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N.M. OIL CONS. COMMISSION
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ARTESIA, NM 88211

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TAKE PRIDE IN AMERICA



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Roswell Resource Area
P.O. Box 1857
Roswell, New Mexico 88202-1857

IN REPLY
REFER TO:

3100 (066)

RECEIVED

DEC 6 1991

CERTIFIED MAIL: P 492 637 625

MAY 06 '94

McKay Oil Corporation
P.O. Box 2014
Roswell, New Mexico 88202

O. C. D.
ARTESIA, OFFICE

Gentlemen:

Lease NM-78339 is considered expired effective April 30, 1991, the end of its primary term, due to the lack of diligent drilling operations or other actions that would warrant an extension.

Your well, the No.1 - Theresa Federal, located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Sec. 4, T.5 S., R.21 E., NMPM, Chaves County, New Mexico, was timely spudded on April 30, 1991, using a cable tool rig. The cable tool rig was to be replaced with a rotary air rig when the air rig became available. During an inspection of the well site on November 15, 1991, it was discovered that no drilling rig was over the hole and only about 30 ft. of hole has been drilled. Title 43 of Code of Federal Regulations, Subpart 3107.1, Extension by Drilling, requires drilling operations to commence prior to, and diligently continue over, the end of the lease primary term and penetrate at least one possible productive zone. Diligence, as it applies to this regulation, means continuous drilling operations. It is obvious from our inspection that considerable time has passed since drilling operations have taken place on this well and therefore an extension of lease NM-78339 is not warranted.

Reclamation of the well site and other disturbed areas associated with the well will need to be done. Please contact John Crane at (505) 624-1790 within 15 days of receipt of this decision to discuss the reclamation requirements.

You have the right to appeal this decision in accordance with the provisions in 43 CFR 3165.7.

Sincerely
David Street
for Saundra L. Allen
Area Manager

Post IO-2
7-8-94
Exp Int

UNITED STATES DEPARTMENT OF THE INTERIOR
Bureau of Land Management
Roswell Resource Area
P.O. Drawer 1857
Roswell, New Mexico 88202-1857

3200 (066)

Memorandum

To: District Manager (060)

From: Area Manager (066)

Subject: Termination of Leases NM-36186, NM-78339 and NM-78340

NM-36186, a 10 year lease effective May 1, 1981, was due to expire April 30, 1991, the end of its primary term. The expiration of the lease was held in suspension due to the timely spudding on April 29, 1991, of McKay Oil Corporation's No. 1-Victoria Federal well, located in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Sec. 18 T.5S., R.21E., NMPM, Chaves County, New Mexico. During an inspection on November 15, 1991, it was discovered that no drilling rig was over the hole and only 30 feet of hole had been drilled. Therefore, per Title 43 of the Code of Federal Regulations, Subpart 3107.1, lease NM 36186 should be terminated effective April 30, 1991, the end of its primary term, due to the lack of diligent drilling operations.

✓ NM-78339, a 10 year lease effective May 1, 1981, was due to expire April 30, 1991, the end of its primary term. The expiration of the lease was held in suspension due to the timely spudding on April 30, 1991, of McKay Oil Corporation's No. 1-Theresa Federal well, located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Sec. 4 T.5S., R.21E., NMPM, Chaves County, New Mexico. During an inspection on November 15, 1991, it was discovered that no drilling rig was over the hole and only about 30 feet of hole had been drilled. Therefore, per Title 43 of the Code of Federal Regulations, Subpart 3107.1, lease NM 78339 should be terminated effective April 30, 1991, the end of its primary term, due to the lack of diligent drilling operations.

NM 78340, a 10 year lease effective May 1, 1981, was due to expire April 30, 1991, the end of its primary term. The expiration if the lease was held in suspension due to the timely spudding on April 29, 1991, of McKay Oil Corporation's No. 1-Sundown Federal well, located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Sec. 11 T.5S., R.21E., NMPM, Chaves County, New Mexico. During an inspection on November 22, 1991, it was discovered that no drilling rig was over the hole and only about 30 ft. of hole had been drilled. Therefore, per Title 43 of the Code of Federal Regulations, Subpart 3107.1, lease NM 78340 should be terminated effective April 30, 1991, the end of its primary term, due to the lack of diligent drilling operations.

/s/ David Stout