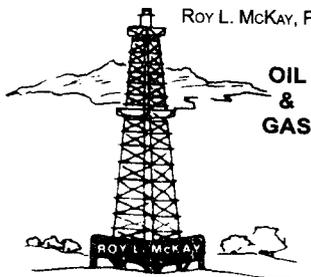


McKay Oil Corporation



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

June 3, 2004

RECEIVED

JUN - 7 2004

Oil Conservation Division
 New Mexico Energy, Minerals and Natural Resources Department
 Mr. Michael Stogner
 1220 South St. Francis Drive
 Santa Fe, NM 87505

Oil Conservation Division
 1220 S. St. Francis Drive
 Santa Fe, NM 87505

Re: Cactus Federal #7 Non Standard Location

Mr. Stogner:

McKay Oil Corporation requests to be placed on the hearing docket for the next available hearing after publication of McKay's request for approval for the following non-standard location:

The names and justification for the non-standard location is as follows:

CACTUS FEDERAL #7 is located at 660' FSL' & 2310' FEL, Sec 35, T6S, R22E, NMPM. The well location has been placed in this location due to 2 constraints. The first constraint is geological in that we believe the ABO formation channels are restricted to the very southern portion of this section. The second constraint is topographical in nature. There is a major run-off draw immediately to the north. This non standard location was originally filed in June of 2001 and approved July 12, 2001 CASE NO 12696 Order NO. R-11635 but located at 380' FSL & 2130' FEL of Sec 35, T6S, R22E.

In regards to Sec 35, McKay Oil Corporation has 100% operating rights

In T6S, R22E
 Sec 36 S/2
 McKay Oil Corporation has 100% operating rights

In T6S, R22E
 Sec 34
 McKay Oil Corporation has 100% operating rights

In T7S, R22E

Sec 2

McKay Oil Corporation has 100% operating rights

In any event, McKay Oil Corporation, McKay Petroleum Corporation hereby give it's approval for said unorthodox location.

Should this information be sufficient, please administratively approve NSL for the Cactus Federal #7.

Sincerely,

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

April McKay
Vice President

IT IS THEREFORE ORDERED THAT:

(1) The applicant, McKay Oil Corporation, is hereby authorized to drill its Cactus Federal Well No. 7 at an unorthodox gas well location 380 feet from the South line and 2130 feet from the East line (Unit O) of Section 35, Township 6 South, Range 22 East, NMPM, Chaves County, New Mexico, to test the Abo formation, West Pecos Slope-Abo Gas Pool. The SE/4 of Section 35 shall be dedicated to the well forming a standard 160-acre gas spacing and proration unit.

(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director

OPERATOR'S COPY

.m3160
(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

5. Lease Serial No. NM 91498	
6. If Indian, Allottee or Tribe Name	
7. If Unit or CA Agreement, Name and No.	
8. Lease Name and Well No. <i>Pecos Fed Com #</i> MCKNIGHT FEDERAL #4	
9. API Well No.	
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER	10. Field and Pool, or Exploratory W. PECOS ABO SLOPE
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	11. Sec., T. R. M. or Blk. and Survey or Area UNIT O, SEC 35, T6S, R22E
2. Name of Operator MCKAY OIL CORPORATION	12. County or Parish CHAVES
3a. Address P.O. BOX 2014, ROSWELL, NM 88202-2014	13. State NM
3b. Phone No. (include area code) 505-623-4735	14. Distance in miles and direction from nearest town or post office* APPROXIMATELY 25 MILES
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 660' FSL & 2310' FEL At proposed prod. zone	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	17. Spacing Unit dedicated to this well 160
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. APPROX 900'	19. Proposed Depth 3400'
20. BLM/BIA Bond No. on file	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4153'
22. Approximate date work will start* 04/15/2004	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 <i>April D. McKay</i>	Name (Printed/Typed) APRIL D. MCKAY	Date 02/01/2004
Title V.P.		

Approved by (Signature) <i>Larry D. Bray</i>	Name (Printed/Typed) LARRY D. BRAY	Date MAY 25 2004
Title Assistant Field Manager, 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)

APPROVED FOR 1 YEAR

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

DISTRICT I
1675 N. Francis Dr., Hobbs, NM 88240

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised August 15, 2000

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87506

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name	
Property Code		Property Name			Well Number
		McKNIGHT B FEDERAL			4
OGRID No.		Operator Name			Elevation
		McKAY OIL CORPORATION			4153

Surface Location

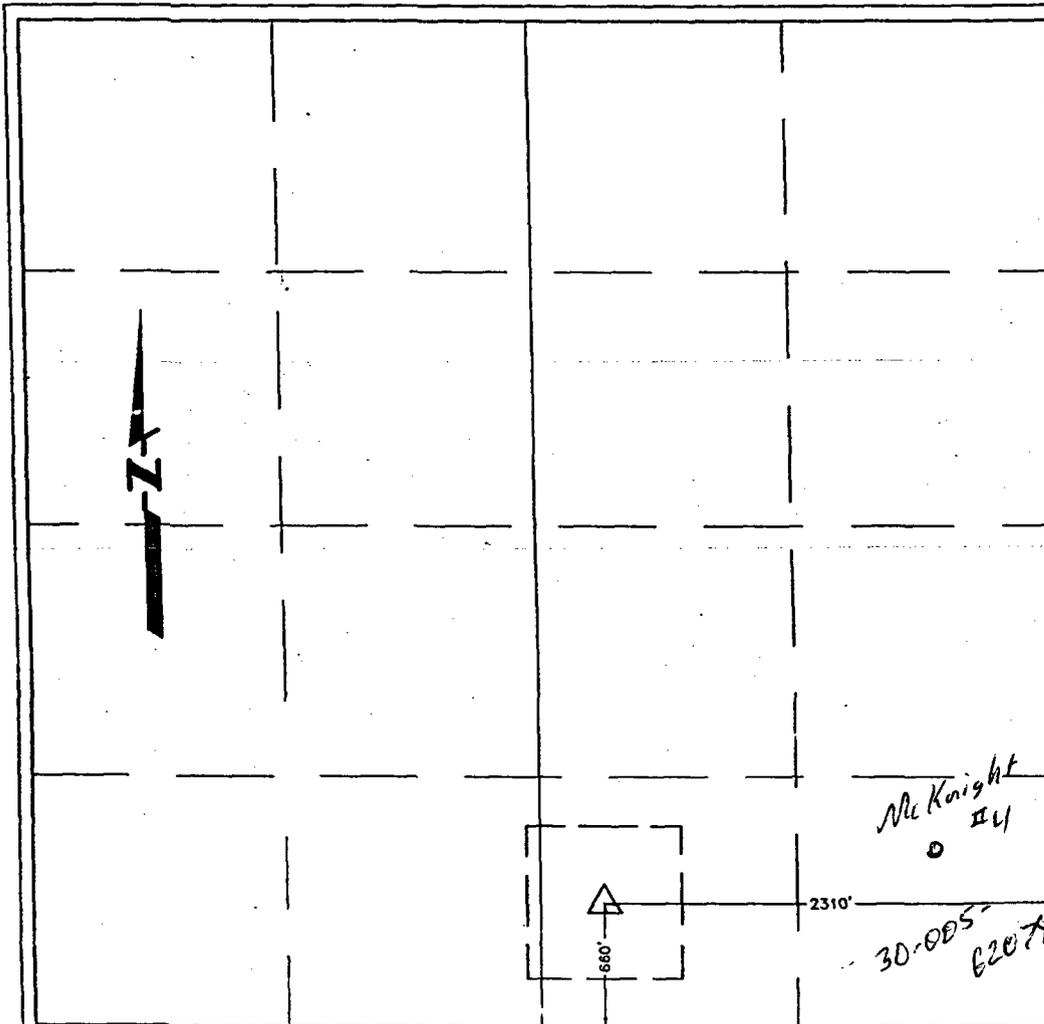
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	35	6 S	22 E		660	SOUTH	2310	EAST	CHAVES

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	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



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

April D. McKay
Signature

April D. McKay
Printed Name

J.P.
Title

2/9/04
Date

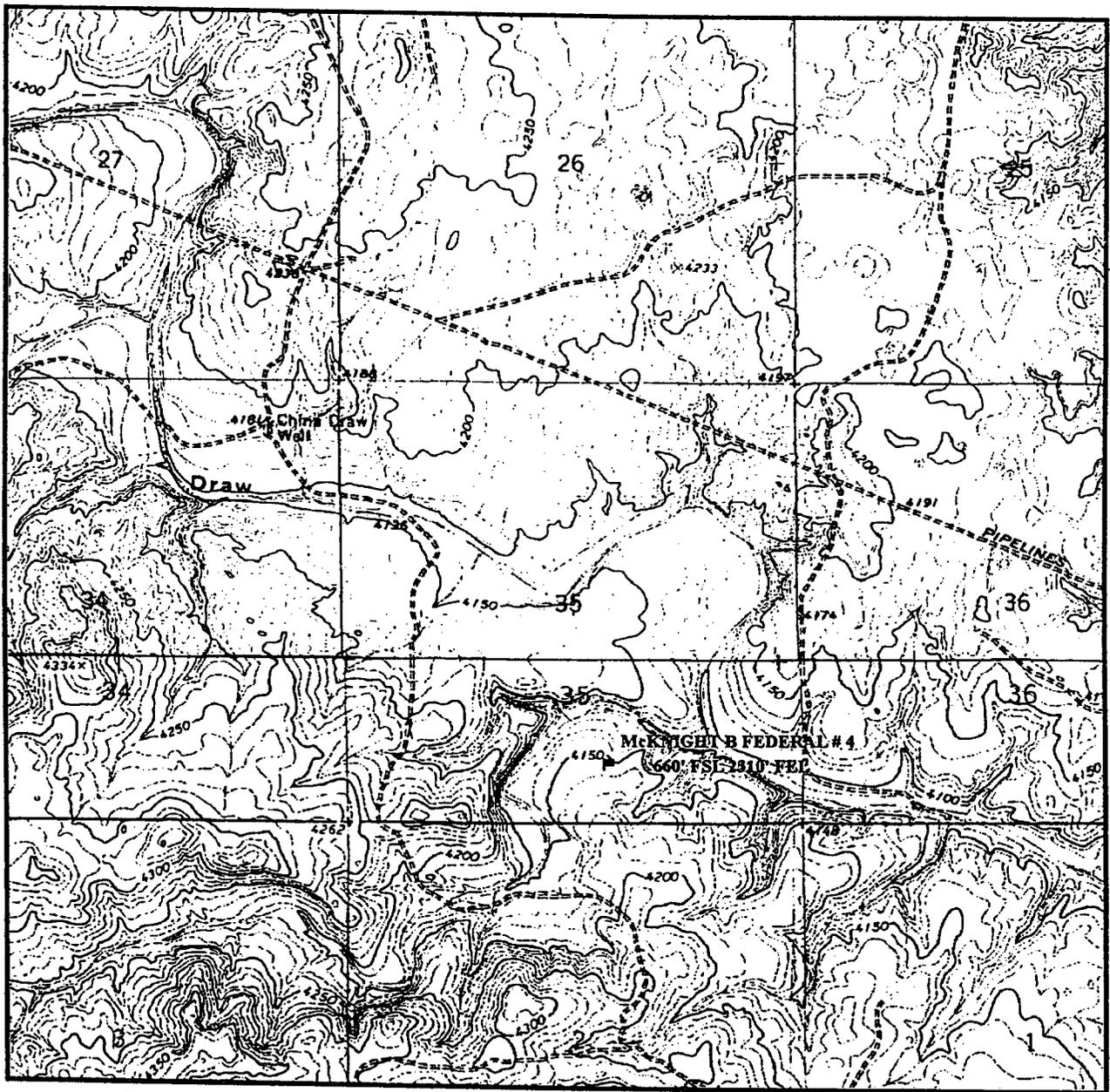
SURVEYOR CERTIFICATION

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.

TOBB P. WAGENER
NEW MEXICO
REGISTERED PROFESSIONAL SURVEYOR # 9242
TOBB P. WAGENER
Signature & Seal of Professional

Certificate No. TOOB P. WAGENER NMPS # 9242
WAGENER ENGINEERING
1410 N. MISSOURI AVE.
ROSWELL, NM 88201
505-623-8382

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'

SEC. 35 TWP. 6 S RGE. 22 E

SURVEY N.M.P.M.

COUNTY CHAVES

DESCRIPTION 660' FSL & 2310' FEL

ELEVATION 4153

OPERATOR McKAY OIL CORPORATION

LEASE McKNIGHT B FEDERAL # 4

U.S.G.S. TOPOGRAPHIC MAP

MESA SW, NW &

ROCK HOUSE CANYON, NM

WAGENER **WE**
ENGINEERING

1410 N. MISSOURI AVE.
ROSWELL, N. M. 88201
(505) 623-8382

MCKAY OIL CORPORATION

MCKNIGHT B FEDERAL #4

SE/4 of Section 35, T6S, R22E
Chaves County, New Mexico

EXHIBIT "E"

