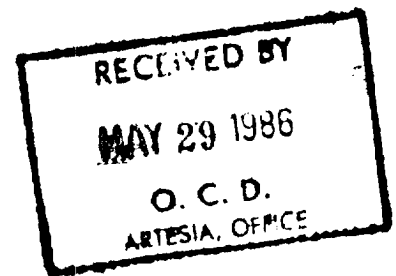


NEW MEXICO GAS MARKETING, INC.

P. O. BOX 2014

ROSWELL, NEW MEXICO 88201

505/623-4735



May 27, 1986

Oil Conservation Division
P. O. Drawer DD
Artesia, New Mexico 88210

Re: Purchase of Gas Production

Gentlemen:

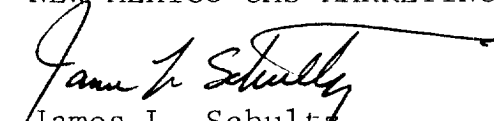
Please be advised that New Mexico Gas Marketing, Inc. has commenced the purchase of gas production from wells operated by McKay Oil Corporation as follows:

- | | |
|-------------------------------|---------|
| 1. China Draw Federal #1 | 5-5-86 |
| SW/4 Section 31-6S-23E | |
| 2. China Draw Federal #2 | 5-5-86 |
| NW/4 Section 31-6S-23E | |
| 3. China Draw Federal #3 | 5-5-86 |
| SE/4 Section 31-6S-23E | |
| 4. China Draw Federal Comm #4 | 5-6-86 |
| SW/4 Section 31-6S-23E | |
| 5. Remmele Federal #2 | 5-6-86 |
| SE/4 Section 25-6S-22E | |
| 6. Remmele Federal #3 | 5-21-86 |
| NE/4 Section 25-6S-22E | |
| 7. Remmele Federal #5 | 5-23-86 |
| SW/4 Section 25-6S-22E | |

All of the above wells are located in Chaves County, New Mexico.

Yours very truly,

NEW MEXICO GAS MARKETING, INC.


James L. Schultz
Corporate Secretary

/srh