

For Section 107(c), High-Cost Natural Gas

Mark below to indicate the materials reviewed and relevant to the request. Attach accordingly. Every blank should be checked to indicate that support data is attached or marked N/A to indicate not applicable.

In conformance with Office of Management and Budget guidelines, data of a specific nature such as a Bureau of Land Management or Minerals Management Service form, a directional drilling survey, etc., which has already been submitted to the Authorized Officer for another purpose, shall not be submitted again as a requirement but may be submitted voluntarily. If such data is not submitted, the applicant shall so indicate below that the data is on file with the Authorized Officer.

1. Revised Form FERC 121, "Application for Determination of the Maximum Lawful Price Under the Natural Gas Policy Act." ✓
2. A statement under oath as required by 18 CFR 274.205, as amended, for each application. ✓
3. A statement that completed copies of revised Form FERC 121 have been forwarded to the purchaser(s) and to the colessee(s) and/or the working-interest owners. ✓

Complete and submit the information for one of the following for each high-cost well application:

4. For a new well with the completion location below 15,000 feet:

Form 9-330* (MMS-330), "Well-Completion or Recompletion Report and Log."

N/A

Well log heading with the relevant log section, service company reports, or other such information corroborating the well-completion depth.

N/A

Directional drilling survey if required by drilling permit.

N/A

Water depth at well location (offshore leases).

N/A

Other: _____

5. For a well-producing geopressured brine:

Form 9-330* (MMS-330), "Well-Completion or Recompletion Report and Log."

N/A

A bottom-hole pressure test report and other information to establish the initial pressure gradient.

N/A

A bottom-hole sample report reflecting the reservoir gas-liquid ratio, the surface gas-liquid ratio, and any other evidence which would establish the reservoir gas as being in solution.

N/A

A water analysis showing the parts per million of the various chlorides.

N/A

Other: _____

6. For a well producing from coal seams:

File application in accordance with 18 CFR § 274.205(c).

7. For a well producing from Devonian Shale:

Form 9-330* (MMS-330), "Well-Completion or Recompletion Report and Log."

N/A

A gamma-ray log.

N/A

A statement fully identifying a stratigraphic chart or test, or the attachment of such a chart of text which establishes the producing interval as Devonian Shale.

N/A

Other: _____

8. For a well producing "new tight-formation gas" or "recompletion tight-formation gas" from a designated tight formation, complete a., b., and c. below, as applicable, and submit the items listed at d.

a. If well previously qualified under section 102 or 103, indicate jurisdictional Agency docket number and date of final determination.

N/A

b. If the well qualifies as a new, onshore production well, submit the checklist and information required for that

type well except for the oath requirement at
18 CFR 274.204(d)(1).

c. If the well qualifies as one of the following, submit the checklist and information required, including the oath, for that type well.

- (1) New offshore lease well.
- (2) New onshore well.
- (3) Well completed in a new onshore reservoir.
- (4) Well completed in a new reservoir on an old offshore lease.

- d. (1) Form 9-330* (MMS-330), "Well-Completion or Recompletion Report and Log.
- (2) Order No. establishing the effective date of the final rule issued by the FERC designating the tight gas sand area.
- (3) Well-log heading and the relevant log section identifying the well and the designated tight formation or an actual complete drilling report where applicable.

Note: A morning report or daily log report is not acceptable.

- (4) If the well was completed for production in the designated tight formation prior to July 16, 1979, provide the information required by (A) and (B) at 18 CFR, Part 274.205(e)(2)(vi) as amended.

(5) Other: _____

9. For a well producing qualified-production-enhancement gas:

A statement describing the production enhancement work, either as proposed or completed, with commencing and ending dates. See 18 CFR 271.704(d).

n/a

An itemized statement of costs for performing the work including copies of invoices and bills for work completed. Submit detailed estimates if not completed.

n/a

A statement estimating over a 5-year period the production in million BTU's as though the enhancement work was done. Commence with the month of filing.

n/a

In similar manner, a statement estimating over a 5-year period the production in million BTU's as though the enhancement work was not done.

n/a

Using the production estimates above, submit the calculation required by 18 CFR 271.704(e)(1)(v).

n/a

A statement on the renegotiated price and a copy of the portion of the sales contract that authorizes the price.

n/a

An oath statement by the purchaser in accordance with 18 CFR 274.205(f)(8).

n/a

If the application involves fracturing, a statement in accordance with 18 CFR 274.205(f)(9).

n/a

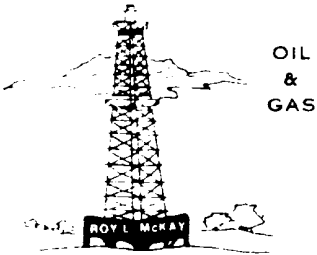
Other: _____

*Will be renumbered within BLM 3162 series following conversion
of operating regulations, from Title 30 to Title 43 of the CFR.

McKay Oil Corporation

ROY L. MCKAY, PRESIDENT

HOME OFFICE P.O. BOX 2014 ROSWELL, N.M. 88202 • TELEPHONE 505/623-4735



January 14, 1987

Roswell Daily Record
2301 North Main Street
Roswell, New Mexico 88201

Attention: Legal Advertising

Gentlemen:

McKay Oil Corporation desires to place a public notice in your newspaper for one day. The notice is attached.

Please place this notice in your paper on January 28th and forward a copy of it along with your billing to:

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

Your assistance in this matter is appreciated.

Yours very truly,

McKAY OIL CORPORATION

Cindy L. Kelton
Assistant to the President

Attachment

N O T I C E

McKAY OIL CORPORATION hereby gives notice that it has filed with the United States Department of the Interior, Bureau of Land Management, Assistant District Manager for Minerals, in Roswell, New Mexico, for a category determination under Section 103(c) and Section 107(c) of the Natural Gas Policy Act of 1978 on the following property.

Well: South Four Mile Draw Fed. #2
Location: Section 24, T6S-R22E
County: Chaves County, New Mexico

Written comments will be accepted by the Authorized Officer commencing with the publication date and continuing for at least 21 days following the placement of a preliminary category determination in the State BLM or Regional MMS Public Records Office.

APPLICATION PURSUANT TO
SECTION 107(c) of
THE NATURAL GAS POLICY ACT (NGPA) OF 1978

AFFIDAVIT

(New Tight-Formation Natural Gas)

STATE OF NEW MEXICO

COUNTY OF CHAVES

BEFORE ME, the undersigned authority, duly commissioned and qualified within and for the State and County aforesaid, personally came and appeared Cindy L. Kelton, who, being by me first duly sworn, deposed and said:

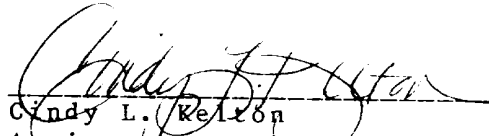
That she is the Assistant to the President of McKay Oil Corporation, the applicant for the well as described heretofore in this application, and in that capacity, she is requesting the appropriate Authorized Officer to determine the eligibility of said well for wellhead pricing purposes pursuant to the rules and regulations of the Minerals Management Service or Bureau of Land Management and the Federal Energy Regulatory Commission (FERC) and to the NGPA.

That the surface drilling of the well South Four Mile Draw Federal #2, API No. 30-005-62329, began on or after July 16, 1979, and that the gas is being produced from a designated tight formation and that she has no knowledge of any other information not described in the application which is inconsistent with this conclusion.

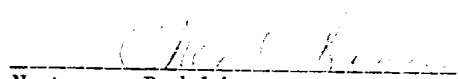
She further states that she has mailed, or caused to be mailed, postage prepaid, a copy of the complete revised Form FERC 121, "Application for Determination of the Maximum Lawful Price Under the Natural Gas Policy Act," to the purchaser(s) and the colessee(s) and/or working interest owners which are listed separately.

To the best of her knowledge and belief, all information contained in this application for category determination, pursuant to the NGPA, is true and correct including all documents, testimony, and evidence submitted with the application.

Signed


Cindy L. Kelton
Assistant to the President
McKAY OIL CORPORATION

Subscribed in my presence and duly sworn to before me, this
14th day of January, 1986.


Notary Public

My Commission Expires: 2-6-89

D E

B A C A

OUTLINE OF
DESIGNATED TIGHT GAS SANDS AREA



C H A V E S

ROSWELL

MCKAY OIL CORPORATION

DESIGNATED TIGHT GAS
SANDS AREA IN
CHAVES & DE BACA COUNTIES
NEW MEXICO
FERC CATEGORY 1071 OR

1 Mile