N.M. Oil Cons. DIV-Dist. 2 1301 W. Grand Avenue Artesia, NM 88210

FORM APPROVED

Form 3160-3 (April 2004)

(April 2004)	OMB No. 1004-0137 Expires March 31, 2007						
UNITED STATES DEPARTMENT OF THE II BUREAU OF LAND MANA	5. Lease Serial No. NM 32322						
APPLICATION FOR PERMIT TO I	6. If Indian, Allotee or Tribe Name						
la. Type of work: DRILL REENTE	7 If Unit or CA Agreement, Name and No.						
lb. Type of Well: Oil Well Gas Well Other	✓ Sin	ngle Zone Multip	le Zone	8. Lease Name and Well No. Miller B #7 /- cdelp/			
2. Name of Operator McKay Oil Corporation	•			9. API Well No.			
3a. Address PO Box 2014 Roswell, NM 88202-2014	3b. Phone No. 505-62.	(include area code) 3-4735		10. Field and Pool, or Exploratory W. Pecos ABO Slope			
4. Location of Well (Report location clearly and in accordance with any At surface 1310' FNL & 660' FWL	State requirem	ents.*)		11. Sec., T. R. M. or B	·	or Area	
At proposed prod. zone				Lot 1, Sec. 7, T			
 Distance in miles and direction from nearest town or post office* Approximately 25 miles 			٠	12. County or Parish Chaves	13	. State NN	м
				g Unit dedicated to this v			EIVED
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	ance from proposed location* arest well, drilling, completed,			BIA Bond No. on file NOV 1 5 2004			
I. Elevations (Show whether DF, KDB, RT, GL, etc.) 4216' 22 Approximate date work will start* 11/01/2004				23. Estimated duration 7-10 days			
	24. Attac	hments					
The following, completed in accordance with the requirements of Onshore	Oil and Gas	Order No.1, shall be a	tached to th	s form:			
 Well plat certified by a registered surveyor. A Drilling Plan. A Surface Use Plan (if the location is on National Forest System I SUPO shall be filed with the appropriate Forest Service Office). 	Lands, the	Item 20 above). 5. Operator certific	ation specific info	ormation and/or plans as	v		•
25. Signature July	1	(Printed/Typed) James L. Schultz			Date 10/11/2	2004	
Title Agent							
Approved by (Signature) /S/LARRY D. BRAY	,	(Printed/Typed)ARF			VON	10	2004
Title Assistant Field Manager,	Office	ROSWELL FIE	LD OF	TCE A	PPROVE	D FOF	R 1 YEAR
Application approval does not warrant or certify that the applicant holds conduct operations thereon. Conditions of approval, if any, are attached.	legal or equit	able title to those righ	ts in the sub	ject lease which would e	ntitle the appl	icantto	IEAR
Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a cri States any false, fictitious or fraudulent statements or representations as to	ime for any pe o any matter w	erson knowingly and v	villfully to m	ake to any department o	r agency of t	he Unite	d

*(Instructions on page 2)

CEMENT TO COVER ALL OIL, GAS AND WATER BEARING ZONES 1. e., GICAICTE

State of New Mexico

DISTRICT I 1625 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

DISTRICT II 1301 W. GRAND AVENUE, ARTESIA, NM 88210

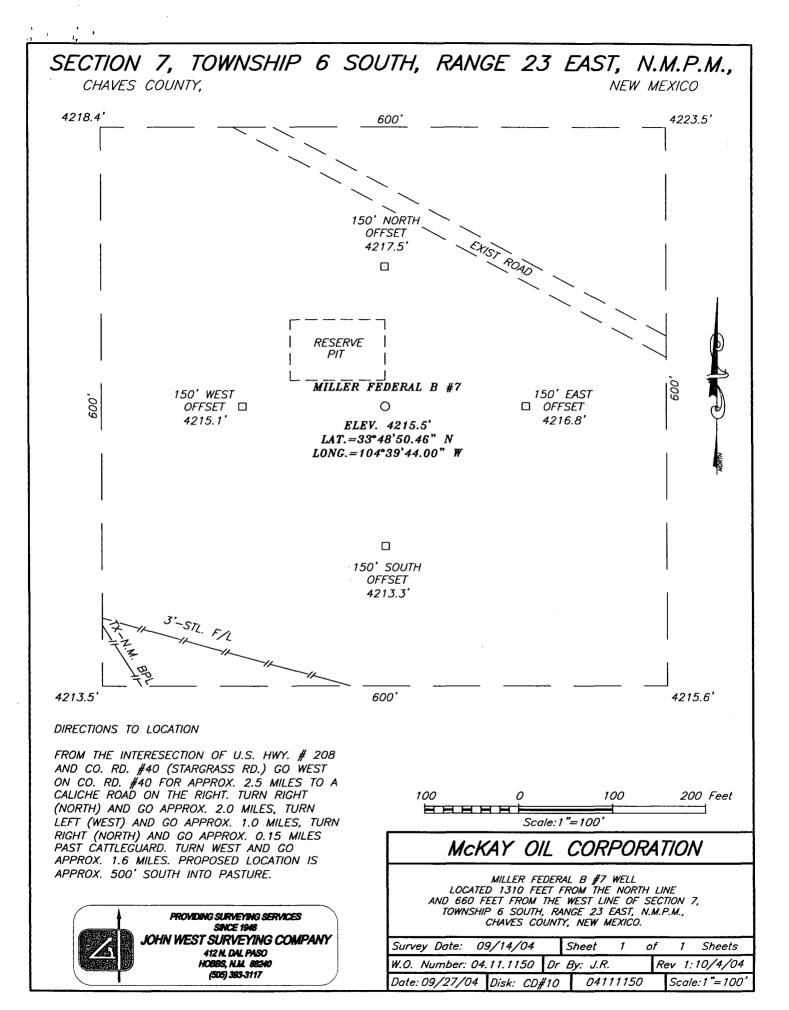
DISTRICT III

1000 Rio Brazos Rd., Aztec. NM 87410

OIL CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DR. Santa Fe, New Mexico 87505

Form C-102 Revised JUNE 10, 2003 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

DISTRICT IV	L, SANTA PE,	NM 87505	WELL LO	CATION	AND	ACREA	GE DEDICATI	ON PLAT	□ AMENDI	ED REPORT
	lumber		1	Pool Code		Pool Name				
Property Co	Property Code			Property Name MILLER FEDERAL B						aber
OGRID No.	•			McKA	-	rator Nam. CORP	ORATION		Elevation 4210	
					Surfa	ce Loca	ition		, L	
UL or lot No.	Section	Townshi	p Range	Lot Idn	Feet fr	om the	North/South line	Feet from the	East/West line	County
1	7	6-S	23-E		13	10	NORTH	660	WEST	CHAVES
1			Bottom	Hole Lo	cation	If Diffe	rent From Sur	face		
UL or lot No.	Section	Township	p Range	Lot Idn	Feet fr	om the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint o	r Infill	Consolidation	Code 0	rder No.				WW-1-1-V	
160										
NO ALLO	WABLE W						NTIL ALL INTEI APPROVED BY		EEN CONSOLID	ATED
Lari				7				OPERATO	OR CERTIFICAT	PION
42.96 AC ,0			(I hereby	y certify the the in n is true and compl vledge and belief.	formation
4218.4' 600'	4223.5'		({ }				Signature	rmj	
4213.5'	4215.6'		GEODETIC (COORDINA 27 NME	ITES			James S Printed Nam		
				842.8 N 103.9 E				Agent Title 10/11/20)04	
LOI 2 42.88 AC	l		LAT. = 33*4 LONG. = 10	9/50.46" 39'44.00	N)" W	1		Date	OR CERTIFICAT	rion
Lot 3				<u> </u>		— I — 		on this plat we actual surveys supervison, an	y that the well local as plotted from fiel made by me or ud that the same i: ue best of my beli	d notes of under my s true and
42.86 AC								1 1	MBER 16, 200 dd REV 10/8/04 Seel of Surveyors	1
								Certificate N	24.11.1/50 S	12641
42.82 AC						1		John Manne	ROFESSIONAL COMPA	



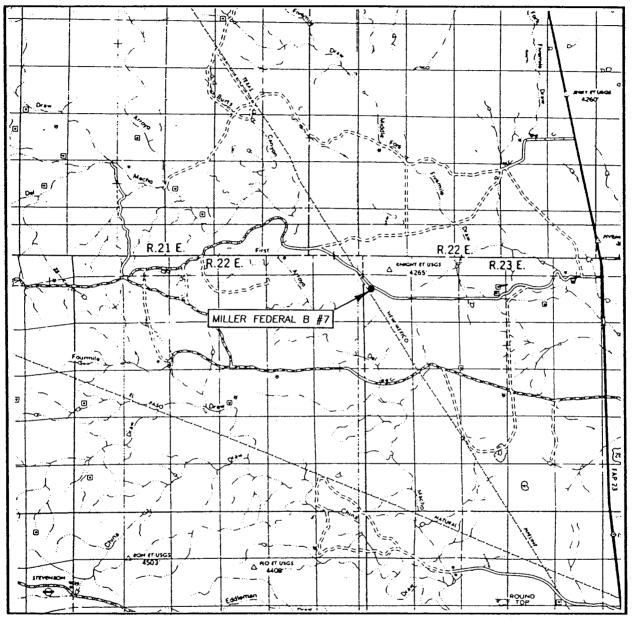
PERTINENT INFORMATION

FOR MCKAY OIL CORPORATION MILLER B #7 1310' FNL & 660' FWL Sec. 7, T6S, R23E

Chaves County, New Mexico

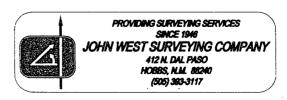
LOCATED:	25 air miles Northwest of Roswell, NM.
LEASE NUMBER:	NM 322322
LEASE ISSUED:	11/1/1978
RECORD LESSEE:	McKay Petroleum Corporation
BOND COVERAGE:	Operator's \$25,000 Statewide
AUTHORITY TO OPERATE:	Assignment of Operating Rights
ACRES IN LEASE:	890.38
SURFACE OWNERSHIP:	Federal
OWNER:	USA-BLM
POOL RULES:	General Statewide Rules
EXHIBITS:	A. Road and Well MapB. Contour MapC. Rig LayoutD. BOP DiagramE. Lease Map

VICINITY MAP



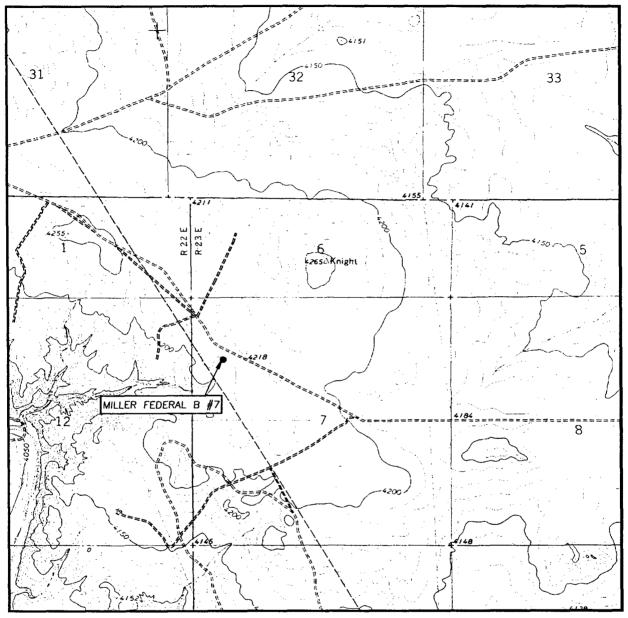
SCALE: 1" = 2 MILES

SEC. 7	WP. <u>6-S</u> RGE. <u>23-E</u>				
SURVEY	N.M.P.M.				
COUNTY	CHAVES				
DESCRIPTION 1310' FNL & 660' FWL					
ELEVATION_	4216'				
OPERATOR_	McKAY OIL CORPORATION				
LEASE	MILLER FEDERAL B				





LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: MESA SW, N.M. - 10'

SEC. 7 TWP. 6-S RGE. 23-E

SURVEY N.M.P.M.

COUNTY CHAVES

DESCRIPTION 1310' FNL & 660' FWL

ELEVATION 4216'

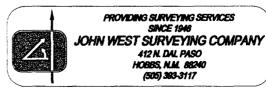
McKAY

OPERATOR OIL CORPORATION

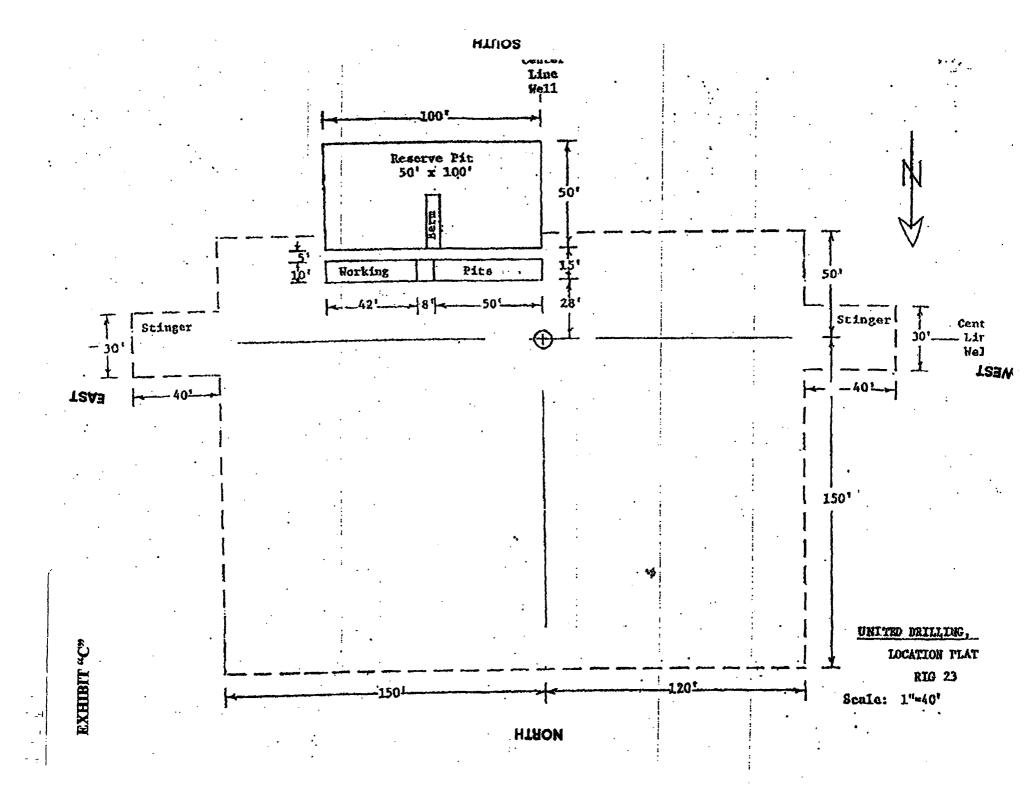
LEASE MILLER FEDERAL B

U.S.G.S. TOPOGRAPHIC MAP

MESA SW, N.M.





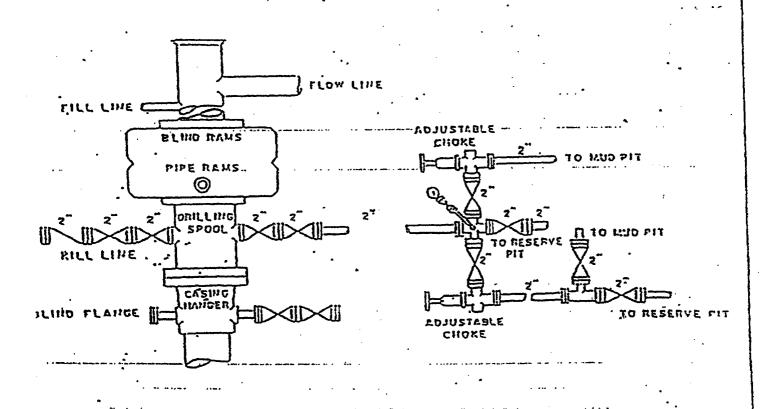


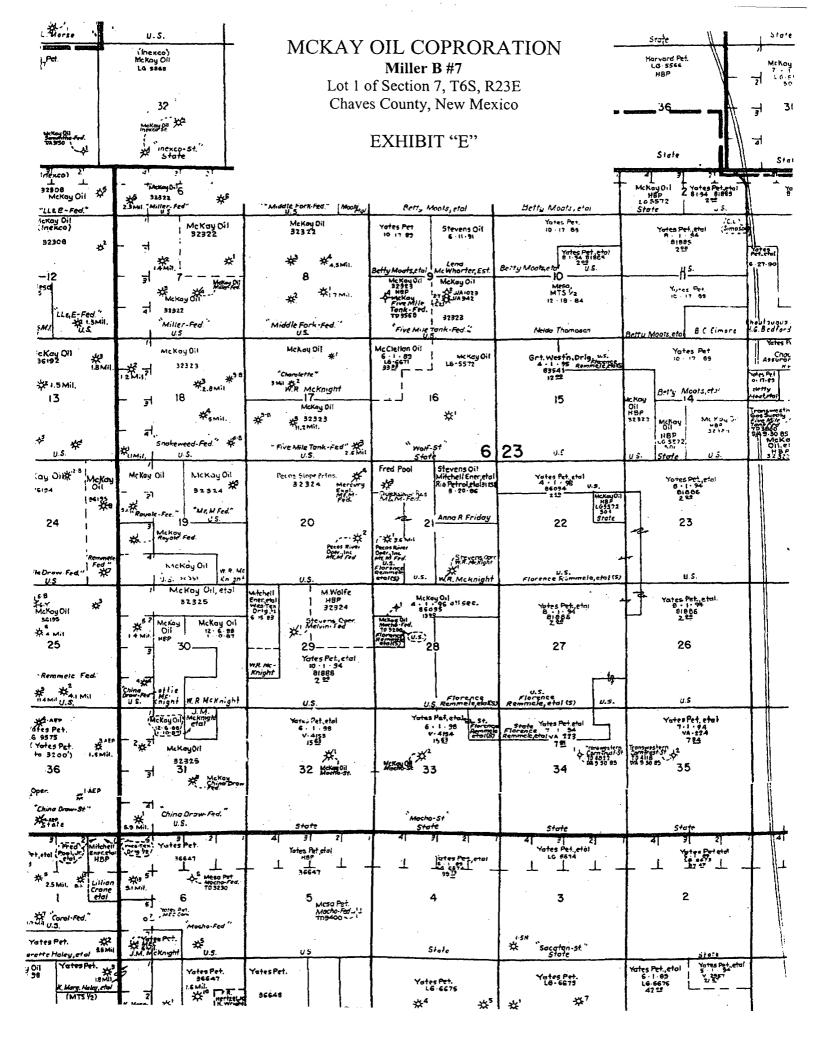
MCKAY OIL COPRORATION

Miller B #7

Lot 1 of Section 7, T6S, R23E Chaves County, New Mexico

EXHIBIT "D"





SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION MILLER B #7 1310' FNL & 660' FWL Sec. 7, T6S, R23E

Chaves County, New Mexico

The following items supplement Form 3160-3 in accordance with instruction contained in Onshore Oil and Gas Order No. 1:

1. SURFACE FORMATION: San Andres

2. ESTIMATED TOPS OF GEOLOGICAL MARKERS:

Yeso - 939'

Tubb - 2435'

Abo - 2648'

3. ESTIMATED DEPTHS TO WATER, OIL OR GAS FORMATIONS:

Fresh Water - In surface formation above 600'

Gas - In Abo Formation below 2648'

4. PROPOSED CASING PROGRAM:

12-1/4" hole	8-5/8" J - 55	24#	950'+
7-7/8" hole	5-1/2" I-55	15 5#	TD

5. PROPOSED CEMENTING PROGRAM:

Surface to 950' class "C" - 350 sxs cemented and circulated

to surface.

Production Casing class "C" - 300 sxs cemented with adequate

cover.

6. PROPOSED DRILLING PROGRAM:

McKay Oil Corporation proposes to drill and test the ABO formation. Approximately 950' of surface casing will be set and cemented to surface. 5-1/2" production casing will be set and cemented with adequate cover, perforated and stimulated as needed for production.

- 7. PRESSURE CONTROL EQUIPMENT: Blowout preventer will consist of 2 ram, 2M system. A sketch of the BOP is attached.
- 8. CIRCULATION MEDIUM: Air Drilling
- 9. <u>AUXILIARY EQUIPMENT</u>: Full-opening drill string safety valve fit for the drill string in use, will be kept on the rig floor at all times.
- 10. TESTING, LOGGING AND CORING PROGRAM:

Samples:

Catch samples from surface to TD.

DST's:

None.

Logging:

GR-CNL, Dual Lateral MSFL from

surface to TD.

Coring:

None.

- 11. <u>ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE:</u> None anticipated.
- 12. <u>ANTICIPATED STARTING DATE</u>: On or before November 1, 2004 Drilling should be completed within 10 days. Completion operations (perforations and stimulation) will follow drilling operations.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MCKAY OIL CORPORATION MILLER B #7 1310' FNL & 660' FWL Sec. 7, T6S, R23E

Chaves County, New Mexico

NM 32322

This plan is submitted with the application for permit to drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved, and the procedures to be followed in rehabilitating the surface after completion of the operation so that a complete appraisal can be made of the environmental effects associated with the operation.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a road map showing the location of the proposed well is staked. The well is approximately 21 miles north of Roswell, NM.
- B. <u>Directions</u>: Heading North out of Roswell, New Mexico on U.S. 285 for approximately 21 miles and turn left on county road just before mile marker 137 (Cottonwood Road). Go approximately 2.0 miles, then turn north for approximately 2 miles to the lease road, turn west for approximately 2 3/4 miles to the location.

2. PLANNED ACCESS ROAD:

- A. Length and Width: None.
- B. Surface Materials: Sand, gravel and caliche where needed.
- C. Turnouts: None
- D. Maximum Grade: No more than 3%.
- E. <u>Drain Design</u>: Road will have drainage ditches on both sides and a crowned top, with culverts and/or low water crossings as necessary.
- F. Culverts: None.
- G. Cuts and Fill: None.

- H. Gates, Cattle guards: None needed. Already in place.
- I. Top Soil: Very little.

. . . .

3. LOCATION OF EXISTING WELLS:

A. A map indicating the location of adjacent wells is attached.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A: <u>See Exhibit "A"</u> for location of existing lease wells. If the well is commercial, production facilities and tank battery will be constructed.
- B. Cuts and Fills: Less than 10' of cut and fill will be required for the pad size of $400' \times 400'$. (See Exhibit "D")
- C. <u>Top Soil</u>: Any top soil which can sustain plant vegetation will be bladed and piled for future rehabilitation.

5. LOCATION AND TYPE OF WATER SUPPLY:

A. Water will be purchased from a commercial source and trucked to the location over existing and proposed access roads.

6. SOURCE OF CONSTRUCTION MATERIALS:

A. Closest Pit to the location.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the drilling pits.
- B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
- C. Water produced during test will be disposed of in the drilling pits. Oil produced during tests will be stored in test tanks until sold.
- D. Current laws and regulations pertaining to the disposal of human waste will be complied with.

- E. Trash, waste paper, garbage, and junk will be placed in portable receptacles and hauled from the location upon completion of drilling and completion operations.
- F. All trash and debris will be removed from the well site within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

A. None necessary.

9. WELL SITE LAYOUT:

- A. Exhibit "C" indicates the relation location and dimensions of the well pad, mud pits, reserve pit and major rig equipment.
- B. The location slopes very slightly to the east and southeast.
- C. The reserve pit will be lined with plastic to prevent loss of water.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the well site in an aesthetically pleasing conditions as possible.
- B. Any unguarded pits containing fluids will be fenced until they are filled.
- C. If the well is non-productive or abandoned, the disturbed area will be rehabilitated using the preserved soil mentioned in 2.I. and 4.C.

11. OTHER INFORMATION:

- A. <u>Topography</u>: The topography is a gradual slope to the south in the <u>vicinity</u> of the access road and south-southwest in the vicinity of the drill pad. Regional slope is south-southwest toward the Arroyo del Macho which is south-southwest of the location.
- B. Soil: Sandy loam with limestone outcropping.

- C. <u>Flora and Fauna</u>: The flora consists of typical desert vegetation, such as yucca, cactus and various grasses. Fauna consists of desert wildlife such as coyotes, rodents, snakes, dear and antelope.
- D. <u>Ponds and Streams</u>: Arroyo del Macho south-southwest of the proposed location.
- E. <u>Residences and other Structures</u>: The David Corn ranch house (old W.R. McKnight Ranch) is approximately 1 mile to the south-southwest.
- F. Archaeological, Historical and Other Cultural Sites: An Archaeologist from Roswell, NM will be contracted to check and approve this site and access road.
- G. Land Use: Grazing.
- H. Surface Ownership: USA-BLM.

12. OPERATOR'S REPRESENTATIVE:

Humberto Perez Roswell, New Mexico (505) 623-4735 (O) (505) 626-8580 (C)

13. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exists; that he statements made in this plan are, to the best of my knowledge true and correct; that the work associated with the operations proposed herein will be performed by MCKAY OIL CORPORATION and its subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to provisions of 18 USC 1001 for the filing of a false statement.

SIGNATURE

10-18-04

DATE

District II
1625 N. French, Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410 District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico **Energy Minerals and Natural Resources**

Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.

For downstream facilities, submit to Santa Fe

Form C-144 June 1, 2004

office

Pit or Below-Gra	de Tank Registration or Closure	e
	k covered by a "general plan"? Yes 🛛 No [
Type of action: Registration of a pit of	r below-grade tank 🛛 Closure of a pit or below-grade	e tank 🔲
Operator: MCKAY OIL CORPORATION Telepho	one: 505-623-4795 e-mail address: april@mckayoil.	com
Address: PO Box 2014 Roswell, NM 88202-2014		
Facility or well name: Miller Federal B #7 API #:	U/L or Qtr/Qtr 1 Sec 7 T 6S	R 23E
County:CHAVESLatitudeLongitude		
		
Pit	Below-grade tank	
Type: Drilling ⊠ Production ☐ Disposal ☐	Volume:bbl Type of fluid:	
Workover ☐ Emergency ☐	Construction material:	
Lined ☑ Unlined ☐	Double-walled, with leak detection? Yes If not,	explain why not.
Liner type: Synthetic Thicknessmil Clay _		
Pit Volumebbl		
	Less than 50 feet	(20 points)
Depth to ground water (vertical distance from bottom of pit to seasonal	50 feet or more, but less than 100 feet	(10 points)
high water elevation of ground water.)	100 feet or more	(0 points)
	Yes	(20 points)
Wellhead protection area: (Less than 200 feet from a private domestic	No	(0 points)
water source, or less than 1000 feet from all other water sources.)	110	1 o points)
Distance to surface water: (horizontal distance to all wetlands, playas,	Less than 200 feet	(20 points)
irrigation canals, ditches, and perennial and ephemeral watercourses.)	200 feet or more, but less than 1000 feet	(10 points)
inigation catalis, arctics, and percinital and epitemetal watercoarses.	1000 feet or more	(0 points)
	Ranking Score (Total Points)	0
f this is a pit closure: (1) attach a diagram of the facility showing the pit's	relationship to other equipment and tanks. (2) Indicate	disposal location: (check the onsite box if
our are burying in place) onsite \(\subseteq \) offsite \(\subseteq \) If offsite, name of facility_		
emediation start date and end date. (4) Groundwater encountered: No 🛛 Y		
Attach soil sample results and a diagram of sample locations and excavations		it. and attach sample results. (5)
	0.	
Additional Comments:		
I hereby certify that the information above is true and complete to the best of	of my knowledge and belief. I further contifu that the	a above described hit on below much tonly be
been/will be constructed or closed according to NMOCD guidelines Date: 10/11/04	, a general permit , or an (attached) alternative (e above-described pit or below-grade tank has OCD-approved plan
Printed Name/Title James L. Schultz, Agent	Signature Surf Man	
Your certification and NMOCD approval of this application/closure does notherwise endanger public health or the environment. Nor does it relieve the regulations.		
Approval:		
Printed Name/Title	Signature	Date:

Southwest Petroleum Land Services, LLC

100 N. Pennsylvania Roswell, NM 88203 (505) 622-6713 (505) 622-9282 fax

October 11, 2004

Oil Conservation Division Bryan Arrant 1301 W. Grand Avenue Artesia, NM

Re: H2S Contingency Plan-Miller B #7

Bryan,

Please see attached Contingency Plan-H2S for the Miller B #7 located in Sec 7, T6S, R23E 1310' FNL & 660' FWL in Chaves County. Should you need any further information, please contact me at 505-626-6879.

Sincerely,

Jim Schultz

Agent for McKay Oil Corporation

MCKAY OIL CORPORATION PO BOX 2014 ROSWELL, NM 88202-2014 505-623-4735

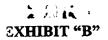
HYDROGEN SULFIDE (H2S) CONTINGENCY PLAN FOR THE MILLER B #7
LOCATED IN SEC 7, T6S, R23E IN CHAVES COUNTY, NEW MEXICO

NO HYDROGEN SULFIDE OR OTHER HAZARDOUS GASES OR FLUIDS HAVE BEEN ENCOUNTERED, REPORTED OR KNOWN TO EXIST AT THIS DEPTH IN THIS AREA.

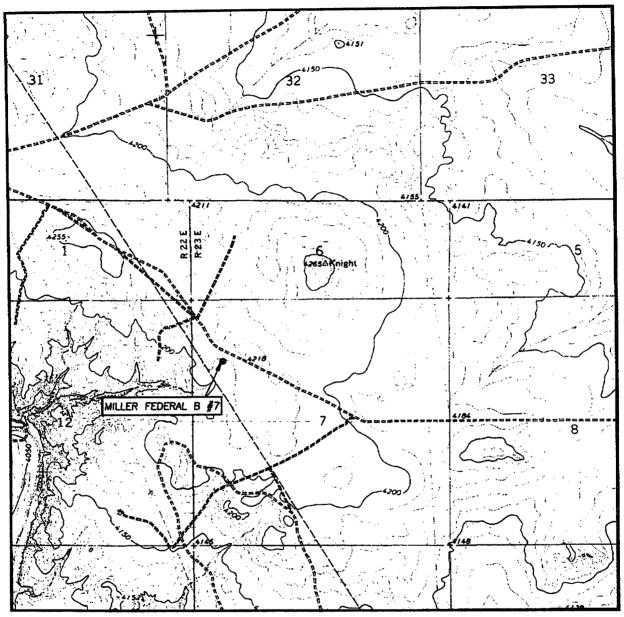
MILLER B #7

This is an open drilling Site. H2S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H2S, including warning signs, wind indicators and H2S monitor. Pumpers carry (MICROPACKS) H2S pocket testers at all times. Pulling units have an H2S indicator that puts off light and alarm on any indication of H2S being present.

MAPS - SEE ATTACHED



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: MESA SW, N.M. - 10'

SEC. 7 TWP. 6-S RGE. 23-E

SURVEY N.M.P.M.

COUNTY CHAVES

DESCRIPTION 1310' FNL & 660' FWL

ELEVATION 4216'

MCKAY

OPERATOR OIL CORPORATION

LEASE MILLER FEDERAL B

U.S.G.S. TOPOGRAPHIC MAP

MESA SW, N.M.



PROVIDING SURVEYING SERVICES
SINCE 1946
IOHIN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 68240
(200) 389-3117



EMERGENCY PROCEDURES

In the case of a release of gas containing H2S, thie first responder must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder must evacuate any public spaces encompassed by the 100 ppm ROE. First responder must take care not to injure themselves during this operation. Company and or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All resp9onders must have training in the detection of H2S measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H2S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries occur during the response.

IGNITION OF GAS SOURCE

Should control of the well be considered lost and ignition considered, take care to protect against exposure of sulfur Dioxide (SO2). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas.

CHARACTERISTICS OF H2S & SO2

COMMON	CHEMICAL	SPECIFIC	THRESHOLD	HAZARDOUS	LETHAL
NAME	FORMULA	GRAVITY	LIMIT	LIMIT	CONCENTRATION
HYDROGEN SULFIDE	H2S	1.189 AIR=1	10 PPM4	100 PPM/HR	600 PPM
SULFUR DIOXIDE	SO2	2.21 AIR=1	2 PPM	N/A	1000 PPM

CONTACTING AUTHORITIES

McKay Oil Corporation personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. be prepared with all information available. The following call list of essential and potential responders must be in coordination with the State of New Mexico's Hazardous Materials Emergency Response Plan (HMER).

a water

MCKAY OIL CORPORATION CALL LIST

CHAVES COUNTY (505)	OFFICE	CELL PHONE	HOME PHONE
HUMBERTO PEREZ	625-1154	626-8580	627-1985
JIM ROBINSON	625-1154	626-8579	624-1093
APRIL MCKAY	623-4735	626-8575	625-2848

CHAVES COUNTY (505)

ROSWELL

STATE POLICE 622-7200
CITY POLICE 911 or 624-6770
SHERIFF'S OFFICE 624-6500
AMBULANCE 911
FIRE DEPARTMENT 624-6800

LEPC (Local Emergency Planning Committee) Teresa Barncastle 624-6770

ext 129

NMOCD 748-1283 ENMMC (Hospital) 622-8170