

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



Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

AUG 06 2007
OCD-ARTESIA
FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

1a. Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-36193
1b. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator McKay Oil Corporation		7. If Unit or CA Agreement, Name and No
3a. Address PO Box 2014 Roswell, NM 88202-2014		8. Lease Name and Well No. Four Mile Draw C Fed. #7
3b. Phone No. (include area code) 505-623-4735		9. API Well No. 30-005-63967
4. Location of Well (Report location clearly and in accordance with any State requirements *) At surface 660'FWL & 770'FSL At proposed prod. zone		10. Field and Pool, or Exploratory W. Pecos ABO Slope
14. Distance in miles and direction from nearest town or post office* Approximately 25 miles		11. Sec., T R M or Blk and Survey or Area Unit M, Sec. 15, T6S, R22E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 660'	16. No. of acres in lease 927.51	17. Spacing Unit dedicated to this well 160.00
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 75'	19. Proposed Depth 4000'	20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4357'	22. Approximate date work will start* 08/19/2007	23. Estimated duration 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 | 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) James L. Schultz	Date 07/19/2007
Title Agent		

Approved by (Signature) IS/ Angel Mayes	Name (Printed/Typed) IS/ Angel Mayes	Date AUG 03 2007
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	

Application approval does not warrant or certify that 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 page 2)

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED**

APPROVED FOR 2 YEARS

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

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

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

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 82740	Pool Name Pecos Slope; Abo, West
Property Code	Property Name FOUR MILE DRAW FEDERAL C	Well Number 7
OGRID No. 14424	Operator Name MCKAY OIL CORPORATION	Elevation 4357'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	15	6-S	22-E		770	SOUTH	660	WEST	CHAVES

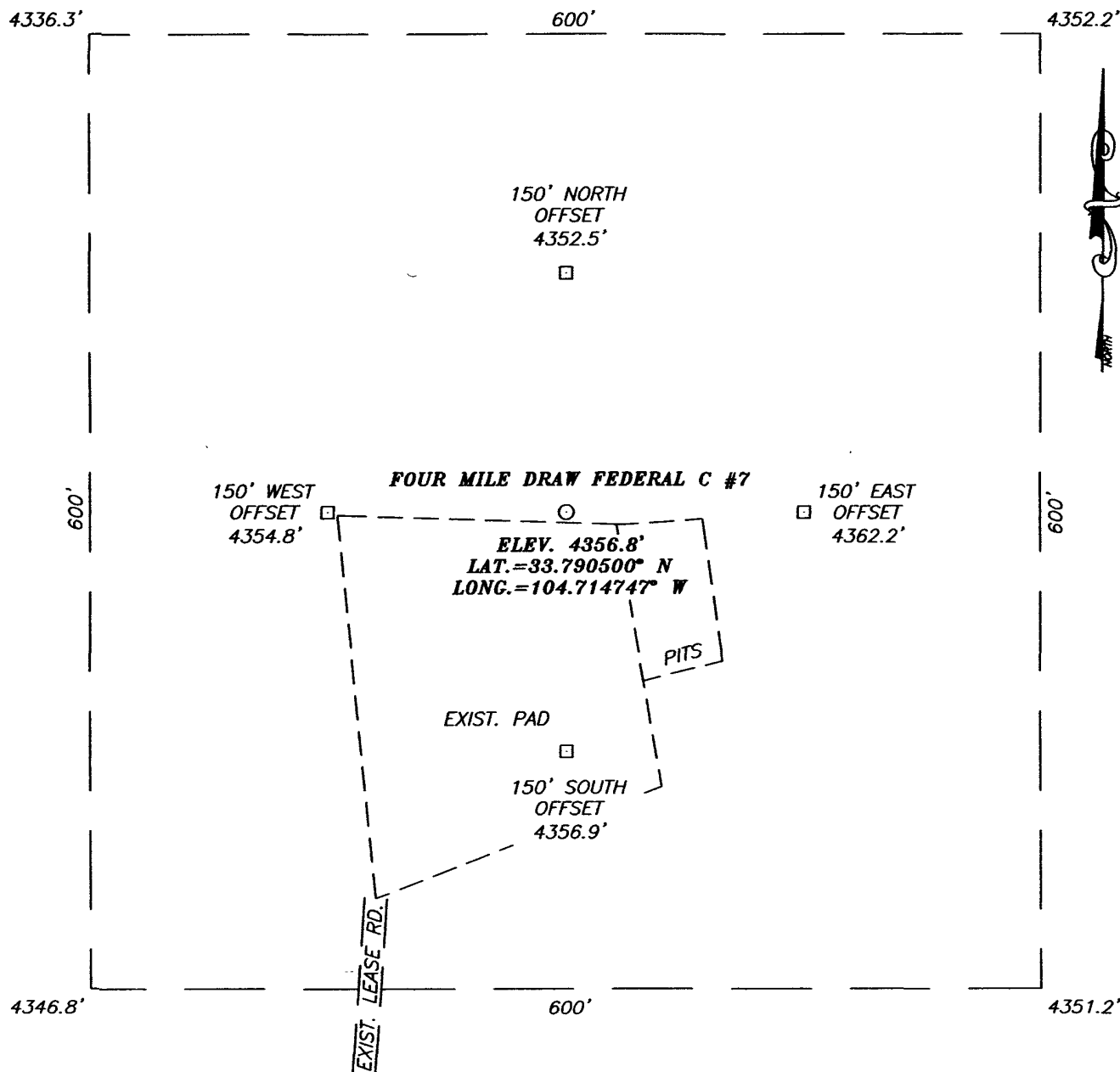
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 160.0	Joint or Infill	Consolidation Code	Order No.						

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

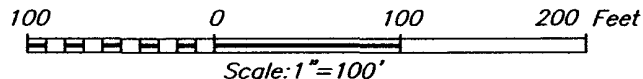
<p>SEE DETAIL</p> <p>660' S.L.</p> <p>770'</p> <p>DETAIL</p> <p>4336.3' 4352.2'</p> <p>600'</p> <p>4346.8' 4351.2'</p> <p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=1015341.5 N X=384118.4 E</p> <p>LAT.=33.790500° N LONG.=104.714747° W</p>				<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>James L. Schultz</i> 7-19-07 Signature Date James L. Schultz Printed Name</p>	
				<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MARCH 13, 2007</p> <p>Date Surveyed AR</p> <p>Signature & Seal of Professional Surveyor <i>Ronald J. Eidson</i> 3/27/07 07.11.0310</p> <p>Certificate No. GARY EIDSON 12841 RONALD J. EIDSON 3239</p>	

SECTION 15, TOWNSHIP 6 SOUTH, RANGE 22 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #285 AND CO. RD. #40 (STARGRASS RD.), GO WEST ON CO. RD. #40 APPROX. 8.4 MILES (500 FEET WEST OF STARGRASS RD. AND CAMAS RD.), TURN RIGHT AND GO NORTH APPROX. 250 FEET TO THE FOUR MILE DRAW B FED. #7 WELL PAD. THIS LOCATION IS APPROX. 75 FEET NORTH.



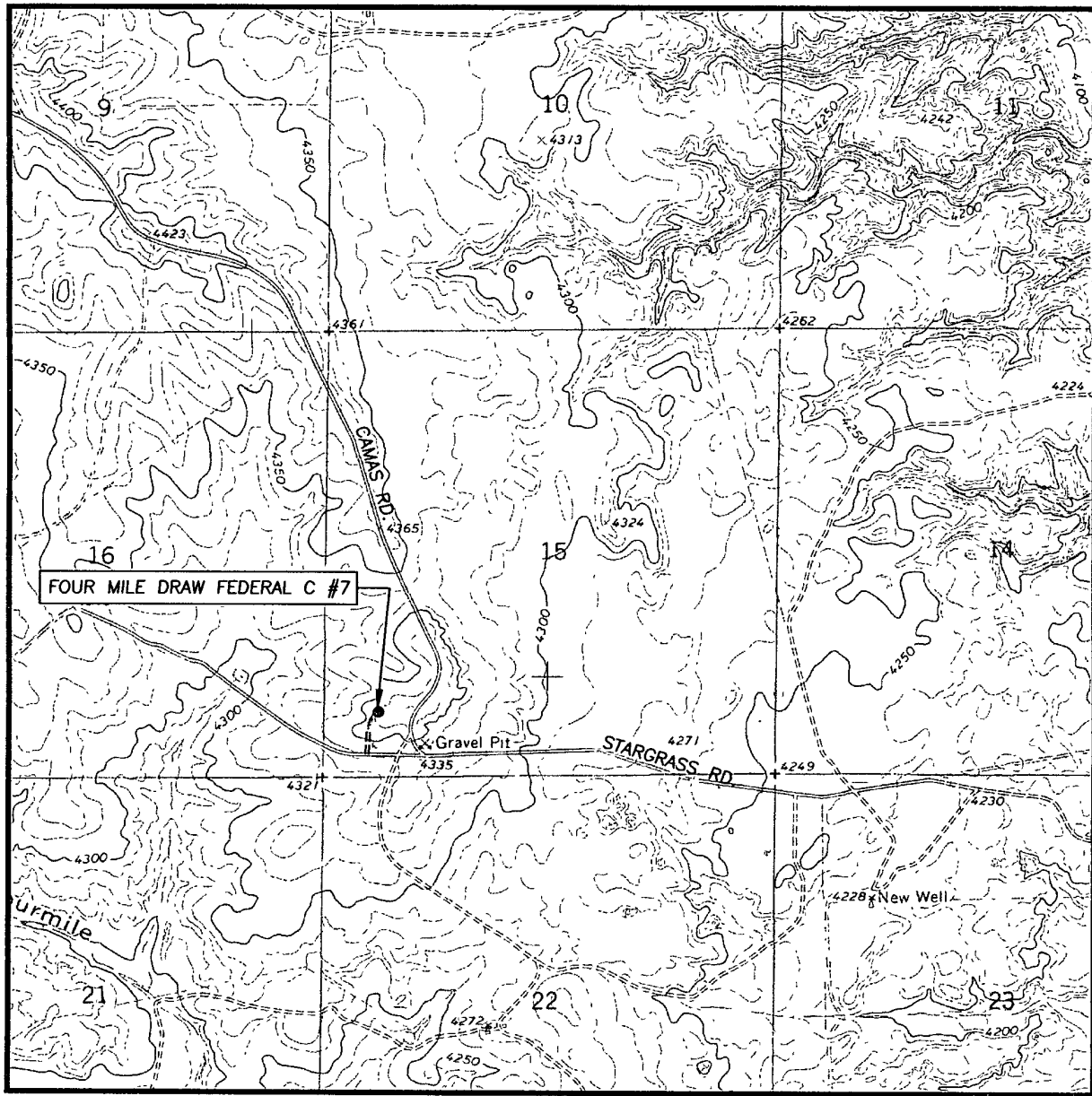
MCKAY OIL CORPORATION

FOUR MILE DRAW FEDERAL C #7 WELL
 LOCATED 770 FEET FROM THE SOUTH LINE
 AND 660 FEET FROM THE WEST LINE OF SECTION 15,
 TOWNSHIP 6 SOUTH, RANGE 22 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO.

PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

Survey Date: 3/13/07	Sheet 1 of 1 Sheets
W.O. Number: 07.11.0310	Dr By: AR
Date: 03/16/07	Disk: 07110310
	Rev 1: N/A
	Scale: 1"=100'

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

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

SURVEY _____ N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 770' FSL & 660' FWL

ELEVATION 4357'

OPERATOR MCKAY OIL CORPORATION

LEASE FOUR MILE DRAW FEDERAL C

U.S.G.S. TOPOGRAPHIC MAP
MESA SW, N.M.

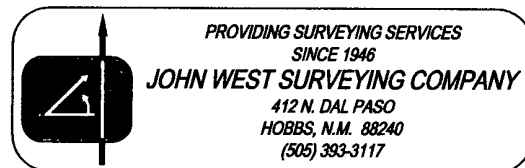
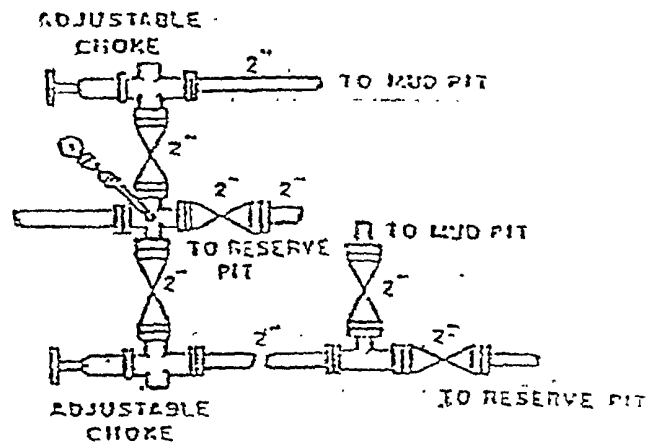
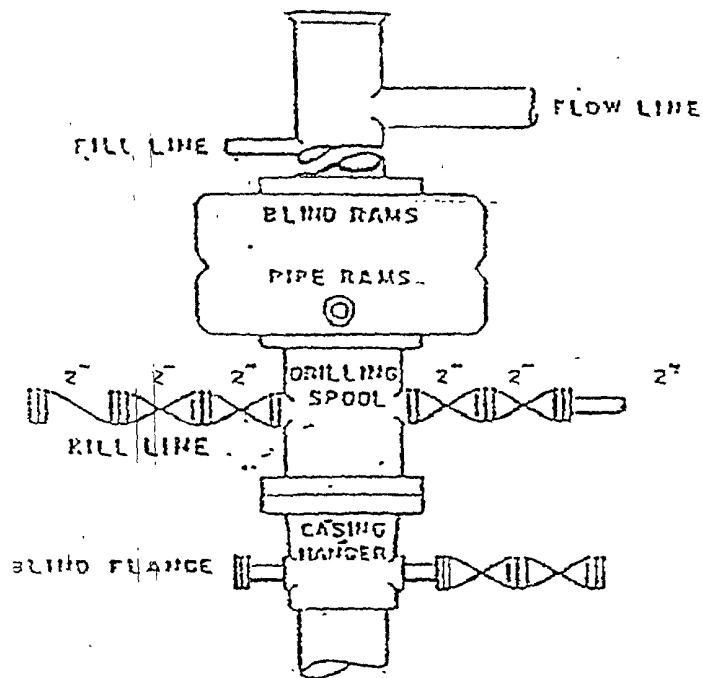


Exhibit "D"



SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION FOUR MILE DRAW C FEDERAL #7

Surface Location: 770'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:

<u>Hole Size</u>	<u>Casing Size</u>	<u>Weight</u>	<u>Depth</u>
12-1/4"	9-5/8" J-55	#24	950' ±
7-7/8"	5-1/2" J-55	#15.5	DT

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: As soon as possible. 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
FOUR MILE DRAW C FEDERAL #7
770' FSL & 660' FWL, Sec. 15, T6S, R22E
Chaves County, New Mexico

NM 36193

This plan is submitted with the application for permit to drill the above described well, which will be drilled on the same well pad as the existing Four Mile Draw B Fed. #7Y well. The purpose of the plan is to describe the location of the proposed well, the proposed operation plan, the magnitude of additional 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. Directions: Heading North out of Roswell, New Mexico on U.S. 285 for approximately 21 miles and turn left on county road (Stargrass) just before mile marker 137. Go approximately 8 miles where Stargrass turns north, but go straight (road turns into Chaves County Road Camas) and go approximately 800 feet and turn north for approximately 450 to the location.

2. PLANNED ACCESS ROAD:

A. Length and Width: Existing

B. Surface Materials: None additionally needed

C. Turnouts: None

D. Maximum Grade: No more than 3%.

E. Drain Design: Previous constructed for the 4 Mile Draw B Fed. #7Y well.

F. Culverts: None.

G. Cuts and Fill: None.

H. Gates, Cattleguards: None needed.

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: See Exhibit "A" for location of existing lease wells. If the well is commercial, production facilities and tank battery will be constructed.

B. Cuts and Fills: Well pad was constructed for the S. Four Mile Draw B Fed. #7Y.

C. Top Soil: Already stock piled.

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. None required.

7. METHODS OF HANDLING WASTE DISPOSAL:

A. Drill cuttings will be disposed of in the drilling pits constructed for the Four Mile Draw B Fed. #7Y

B. Drilling fluids will be allowed to evaporate in the drilling pits until the pit is 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 is 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. Topography: The topography is a gradual slope to the south in the vicinity of the access road and southwest in the vicinity of the drill pad. Regional slope is south-southwest toward the Four Mile Draw which is southwest of the location.

B. Soil: Sandy loam with limestone outcropping.

C. Flora and Fauna: The flora consists of typical desert vegetation, such as yucca, cactus and various grasses. Fauna consists of desert wildlife such as coyotes, rodents, snakes, deer and antelope.

D. Ponds and Streams: Four Mile Draw southwest of the location.

E. Residences and other Structures: The old J.M. McKnight ranch house is approximately 1-1/2 mile to west.

F. Archaeological, Historical and Other Cultural Sites: An Archaeological report was submitted with the APD for the Four Mile Draw B Fed. #7Y.

G. Land Use: Grazing.

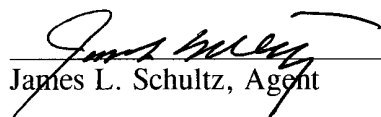
H. Surface Ownership: USA-BLM.

12. OPERATOR'S REPRESENTATIVE:

Matt Murphy
Roswell, New Mexico
(505) 623-4735 (O)
(505) 840-8909 (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 the 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 sub-contractors 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.


James L. Schultz, Agent

7-19-07
DATE

**Southwest Petroleum
Land Services, LLC**

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

July 18, 2007

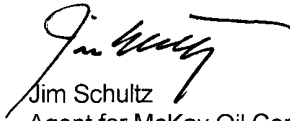
Oil Conservation Division
Bryan Arrant
1301 W. Grand Avenue
Artesia, NM

Re: H2S Contingency Plan-Well name

Bryan,

Please see attached Contingency Plan-H2S for the Four Mile Draw C Federal 7 located in Sec 15, T6S, R22E, 770' 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 C FEDERAL #7
770' FSL & 660' FWL, Sec. 15, T6S, R22E
CHAVES COUNTY, NEW MEXICO

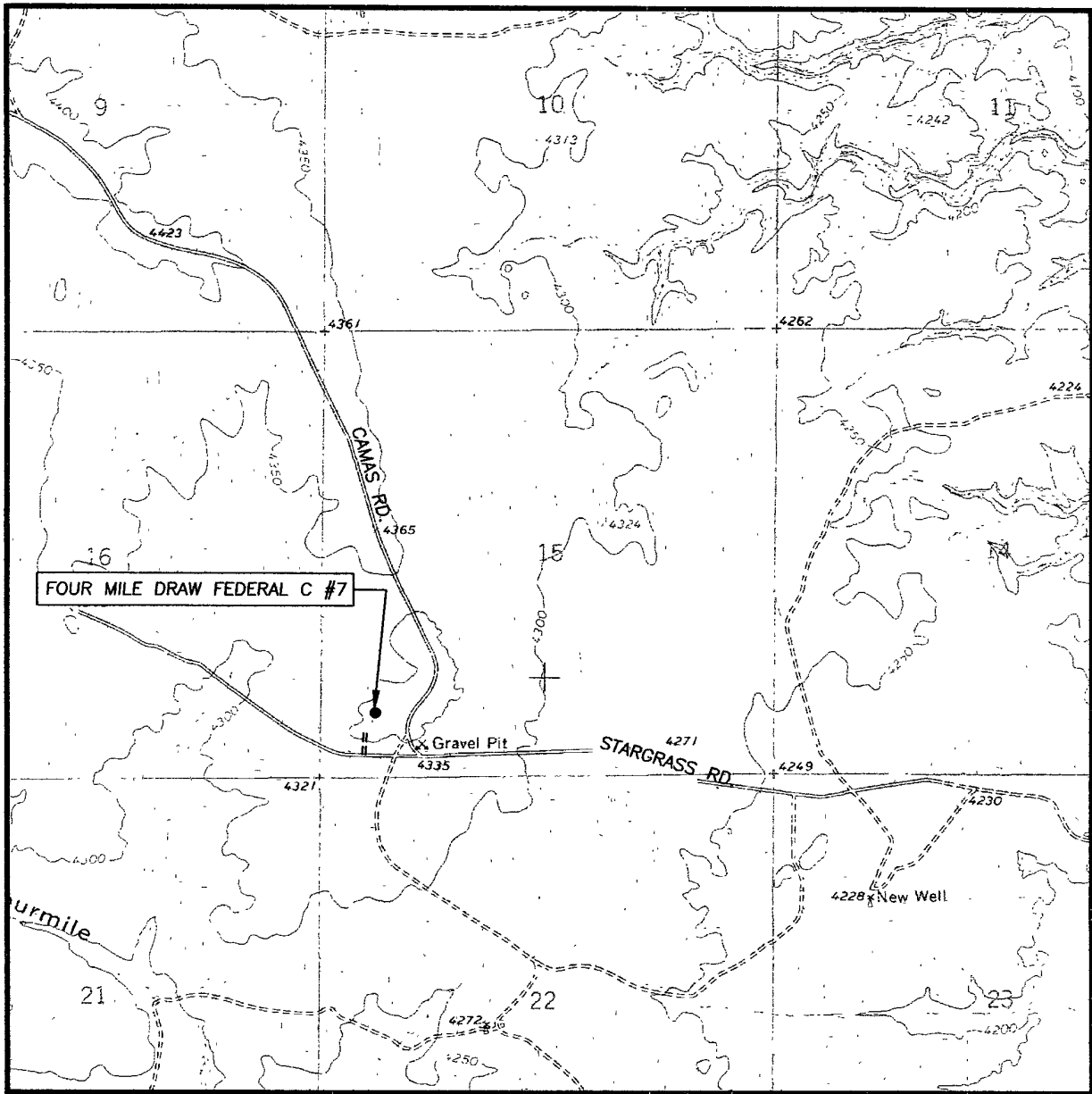
NO HYDROGEN SULFIDE OR OTHER HAZARDOUS GASES OR FLUIDS HAVE
BEEN ENCOUNTERED, REPORTED OR KNOWN TO EXIST AT THIS DEPTH IN
THIS AREA.

**FOUR MILE DRAW C FEDERAL #7
770'FSL & 660'FWL, Sec. 15, T6S, R22E
Chaves County, New Mexico**

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

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

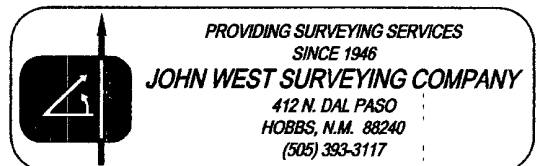
DESCRIPTION 770' FSL & 660' FWL

ELEVATION 4357'

OPERATOR MCKAY OIL CORPORATION

LEASE FOUR MILE DRAW FEDERAL C

U.S.G.S. TOPOGRAPHIC MAP
MESA 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	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
RANCE DENTON	625-1154	(303) 887-0030	
JIM ROBINSON	625-1154	626-8579	624-1093
ROY MCKAY	623-4735	626-8571	623-4735

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

III. DRILLING OPERATION REQUIREMENTS:

A. GENERAL DRILLING REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second Street, Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties in sufficient time for a representative to witness:

A. Well spud B. Cementing casing: 8-5/8 inch 5-1/2 inch C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15-day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

B. CASING:

1. The 9-5/8 inch surface casing shall be set at approximately 950 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 5-1/2 inch production casing is to reach a minimum of 500 feet above the top of the uppermost productive interval.

C. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 9-5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.