

UNITED STATES
DEPARTMENT OF THE INTERIOR
SUPPLEMENTARY APPLICATION FOR
NATURAL GAS CATEGORY DETERMINATION O. C. D.
ARTESIA, OFFICE

RECEIVED BY

JAN 21 1987

FORM APPROVED
OMB NO. 1004-0149
Expires: January 31, 1986

This form is required by the Bureau of Land Management (BLM) and the Minerals Management Service (MMS), the jurisdictional agencies charged with under the Natural Gas Policy Act of 1978 (95 Stat. 1004), for Federal, Indian, and OCS lands. The data requested is a requirement of the Federal Energy Regulatory Commission regulation 18 CFR 274, Determinations by Jurisdictional Agencies. Such data must be forwarded to the Federal Energy Regulatory Commission by the Authorized Officer.

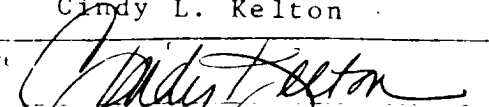
11. Applicant McKay Oil Corporation	1. API Well No. 30-005-62330
Address (Including zip code) P. O. Box 2014, Roswell, NM 88201	2. Lease No. NM-36194
Telephone (Including area code) 505/623-4735	3. Lease Name and Well No. South Four Mile Draw Federal #3
12. Request Category for Determination <input type="checkbox"/> Section 102(c)(1)(B), New Onshore Wells <input type="checkbox"/> Section 102(c)(1)(C), New Onshore Reservoirs <input type="checkbox"/> Section 102(d), New Reservoirs on Old OCS Leases <input checked="" type="checkbox"/> Section 103(c), New Onshore Production Well <input checked="" type="checkbox"/> Section 107(c), High-Cost Natural Gas <input type="checkbox"/> Section 108(b), Stripper-Well Natural Gas	4. Sec., T. & R. Section 24-6S-22E
	5. Area and Block (OCS)
	6. Field West Pecos Slope Abo
	7. Reservoir Abo sand
13. Person Responsible for Answering Questions Cindy L. Kelton	8. State, District, and County NM, Roswell, Chaves
Address (Including zip code) P. O. Box 2014, Roswell, NM 88201	9. Operator McKay Oil Corporation
Telephone (Including area code) 505/623-4735	10. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well
14. Newspaper, City, State, and Date (or expected date) of Notice Roswell Daily Record, Roswell, NM	
15. Gas Purchaser New Mexico Gas Marketing, Inc. Address (Including zip code) P. O. Box 2014, Roswell, NM 88201	
16. Lessee and/or Working Interest Owner See attached Exhibit "A" Address (Including zip code)	
17. Attach the Appropriate Checklist and Support Data (See instructions) I certify that the foregoing and the checklist attached are true and correct to the best of my knowledge as determined from available records. Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States, false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.	
Name Cindy L. Kelton	Title Assistant to the President
Signature 	Date January 16, 1987

EXHIBIT "A"

McKay Oil Corporation
South Four Mile Draw Fed. #3
Section 24-6S-22E
API No. 30005-62330
Chaves County, New Mexico

Working Interest Owners

Royale Petroleum Corporation
Imperial Bank Tower
701 B Street, Suite 2060
San Diego, California 92101

The McKay Children's Trust
P. O. Box 2014
Roswell, New Mexico 88201

Flagstaff Land Associates
2222 S. Dobson Road, Suite 6A
Mesa, AZ 85202

DENCO Oil & Gas Investments
2222 S. Dobson Road, Suite 6A
Mesa, AZ 85202

DENCO Oil Properties
2222 S. Dobson Road, Suite 6A
Mesa, AZ 85202

DENCO Oil Partners
2222 S. Dobson Road, Suite 6A
Mesa, AZ 85202

Gas Purchaser

New Mexico Gas Marketing, Inc.
P. O. Box 2014
Roswell, New Mexico 88201

U.S. DEPARTMENT OF ENERGY
Federal Energy Regulatory Commission
Washington, D.C. 20426

**APPLICATION FOR DETERMINATION OF THE MAXIMUM LAWFUL
PRICE UNDER THE NATURAL GAS POLICY ACT (NGPA)**
(Sections 102, 103, 107 and 108)

PLEASE READ BEFORE COMPLETING THIS FORM:

General Instructions:

Complete this form if you are applying for price classification under sections 102, 103, 107 or 108 of the NGPA. A separate application is required for each well. If any reservoir qualifies for a category which differs from the category applicable to the producing well, separate applications must be made for the producing well and the reservoir. Complete each appropriate item on the reverse side of this page. The code numbers used in items 4.0 and 6.0 can be obtained from the Buyer/Seller Code Book. If there is more than one purchaser or contract, identify the additional information in the space below. Enter any additional remarks in the space below.

Submit the completed application to the appropriate Jurisdictional Agency as listed in title 18 of the CFR, part 270.103. If there are any questions, call (202) 275-4539.

Specific Instructions for Item 2.0, Type of Determination:

<u>Section of NGPA</u>	<u>Category Code</u>	<u>Description</u>
102	1	New OCS Lease
102	2	New onshore well (2.5 mile test)
102	3	New onshore well (1,000 feet deeper test)
102	4	New onshore reservoir
102	5	New reservoir on old OCS Lease
103	—	New onshore production well
107	—	High cost natural gas
108	—	Stripper well

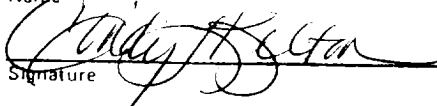
Other Purchasers/Contracts:

<u>Contract Date</u> (Mo. Day Yr.)	<u>Purchaser</u>	<u>Buyer Code</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

Remarks:

McKay Oil Corporation
South Four Mile Draw Federal #3

1.0 API well number: (If not available, leave blank. 14 digits.)	<u>30-005-62330</u>			
2.0 Type of determination being sought: (Use the codes found on the front of this form.)	<u>103</u> Section of NGPA		<u>(c)</u> Category Code	
3.0 Depth of the deepest completion location: (Only needed if sections 103 or 107 in 2.0 above.)	<u>2909.5</u> feet			
4.0 Name, address and code number of applicant: (35 letters per line maximum. If code number not available, leave blank.)	<u>McKay Oil Corporation</u> Name <u>P. O. Box 2014</u> Seller Code Street <u>Roswell</u> <u>NM</u> <u>88201</u> City State Zip Code			
5.0 Location of this well: [Complete (a) or (b).] (a) For onshore wells (35 letters maximum for field name.)	<u>West Pecos Slope Abo</u> Field Name <u>Chaves</u> <u>NM</u> County State			
(b) For OCS wells:	Area Name _____ Block Number _____ Date of Lease: _____ Mo. Day Yr. OCS Lease Number _____			
(c) Name and identification number of this well: (35 letters and digits maximum.)	<u>South Four Mile Draw Federal #3</u>			
(d) If code 4 or 5 in 2.0 above, name of the reservoir: (35 letters maximum.)	<u>Abo sand</u>			
6.0 (a) Name and code number of the purchaser: (35 letters and digits maximum. If code number not available, leave blank.)	<u>New Mexico Gas Marketing, Inc.</u> Name Buyer Code			
(b) Date of the contract:	<u>0,3,2,8,8,6</u> Mo. Day Yr.			
(c) Estimated annual production:	<u>403,000</u> MMcf.			
	(a) Base Price (\$/MMBTU)	(b) Tax	(c) All Other Prices [Indicate (+) or (-).]	(d) Total of (a), (b) and (c)
7.0 Contract price: (As of filing date. Complete to 3 decimal places.)	<u>1.4 87</u>	<u>-.1 66</u>	<u>-. - - -</u>	<u>1.6 5 3</u>
8.0 Maximum lawful rate: (As of filing date. Complete to 3 decimal places.)	<u>3.1 41</u>	<u>-.1 69</u>	<u>+.0 9 4</u>	<u>3.4 0 4</u>
9.0 Person responsible for this application:	<u>Cindy L. Kelton</u> <u>Assistant to the</u> Name Title President <u>Cindy L. Kelton</u> Signature <u>January 16, 1987</u> <u>505/623-4735</u> Date Application is Completed Phone Number			
Agency Use Only				
Date Received by Juris. Agency				
Date Received by FERC				

1.0 API well number: (If not available, leave blank. 14 digits.)	<u>30-005-62330</u>			
2.0 Type of determination being sought: (Use the codes found on the front of this form.)	<u>107</u> Section of NGPA		<u>(c)</u> Category Code	
3.0 Depth of the deepest completion location: (Only needed if sections 103 or 107 in 2.0 above.)	<u>2909.5</u> feet			
4.0 Name, address and code number of applicant: (35 letters per line maximum. If code number not available, leave blank.)	<u>McKay Oil Corporation</u> Name <u>P. O. Box 2014</u> Seller Code Street <u>Roswell</u> <u>NM</u> <u>88201</u> City State Zip Code			
5.0 Location of this well: [Complete (a) or (b).] (a) For onshore wells (35 letters maximum for field name.)	<u>West Pecos Slope Abo</u> Field Name <u>Chaves</u> <u>NM</u> County State			
(b) For OCS wells:	Area Name _____ Block Number _____ Date of Lease: _____ Mo. Day Yr. OCS Lease Number _____			
(c) Name and identification number of this well: (35 letters and digits maximum.)	<u>South Four Mile Draw Federal #3</u>			
(d) If code 4 or 5 in 2.0 above, name of the reservoir: (35 letters maximum.)	<u>Abo sand</u>			
6.0 (a) Name and code number of the purchaser: (35 letters and digits maximum. If code number not available, leave blank.)	<u>New Mexico Gas Marketing, Inc.</u> Name Buyer Code			
b) Date of the contract:	<u>0 3 2 8 8 6</u> Mo. Day Yr.			
(c) Estimated annual production:	<u>403,000</u> MMcf.			
	(a) Base Price (\$/MMBTU)	(b) Tax	(c) All Other Prices [Indicate (+) or (-).]	(d) Total of (a), (b) and (c)
7.0 Contract price: (As of filing date. Complete to 3 decimal places.)	<u>1.4 87</u>	<u>-.1 6 6</u>	<u>-. - - -</u>	<u>1.6 5 3</u>
8.0 Maximum lawful rate: (As of filing date. Complete to 3 decimal places.)	<u>6.2 82</u>	<u>-.1 7 5</u>	<u>+.1 8 8</u>	<u>6.6 4 5</u>
9.0 Person responsible for this application:	<u>Cindy L. Kelton</u> Assistant to the Name Title President  Signature <u>January 15, 1987</u> <u>505/623-4735</u> Date Application is Completed Phone Number			
Agency Use Only				
Date Received by Juris. Agency				
Date Received by FERC				