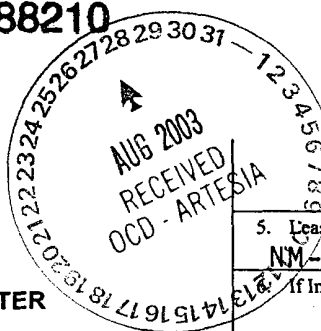


N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(September 2001)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER



FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-36190
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		If Indian, Allottee or Tribe Name
2. Name of Operator McKay Oil Corporation		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 2014 Roswell, NM		8. Lease Name and Well No. Eppers "B" Federal #1
3b. Phone No. (include area code) 505-623-4735		9. API Well No. 30-005-63340
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 640' FSL & 1824' FWL At proposed prod. zone		10. Field and Pool, or Exploratory W. Pecos Slope-ABO
14. Distance in miles and direction from nearest town or post office* 30 Miles NW of Roswell		11. Sec., T., R., M., or Blk. and Survey or Area Sec 34, T5S, R21E NMPM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of Acres in lease 1240.00	17. Spacing Unit dedicated to this well 160
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1320'	19. Proposed Depth 3400'	20. BLM/BIA Bond No. on file NM-1981
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4339' GL	22. Approximate date work will start* 8/15/03	23. Estimated duration 10-12 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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) April D. McKay	Date 6/24/03
Title Vice President		
Approved by (Signature) /s/LARRY D. BRAY	Name (Printed/Typed) /s/LARRY D. BRAY	Date AUG 27 2003
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	

Application approval does not warrant or certify the the applicant holds legal or 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.

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.

*(Instructions on reverse)

SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION
EPPERS "B" FED #1
SE/4SW/4 OF SEC 34, T5S, R21E
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 - 876'
Tubb - 2372'
Abo - 2600'

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

Fresh Water - In surface formation above 600'
Gas - In Abo Formation below 2600'

4. PROPOSED CASING PROGRAM:

12-1/4" hole	8-5/8" X-42	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. AUXILIARY EQUIPMENT: 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. ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE:
None anticipated.
12. ANTICIPATED STARTING DATE: On or before August-September, 2003
Drilling should be completed within 15 days. Completion operations (perforations and stimulation) will follow drilling operations.

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-10
Revised October 18, 199
Instructions on bac
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code		3 Pool Name	
4 Property Code		5 Property Name			6 Well Number
		Eppers "B" Fed			1
7 OGRID No.		8 Operator Name			9 Elevation
N		McKay Oil Corp.			4347

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	34	5S	21E		640	South	1824	West	Chaves

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				17 OPERATOR CERTIFICATION	
				I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief	
				Signature <i>Bill J. Milstead</i>	
				Printed Name <i>Bill J. Milstead</i>	
				Title <i>Vice President</i>	
				Date <i>7-7-00</i>	
				18 SURVEYOR CERTIFICATION	
				I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by or under my supervision, and that the same are true and correct to the best of my knowledge and belief	
				Date of Survey <i>06/23/00</i>	
				Signature and Seal of Professional Surveyor <i>Jackie D. Atkins</i>	
				Certificate Number <i>LS 8504</i>	

R. Boswell Ranch

EXHIBIT "B"
EPPERS "B" FED. #1
640' FSL & 1824' FWL, Sec. 34, T5S, R21E
Chaves County, New Mexico

3745

Arroyo
28

3744

50'

3743

T5S
T6S

505.1 IV SE
(ROUND MOUNTAIN SE) MC DANIELS RANCH 15 MI

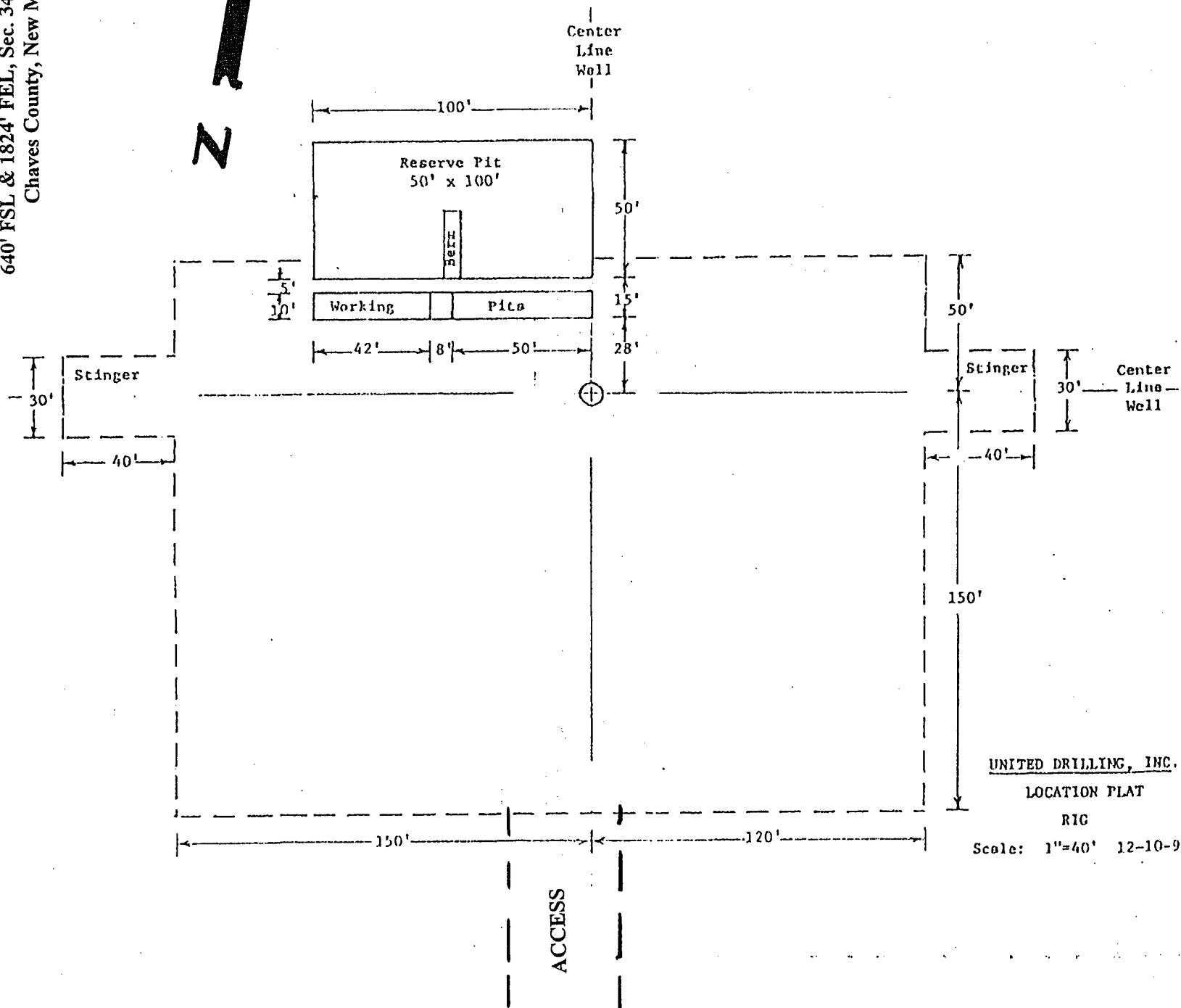
3740

EXHIBIT "C"

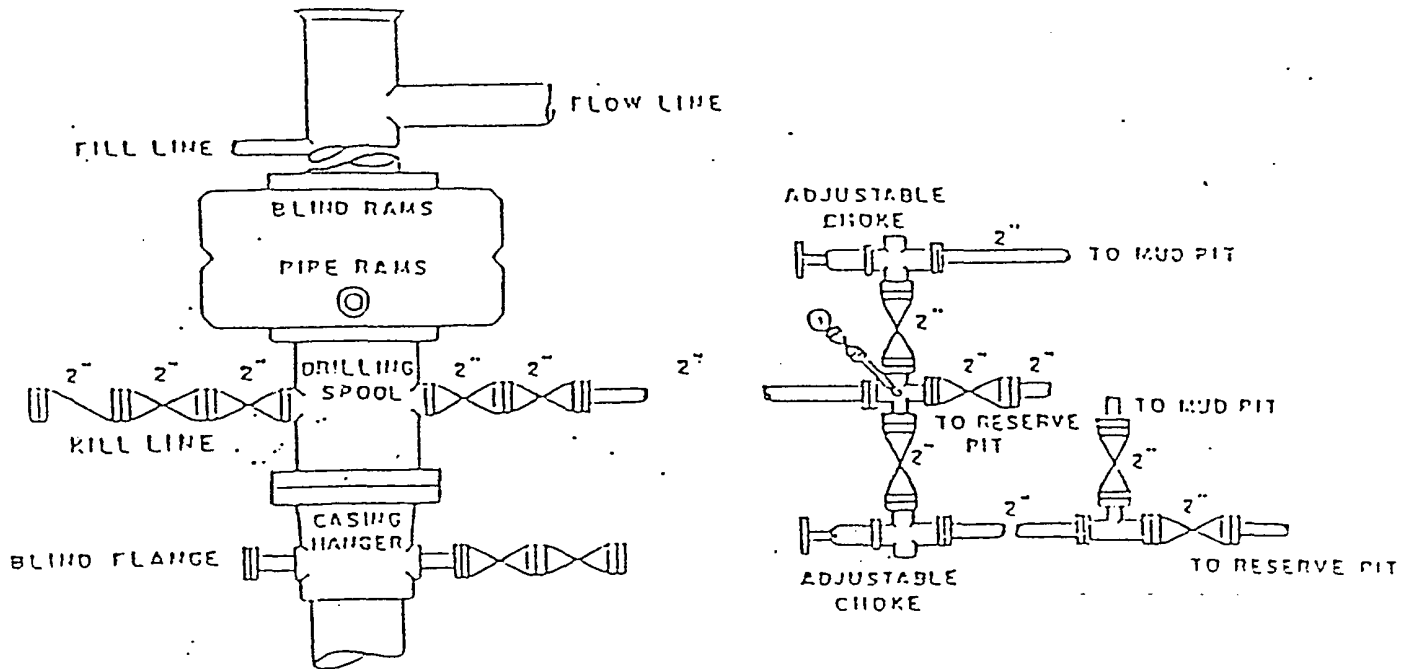
EPPERS "B" FED. #1

640' FSL & 1824' FEL, Sec. 34, T56S, R21

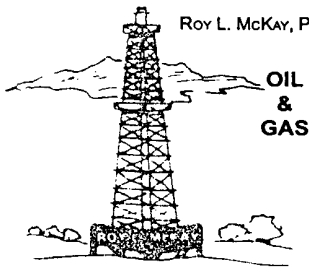
Chaves County, New Mexico



MCKAY OIL CORPORATION
EPPERS "B" FEDERAL #1
SW/4, SECTION 34, T-5-S, R-21-E
CHAVES COUNTY, NEW MEXICO
EXHIBIT "D"



McKay Oil Corporation



ROY L. MCKAY, PRESIDENT

MAILING ADDRESS: P.O. BOX 2014 ROSWELL, N.M. 88202 • TELEPHONE 505 / 623 - 4735
STREET ADDRESS: ONE MCKAY PLACE ROSWELL, N.M. 88201 • FAX NO. 505 / 624 - 2202

September 2, 2003

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

Re: Contingency Plan

Bryan,

Please see attached Contingency Plan-H2S for the Cactus B Federal #6, Inexco Federal #5 and the Eppers B Federal #1 all located in the same vicinity in Chaves County. Should you need any further information, please contact me at 505-623-4735.

Sincerely,

A handwritten signature in cursive script, appearing to read "April McKay".

April McKay
Vice President



A rectangular box containing the handwritten text "Eppers B Fed #1" in a cursive script.

**MCKAY OIL CORPORATION
P.O. BOX 2014
ROSWELL, NM 88202-2014
505-623-4735**

**HYDROGEN SULFIDE (H₂S) CONTINGENCY PLAN FOR
INEXCO FEDERAL #5, EPPERS B FEDERAL #1, AND THE CACTUS B
FEDERAL #6 ALL LOCATED IN SAME VICINITY 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.**



INEXCO FED #5, EPPERS B FEDERAL #1, CACTUS B FEDERAL #6

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 has an H₂S indicator that puts off light and alarm of any indication of H₂S being present.

MAPS

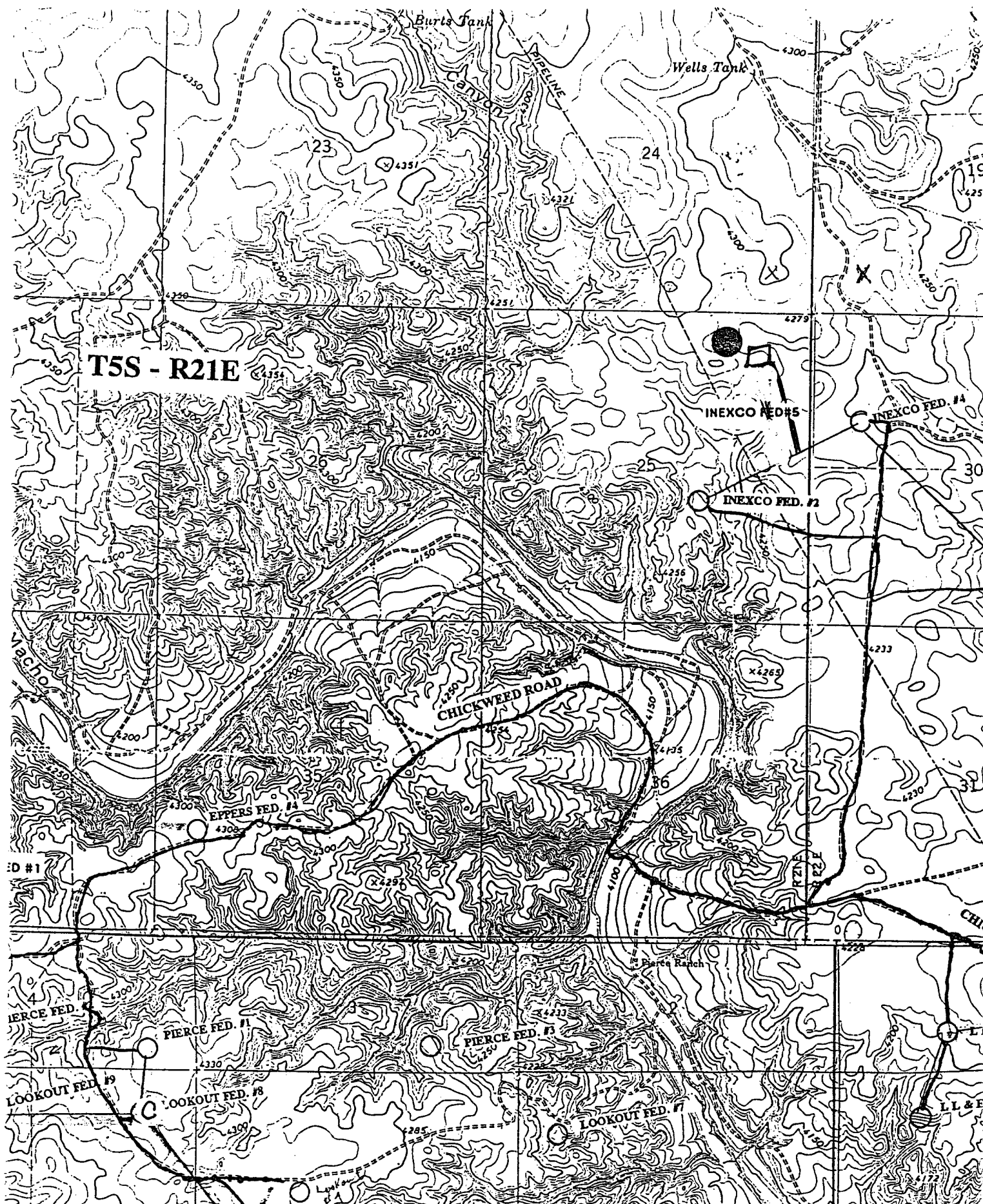
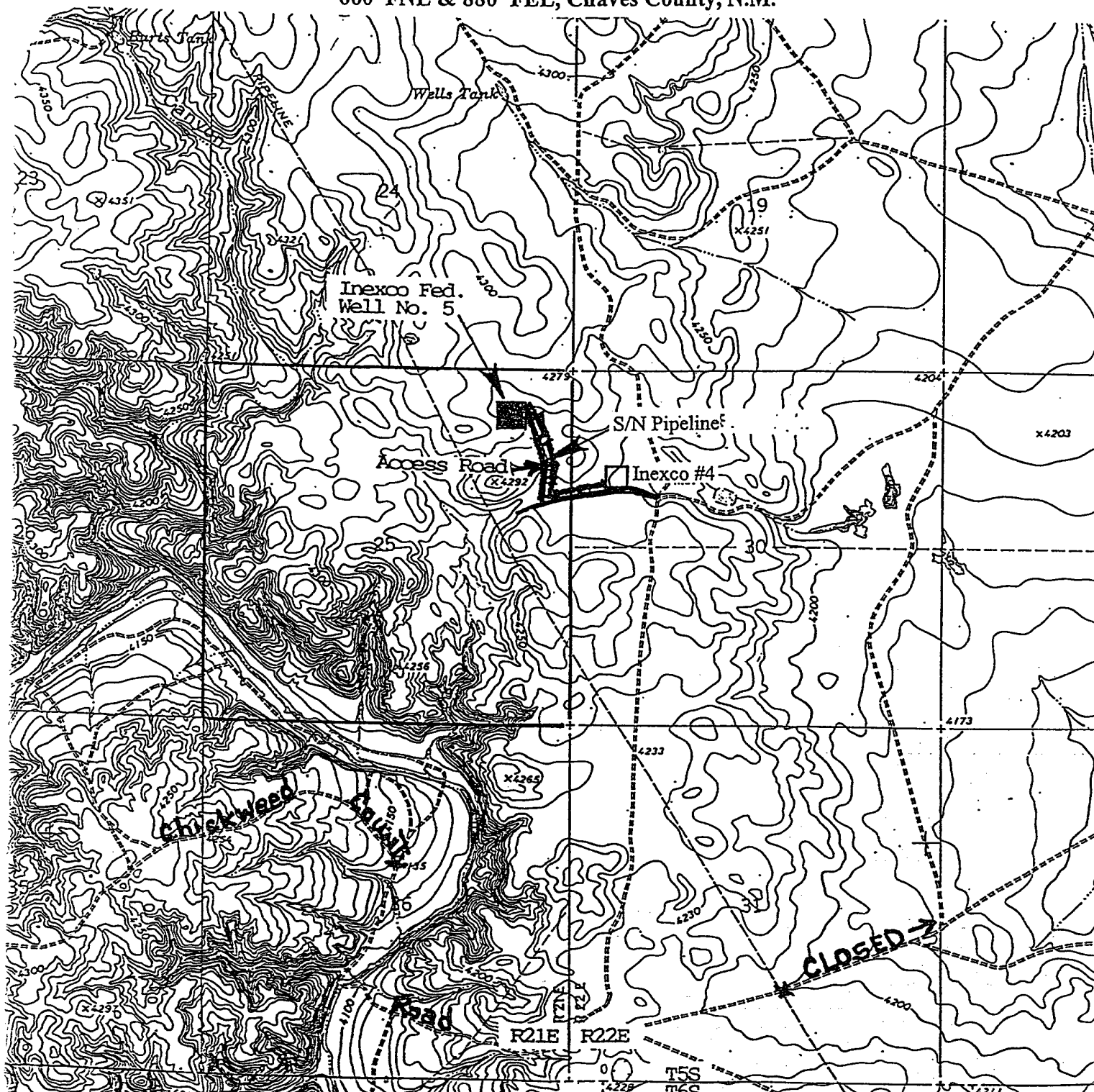


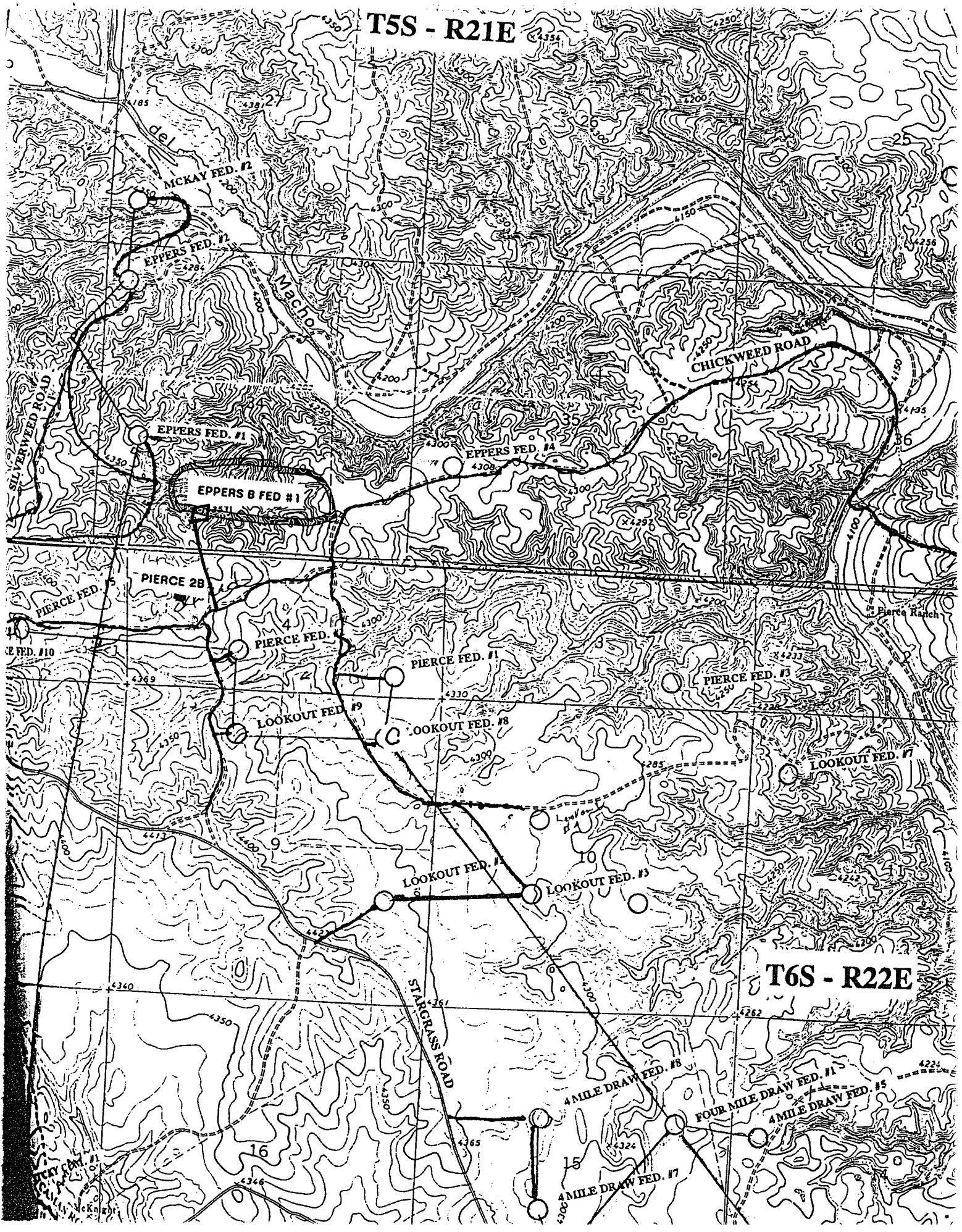
EXHIBIT A

Page 6 of 6

Operator: McKay Oil Corporation
BLM Serial Number: NM-32311
Well Name & NO.: Inexo Federal #5
Location: Section 25, T. 5 S., R. 21 E.
660' FNL & 880' FEL, Chaves County, N.M.



T5S - R21E



T6S - R22E



United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

EXHIBIT A

Operator: McKay Oil Corporation
BLM Serial Number: NM-36190
Well Name & NO.: Eppers "B" Federal #1
Location: Section 34, T. 5 S., R. 21 E.
640' FSL & 1824' FWL, Chaves County, N.M.

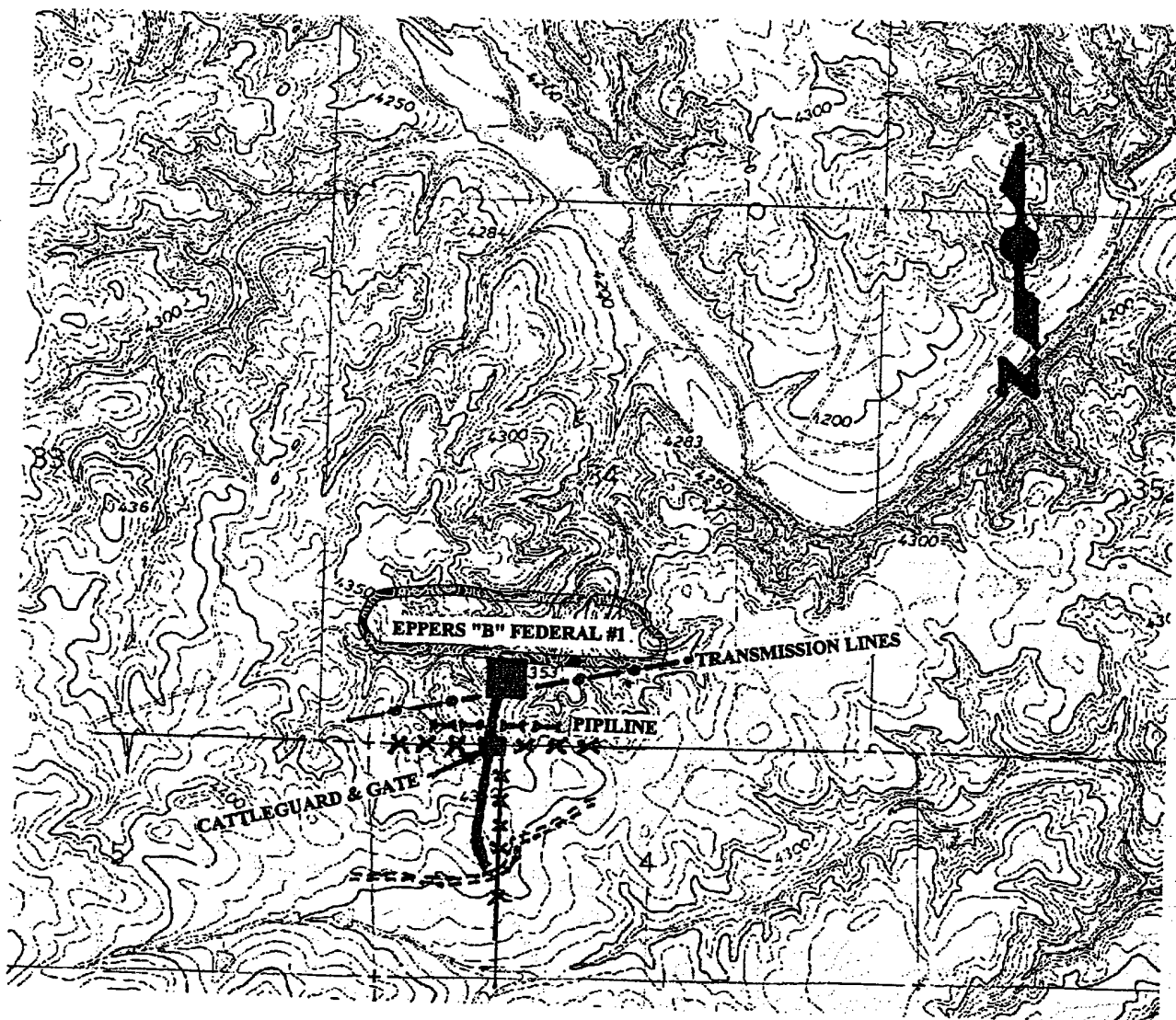


EXHIBIT A

OPERATOR: McKay Oil Corporation

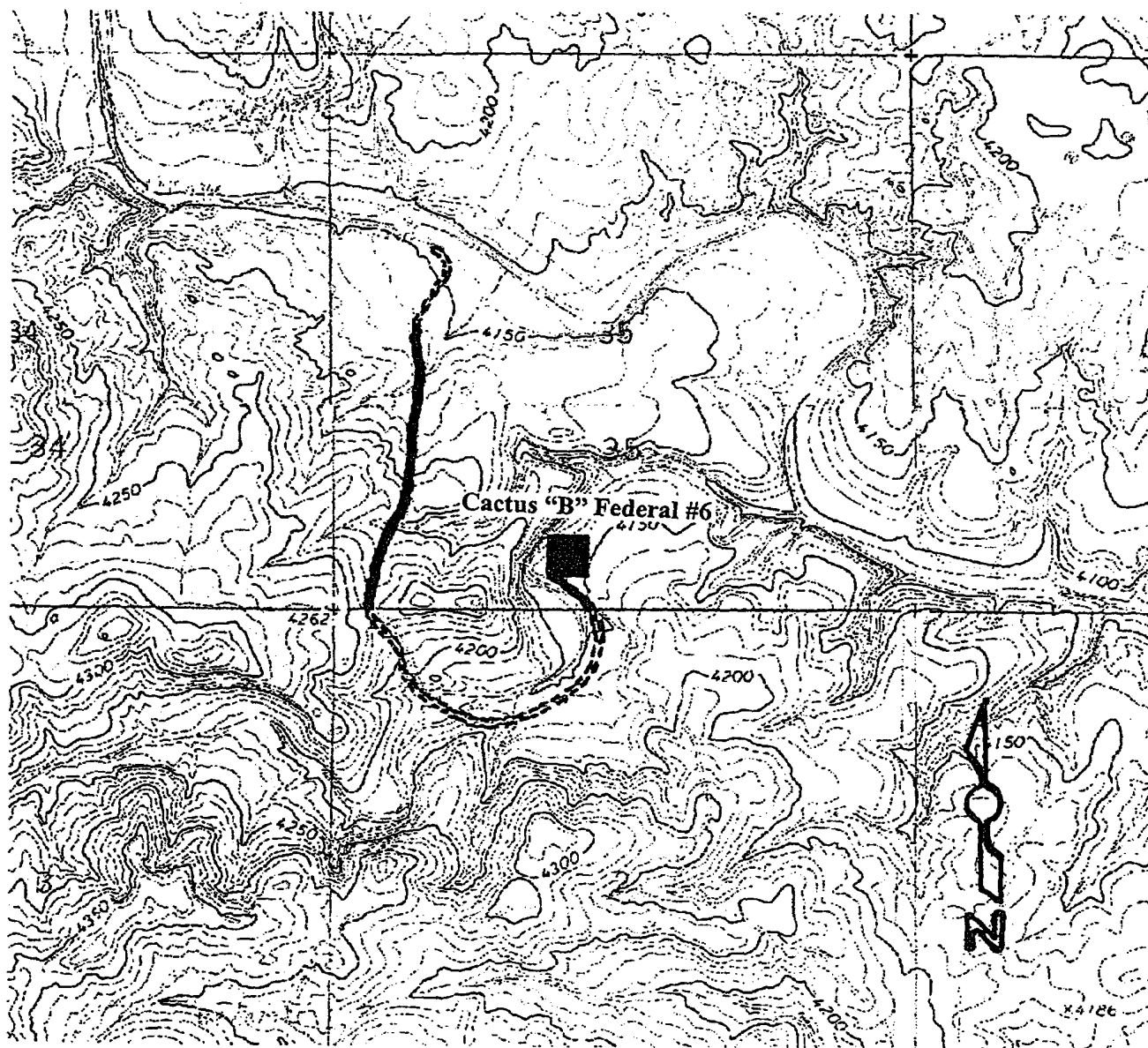
LEASE NO: NM-91498

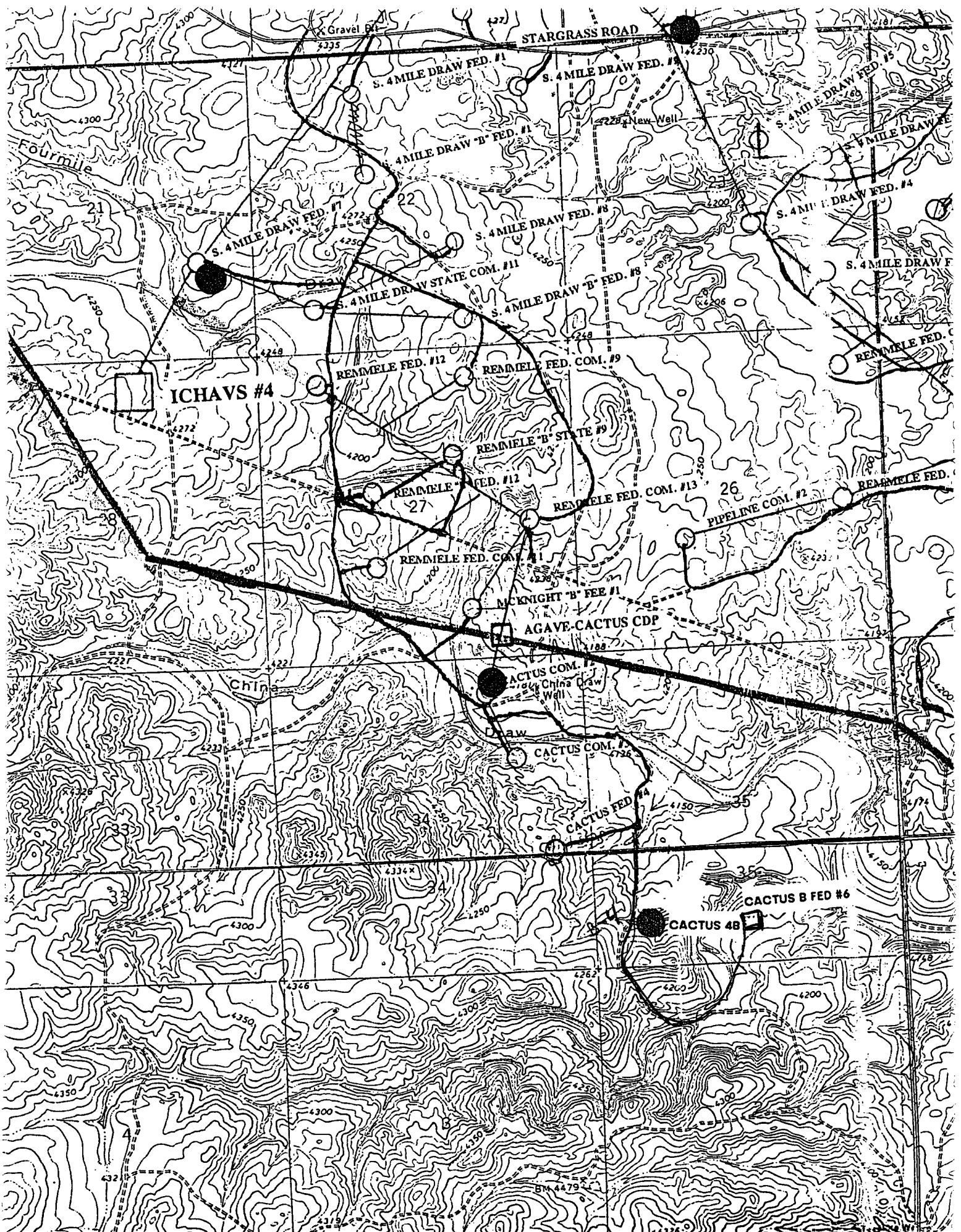
WELL NAME & NO.: Cactus "B" Federal #6

LOCATION: Section 35 T. 6 S., R. 22 E., N.M.P.M.

QUARTER/QUARTER & FOOTAGE: SE¼SW¼ - 330' FSL & 2430' FWL

COUNTY: Chaves County, New Mexico





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 the 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 on 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	H ₂ S	1.189 AIR =1	10 PPM ⁴	100 PPM/HR	600 PPM
SULFUR DIOXIDE	SO ₂	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 ext 129
NMOCD	748-1283
ENMMC (Hospital)	622-8170