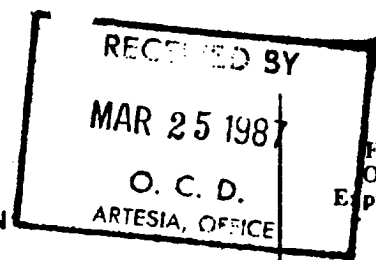


UNITED STATES
DEPARTMENT OF THE INTERIOR
SUPPLEMENTARY APPLICATION FOR
NATURAL GAS CATEGORY DETERMINATION



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 1970, P. L. 91-621, 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. All such data must be forwarded to the Federal Energy Regulatory Commission by the Authorized Officer.

| | | |
|--|--|--|
| 11. Applicant McKay Oil Corporation | | 1. API Well No. 30-005-62348 |
| Address (Including zip code) P. O. Box 2014, Roswell, NM 88201 | | 2. Lease No. NM-36193 |
| Telephone (Including area code) 505/623-4735 | | 3. Lease Name and Well No. Four Mile Draw Federal #7 |
| 12. Request Category for Determination | | 4. Sec., T. & R. Section 15-6S-22E |
| <input type="checkbox"/> Section 102(e)(1)(B), New Onshore Wells | | 5. Area and Block (OCS) |
| <input type="checkbox"/> Section 102(c)(1)(C), New Onshore Reservoirs | | 6. Field West Pecos Slope Abo |
| <input type="checkbox"/> Section 102(d), New Reservoirs on Old OCS Leases | | 7. Reservoir Abo sand |
| <input checked="" type="checkbox"/> Section 103(c), New Onshore Production Well | | 8. State, District, and County NM, Roswell, Chaves |
| <input checked="" type="checkbox"/> Section 107(c), High-Cost Natural Gas | | 9. Operator McKay Oil Corporation |
| <input type="checkbox"/> Section 108(b), Stripper-Well Natural Gas | | 10. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well |
| 13. Person Responsible for Answering Questions Cindy L. Kelton | | |
| Address (Including zip code): P. O. Box 2014, Roswell, NM 88201 | | |
| Telephone (Including area code) 505/623-4735 | | |
| 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 | | |
| Gas Purchaser | | |
| Address (Including zip code) | | |
| 16. Colessee and/or Working Interest Owner See attached Exhibit "A" | | |
| Address (Including zip code) | | |
| Colessee and/or Working Interest Owner | | |
| 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 any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction. | | |

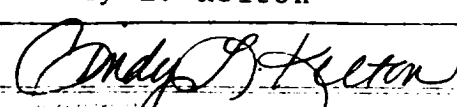
| | |
|--|-------------------------------------|
| Name Cindy L. Kelton | Title Assistant to the President |
| Signature  | Date March 20, 1987 |

EXHIBIT "A"

McKay Oil Corporation
Four Mile Draw Federal #7
Section 15-6S-22E
API No. 30005-62348
Chaves County, New Mexico

Working Interest Owners

Royale Petroleum Corporation
Wells Fargo Bank Building
101 West Broadway, Suite 1777
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

McKay Oil Corporation
P.O. Box 2014
Roswell, New Mexico 88201

Petro Consultants Energy Corporation
One Northfield Plaza, Suite 500
Northfield, Illinois 60093

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
Four Mile Draw Federal #7

| | | | | |
|--|--|---------|---|----------------------------------|
| 1.0 API well number: (If not available, leave blank. 14 digits.) | 30-005-62348 | | | |
| 2.0 Type of determination being sought: (Use the codes found on the front of this form.) | 103 Section of NGPA | | (c) Category Code | |
| 3.0 Depth of the deepest completion location: (Only needed if sections 103 or 107 in 2.0 above.) | 2895.5 feet | | | |
| 4.0 Name, address and code number of applicant: (35 letters per line maximum. If code number not available, leave blank.) | McKay Oil Corporation Name P. O. Box 2014 Street Roswell NM 88201 City State Zip Code | | | |
| 5.0 Location of this well: (Complete (a) or (b).) (a) For onshore wells (35 letters maximum for field name.) | West Pecos Slope Abo Field Name Chaves NM 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.) | Four Mile Draw Federal #7 | | | |
| (d) If code 4 or 5 in 2.0 above, name of the reservoir: (35 letters maximum.) | Abo sand | | | |
| 6.0 (a) Name and code number of the purchaser: (35 letters and digits maximum. If code number not available, leave blank.) | New Mexico Gas Marketing, Inc. Name Buyer Code | | | |
| (b) Date of the contract: | 032886 Mo. Day Yr. | | | |
| (c) Estimated annual production: | 89,000 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.) | 1.52 | 1.69 | --- | 3.210 |
| 8.0 Maximum lawful rate: (As of filing date. Complete to 3 decimal places.) | 3.161 | 1.173 | +0.90 | 3.424 |
| 9.0 Person responsible for this application: | Cindy L. Kelton Assistant to the Name Title President Signature March 20, 1987 505/623-4735 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.) | 30-005-62348 | | | |
| 2.0 Type of determination being sought: (Use the codes found on the front of this form.) | 107 Section of NGPA | | (c) Category Code | |
| 3.0 Depth of the deepest completion location: (Only needed if sections 103 or 107 in 2.0 above.) | 2895.5 feet | | | |
| 4.0 Name, address and code number of applicant: (35 letters per line maximum. If code number not available, leave blank.) | McKay Oil Corporation Name P. O. Box 2014 Street Roswell NM 88201 City State Zip Code | | | |
| 5.0 Location of this well: [Complete (a) or (b).] (a) For onshore wells (35 letters maximum for field name.) | West Pecos Slope Abo Field Name Chaves NM 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.) | Four Mile Draw Federal #7 | | | |
| (d) If code 4 or 5 in 2.0 above, name of the reservoir: (35 letters maximum.) | Abo sand | | | |
| 6.0 (a) Name and code number of the purchaser: (35 letters and digits maximum. If code number not available, leave blank.) | New Mexico Gas Marketing, Inc. Name Buyer Code | | | |
| (b) Date of the contract: | 0, 3, 2, 8, 8, 6 Mo. Day Yr. | | | |
| (c) Estimated annual production: | 89,000 Mcf. | | | |
| | (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.) | 1.52 | 1.69 | --- | 3.210 |
| 8.0 Maximum lawful rate: (As of filing date. Complete to 3 decimal places.) | 6.322 | 1.165 | 1.9 | 6.677 |
| 9.0 Person responsible for this application: | Cindy L. Kelton Assistant to the Title President Signature March 20, 1987 505/623-4735 Date Application is Completed Phone Number | | | |
| Agency Use Only | | | | |
| Date Received by Juris. Agency | | | | |
| Date Received by FERC | | | | |