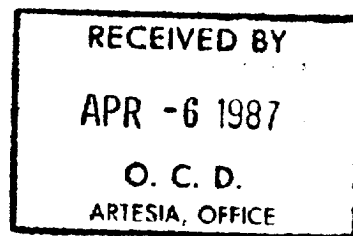


c/SP

March 27, 1987

McClellan Oil Corporation
P. O. Drawer 730
Roswell, NM 88202



Gentlemen:

Your Application for Permit to Drill, Deepen, or Plug Back (APD) for Well Hinkle Federal No. 2, Lease No. LC-068677, 660 FSL and 1980 FEL, Section 8, T. 16 S., R. 29 E., has been cancelled.

The APD is considered expired if drilling activity has not commenced within one year after approval. Should you desire to drill this well at a later date, you will be required to re-submit the proper forms for approval.

Sincerely,

Linda S.C. Rundell
Acting Area Manager

Post #0-2
4-17-87
Exp. Int.