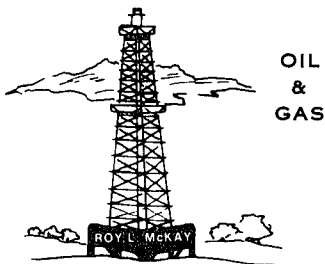


McKay Oil Corporation

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

Re: Pierce Federal #3
SE/4, Sec. 3, T6S, R22E
Chaves County, N.M.

Gentlemen:

McKay Oil Corporation desires to drill a location in the SE/4, Section 3, 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 990' feet from the East line and 660' feet from the South 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')

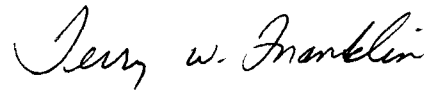
All minerals surrounding this proration unit, with the exception of to the East, are leased to McKay Oil Corporation. (See Attachment 'A') The minerals to the East are leased to Mesa Petroleum. A notification letter to Mesa Petroleum is being mailed on this date in regards to the unorthodox location. 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

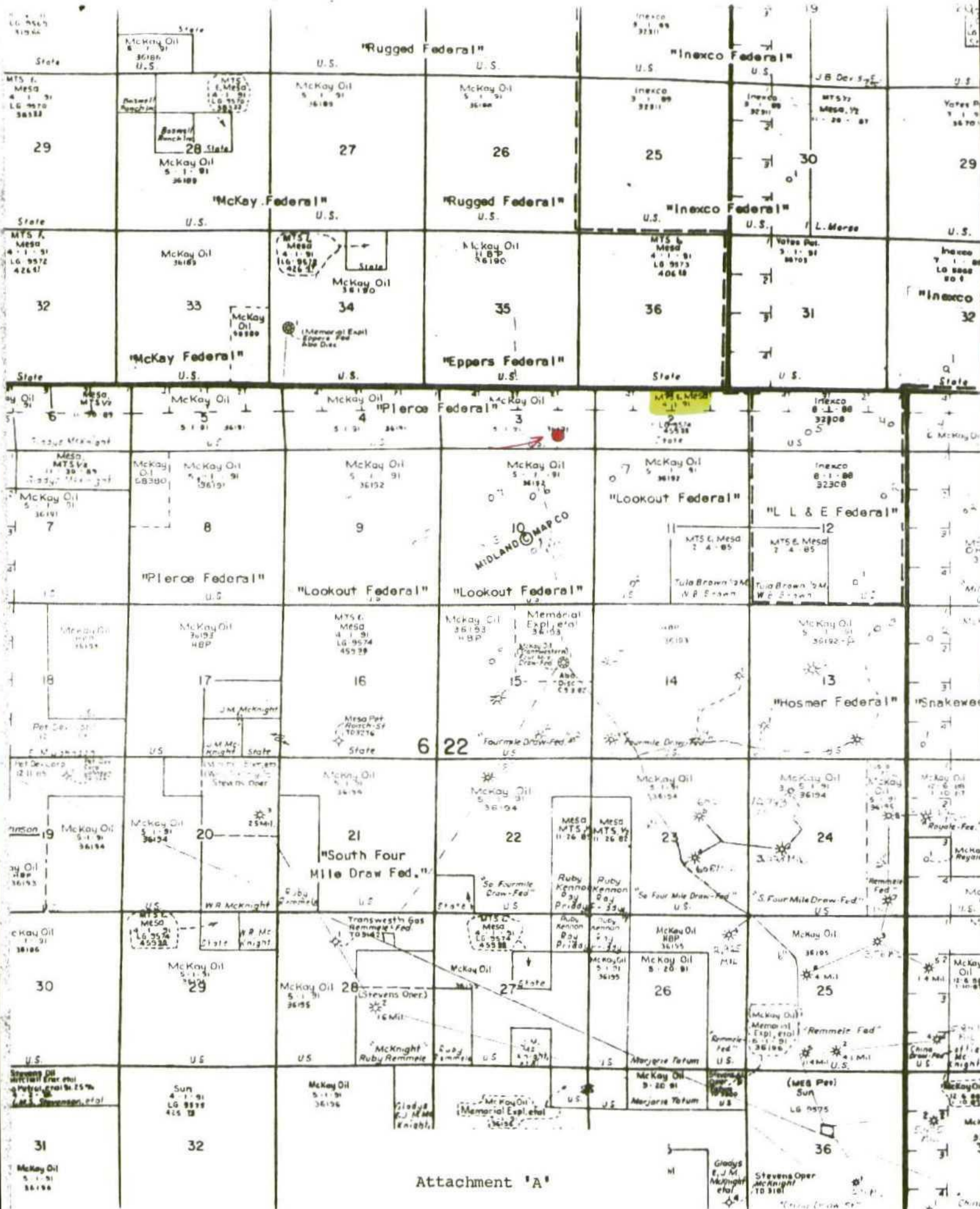
Therefore, McKay Oil requests that the O.C.D. approve the unorthodox location at 1297 feet from the East line and 511 feet from the South line, Section 3, Township 6 South, Range 22 East, NMPM, which has been approved by the BLM and E.N.M. Archaeological Service.

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 that reads "Terry W. Franklin".

Terry W. Franklin
Agent



Attachment 'A'

