



IN REPLY  
REFER TO:

3100 (066)

ARTESIA, NM 88211

# United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Resource Area

P.O. Box 1857

Roswell, New Mexico 88202-1857

TAKE  
PRIDE IN  
AMERICA

C/SF

RECEIVED

DEC 6 1991

MAY 06 '94

CERTIFIED MAIL: P 492 637 624

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

C. C. D.  
ARTESIA, OFFICE

Gentlemen:

Lease NM-78340 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 - Sundown Federal, located in the NW $\frac{1}{4}$  NW $\frac{1}{4}$  of Sec. 11, T. 5 S., R. 21 E., NMPM, Chaves County, New Mexico, was timely spudded on April 29, 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 22, 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 CFR 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-78340 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 reclamation requirements.

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

Sincerely

*Sandra L. Allen*  
for Sandra L. Allen  
Area Manager

Part 20-2

7-8-94

Eop Fint