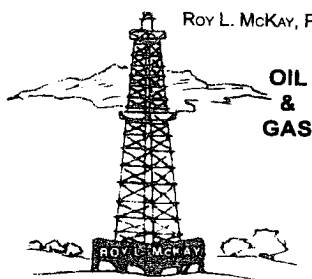


McKay Oil Corporation



ROY L. MCKAY, PRESIDENT

MAILING ADDRESS: P.O. Box 2014 ROSWELL, N.M. 88202 • TELEPHONE 505 / 623 - 4735
STREET ADDRESS: ONE MCKAY PLACE ROSWELL, N.M. 88201 • FAX No. 505 / 624 - 2202

Tuesday, August 31, 2004

Phil Hawkins
Oil Conservation Division
1301 W Grand Ave
Artesia, NM 88210

RECEIVED

SEP 01 2004

OCB-ARTESIA

Re: Notice of Violation
Idle Well Inspection Detail

30-005-62335

Mr. Hawkins:

Per your letter dated August 25, 2004 and received by McKay Oil Corporation on August 30, 2004, please find enclosed the Precision Measurement readings for the Remmele Com #7 and the Field Direct Meter readings for the Royal Fed #1 which are both producing wells.

Inspection NO. iPCH0423847069 and Inspection NO. iPCH0423846124 which were inspected on August 25, 2004 are not idle wells. They are both in producing status. Should you have any further questions regarding these two wells, please feel free to call me at 505-623-4735.

Sincerely,

A handwritten signature in black ink, appearing to read "April McKay", is written over a horizontal line.

April McKay
Vice President