

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-36194
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		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 P.O. Box 2014 Roswell, NM		8. Lease Name and Well No. S4 Mile Draw "B" Fe
3b. Phone No. (include area code) 505-623-4735		9. API Well No. Com #84 30-005-63639
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 708' FSL & 2129' FEL 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* Approximately 25 Miles north of Roswell		11. Sec., T., R., M., or Blk. and Survey or Area Sec 22, T6S, R22E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 708'	16. No. of Acres in lease 2,520	12. County or Parish Chaves
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. 1150'	13. State NM
19. Proposed Depth 3,200'	20. BLM/BIA Bond No. on file	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4,255'	22. Approximate date work will start* August 31, 2003	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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by authorized officer.

25. Signature 	Name (Printed/Typed) April D. McKay	Date 8/19/03
Title vp		
Approved by (Signature) 	Name (Printed/Typed) LARRY D. BRAY	Date SEP 03 2003
Title Assistant Field Manager,	Office ROSWELL FIELD OFFICE	

Application approval does not constitute a finding of 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)

MOC spudded this well on May 13, 1998. Rig Collapsed and dry hole marker placed November 22, 2002. Sundry filed on 7/21/03 to move well bore 17 to the west. Existing pad will be used. Location still good. New acrea and dedication plat attached.

NSL

APPROVED FOR 1 YEAR

District I
PQ 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

RECEIVED AUG 18 2003

Form C-102
Revised October 18, 1994
Instructions on back
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
		S 4 MILE DRAW FED COM "B"			8
7 OGRID No.		8 Operator Name			9 Elevation
		McKAY OIL CORP.			4255

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
0	22	6S	22E		708	SOUTH	2129	EAST	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.			

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 <u>April McKay</u>	
				Printed Name <u>April McKay</u>	
				Title <u>V.P.</u>	
				Date <u>8/19/03</u>	
				18 SURVEYOR CERTIFICATION	
				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.	
				Date of Survey <u>AUGUST 2003</u>	
				Signature and Seal of Professional Surveyor <u>JACKIE D. ATKINS</u>	
				Date of Survey <u>AUGUST 2003</u>	
				Certificate Number <u>LS 8504</u>	
				Date of Survey <u>AUGUST 2003</u>	
				Signature and Seal of Professional Surveyor <u>JACKIE D. ATKINS</u>	
				Date of Survey <u>AUGUST 2003</u>	
				Certificate Number <u>LS 8504</u>	

708' 2129' S 4 MILE DRAW FED. COM. "B" #8

PERTINENT INFORMATION

FOR

MCKAY OIL CORPORATION
SOUTH 4 MILE DRAW FEDERAL "B" #8
SW/4SE/4 of Sec. 22, T-6S, R-22E
Chaves County, New Mexico

<u>LOCATED:</u>	24 air miles Northwest of Roswell, NM.
<u>LEASE NUMBER:</u>	NM-36194
<u>LEASE ISSUED:</u>	May 1, 1981
<u>RECORD LESSEE:</u>	McKay Oil Corporation McKay Children's Trust
<u>BOND COVERAGE:</u>	Operator's \$25,000 Statewide
<u>AUTHORITY TO OPERATE:</u>	Assignment of Operating Rights
<u>ACRES IN LEASE:</u>	2,520.00 acres, more or less
<u>SURFACE OWNERSHIP:</u>	Federal
<u>OWNER:</u>	USA-BLM
<u>POOL RULES:</u>	General Statewide Rules
<u>EXHIBITS:</u>	A. Road and Well Map B. Contour Map C. Rig Layout D. BOP Diagram E. Lease Map F. Location Topography

SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION
SOUTH 4 MILE DRAW FEDERAL "B" #8
SW/4SE/4 of Sec. 22, T-6S, R-22E
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 - ~~3052'~~ 2625' JMC
3. ESTIMATED DEPTHS TO WATER, OIL OR GAS FORMATIONS:
Fresh Water - In surface formation above 600'
Gas - In Abo Formation below 3052'
4. PROPOSED CASING PROGRAM: See Form 3160-3 JMC
5. PRESSURE CONTROL EQUIPMENT: Blowout preventer will consist of 2 ram, 2M
w/ Rotary Head with a rotating rubber with 1,000#WP and 1,000# test
pressure and a steel Blooey Line with 1,000#WP valve. A
sketch of the BOP is attached.
6. CIRCULATION MEDIUM: Air Drilling
7. 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.

8. 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.

9. ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE:

None anticipated.

10. ANTICIPATED STARTING DATE: On or before 1-15-97
Drilling should be completed within 60 days. Completion
operations (perforations and stimulation) will follow drilling operations.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MCKAY OIL CORPORATION
SOUTH 4 MILE DRAW FEDERAL "B" #8
SW/4SE/4 of Sec. 22, T-6S, R-22E
Chaves County, New Mexico

NM 36194

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 23 miles north of Roswell, NM.
- B. Directions: Heading North out of Roswell, New Mexico on U.S. 285 for approximately 23 miles and turn left on county road just before mile marker 137 (Cottonwood Road). Go approximately 8.5 miles, then turn left just after the gravel pit, then go approximately 1/2 mile southeast to the access road for the South 4 Mile Draw Federal #8, the new access road for the proposed well will be immediately south of said location.

2. PLANNED ACCESS ROAD:

- A. Length and Width: 1/4 miles long and 20' wide.
- B. Surface Materials: Sand, gravel and caliche where needed.
- C. Turnouts: None
- D. Maximum Grade: Nor more than 3%.
- E. Drain Design: 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, Cattleguards: NONE.

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: Less than 10' of cut and fill will be required for the pad size of 235' x 270'. (See Exhibit "F")

C. Top Soil: 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. Private Pit. To be determined at a later date.

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 buried in a separate trash pit and covered with a minimum of 24 inches of dirt or deposited in an approved sanitary landfill. All waste material will be contained by a netted container to prevent scattering by the wind.

F. All trash and debris will be buried or 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 southwest.

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. Topography: The topography is a gradual slope to the southwest in the vicinity of the access road and southwest in the vicinity of the drill pad. Regional slope is south toward the China Draw which is adjacent to 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.

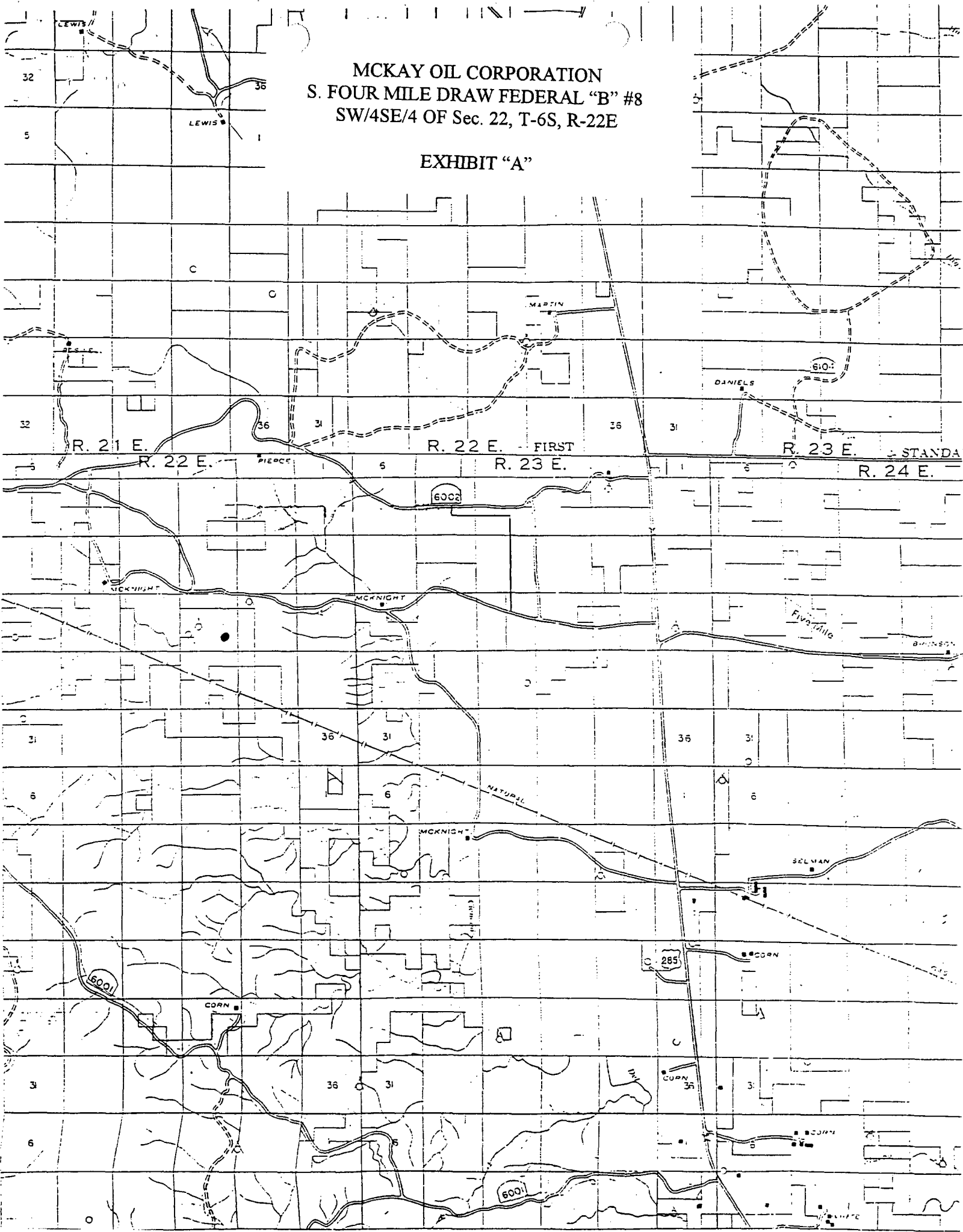
D. Ponds and Streams: China Draw is adjacent to the proposed location.

E. Residences and other Structures: The McKnight ranch house is approximately 2 1/2 miles east of this location.

Bill M. Stead

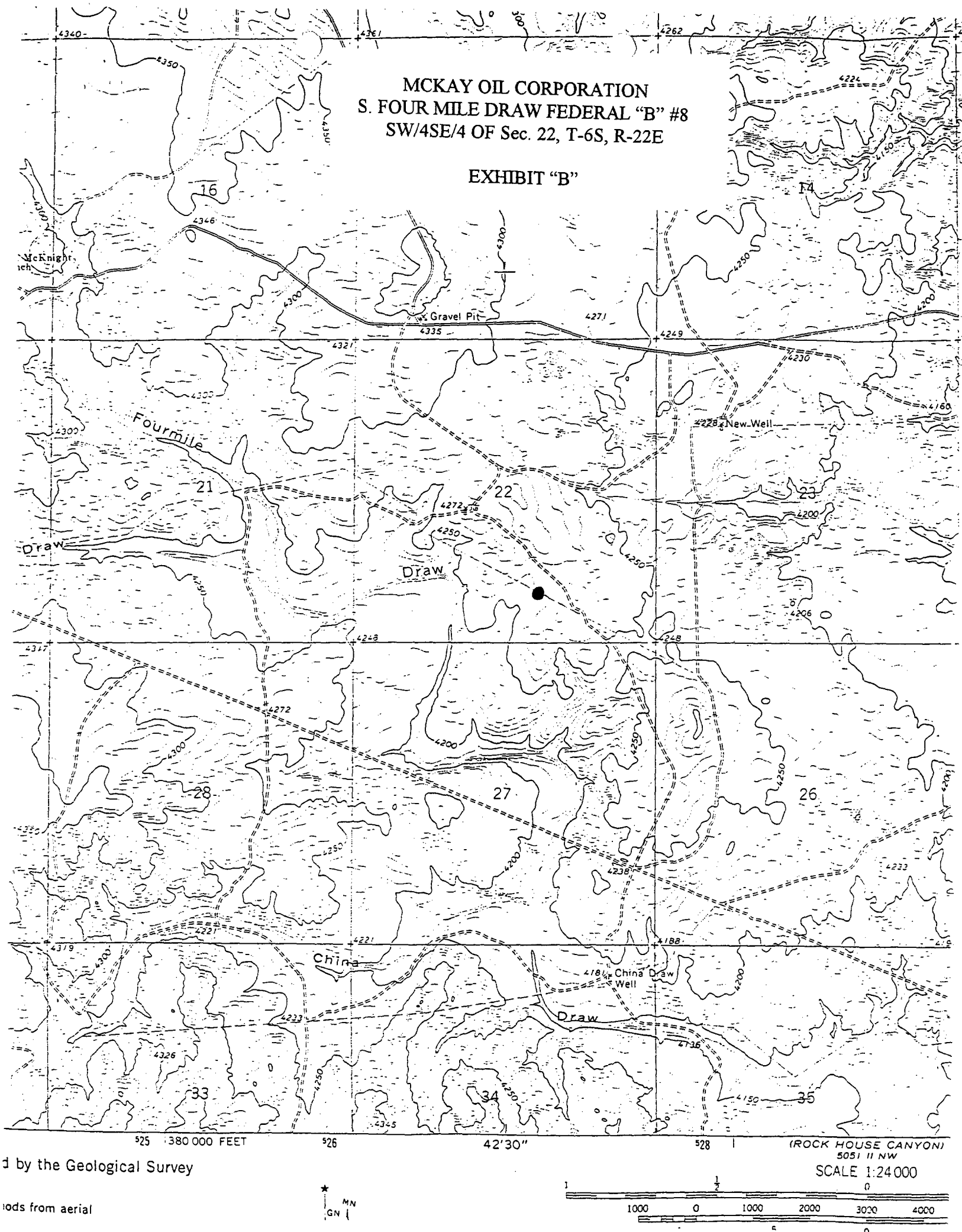
MCKAY OIL CORPORATION
S. FOUR MILE DRAW FEDERAL "B" #8
SW/4SE/4 OF Sec. 22, T-6S, R-22E

EXHIBIT "A"



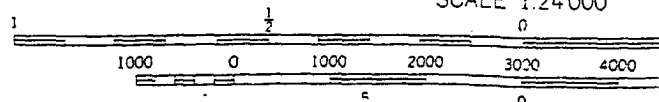
MCKAY OIL CORPORATION
S. FOUR MILE DRAW FEDERAL "B" #8
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EXHIBIT "B"



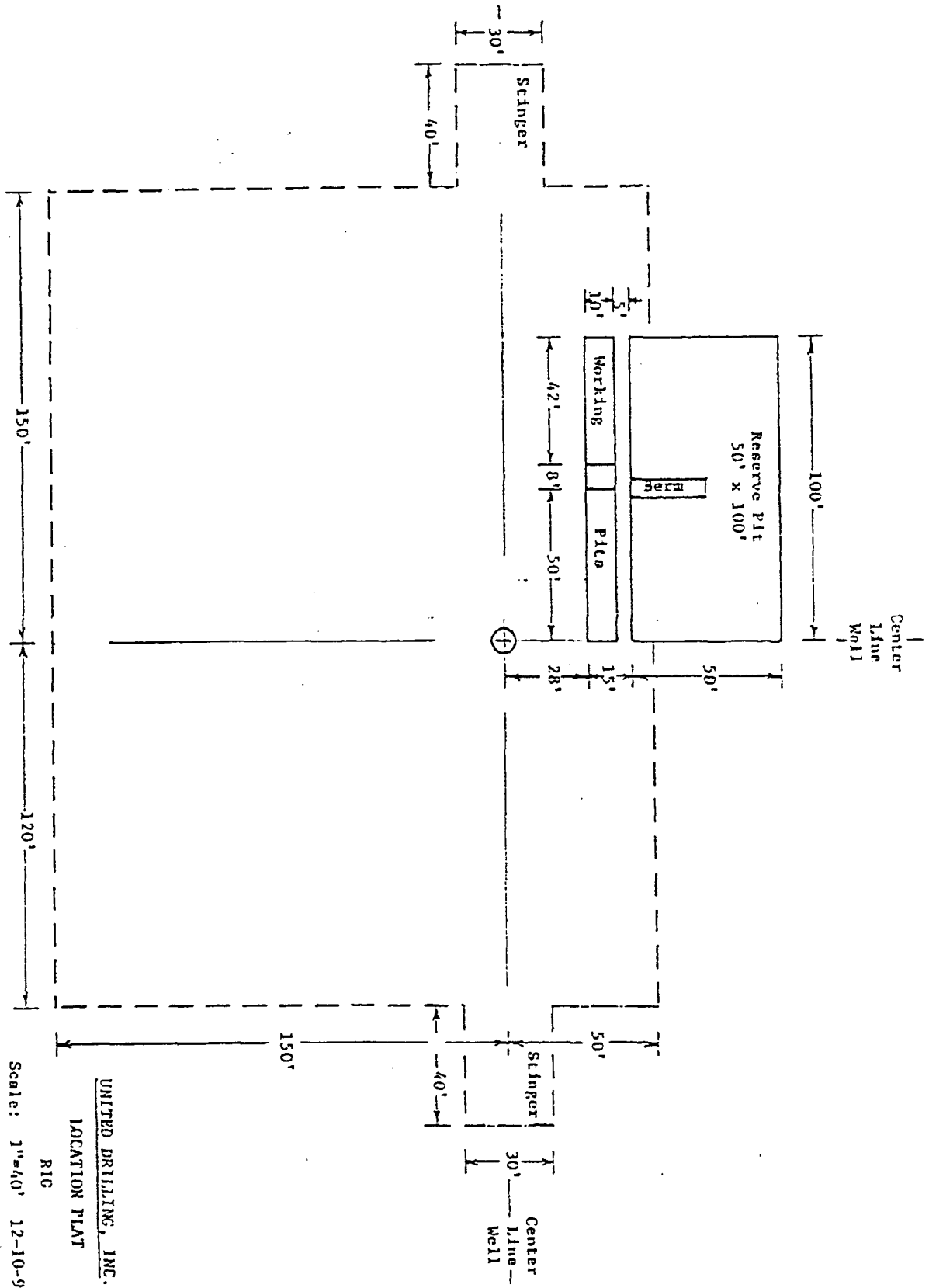
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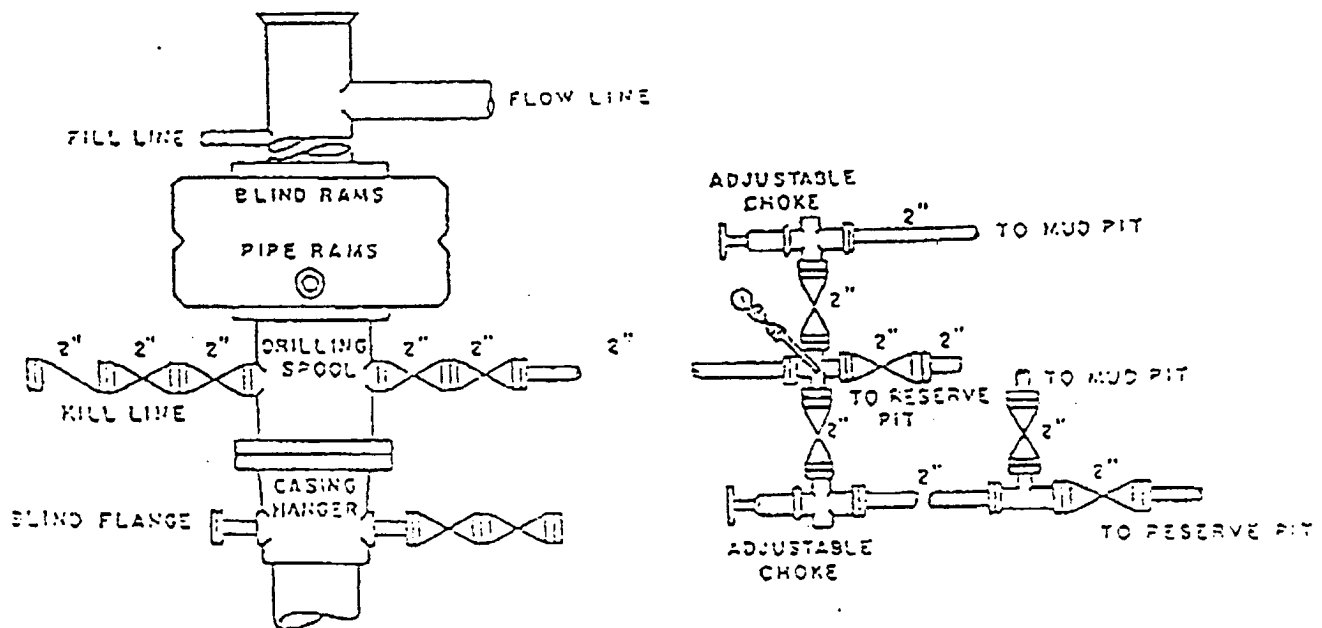
MCKAY OIL CORPORATION
S. FOUR MILE DRAW FEDERAL "B" #8
SW/4SE/4 OF Sec. 22, T-6S, R-22E

EXHIBIT "C"



MCKAY OIL CORPORATION
S. FOUR MILE DRAW FEDERAL "B" #8
SW/4SE/4 OF Sec. 22, T-6S, R-22E

EXHIBIT "D"

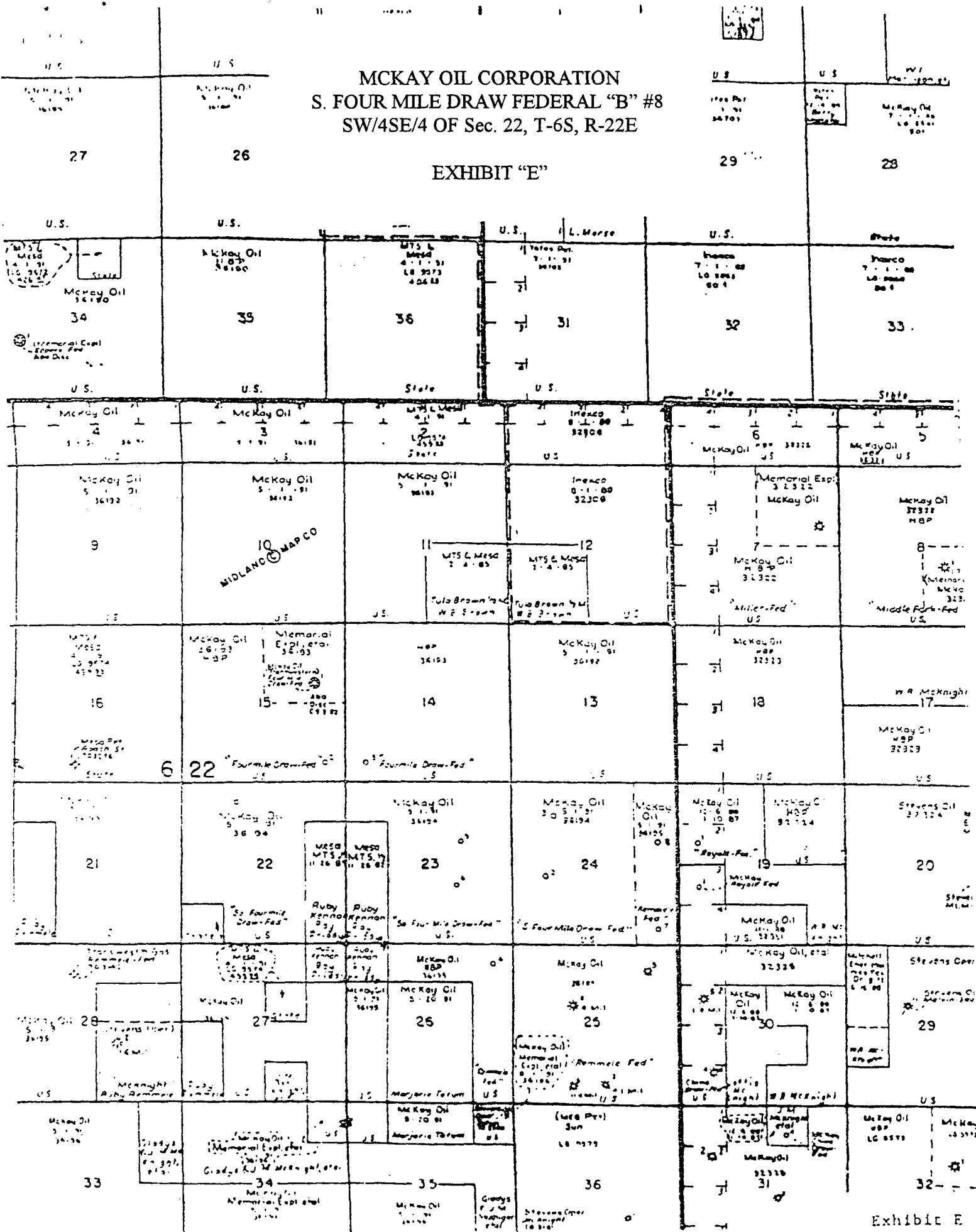


BOF DIAGRAM

3000# Working Pressure
Rams Operated Daily

MCKAY OIL CORPORATION
S. FOUR MILE DRAW FEDERAL "B" #8
SW/4SE/4 OF Sec. 22, T-6S, R-22E

EXHIBIT "E"



MCKAY OIL CORPORATION
S. FOUR MILE DRAW FEDERAL "B" #8
SW/4SE/4 OF Sec. 22, T-6S, R-22E

EXHIBIT "F"

THERE IS NO EXHIBIT "F"