

McKay Oil Company Non-Compliance Five Mile Tank "B" Federal #5

- 1) Received Federal APD on 9/13/00.
C-102 does not show initial gas well in same proration unit as per Special Pool Rules for the Pecos Slope Abo Gas Pool.

Called Amando Lopez with BLM on 9/14/00 and asked that he notify us whenever McKay Oil Company spuds well and is to call us so that we also may witness water protection casing string with BLM. Amando is happy to oblige as they too have had problems in the past with McKay in adhering to rules and regulations on federal lands.

Called McKay Oil Corp. and asked to speak with Bill Milstead the Vice President. Bill was unavailable and spoke "DJ" who processes the regulatory paper work. I notified DJ that I would not issue an API number on the new APD until we received a revised C-102 showing initial gas well in same proration unit.

I informed DJ that due to the problems in the past in obtaining regulatory information from them that we would be watching this well very closely. I also told her that I had contacted the BLM and that the OCD would be out to witness cementing of the 8 5/8" casing with them. In addition, I told DJ that we the OCD would look at this well from the spudding of the well all the way through to the completion in regards to compliance with our rules.

DJ closed the conversation apologizing for the problems in the past telling me that she was new and problems of how McKay operated in general in complying with OCD regulations. She informed me that she would speak to Bill Millstead about this matter and resubmit to us a revised C-102.