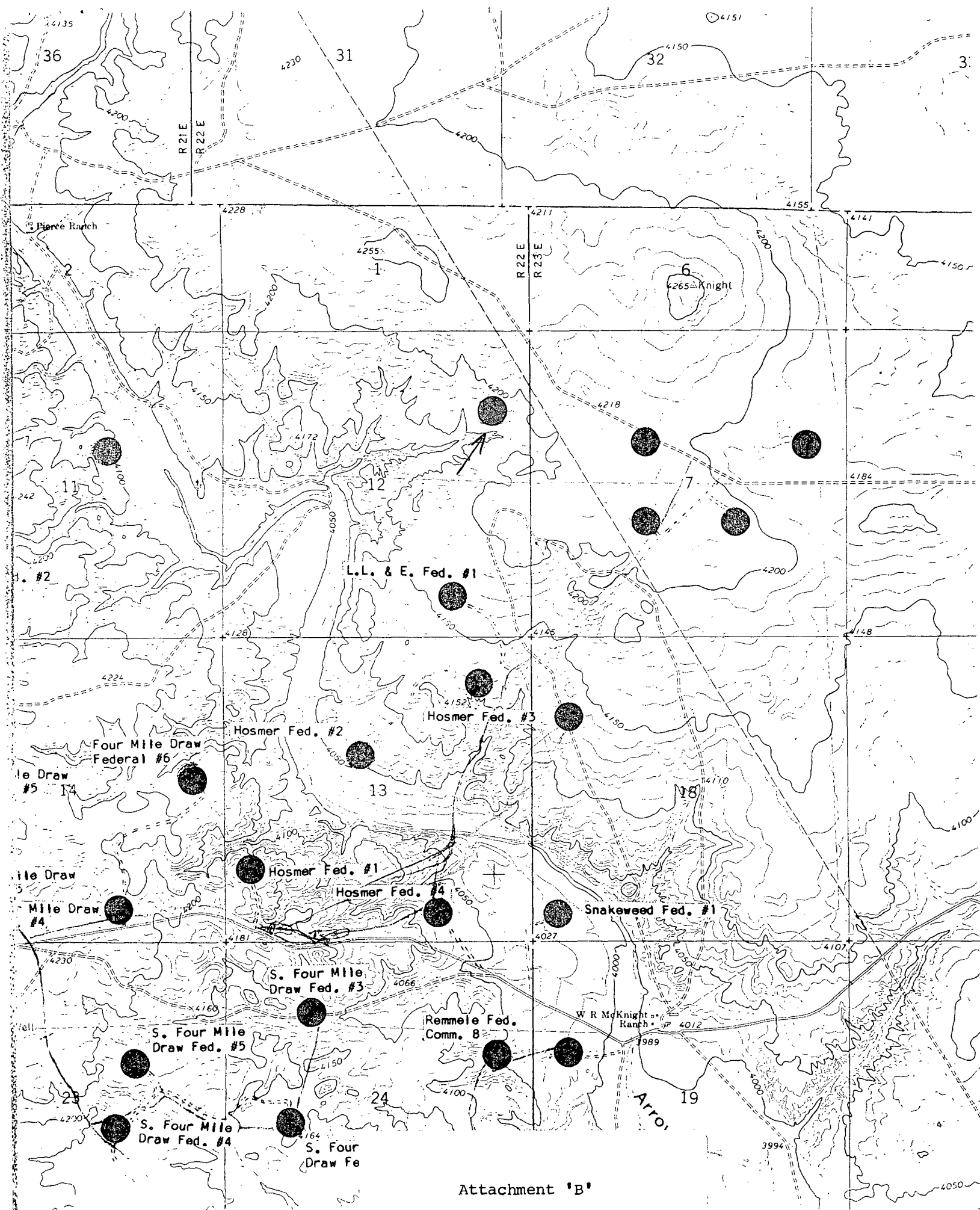
McKay Oil Corporation would request and appreciate your immediate attention to this matter. Thank you for your cooperation and assistance.

Sincerely,
McKay Oil Corporation

A handwritten signature in cursive script, reading "Terry W. Franklin".

Terry W. Franklin
Agent

[illegible]



36

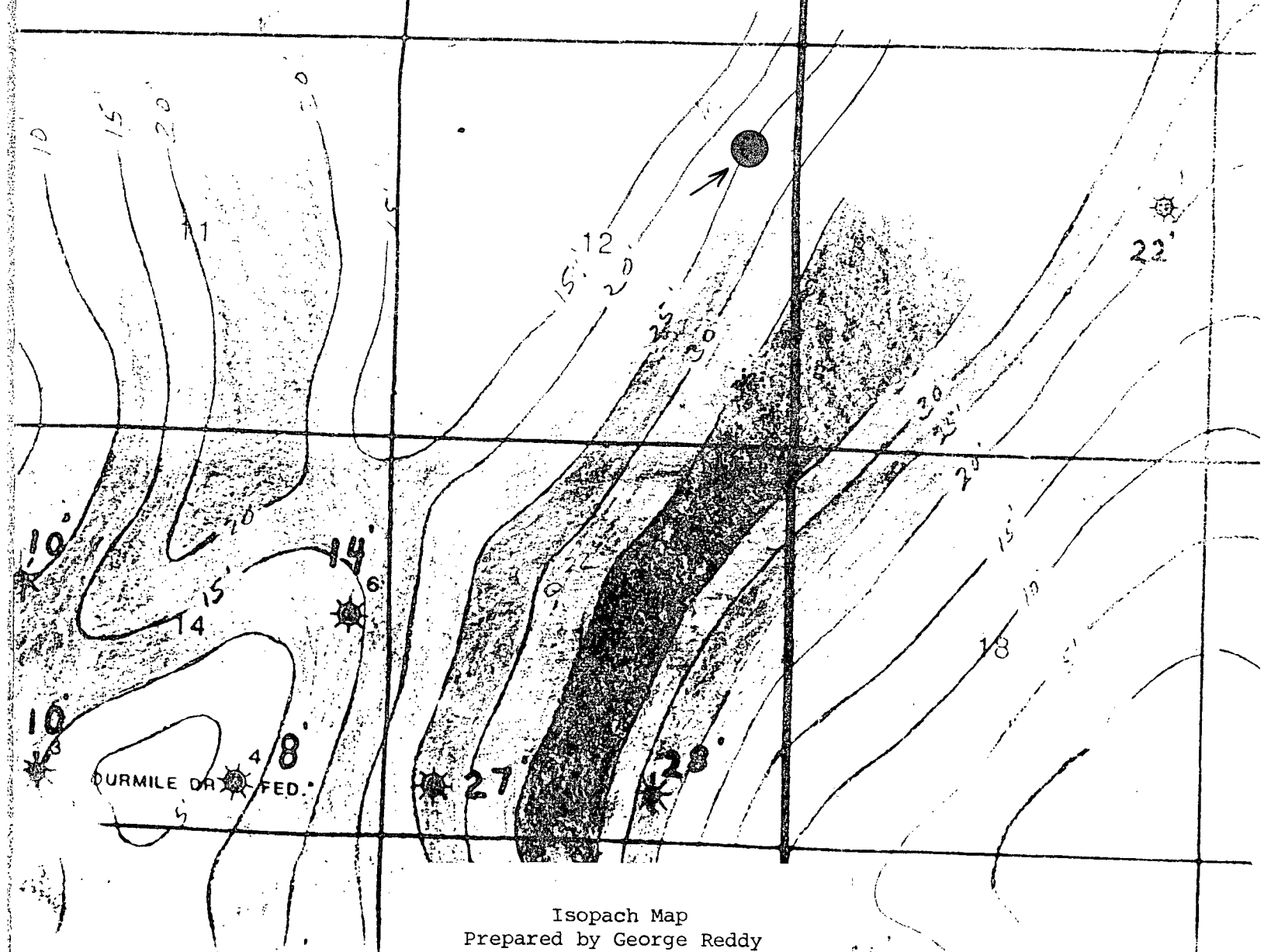
31

32

2

1

6



Isopach Map
Prepared by George Reddy
Geologist-Roswell, N.M.

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

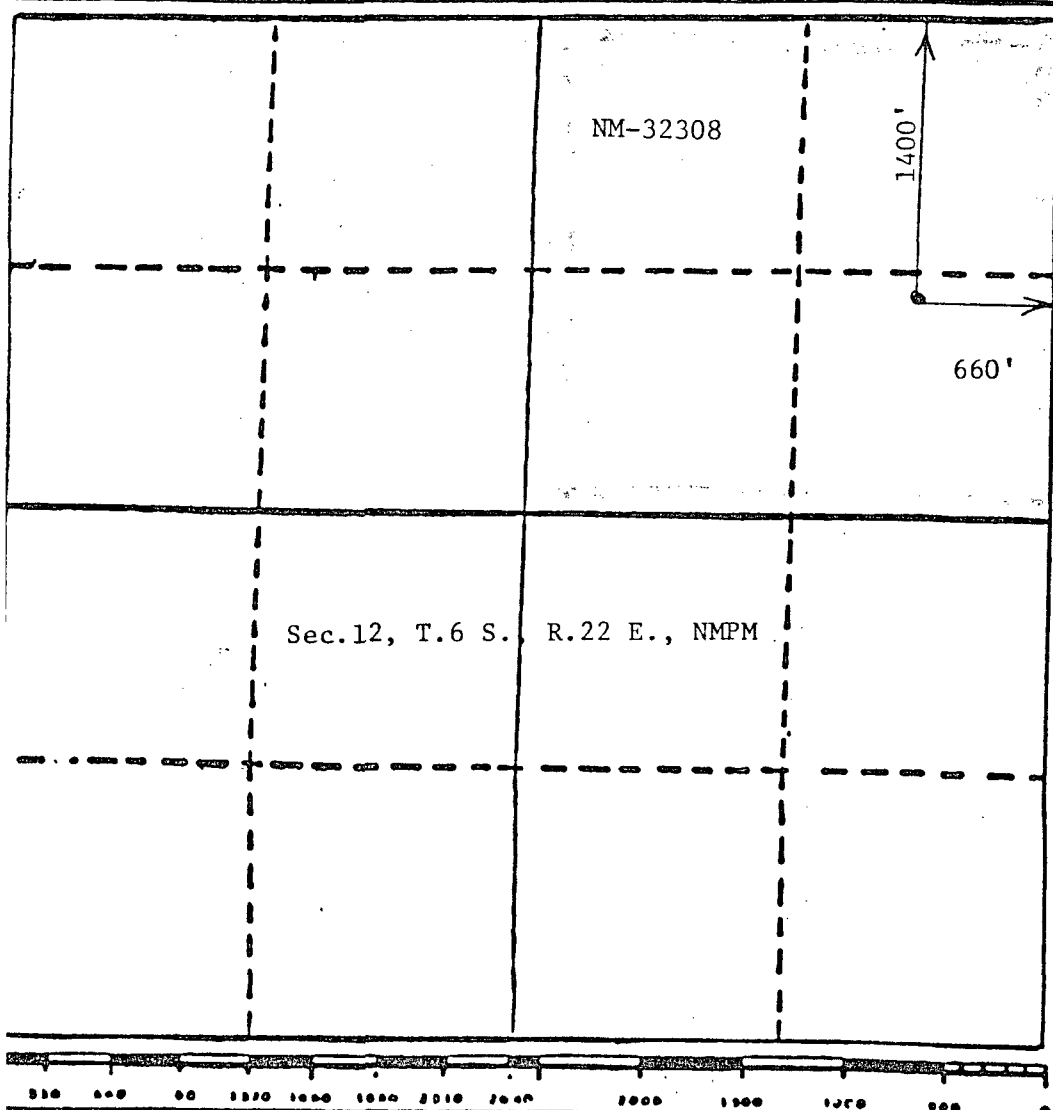
Operator McKay Oil Corp. ✓		Lease L. L. & E. Federal		Well No. #2
Well Letter H	Section 12	Township 6 South	Range 22 East	County Chaves
Actual Footage Location of Well				
1400	feet from the North	line and	660	feet from the East
Ground Level Elev. 4186	Producing Formation ABO	Pool W. Pecos Slope Abo	Dedicated Area 160	Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plot 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.

Name
James L. Schultz
Position
LandmanCompany
McKay Oil Corp.Date
12-3-86

I hereby certify that the well location shown on this plot 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.

JOHN D. JAQUES
Date Registered
November 23, 1986
Registered Professional Engineer
and/or Land Surveyor
John D. Jaques, P.E. & L.S.
Certificate No.
6290