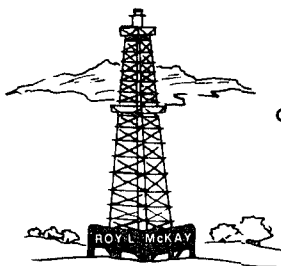


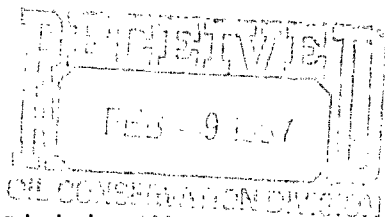
McKay Oil Corporation

ROY L. MCKAY, PRESIDENT

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



OIL
&
GAS



February 4, 1987

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

Attention: Dave Catanach

Re: Pierce Federal #1
SE/4, Sec. 4, T6S, R22E
Chaves County, N.M.

Gentlemen:

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

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

The SE/4 of this quarter section was chosen because of geological data on wells to the South. Not much is known about the area to the North. 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')

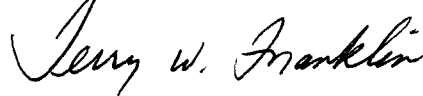
All minerals surrounding this proration unit are leased to McKay Oil Corporation.

Therefore, McKay Oil requests that the O.C.D. approve the unorthodox location at 460' feet from the South line and 460' feet from the East line, Section 4, Township 6 South, Range 22 East, NMPM, which has been approved by the BLM and E.N.M. Archaeological Service.

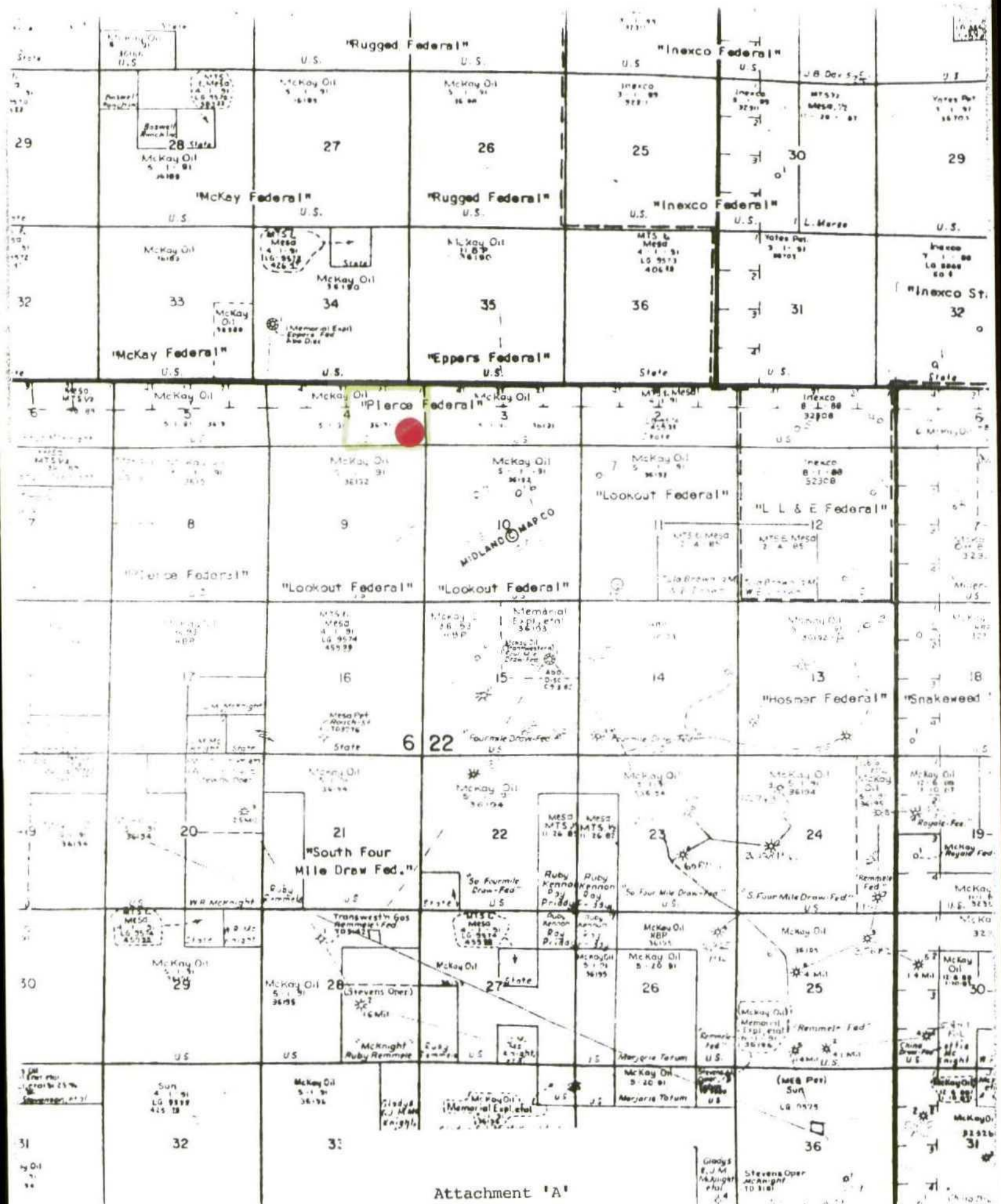
page 2 of 2
O.C.D.
February 4, 1987

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

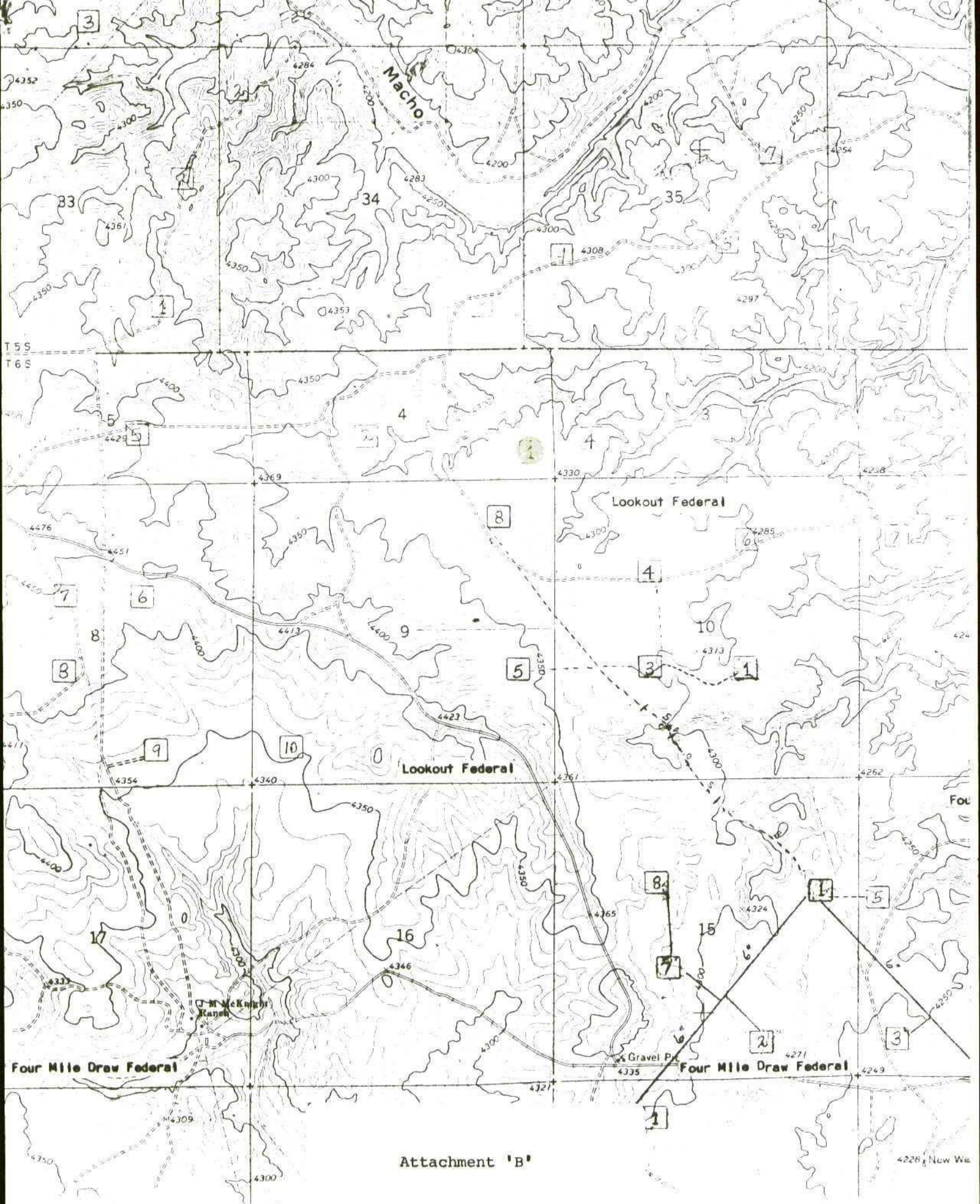
Sincerely,
McKay Oil Corporation

A handwritten signature in cursive script that reads "Terry W. Franklin". The signature is written in dark ink and is positioned above the typed name and title.

Terry W. Franklin
Agent



Attachment 'A'



Attachment 'B'

