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April 6, 2006

William J. Mayhew, General Manager
McKay Oil and Gas, LLC
P. O. Box 14738
Albuquerque, NM 87191-4738

OIL CONSERVATION DIVISION
CASE NUMBER
EXHIBIT NUMBER 4

Re: Kelly #1 Well (FRC)
Township 30 North, Range 12 West, N.M.P.M.
Section 1: W/2
San Juan County, New Mexico

Dear Mr. Mayhew:

Receipt is acknowledged of your letter dated March 9, 2006 to Bolack Minerals Company ("Bolack") as well as an AFE and an Operating Agreement for the drilling of the Kelly #1 Well to the Fruitland Coal formation on the above-captioned lands.

As you are aware, Bolack owns 75% of the working interest in the Fruitland Coal Formation lying below the SW/4 of Section 1, T-30-N, R-12-W, N.M.P.M., San Juan County, New Mexico. Bolack's working interest in the proposed Kelly #1 Well (FRC) is 75% of 160/320, or 18.75%.

Bolack's working interest in these lands and formation are subject to an Operating Agreement dated April 30, 1956 (GLA #190) with Burlington Resources Oil & Gas Company ("Burlington"). GLA #190 provides that Bolack is only responsible for certain drilling, completing and operating costs associated with the proposed Kelly #1 Well ("cost limitations"), and Burlington is responsible for the remainder of these costs.

Bolack and Burlington are currently in litigation concerning GLA #190 and other GLA's in the law suit styled Bolack Minerals Company vs. Burlington Resources Oil & Gas Company et al., CV No. 97-96-1, District Court, San Juan County, New Mexico.

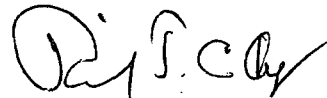
Two partial summary judgments have been entered in the Bolack vs. Burlington law suit confirming that the terms and provisions of GLA #190 (and the other GLA's), including the costs limitations, are still in force and effect.

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While Bolack has no objection to the drilling of the Kelly #1 Well, as stated above, Bolack will only be obligated to pay a certain amount of these costs and Burlington will be responsible for the remaining costs attributable to Bolack's 18.75% working interest in this Well. You will need to contact Burlington and make the appropriate arrangements for payment of these remaining costs.

Thank you for your assistance and cooperation in this matter. If you need further information, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard T. C. Tully", with a stylized flourish at the end.

Richard T. C. Tully

cc:

Tommy Bolack, General Partner
Bolack Minerals Company
3901 Bloomfield Highway
Farmington, NM 87401

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April 11, 2006

VIA FACSIMILE

William J. Mayhew, General Manager
McKay Oil and Gas, LLC
Post Office Box 14738
Albuquerque, NM 87191-4738

Re: Kelly #1 Well (FRC)
Township 30 North, Range 12 West, N.M.P.M.
Section 1: W/2
San Juan County, New Mexico

Dear Mr. Mayhew:

I refer to Richard Tully's April 6, 2006 letter.

Please be advised that Burlington disputes the representations made by Mr. Tully regarding Burlington's obligation to pay Bolack's share of costs for the drilling of the Kelly #1 Well. The issue is in dispute and is currently the subject of ongoing litigation.

Please feel free to contact me regarding this issue.

Sincerely,


Robert J. Sutphin, Jr.

RJS:bh

cc: Richard Tully, Esq.
Paul Schleifman, Esq.
John Pound, Esq.

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William J. Mayhew
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