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

FORM APPROVED Form 3160 -3 OMB No. 1004-0137 Expires March 31, 2007 (April 2004) UNITED STATES Lease Serial No. DEPARTMENT OF THE INTERIOR NM 36193 BUREAU OF LAND MANAGEMENT If Indian, Allotee or Tribe Name APPLICATION FOR PERMIT TO DRILL OR REENTER 7. If Unit or CA Agreement, Name and No. DRILL REENTER la. Type of work: 8. Lease Name and Well No. Oil Well Gas Well lb. Type of Well: Multiple Zone Single Zone Four Mile Draw B Federal 7 9. API Well No. Name of Operator McKay Oil Corporation) O 3a. Address PO Box 2014 10. Field and Pool, or Explorator Phone No. (include area code) Roswell NM, 88202-2014 505-623-4735 W. Pecos ABO Slope 11. Sec., T. R. M. or Blk, and Survey or Area Location of Well (Report location clearly and in accordance with any State requirements.*) 660' FSL &660' FWL At surface Lot M, Sec. 15, T6S, R22E At proposed prod. zone 12. County or Parish 13. State 14. Distance in miles and direction from nearest town or post office* Approximatly 25 miles Chaves NM15. Distance from proposed* 17. Spacing Unit dedicated to this well 16. No. of acres in lease location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 927.51 RECEIVED 20. BLM/BIA Bond No. on file 18. Distance from proposed location* 19. Proposed Depth to nearest well, drilling, completed, JUN 1 4 2005 4300' applied for, on this lease, ft. 22. Approximate date work will start* OOD-AMTERIA 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 23. Estimated duration 05/01/2005 7 - 10 days 24. Attachments The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form: 1. Well plat certified by a registered surveyor. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). 2. A Drilling Plan. 3. A Surface Use Plan (if the location is on National Forest System Lands, the 5. Operator certification SUPO shall be filed with the appropriate Forest Service Office). Such other site specific information and/or plans as may be required by the authorized officer. 25. Signature Name (Printed/Typed) James Schultz Title Approved by (Signaturalia, SGD.) ARMANDO A. LOPEZ Name (Printed/Typed) (QRIG. SGD.) ARMANDO A. LUPEZ Office ROSWELL FIELD OFFICE Acting Assistant Field Manager, Title Application approval does not warrant or certify that the applicant to logar equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon Conditions of approval, if any, are attached.

*(Instructions on page 2)

APPROVED FOR 1 YEAR

CEMENT TO COVER ALL OIL, GAS AND WATER BEARING ZONES (. e., Glorieta

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United

States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT II

DISTRICT IV

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 68210

NCH DR., HOBBS, NM 88240

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410

1220 S. ST. FRANCIS DR., SANTA FE, NM 87506

API Number

Property Code

OGRID No.

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

Property Name

FOUR MILE DRAW B FEDERAL

Operator Name

McKAY OIL CORPORATION

Pool Code

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

Pool Name

☐ AMENDED REPORT

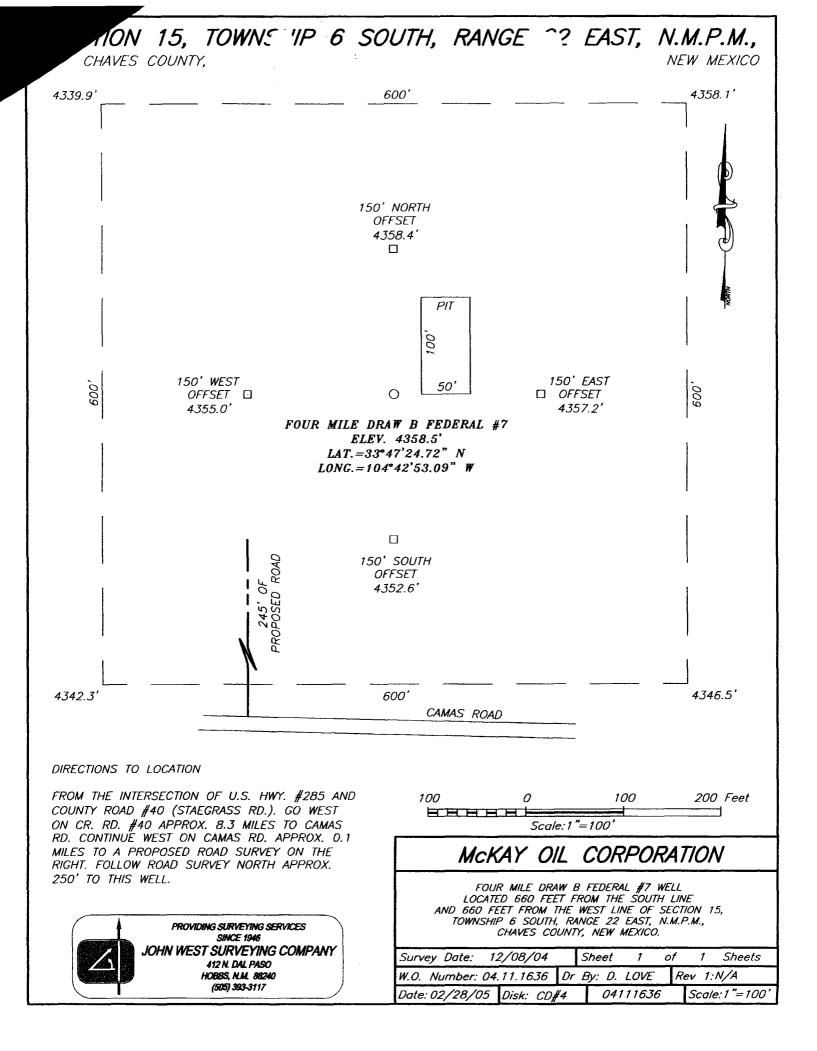
Well Number

7

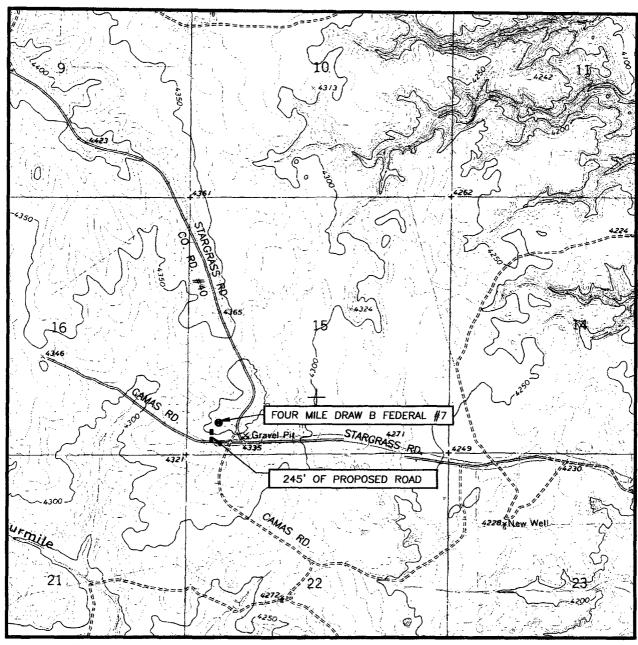
Elevation

4358

Surface Location									
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UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acre	s Joint o	or Infill Co	nsolidation	Code Or	der No.				
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GEODETIC COORDINATES NAD 27 NME				Printed Name					
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LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

MEAS SW, N.M.

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

SEC. 15 TWP. 6-S RGE. 22-E

SURVEY N.M.P.M.

COUNTY CHAVES

DESCRIPTION 660' FSL & 660' FWL

ELEVATION 4358'

McKAY OIL

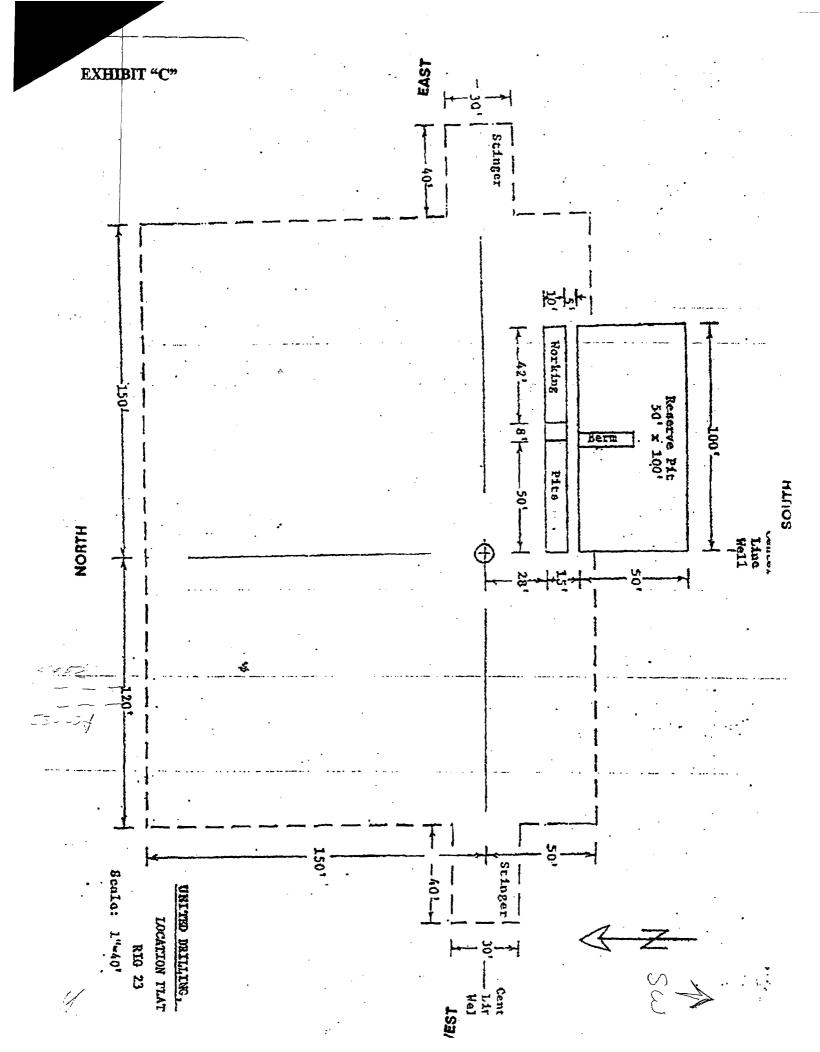
CORPORATION

LEASE FOUR MILE DRAW B FEDERAL

U.S.G.S. TOPOGRAPHIC MAP



PROVIDING SURVEYING SERVICES SINCE 1946 JOHN WEST SURVEYING COMPANY 412 N. DAL PASO HOBBS, N.M. 88240 (SUS) 383-3117

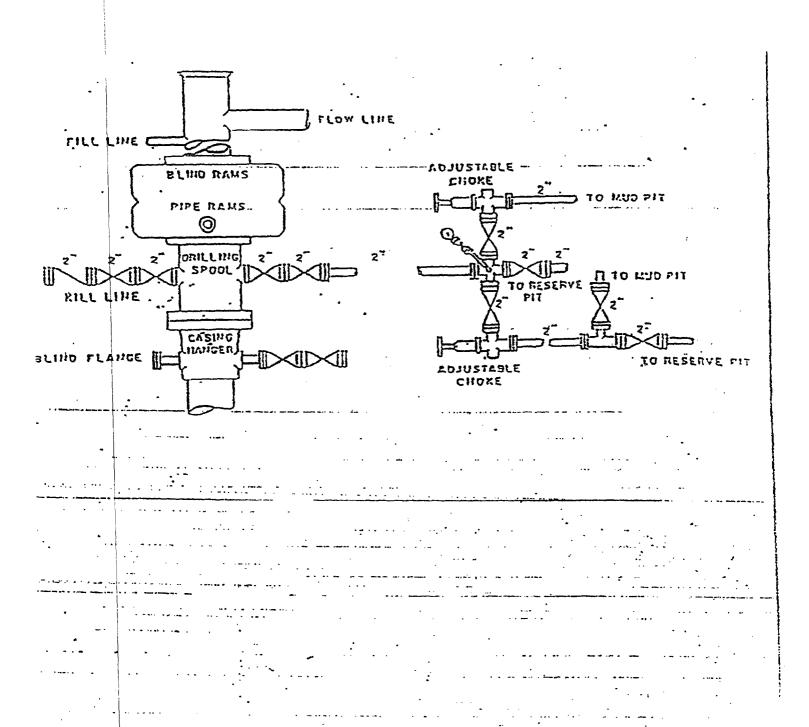


McKay Oil Corporation

Four Mile Draw B Federal #7

Section 15, T6S, R22E Chaves County, New Mexico

Exhibit "D"



SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION FOUR MILE DRAW B FEDERAL #7 660' FSL & 660 'FWL Sec 15, T6S, R22E

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 - 1077' Tubb - 2573' Abo - 2801'

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

Fresh Water - In surface formation above 600' Gas - In Abo Formation below 2801'

4. PROPOSED CASING PROGRAM:

12-1/4" hole	8-5/8" J-55	24#	950'+
7-7/8" hole	5-1/2" J-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. ANTICIPATED STARTING DATE: As soon as possible.

Drilling should be completed within 10 days. Completion operations (perforations and stimulation) will follow drilling operations.

Southwest Petroleum Land Services, LLC

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

March 17, 2005

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

Re: H2S Contingency Plan-Four Mile Draw B Federal 7

Bryan,

Please see attached Contingency Plan-H2S for the Four Mile Draw located in Sec 15, T6S, R22E 660' FSL & 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 FOUR MILE DRAW B FEDERAL 7
LOCATED IN SEC 15, T6S, R22E IN CHAVES COUNTY, NEW MEXICO

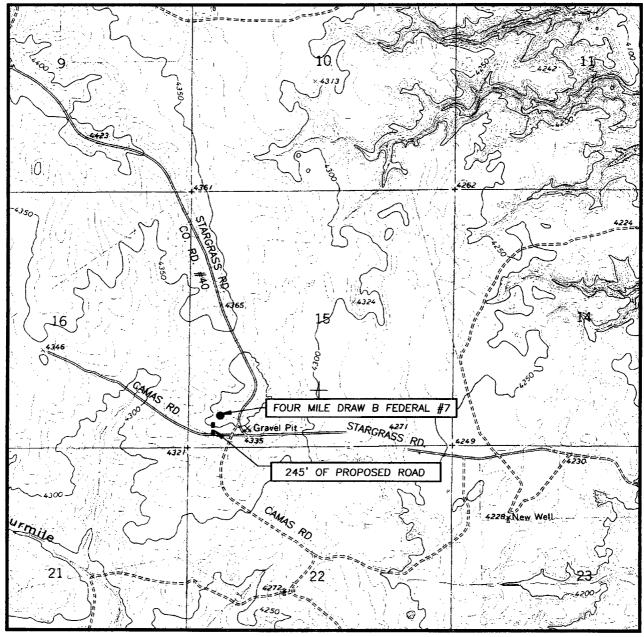
NO HYDROGEN SULFIDE OR OTHER HAZARDOUS GASES OR FLUIDS HAVE BEEN ENCOUNTERED, REPORTED OR KNOWN TO EXIST AT THIS DEPTH IN THIS AREA.

FOUR MILE DRAW B FEDERAL 7

This is an open drilling Site. H2S monitoring 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 pits off light and alarm on any indication of H2S being present.

MAPS - SEE ATTACHED

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 15 TWP. 6-S RGE. 22-E

SURVEY N.M.P.M.

COUNTY CHAVES

DESCRIPTION 660' FSL & 660' FWL

ELEVATION 4358'

MCKAY OIL

OPERATOR CORPORATION

LEASE FOUR MILE DRAW B FEDERAL

U.S.G.S. TOPOGRAPHIC MAP

MEAS SW, N.M.



EMERGENCY PROCEDURES

In the case of a release of gas containing H2S, the 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 responders 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 NAME	CHEMICAL FORMULA	SPECIFIC GRAVITY	THRESHOLD LIMIT	HAZARDOUS LIMIT	LETHAL 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).

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

 NMOCD
 748-1283

 ENMMC (Hospital)
 622-8170