

**STATE OF NEW MEXICO  
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NO. 12696  
ORDER NO. R-11635**

**APPLICATION OF MCKAY OIL CORPORATION FOR AN UNORTHODOX  
GAS WELL LOCATION, CHAVES COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on July 12, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 13th day of August, 2001, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

**FINDS THAT:**

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) The applicant, McKay Oil Corporation, seeks approval 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 is to be dedicated to the well forming a standard 160-acre gas spacing and proration unit.
- (3) The applicant appeared at the hearing and submitted evidence to support its application. The evidence presented demonstrates that approval of the proposed unorthodox gas well location will prevent waste and protect correlative rights.
- (4) No offset operator or interest owner appeared at the hearing in opposition to the application.
- (5) The application should be approved.

**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.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Lori Wrotenbery*  
LORI WROTENBERY  
Director

SEAL

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION DIVISION FOR THE )  
PURPOSE OF CONSIDERING: )

APPLICATION OF MCKAY OIL CORPORATION FOR )  
AN UNORTHODOX GAS WELL LOCATION, CHAVES )  
COUNTY, NEW MEXICO )

CASE NOS. 12,694

APPLICATION OF MCKAY OIL CORPORATION FOR )  
AN UNORTHODOX GAS WELL LOCATION, CHAVES )  
COUNTY, NEW MEXICO )

APPLICATION OF MCKAY OIL CORPORATION FOR )  
AN UNORTHODOX GAS WELL LOCATION, CHAVES )  
COUNTY, NEW MEXICO )

and 12,696

(Consolidated)

0 JUL 26 7:11  
12,695  
OIL CONSERVATION DIVISION

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

ORIGINAL

BEFORE: DAVID R. CATANACH, Hearing Examiner

July 12th, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, July 12th, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

July 12th, 2001  
 Examiner Hearing  
 CASE NOS. 12,694, 12,695 and 12,696 (Consolidated)

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APPEARANCES	3
REPORTER'S CERTIFICATE	9

\* \* \*

## E X H I B I T S

Applicant's	Identified	Admitted
Case 12,694		
Exhibit 1	5	6
Exhibit 2	5	6
Case 12,695		
Exhibit B	7	7
Exhibit 1	7	7
Exhibit 2	7	7
Case 12,696		
Exhibit B	7	7
Exhibit 1	7	7
Exhibit 2	7	7

\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

DAVID BROOKS  
Attorney at Law  
Energy, Minerals and Natural Resources Department  
Assistant General Counsel  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

NAGI SOAS  
Roswell, New Mexico

## ALSO PRESENT:

RICHARD EZEANYIM  
Chief Engineer  
New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, NM 87501

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 12:20 p.m.:

3           EXAMINER CATANACH: At this time I am going to  
4 call Case 12,694, which is the Application of McKay Oil  
5 Corporation for an unorthodox gas well location in Chaves  
6 County, New Mexico.

7           I will call for appearances in this case.

8           MR. SOAS: My name is Nagi Soas.

9           EXAMINER CATANACH: Can you spell that for us,  
10 please?

11           MR. SOAS: N-a-g-i S-o-a-s, and I'm presenting  
12 McKay Oil Corporation out of Roswell, New Mexico.

13           EXAMINER CATANACH: Okay, and I'll call for  
14 additional appearances. There are no other parties present  
15 at this time. I'm sorry, you pronounce that Soas?

16           MR. SOAS: Soas.

17           EXAMINER CATANACH: Soas, okay. Mr. Soas, you're  
18 here representing McKay Oil Corporation here today?

19           MR. SOAS: Yes, sir.

20           EXAMINER CATANACH: And I'll tell you what, why  
21 don't we swear you in? In case I have any questions of  
22 you, you can go ahead and answer them.

23           (Thereupon, Mr. Soas was sworn.)

24           EXAMINER CATANACH: Okay, Mr. Soas, I understand  
25 that you have some exhibits that you would like to present

1 in this case; is that correct?

2 MR. SOAS: Yes, sir. I'd like to present Exhibit  
3 1 and Exhibit 2.

4 EXAMINER CATANACH: Okay, Exhibit Number 1 and 2?

5 MR. SOAS: Yes, sir.

6 EXAMINER CATANACH: And those are the only two  
7 exhibits that you have in this case?

8 MR. SOAS: Right.

9 EXAMINER CATANACH: Okay, and --

10 MR. SOAS: Is that including in this package?  
11 No, we have a full package here. You know that it has the  
12 permit from BLM and all of that, and those two exhibits  
13 including in this package.

14 EXAMINER CATANACH: Okay. Does that also  
15 include, Mr. Soas, proof that you've notified any  
16 interested parties in this case?

17 MR. SOAS: Yes, sir, we own all the surrounding,  
18 so everything around those two -- around this location,  
19 belongs to McKay Oil Corporation.

20 EXAMINER CATANACH: Okay. Is it your opinion  
21 that there is enough evidence in your exhibits for the  
22 Division to process this Application?

23 MR. SOAS: Yes, sir.

24 EXAMINER CATANACH: Okay. And you would like to  
25 admit that as evidence at this time?

1 MR. SOAS: Yes, sir.

2 EXAMINER CATANACH: Okay, Exhibits 1 and 2 in  
3 Case Number 12,694 will be admitted as evidence at this  
4 time. Thank you, Mr. Soas.

5 I also believe that there are an additional two  
6 cases on the docket --

7 MR. SOAS: Yes, sir.

8 EXAMINER CATANACH: -- for McKay Oil Corporation  
9 today?

10 MR. SOAS: Yes.

11 EXAMINER CATANACH: And in the interest of time  
12 and efficiency, why don't we go ahead and call those cases,  
13 and then if you have evidence in those cases, you can also  
14 present it at this time.

15 MR. SOAS: Okay.

16 EXAMINER CATANACH: Let me call Case 12,695,  
17 which is the Application of McKay Oil Corporation for an  
18 unorthodox gas well location, Chaves County, New Mexico.

19 And I will also call Case 12,696, which is the  
20 Application of McKay Oil Corporation for an unorthodox gas  
21 well location, also in Chaves County, New Mexico.

22 And I assume, Mr. Soas, that you are entering an  
23 appearance in all three of these cases today?

24 MR. SOAS: Yes, sir.

25 EXAMINER CATANACH: Okay. And do you, Mr. Soas,

1 have additional evidence that you wish to present in Case  
2 12,695 and Case 12,696?

3 MR. SOAS: Yes, sir, the 12,695 I'd like to  
4 submit Exhibit B, Exhibit 1 and Exhibit 2.

5 EXAMINER CATANACH: Okay, and -- Let's see,  
6 that's Exhibit B and 1 --

7 MR. SOAS: -- Exhibit 1 and Exhibit 2.

8 EXAMINER CATANACH: -- and 2, okay. Do you have  
9 those?

10 MR. SOAS: Yes, sir.

11 EXAMINER CATANACH: Okay, Exhibit B and 1 and 2  
12 will be admitted as evidence in Case Number 12,695.

13 And similarly, do you have any evidence to  
14 present in Case Number 12,696, Mr. Soas?

15 MR. SOAS: Yes, and also Exhibit B, Exhibits 1  
16 and 2, and I do have --

17 EXAMINER CATANACH: Okay, if you would bring  
18 those forward, Mr. Soas.

19 Okay, Exhibit B and Numbers 1 and 2 will be  
20 admitted as evidence in Case Number 12,696.

21 Mr. Soas, is there anything you would like to add  
22 in any of these cases at this point?

23 MR. SOAS: The only -- On Exhibit 12,695 and  
24 12,696, that was a request from the BLM to move due to a  
25 drainage to a draw, so that was their request.

1 EXAMINER CATANACH: Sir, is that documented in  
2 your evidence somewhere?

3 MR. SOAS: Yes, sir.

4 EXAMINER CATANACH: Okay, that's the reason for  
5 the unorthodox location on those two --

6 MR. SOAS: Yes, sir.

7 EXAMINER CATANACH: Is that similar for the  
8 12,694 case?

9 MR. SOAS: No, the 12,694 case is geological --

10 EXAMINER CATANACH: Okay, and --

11 MR. SOAS: -- and it's including, the exhibit  
12 including -- showing the isopach, and shows why we're  
13 moving it to that unorthodox location.

14 EXAMINER CATANACH: Very good. Okay, anything  
15 else, Mr. Soas?

16 MR. SOAS: I sure thank the panel, thank you very  
17 much.

18 EXAMINER CATANACH: Okay, thank you, sir.

19 There being nothing further in these cases, Cases  
20 12,694, 12,695 and 12,696 will be taken under advisement.

21 MR. SOAS: Thank you, Mr. Examiner.

22 EXAMINER CATANACH: Thank you, sir.

23 (Thereupon, these proceedings were concluded at  
24 12:25 p.m.)

Things were concluded at  
a complete record of the proceedings in  
the Examiner hearing of Case Nos. 12694, 12695, 12696  
heard by me on July 19, 2001

\* \* \*

*David K. Catanach*  
Examiner

## CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
 ) ss.  
 COUNTY OF SANTA FE )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL July 18th, 2001.




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STEVEN T. BRENNER  
 CCR No. 7

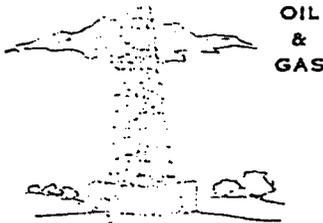
My commission expires: October 14, 2002

# McKay Oil Corporation

ROY L. MCKAY, PRESIDENT

MAILING ADDRESS: P.O. BOX 2014 ROSWELL, N.M. 88202 • TELEPHONE 505/623-47

STREET ADDRESS: ONE MCKAY PLACE ROSWELL, N.M. 88201 • FAX NO. 505/624-22



June 6, 2001

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

ATTENTION: Mr. Michael E. Stogner

REFERENCE: Non-Standard Locations

Gentlemen:

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

The names and justification for the non-standard locations are as follows:

1. TANNER FEE COM. #1 is located 660' FWL and 2310' FNL, Section 35, Township 6 South, Range 22 East, N.M.P.M. There is an existing dry hole, Tanner Fed. Com. #1 located at 660' FNL and 850' FWL, Section 35, Township 6 South, Range 22 East, N.M.P.M. McKay believes that the Abo formation channels widens somewhat south of the Tanner Fed. Com. #1; however, it is necessary to move the location of the Tanner Fee Com. #1 as far south as possible in the 160 acres spacing unit to ensure that encountering the channels. We have attached copies of the geological mapping of the channels for your review. Also, we have attached a copy of the APD which has been filed with the Oil Conservation Division's Artesia, New Mexico office.
2. CACTUS "B" FEDERAL #6 is located is located 330' FSL and 2430' FWL, Section 35, Township 6 South, Range 22 East, N.M.P.M. The well location has been placed in this location due to 2 constraints. The first constraint is geological in that we believe that the Abo formation channels are restricted to the very southern portion of this section. (SEE ATTACHED GEOLOGICAL MAPPING). The second constraint is topographical in nature. There is a major run-off draw located to the immediate

Oil Conservation Division  
June 5, 2001  
Page 2 of 2

west and north of the location. The Bureau of Land Management has required McKay to locate this well at the specified location in an effort to restrict infringement upon this major topographic feature. (SEE ATTACHED TOPOGRAPHIC MAP) We have also attached a copy of the APD that has been filed with the Bureau of Land Management.

3. CACTUS FEDERAL #7 is located 380' FSL and 2130' FEL, Section 35, Township 6 South, Range 22 East, N.M.P.M. The well location has been placed in this location due to 2 constraints. The first constraint is geological in that we believe that the Abo formation channels are restricted to the very southern portion of this section. (SEE ATTACHED GEOLOGICAL MAPPING). The second constraint is topographical in nature. There is a major run-off draw located to the immediate

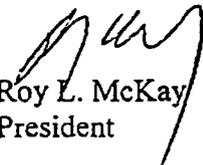
Please be advised that the owners of the offset acreage are McKay Oil Corporation – 1% and McKay Petroleum Corporation – 99%.

If any questions should arise concerning this request, please feel free to contact Mr. Roy McKay at 505-623-4735.

Thank you for your immediate attention to this matter.

Very truly yours,

MCKAY OIL CORPORATION

  
Roy L. McKay  
President

RLM/bjm

Enclosures

cc: Mr. Tim Gum – OCD, Artesia, NM

District I  
PO Box 1930, Hobbs, NM 88241-1930  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-101  
Revised February 10, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 6 Copies  
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address. McKay Oil Corporation P.O. Box 2014 Roswell, New Mexico 88202		OGRID Number 014424
		API Number 30 - 0
Property Code	Property Name Tanner Fee Com.	Well No. 1

<sup>7</sup> Surface Location

LL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South Line	Feet from the	East/West Line	County
E	35	6S	35E		2310'	FNL	660'	FWL	Chaves

<sup>8</sup> Proposed Bottom Hole Location If Different From Surface

LL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South Line	Feet from the	East/West Line	County
					<sup>9</sup> Proposed Pool 1 W. Pecos Slope Abo				
					<sup>10</sup> Proposed Pool 2				

<sup>11</sup> Work Type Code N	<sup>12</sup> Well Type Code G	<sup>13</sup> Cable/Rotary Rotary	<sup>14</sup> Lease Type Code P	<sup>15</sup> Ground Level Elevation
<sup>16</sup> Multiple No	<sup>17</sup> Proposed Depth 3,200'	<sup>18</sup> Formation Abo	<sup>19</sup> Contractor	<sup>20</sup> Spud Date

<sup>21</sup> Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	8-5/8"	23# X-42	950'+	750+	surface
7-7/8"	4 1/2"	9.5# J-55	TD	1200+	1500' to 800'

<sup>22</sup> Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

McKay Oil Corporation proposes to drill and test the Abo Formation, approximately 950' of surface casing will be set and cemented to surface. If commercial, 4 1/2" production casing will be run and cemented with adequate cover, perforated and stimulated as needed for production.

<sup>23</sup> I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Bill J. Milstead*  
Printed name: Bill J. Milstead  
Title: Vice President  
Date: \_\_\_\_\_  
Phone: 505-623-4735

OIL CONSERVATION DIVISION

Approved by: \_\_\_\_\_  
Title: \_\_\_\_\_  
Approval Date: \_\_\_\_\_ Expiration Date: \_\_\_\_\_  
Conditions of Approval:  
Attached

DISTRICT I  
1825 N. French Dr., Hobbs, NM 88240

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 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C  
Revised August 15  
Submit to Appropriate District  
State Lease - 4  
Fee Lease - 3

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

AMENDED RE

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	TANNER FEE COM	Property Name
OCRID No.	McKAY OIL CORPORATION	Operator Name
		Well Number 1
		Elevation 4155

Surface Location

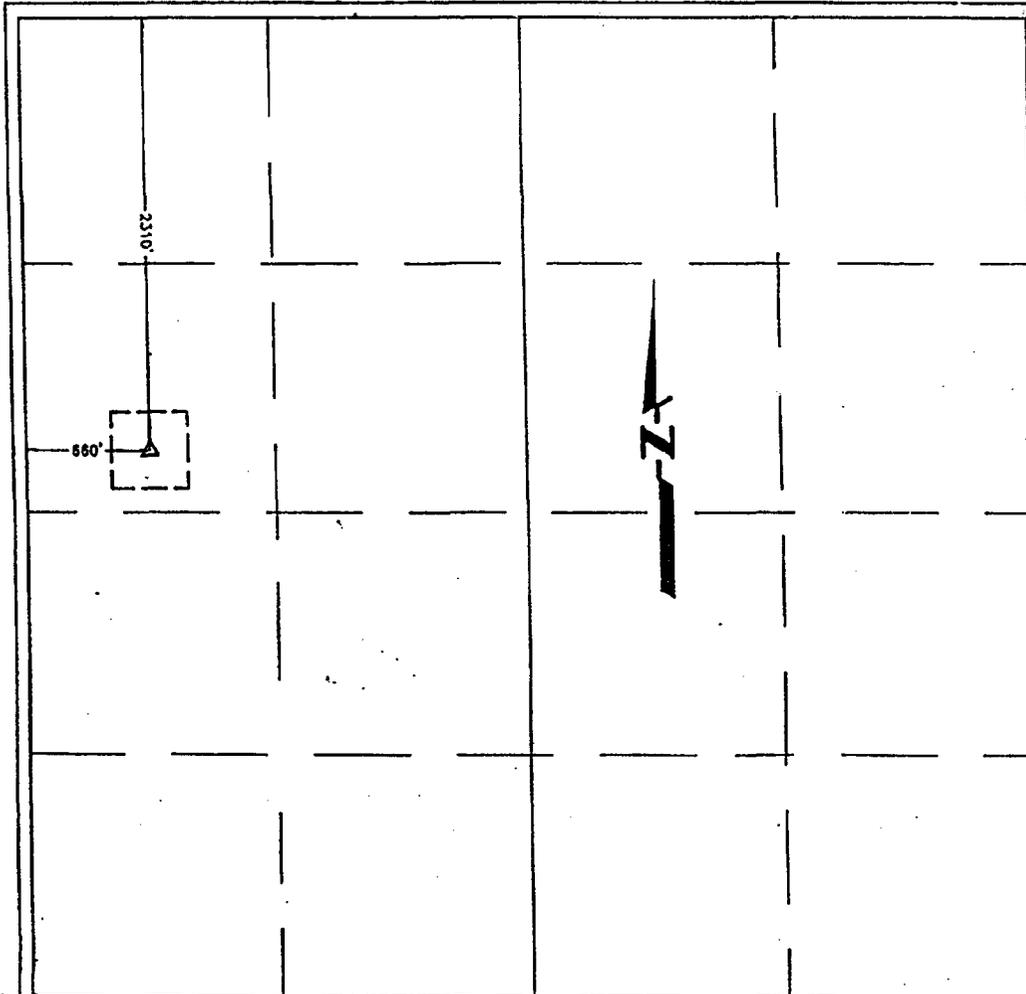
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	C
E	35	6 S	22 E		2310	NORTH	660	WEST	CH

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	C

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.

*B. J. Milstead*  
Signature

B. J. Milstead  
Printed Name

Vice President  
Title

5-21-01  
Date

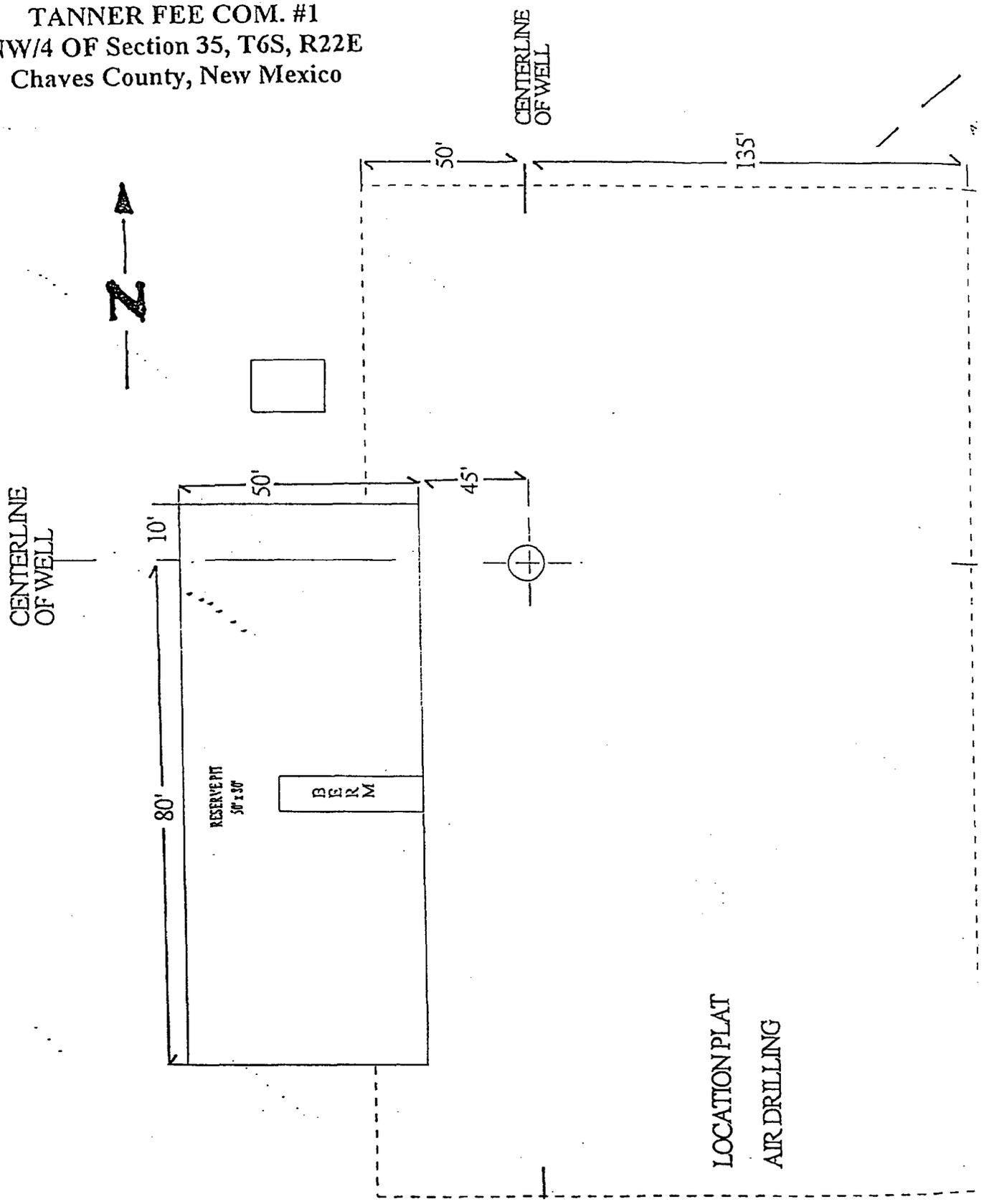
SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes or actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.

5-21-01  
Date Surveyed  
Signature of Professional Surveyor  
Professional Surveyor  
9242  
WAGENER ENGINEERING

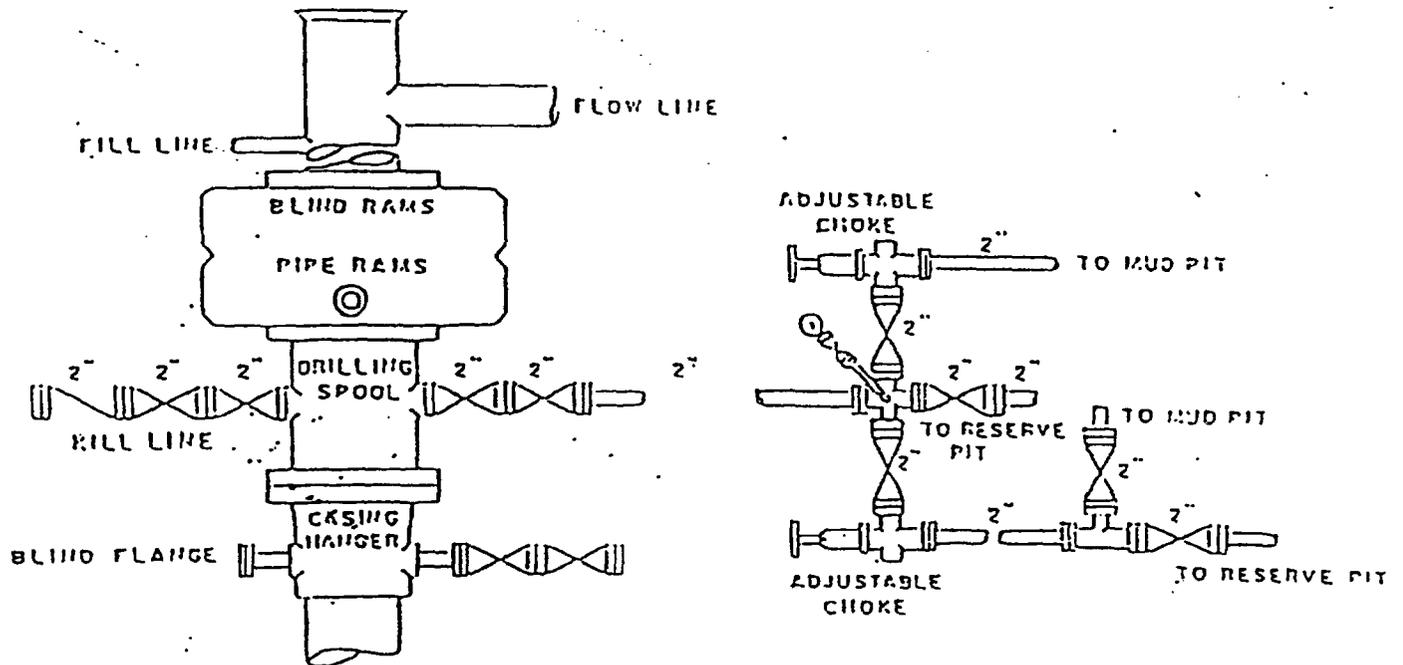
Certificate No. 1000-R-WAGENER NM  
WAGENER ENGINEERING  
1410 N. MISSOURI AVE.  
ROSWELL, NM 88201  
505-823-8382

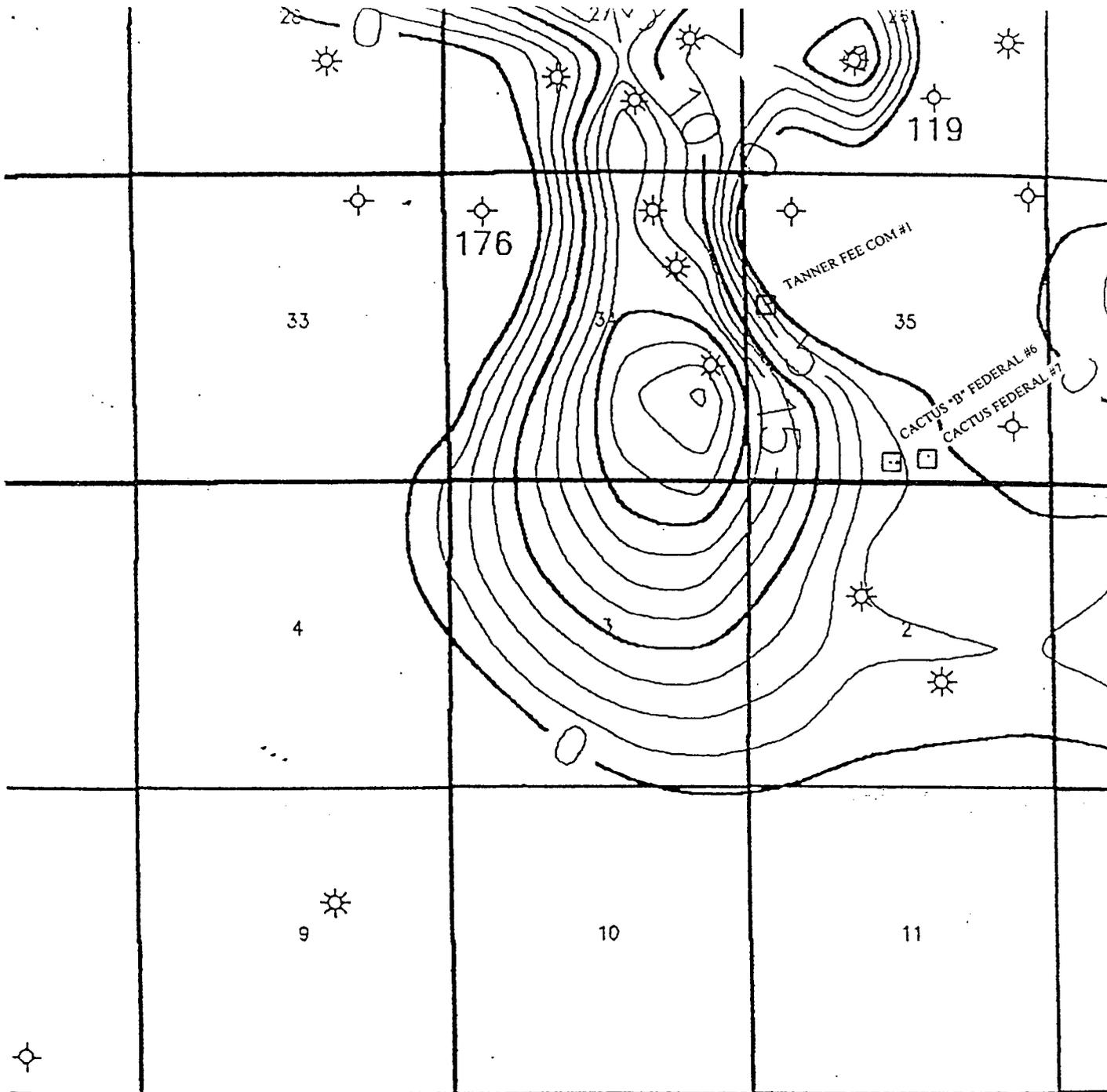
MCKAY OIL CORPORATION  
TANNER FEE COM. #1  
NW/4 OF Section 35, T6S, R22E  
Chaves County, New Mexico



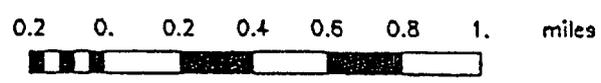
MCKAY OIL CORPORATION  
TANNER FEE COM. #1  
NW/4 of Section 35, T6S, R22E  
Chaves County, New Mexico

EXHIBIT "B"

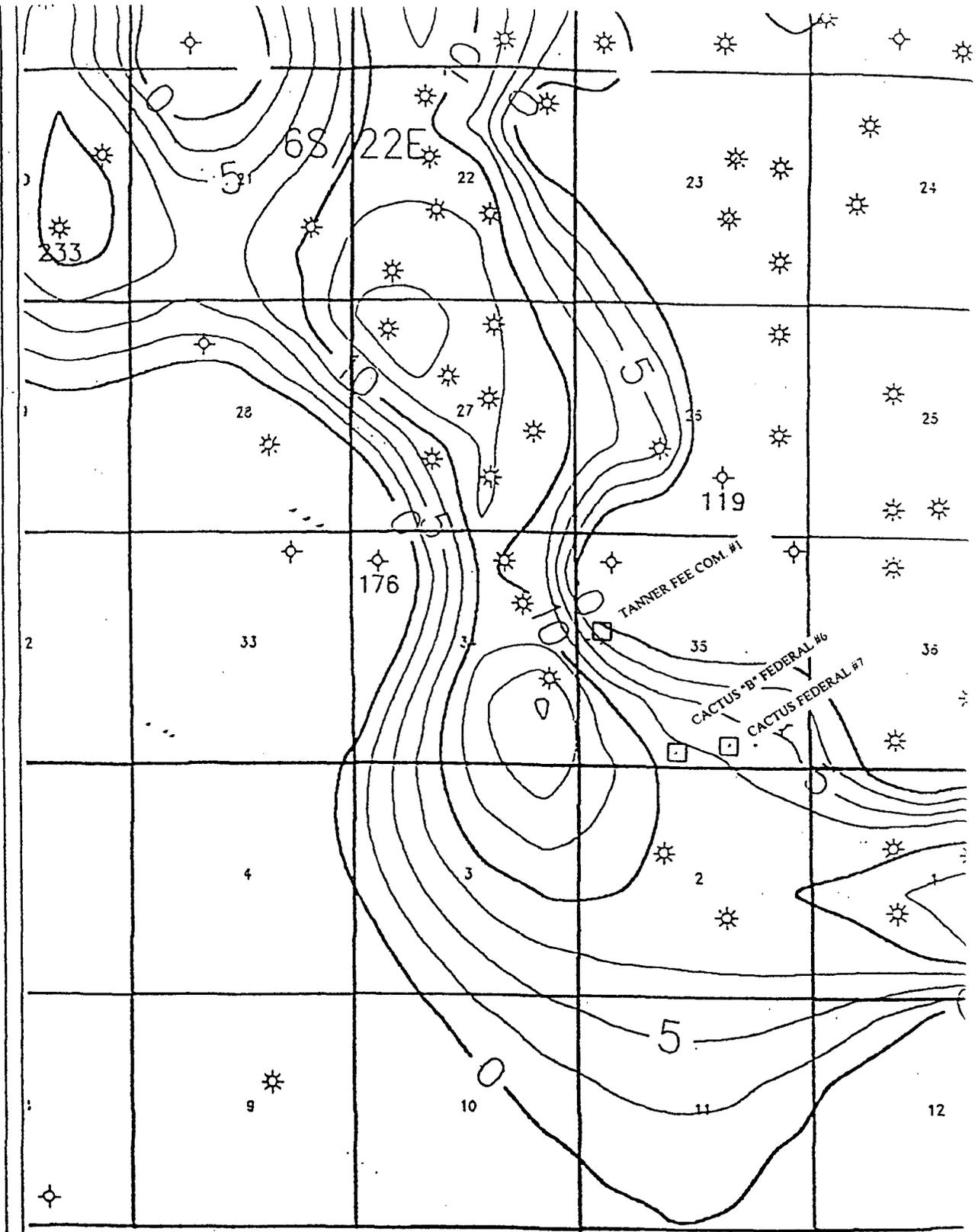




McKay Oil Corporation		
West Pecos Slope field Net Reservoir Isopach Composite IB and IC Abo		
User: D. GRI	CR 2.5"	06/25/2001
Scale 1:40000		



*Exhibit I*



McKay Oil Corporation		
West Pecos Slope field Net Reservoir Isopach Abo IB Sandstone		
Drawn by	02 LP	06/25/2011
Scale 1:40000		

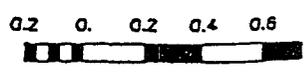


Exhibit II

dedicate the pooled units to its Red Tank "24" Federal Well No. 3 to be drilled at a standard gas well location 660 feet from the South and West lines of said Section 24. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 13 miles southeast of the intersection of State Highway 176 and U. S. Highway 62/180.

**CASE 12694:** Application of McKay Oil Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant seeks authority to drill its Tanner Fee Com Well No. 1 at an unorthodox gas well location 2310 feet from the North line and 660 feet from the West line (Unit E) of Section 35, Township 6 South, Range 22 East, to test the Abo formation, West Pecos Slope-Abo Gas Pool. The NW/4 of Section 35 is to be dedicated to the well forming a standard 160-acre gas spacing and proration unit for said pool. This unit is located approximately 20 miles northwest of Haystack Mountain.

**CASE 12695:** Application of McKay Oil Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant seeks authority to drill its Cactus "B" Federal Well No. 6 at an unorthodox gas well location 330 feet from the South line and 2430 feet from the West line (Unit N) of Section 35, Township 6 South, Range 22 East, to test the Abo formation, West Pecos Slope-Abo Gas Pool. The SW/4 of Section 35 is to be dedicated to the well forming a standard 160-acre gas spacing and proration unit for said pool. This unit is located approximately 20 miles northwest of Haystack Mountain.

**CASE 12696:** Application of McKay Oil Corporation for an unorthodox gas well location, Chaves County, New Mexico. Applicant seeks authority 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, to test the Abo formation, West Pecos Slope-Abo Gas Pool. The SE/4 of Section 35 is to be dedicated to the well forming a standard 160-acre gas spacing and proration unit for said pool. This unit is located approximately 20 miles northwest of Haystack Mountain.

**CASE 12563:** Continued from March 31, 2001, Examiner Hearing.

Application of the New Mexico Oil Conservation Division for termination of gas prorationing in the Jalmat and Eumont Gas Pools and to amend the special rules governing both pools, Lea County, New Mexico. Applicant seeks to terminate gas prorationing in the Jalmat and Eumont Gas Pools and to exclude both pools from the provisions of Division Rules 601 through 605 (Gas Proration Rules). Once gas prorationing is terminated, it will be necessary to amend the special rules and regulations currently governing both pools (set forth in Division Order No. R-8170, as amended) by whatever means may be necessary to prevent waste, maintain orderly development, and to protect correlative rights of interest owners. The combined area of both pools currently encompasses a relatively large geographical area in Townships 18, 19, 20, 21, 22, 23, 24, 25, and 26 South, Ranges 35, 36, 37, and 38 East, which can roughly be described as an area that extends three to ten miles east and west of a line between Arkansas Junction and Jal.

**CASE 12417:** Reopened

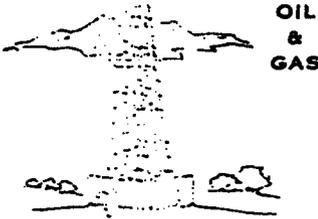
Application of Saga Petroleum, L.L.C. for statutory unitization, Lea County, New Mexico. Applicant seeks an order unitizing, for the purpose of establishing an enhanced recovery project, all

# 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 6, 2001

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

ATTENTION: Mr. Michael E. Stogner

REFERENCE: Non-Standard Locations

Gentlemen:

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

The names and justification for the non-standard locations are as follows:

1. TANNER FEE COM. #1 is located 660' FWL and 2310' FNL, Section 35, Township 6 South, Range 22 East, N.M.P.M. There is an existing dry hole, Tanner Fed. Com. #1 located at 660' FNL and 850' FWL, Section 35, Township 6 South, Range 22 East, N.M.P.M. McKay believes that the Abo formation channels widens somewhat south of the Tanner Fed. Com. #1; however, it is necessary to move the location of the Tanner Fee Com. #1 as far south as possible in the 160 acres spacing unit to ensure that encountering the channels. We have attached copies of the geological mapping of the channels for your review. Also, we have attached a copy of the APD which has been filed with the Oil Conservation Division's Artesia, New Mexico office.
2. [REDACTED] is located is located 330' FSL and 2430' FWL, Section 35, Township 6 South, Range 22 East, N.M.P.M. The well location has been placed in this location due to 2 constraints. The first constraint is geological in that we believe that the Abo formation channels are restricted to the very southern portion of this section. (SEE ATTACHED GEOLOGICAL MAPPING). The second constraint is topographical in nature. There is a major run-off draw located to the immediate

Oil Conservation Division

June 5, 2001

Page 2 of 2

west and north of the location. The Bureau of Land Management has required McKay to locate this well at the specified location in an effort to restrict infringement upon this major topographic feature. (SEE ATTACHED TOPOGRAPHIC MAP) We have also attached a copy of the APD that has been filed with the Bureau of Land Management.

3. CACTUS FEDERAL #7 is located 380' FSL and 2130' FEL, Section 35, Township 6 South, Range 22 East, N.M.P.M. The well location has been placed in this location due to 2 constraints. The first constraint is geological in that we believe that the Abo formation channels are restricted to the very southern portion of this section. (SEE ATTACHED GEOLOGICAL MAPPING). The second constraint is topographical in nature. There is a major run-off draw located to the immediate

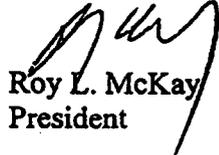
Please be advised that the owners of the offset acreage are McKay Oil Corporation – 1% and McKay Petroleum Corporation – 99%.

If any questions should arise concerning this request, please feel free to contact Mr. Roy McKay at 505-623-4735.

Thank you for your immediate attention to this matter.

Very truly yours,

MCKAY OIL CORPORATION

  
Roy L. McKay  
President

RLM/bjm

Enclosures

cc: Mr. Tim Gum – OCD, Artesia, NM

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

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.  
Cactus "B" Federal #6

9. API Well No.

1a. Type of Work:  DRILL  REENTER

1b. Type of Well:  Oil Well  Gas Well  Other  Single Zone  Multiple Zone

2. Name of Operator  
McKay Oil Corporation

3a. Address P.O. Box 2014  
Roswell, NM 88202

3b. Phone No. (include area code)  
505-623-4735

10. Field and Pool, or Exploratory  
W. Pecos Slope Abo

4. Location of Well (Report location clearly and in accordance with any State requirements.)  
At surface 330' FSL & 2230' FWL  
At proposed prod. zone

11. Sec., T., R., M., or Blk. and Survey or Area  
35, T6S, R22E, N.M.P.M.

14. Distance in miles and direction from nearest town or post office\*  
approx. 25 miles

12. County or Parish  
Chaves

13. State  
NM

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)  
330'

16. No. of Acres in lease  
1,240.00

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.  
approx. 1,570'

19. Proposed Depth  
3400'

20. BLM/BIA Bond No. on file  
NM-1981

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

22. Approximate date work will start\*  
July 15, 2001

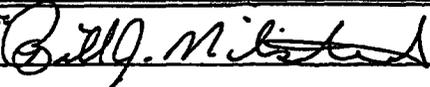
23. Estimated duration  
30 days

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.
2. A Drilling Plan.
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).

4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature  Name (Printed/Typed) Bill J. Milstead Date 5-21-01

Title Vice President

Approved by (Signature) Name (Printed/Typed) Date

Title 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 reverse)

DISTRICT I  
1626 N. French Dr., Hobbs, NM 88240

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 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-1  
Revised August 15, 2001  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

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
OGRID No.	Operator Name	Elevation
	CACTUS "B" FEDERAL	6
	McKAY OIL CORPORATION	4142

Surface Location

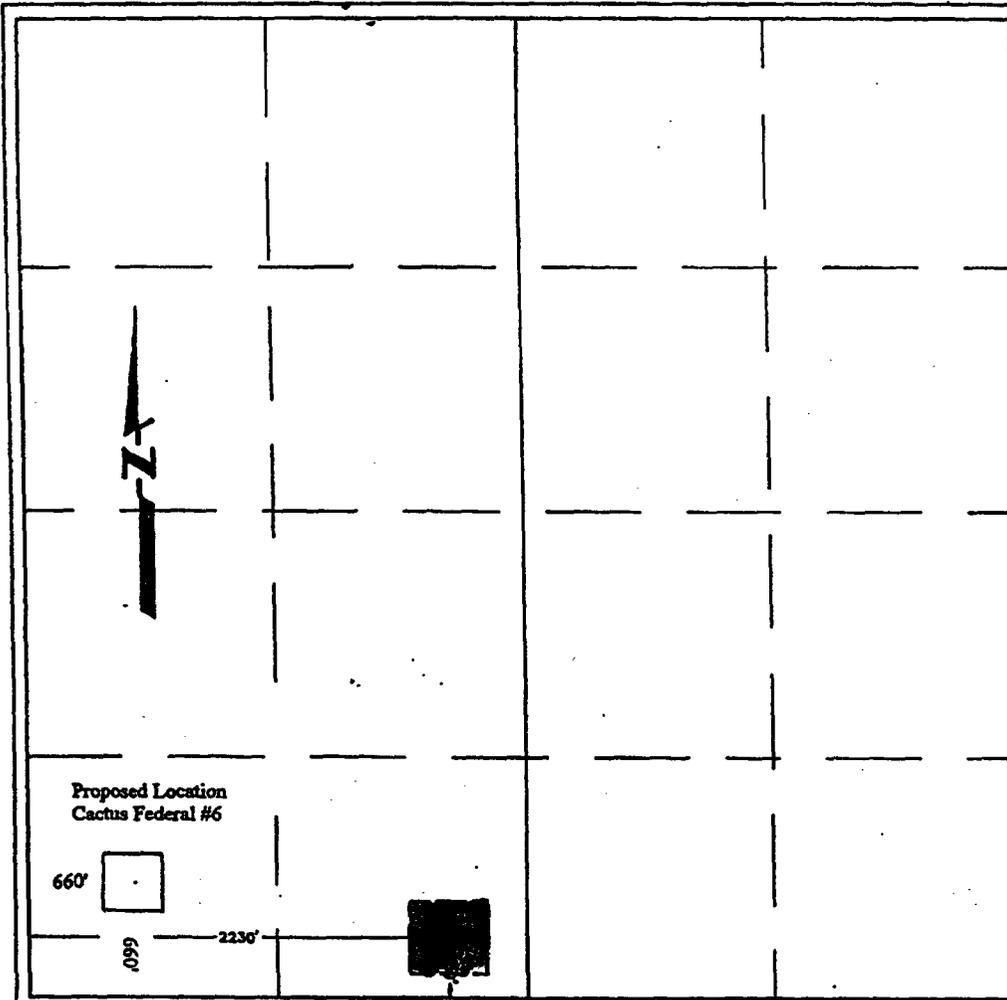
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	35	6 S	22 E		330	SOUTH	2230	WEST	CHAVEZ

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.

*Bill S. Milstead*  
Signature

Bill S. Milstead  
Printed Name

Vice President  
Title

5-21-01  
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.

TOOD P. WAGNER  
NEW MEXICO  
REGISTERED PROFESSIONAL SURVEYOR  
Date Surveyed: 5/21/01  
Signature & Seal: [Signature]  
Professional No. 2294

Certificate No. T000 P. WAGNER NMPS # 92  
WAGNER ENGINEERING  
1410 N. MISSOURI AVE.  
ROSWELL, NM 88201  
505-823-8383

**PERTINENT INFORMATION**

FOR

MCKAY OIL CORPORATION  
CACTUS "B" FEDERAL #6  
SE/4SW/4 of Sec. 35, T-6S, R-22E  
Chaves County, New Mexico

<b><u>LOCATED:</u></b>	21 air miles Northwest of Roswell, NM.
<b><u>LEASE NUMBER:</u></b>	NM-91498
<b><u>LEASE ISSUED:</u></b>	September 1, 1993
<b><u>RECORD LESSEE:</u></b>	Sanders Petroleum Corporation
<b><u>BOND COVERAGE:</u></b>	Operator's \$25,000 Statewide
<b><u>AUTHORITY TO OPERATE:</u></b>	Assignment of Operating Rights
<b><u>ACRES IN LEASE:</u></b>	1,240.00 acres, more or less
<b><u>SURFACE OWNERSHIP:</u></b>	USA-BLM
<b><u>OWNER:</u></b>	USA-BLM
<b><u>POOL RULES:</u></b>	General Statewide Rules
<b><u>EXHIBITS:</u></b>	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  
CACTUS FEDERAL #6  
SE/4SW/4 of Sec. 35, 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 - 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	23#	950' +
7-7/8" hole	4-1/2" J-55	10.5#	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.

When cementing surface casing, the cement does not circulate to the surface, McKay will calculate the approximate height of the cement by using the lift pressure calculations. McKay will then wait 2 hours after displacing the cement, run the 1" tubing down the annulus to tag the top of the cement. In the event the tubing does not reach the top of the cement or within 100 feet of the top of the cement, McKay will run a temperature survey to determine the top of the cement.

At such time as the 1" tubing reaches the top of the cement or within a reasonable distance from the top, commence dumping pea gravel down the annulus and

pumping cement through the 1" tubing, until the cement circulates to the surface. If cement top is within 50' of the surface, pea gravel can be dumped down the annulus as a slurry (pea gravel and cement).

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. 4-1/2" 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 June 20, 2001  
Drilling should be completed within 15 days. Completion operations (perforations and stimulation) will follow drilling operations.

## MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MCKAY OIL CORPORATION  
CACTUS "B" FEDERAL #6  
SE/4SW/4 of Sec. 35, T-6S, R-22E  
Chaves County, New Mexico

NM 91498

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 21 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 (Stargrass Road). Go approximately 8.5 miles, then turn south for approximately 2-1/2 miles to the cattleguard, turn south for approximately 100 feet, then turn east for approximately 1/2 mile along the China Draw, then south for 3/4 miles, then turn east along new access road for approximately 1/4 mile to the 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: No 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: Cattleguard located at fence crossing in NE/4 of Section 34, T6S, R22E, said cattleguard is already in place.

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 258' x 350'. (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. Closest Pit to the location.

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 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 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 east-southeast in the vicinity of the access road and east-southeast in the vicinity of the drill pad. Regional slope is northeast toward the China Draw which is northeast 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: China Draw northeast of the proposed location.

E. Residences and other Structures: The old China Draw windmill is approximately 1-1/2 miles north of this location. The David Corn ranch house (old W.R. McKnight Ranch) is approximately 3-1/2 miles to the northeast.

F. Archaeological, Historical and Other Cultural Sites: An Archaeologist from Roswell, NM will be contracted to check and approve this site and access road.

G. Land Use: Grazing.

H. Surface Ownership: USA/BLM.

12. OPERATOR'S REPRESENTATIVE:

Gary Richburg  
Roswell, New Mexico  
(505) 623-4735 (O)  
(505) 626-8581 (C)

13. CERTIFICATION:

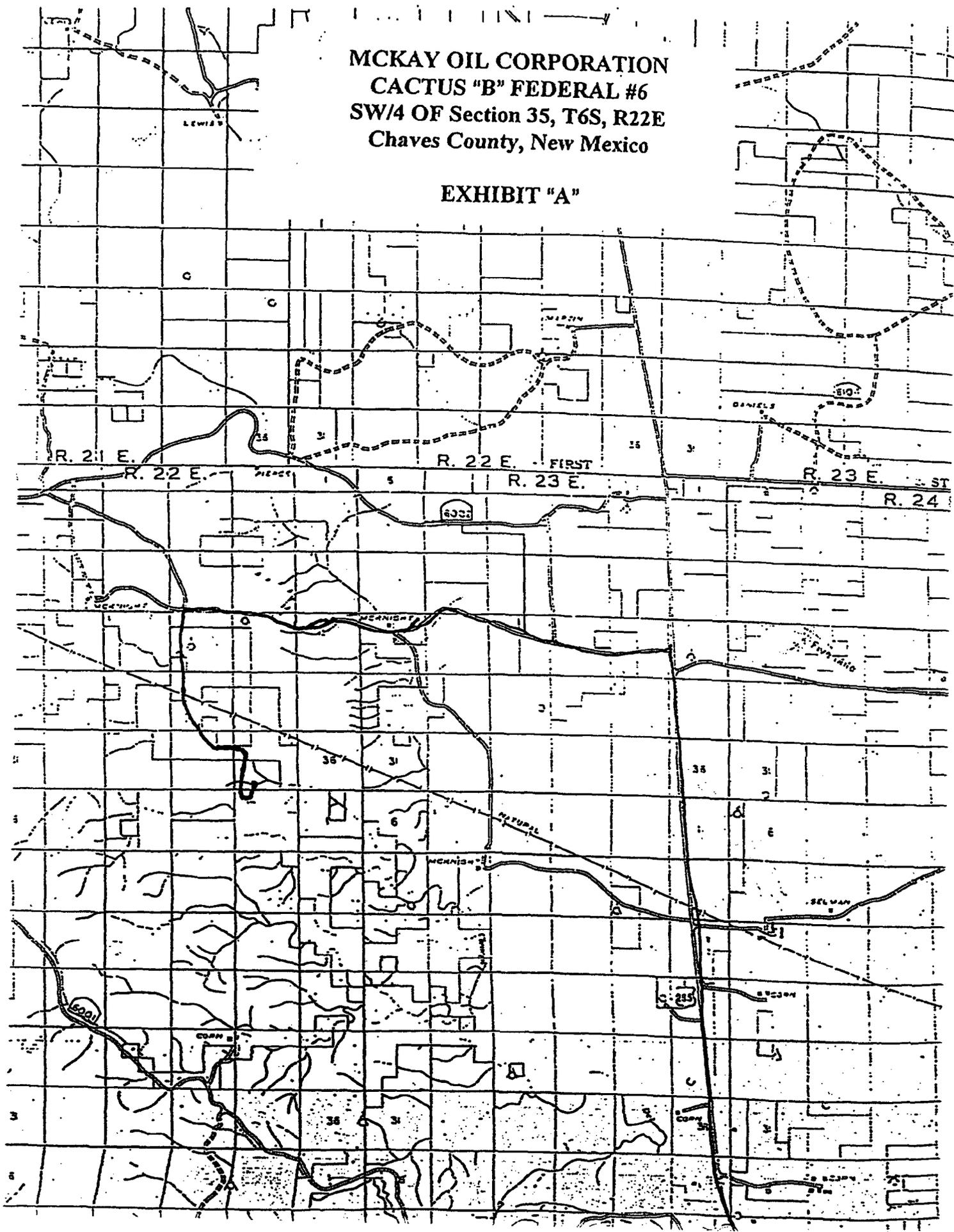
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exists; that the statements made in this plan are, to the best of my knowledge true and correct; that the work associated with 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.

5-21-01  
DATE

Billy M. [Signature]

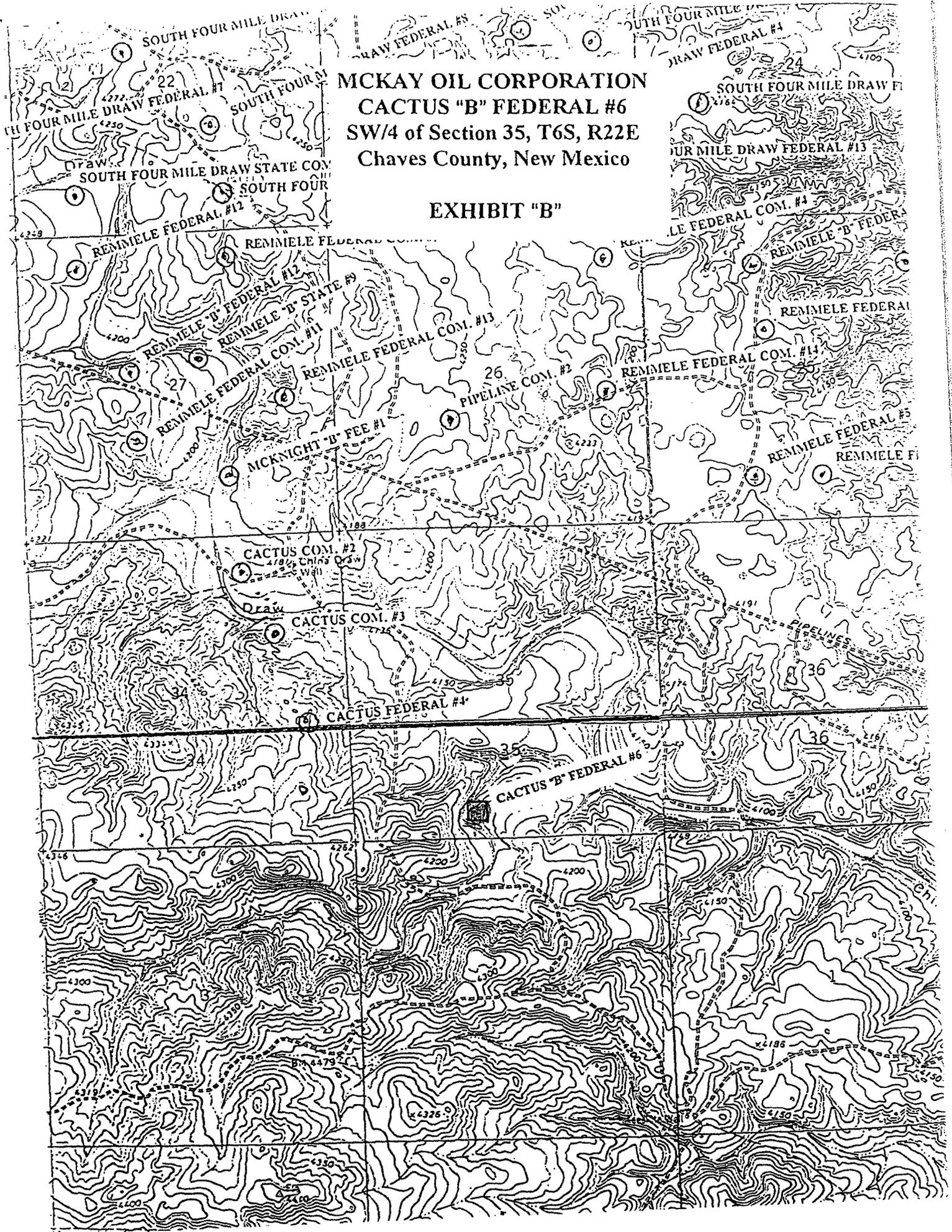
MCKAY OIL CORPORATION  
CACTUS "B" FEDERAL #6  
SW/4 OF Section 35, T6S, R22E  
Chaves County, New Mexico

EXHIBIT "A"



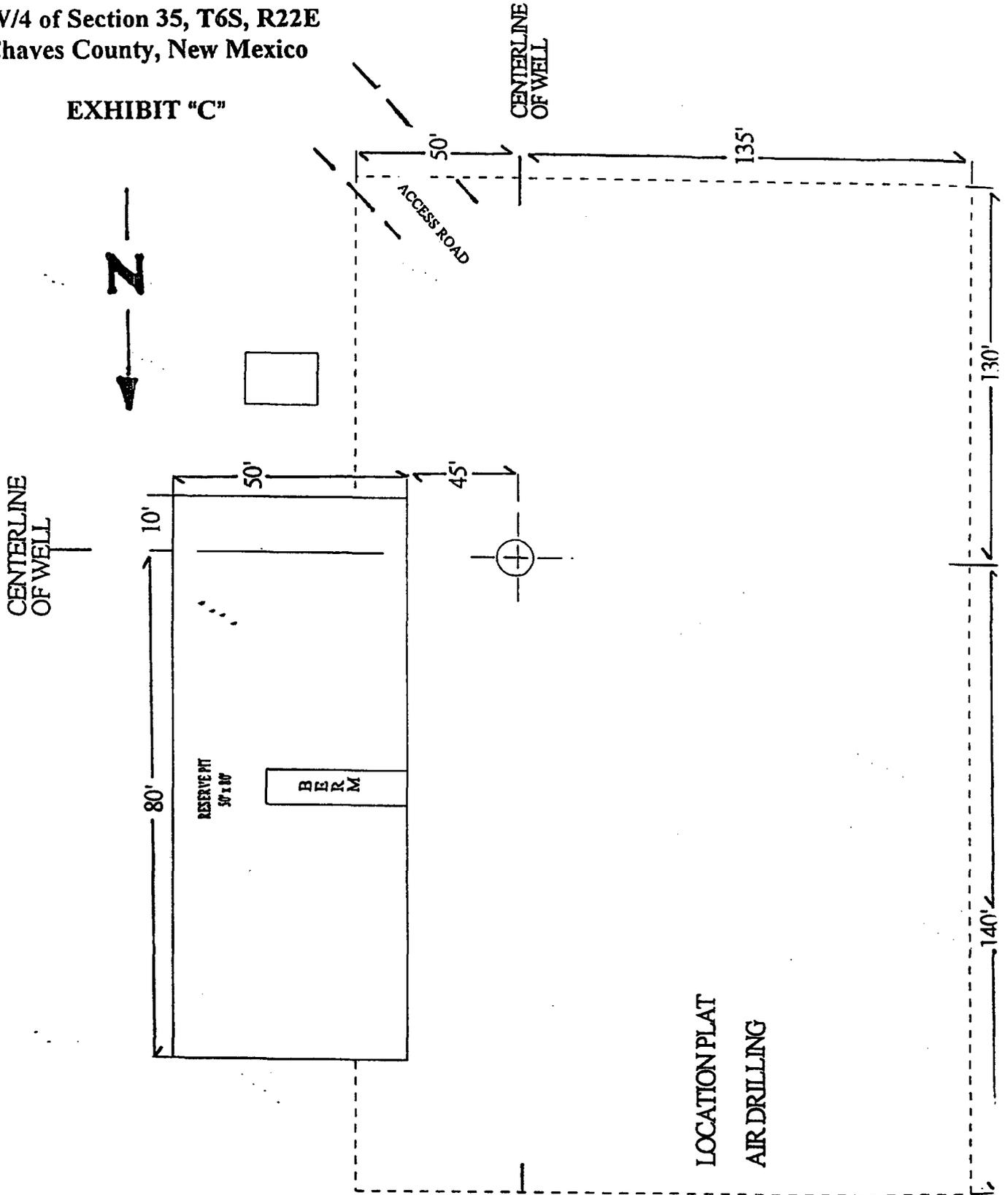
MCKAY OIL CORPORATION  
CACTUS "B" FEDERAL #6  
SW/4 of Section 35, T6S, R22E  
Chaves County, New Mexico

EXHIBIT "B"



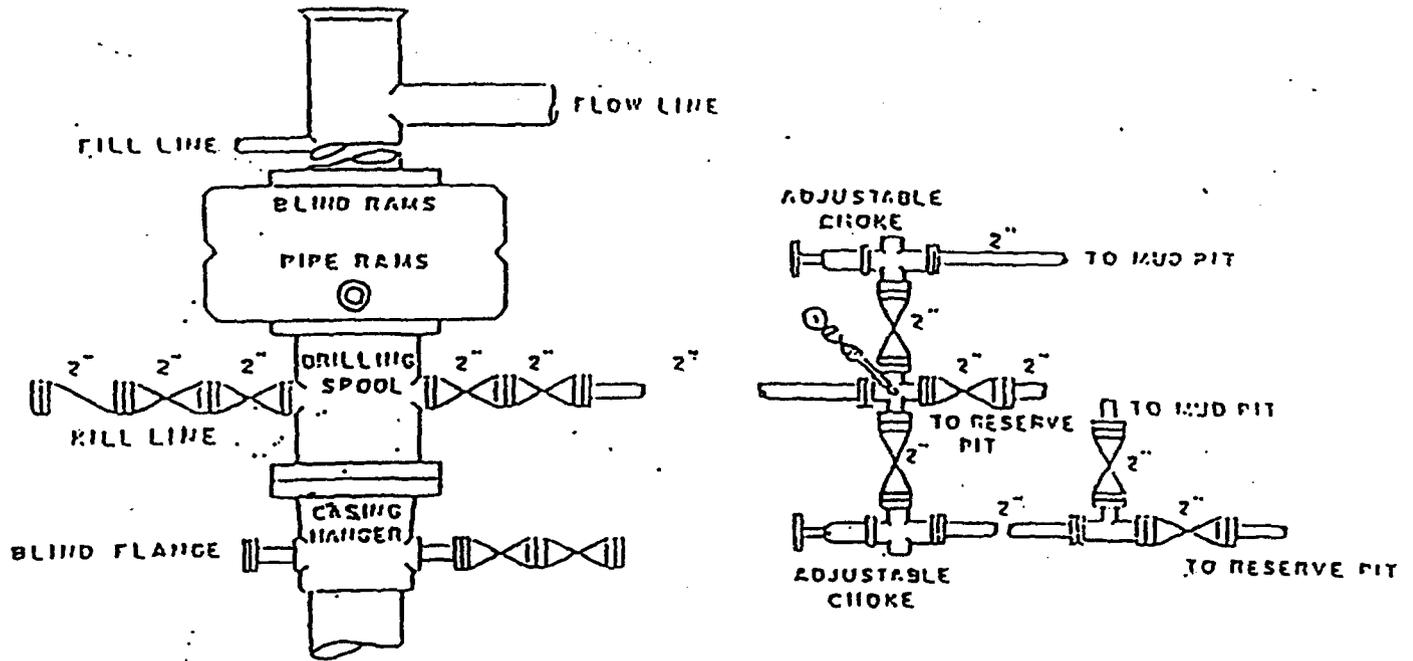
MCKAY OIL CORPORATION  
CACTUS "B" FEDERAL #6  
SW/4 of Section 35, T6S, R22E  
Chaves County, New Mexico

EXHIBIT "C"



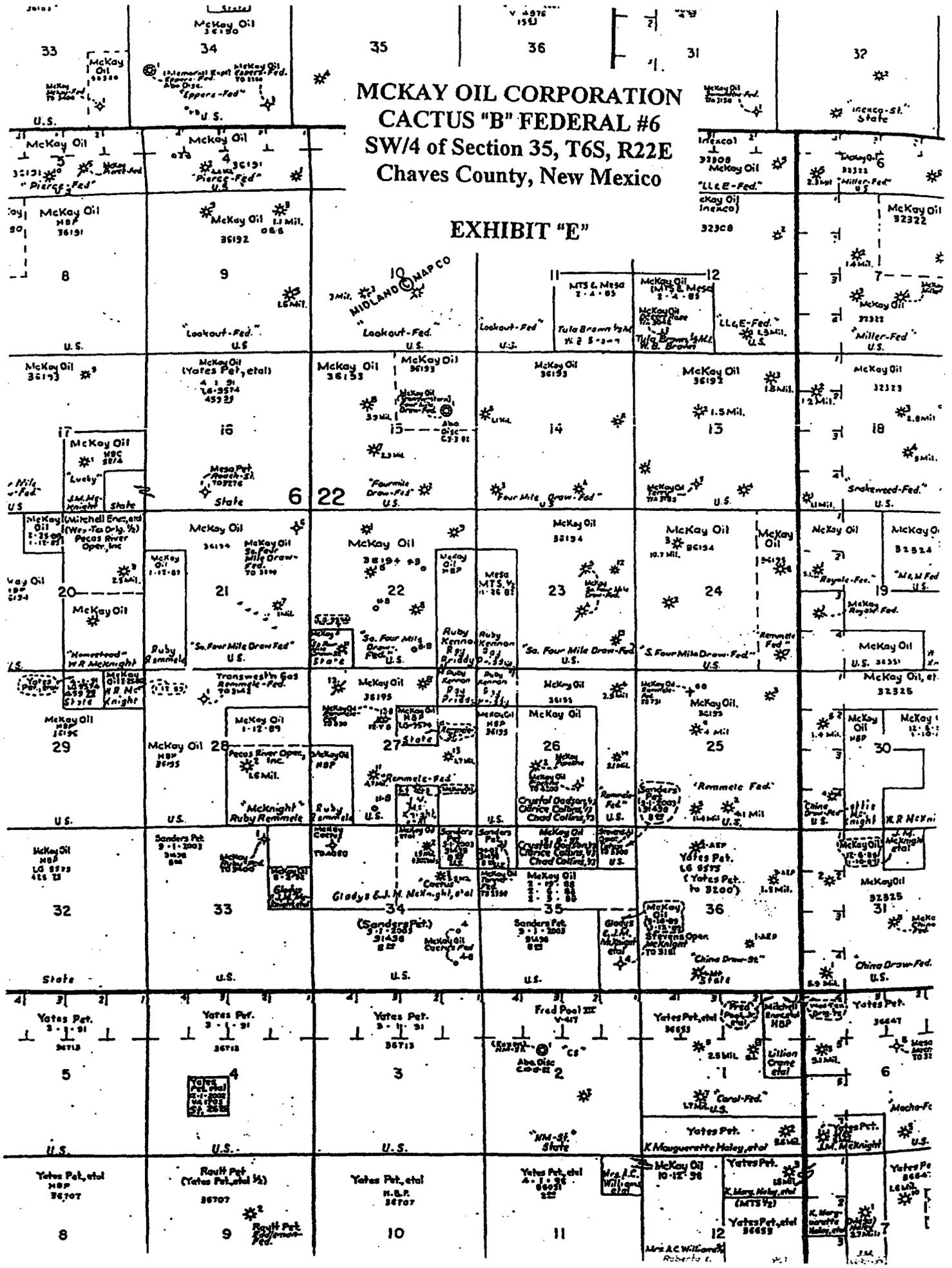
MCKAY OIL CORPORATION  
CACTUS "B" FEDERAL #6  
SW/4 of Section 35, T6S, R22E  
Chaves County, New Mexico

EXHIBIT "D"



MCKAY OIL CORPORATION  
 CACTUS "B" FEDERAL #6  
 SW/4 of Section 35, T6S, R22E  
 Chaves County, New Mexico

EXHIBIT "E"



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0135  
Expires July 31, 1996

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.

NM 91498

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Cactus "B" Federal #6

9. API Well No.

10. Field and Pool, or Exploratory Area

11. County or Parish, State

Chaves, New Mexico

**SUBMIT IN TRIPLICATE - Other instructions on reverse side**

1. Type of Well

Oil Well  Gas Well  Other

2. Name of Operator

McKay Oil Corporation

3a. Address

P.O. Box 2014, Roswell, NM 88202

3b. Phone No. (include area code)

505-623-4735

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

330' FSL & 2430' FWL, Section 35, T6S, R22E

**12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Location</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>move</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

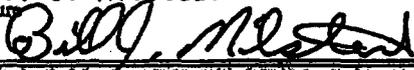
13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration there. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

McKay Oil Corporation request approval to move the well location from 330' FSL & 2230' FWL, Section 35, T6S, R22E to 330' FSL & 2430' FWL, Section 35, T6S, R22E. (SEE ATTACHED SURVEY PLAT.)

14. I hereby certify that the foregoing is true and correct  
Name (Printed/Typed)

Bill J. Milstead

Signature



Title

Vice President

Date

6/1/01

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

DISTRICT I  
1525 N. French Dr., Hobbs, NM 88240

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 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-1  
Revised August 15, 2  
Submit to Appropriate District Office  
State Lease - 4 Cop  
Fee Lease - 3 Cop

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

AMENDED REPO

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name	Well Number
OGRID No.	Operator Name	Elevation
	CACTUS "B" FEDERAL	6
	McKAY OIL CORPORATION	4152

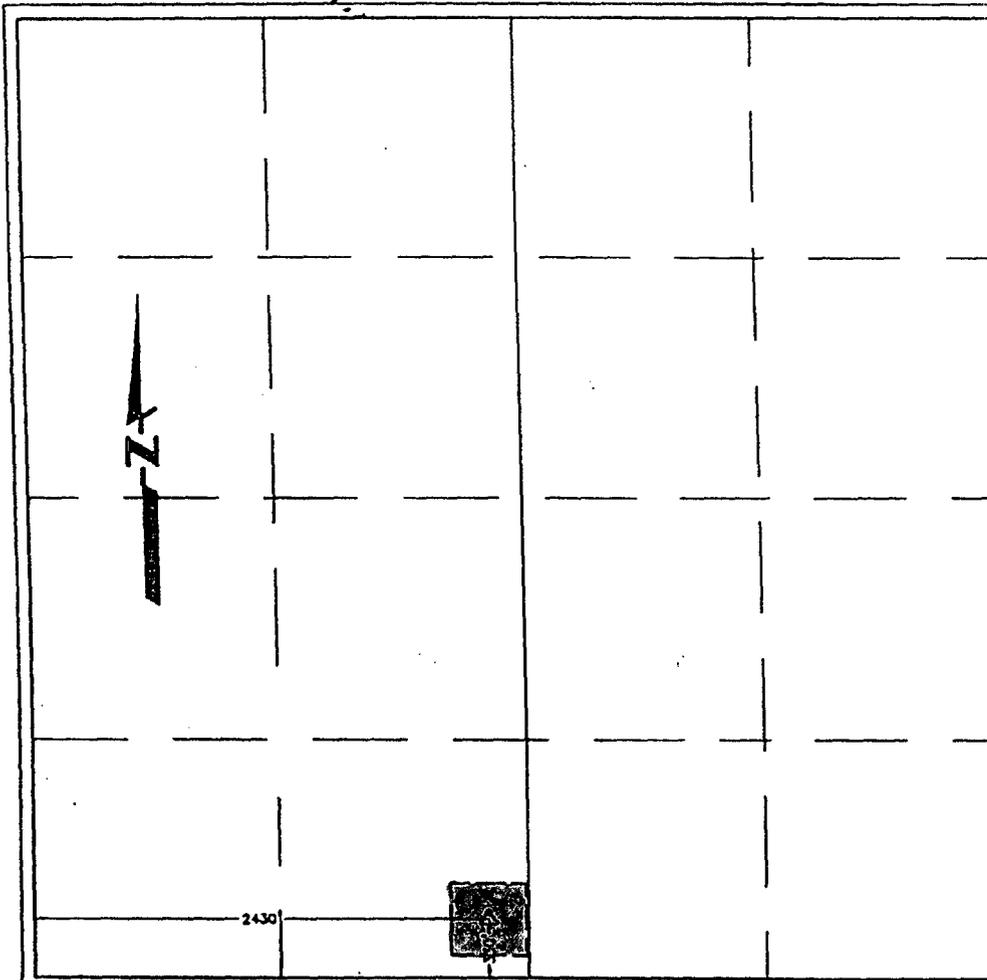
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	Count
N	35	6 S	22 E		330	SOUTH	2430	WEST	CHAV

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	Count
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.

*Bill J. Milstead*  
Signature  
Bill J. Milstead  
Printed Name  
Vice President  
Title  
6-01-01  
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.

5/31/01  
Date Surveyed  
Signature  
Professional Surveyor  
9242  
Certificate No. 9242  
WAGNER ENGINEERING & SURVEYING  
1410 N. MISSOURI AVE.  
ROSWELL, NM 88201  
805-823-8382

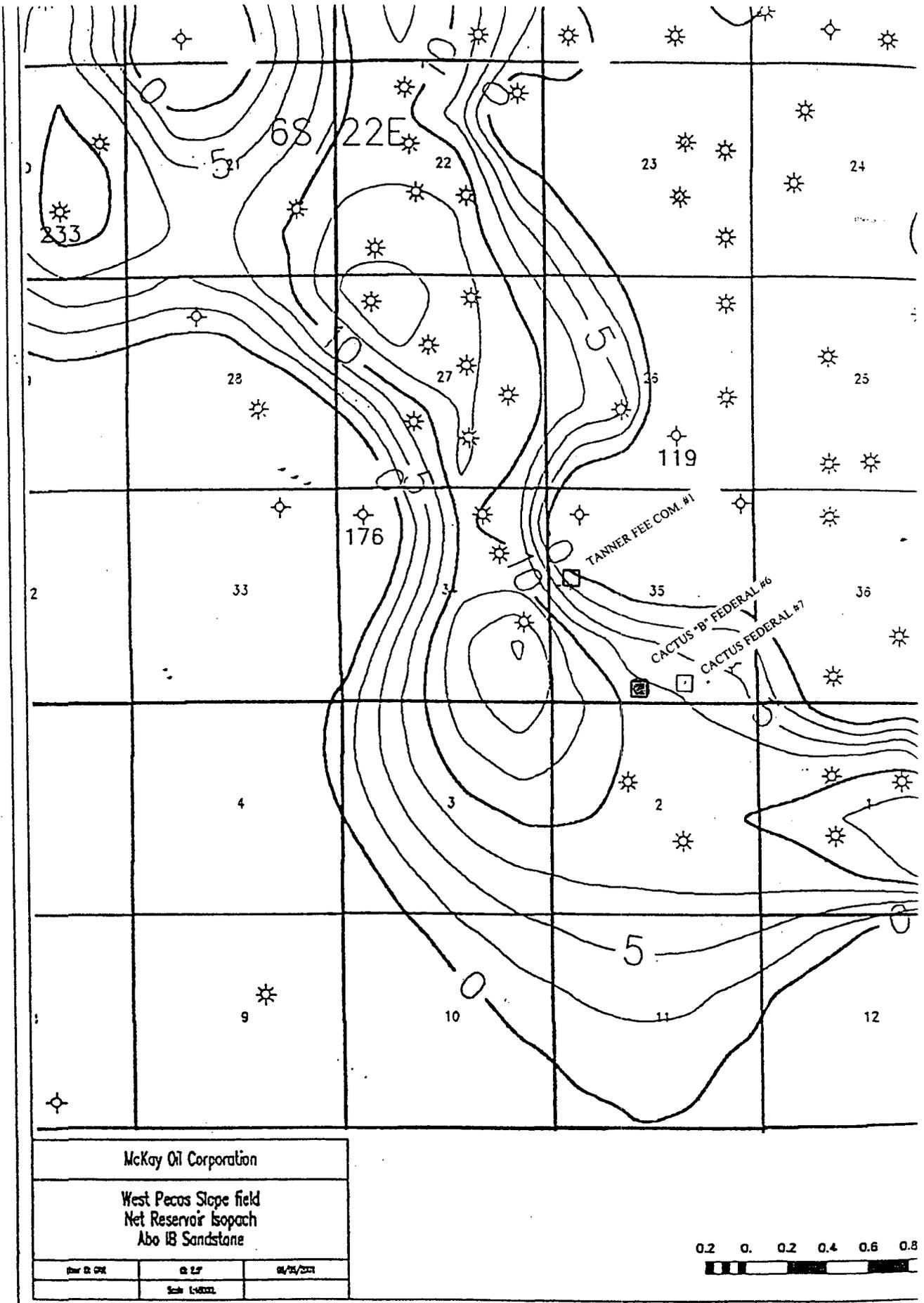
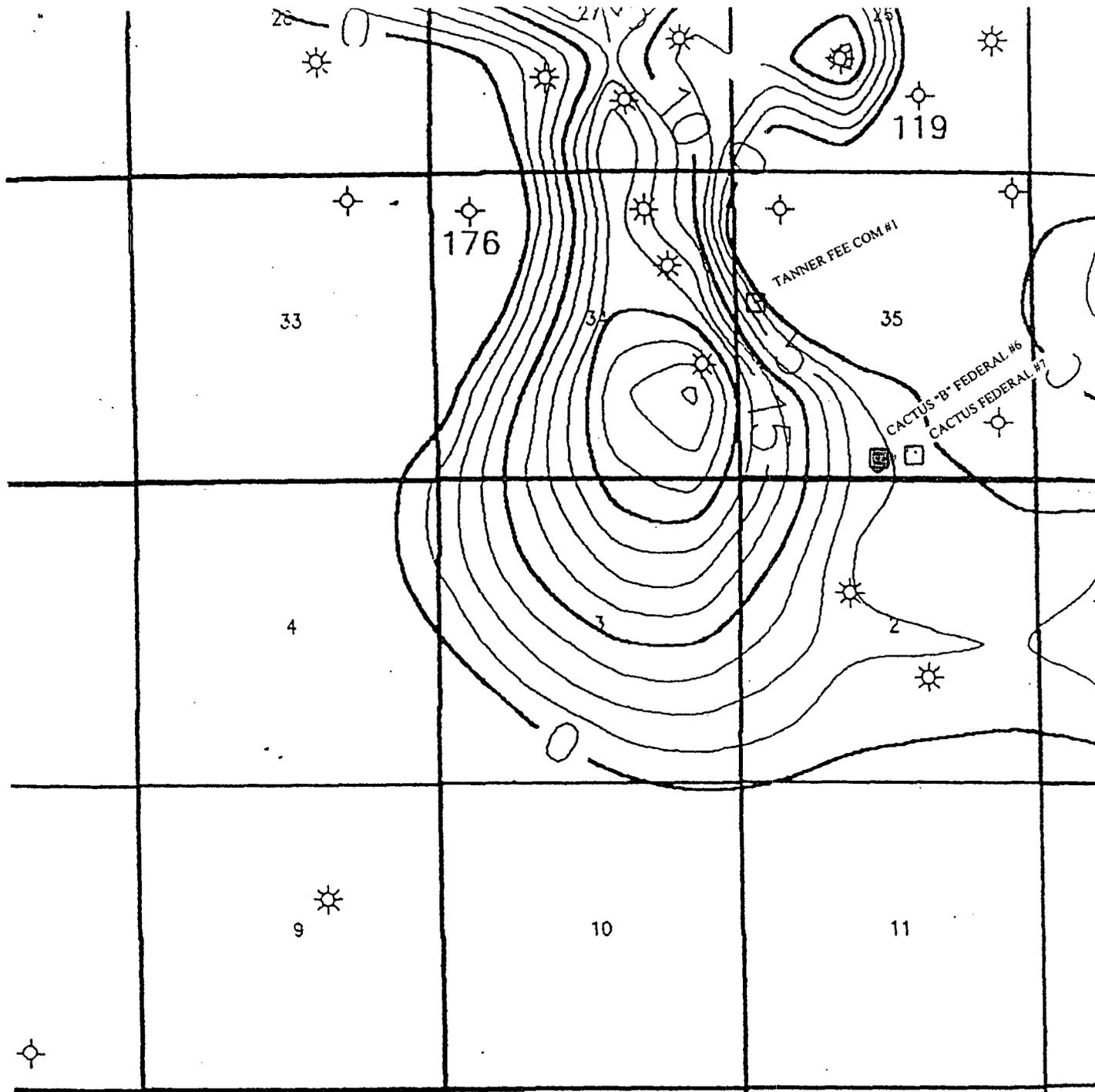
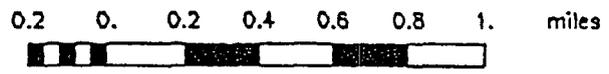


Exhibit I



McKay Oil Corporation

West Pecos Slope field  
 Net Reservoir Isopach  
 Composite IB and IC Abo



User ID: CRR	CR 2.5"	06/05/2001
Scale 1:48000		

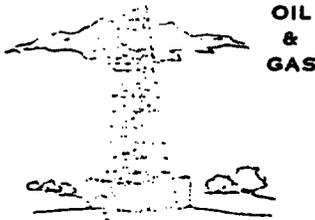
*Exhibit II*

# McKay Oil Corporation

ROY L. MCKAY, PRESIDENT

MAILING ADDRESS: P.O. BOX 2014 ROSWELL, N.M. 88202 • TELEPHONE 505/623-4731

STREET ADDRESS: ONE MCKAY PLACE ROSWELL, N.M. 88201 • FAX NO. 505/624-2202



June 6, 2001

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

ATTENTION: Mr. Michael E. Stogner

REFERENCE: Non-Standard Locations

Gentlemen:

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

The names and justification for the non-standard locations are as follows:

1. TANNER FEE COM. #1 is located 660' FWL and 2310' FNL, Section 35, Township 6 South, Range 22 East, N.M.P.M. There is an existing dry hole, Tanner Fed. Com. #1 located at 660' FNL and 850' FWL, Section 35, Township 6 South, Range 22 East, N.M.P.M. McKay believes that the Abo formation channels widens somewhat south of the Tanner Fed. Com. #1; however, it is necessary to move the location of the Tanner Fee Com. #1 as far south as possible in the 160 acres spacing unit to ensure that encountering the channels. We have attached copies of the geological mapping of the channels for your review. Also, we have attached a copy of the APD which has been filed with the Oil Conservation Division's Artesia, New Mexico office.
2. CACTUS "B" FEDERAL #6 is located is located 330' FSL and 2430' FWL, Section 35, Township 6 South, Range 22 East, N.M.P.M. The well location has been placed in this location due to 2 constraints. The first constraint is geological in that we believe that the Abo formation channels are restricted to the very southern portion of this section. (SEE ATTACHED GEOLOGICAL MAPPING). The second constraint is topographical in nature. There is a major run-off draw located to the immediate

Oil Conservation Division  
June 5, 2001  
Page 2 of 2

west and north of the location. The Bureau of Land Management has required McKay to locate this well at the specified location in an effort to restrict infringement upon this major topographic feature. (SEE ATTACHED TOPOGRAPHIC MAP) We have also attached a copy of the APD that has been filed with the Bureau of Land Management.

3. [REDACTED] located 380' FSL and 2130' FEL, Section 35, Township 6 South, Range 22 East, N.M.P.M. The well location has been placed in this location due to 2 constraints. The first constraint is geological in that we believe that the Abo formation channels are restricted to the very southern portion of this section. (SEE ATTACHED GEOLOGICAL MAPPING). The second constraint is topographical in nature. There is a major run-off draw located to the immediate

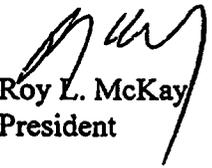
Please be advised that the owners of the offset acreage are McKay Oil Corporation – 1% and McKay Petroleum Corporation – 99%.

If any questions should arise concerning this request, please feel free to contact Mr. Roy McKay at 505-623-4735.

Thank you for your immediate attention to this matter.

Very truly yours,

MCKAY OIL CORPORATION

  
Roy L. McKay  
President

RLM/bjm

Enclosures

cc: Mr. Tim Gum – OCD, Artesia, NM

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED  
OMB No. 1004-0136  
Expires November 30, 2000

5. Lease Serial No.  
NM 91498

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.  
NMNM105356

8. Lease Name and Well No.  
Cactus Federal #7

9. API Well No.

1a. Type of Work:  DRILL  REENTER

1b. Type of Well:  Oil Well  Gas Well  Other  Single Zone  Multiple Zone

2. Name of Operator

McKay Oil Corporation

3a. Address  
P.O. Box 2014  
Roswell, NM 88202

3b. Phone No. (include area code)  
505-623-4735

10. Field and Pool, or Exploratory  
W. Pecos Slope Abo

4. Location of Well (Report location clearly and in accordance with any State requirements.)

At surface 380' FSL & 2130' FEL  
At proposed prod. zone

11. Sec., T., R., M., or Blk. and Survey or Area  
35, T6S, R22E

14. Distance in miles and direction from nearest town or post office\*  
approx 25 miles

12. County or Parish  
Chaves

13. State  
NM

15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)  
380'

16. No. of Acres in lease  
1,240.00

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.  
approx. 1000'

19. Proposed Depth  
3400'

20. BLM/BIA Bond No. on file  
NM-1981

21. Elevation (Show whether DF, KDB, RT, GL, etc.)  
4164'

22. Approximate date work will start\*  
July 1, 2001

23. Estimated duration  
30 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.
2. A Drilling Plan.
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).
4. Bond to cover the operations unless covered by an existing bond on file (see item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature

Name (Printed/Typed)  
Bill J. Milstead

Date  
5-22-01

Title  
Vice President

Approved by (Signature)

Name (Printed/Typed)

Date

Title

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 reverse)

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

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 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-1.  
Revised August 15, 20  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

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 CACTUS FEDERAL	Well Number 7
OGRID No.	Operator Name McKAY OIL CORPORATION	Elevation 4164

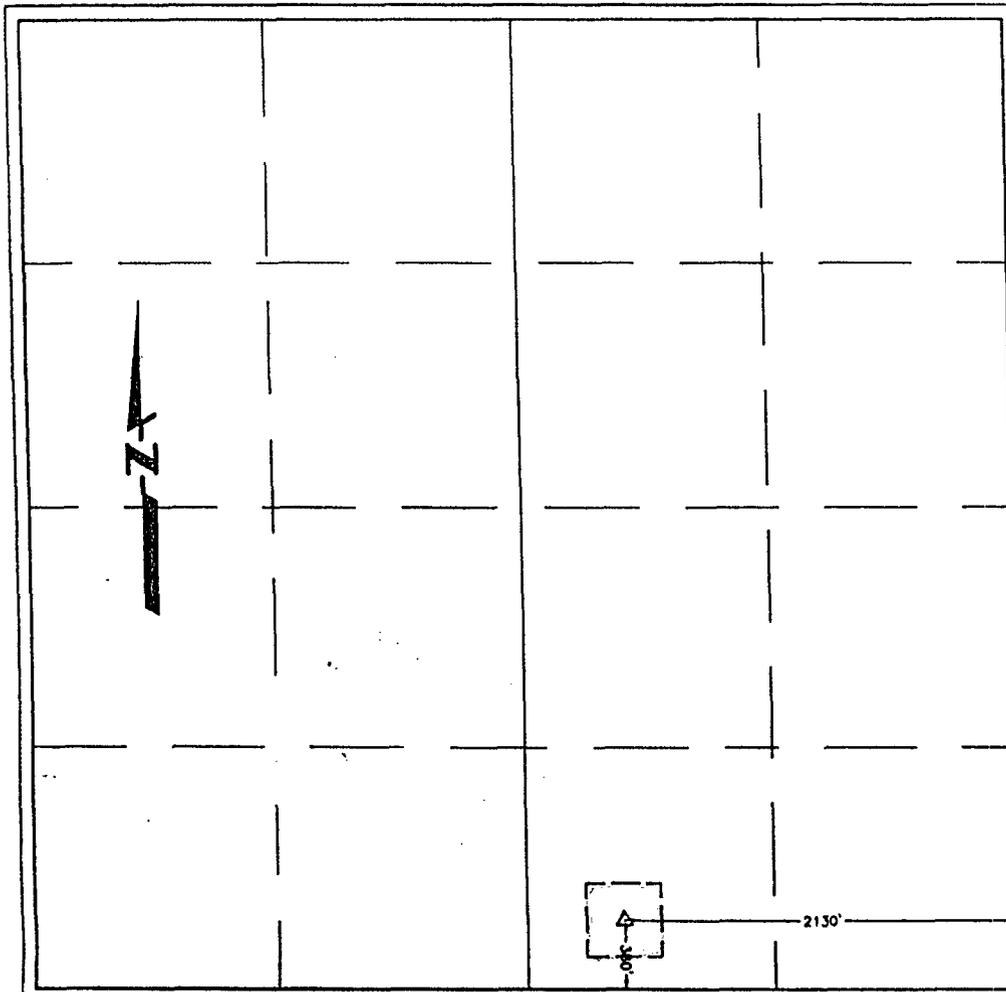
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	Count
0	35	6 S	22 E		380	SOUTH	2130	EAST	CHAV

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	Count
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.

*Bill J. Milstead*  
Signature

Bill J. Milstead  
Printed Name

Vice President  
Title

5-22-01  
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.

5-21-01  
Date Surveyed

*Edward P. Wagener*  
Signature of Professional Surveyor

EDWARD P. WAGENER  
NEW MEXICO  
REGISTERED PROFESSIONAL SURVEYOR  
9242

Certificate No. 9242  
WAGENER ENGINEERING  
1410 N. MISSOURI AVE.  
ROSWELL, NM 88201  
505-823-8362

**PERTINENT INFORMATION**

FOR

MCKAY OIL CORPORATION  
CACTUS FEDERAL #7  
SW/4SE/4 of Sec. 35, T-6S, R-22E  
Chaves County, New Mexico

<b><u>LOCATED:</u></b>	21 air miles Northwest of Roswell, NM.
<b><u>LEASE NUMBER:</u></b>	NM-91498
<b><u>LEASE ISSUED:</u></b>	September 1, 1993
<b><u>RECORD LESSEE:</u></b>	Sanders Petroleum Corporation
<b><u>BOND COVERAGE:</u></b>	Operator's \$25,000 Statewide
<b><u>AUTHORITY TO OPERATE:</u></b>	Assignment of Operating Rights
<b><u>ACRES IN LEASE:</u></b>	1,240.00 acres, more or less
<b><u>SURFACE OWNERSHIP:</u></b>	USA-BLM
<b><u>OWNER:</u></b>	USA-BLM
<b><u>POOL RULES:</u></b>	General Statewide Rules
<b><u>EXHIBITS:</u></b>	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  
CACTUS FEDERAL #7  
SW/4SE/4 of Sec. 35, 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 - 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	23#	950' +
7-7/8" hole	4-1/2" J-55	10.5#	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.

When cementing surface casing, the cement does not circulate to the surface, McKay will calculate the approximate height of the cement by using the lift pressure calculations. McKay will then wait 2 hours after displacing the cement, run the 1" tubing down the annulus to tag the top of the cement. In the event the tubing does not reach the top of the cement or within 100 feet of the top of the cement, McKay will run a temperature survey to determine the top of the cement.

At such time as the 1" tubing reaches the top of the cement or within a reasonable distance from the top, commence dumping pea gravel down the annulus and

pumping cement through the 1" tubing, until the cement circulates to the surface. If cement top is within 50' of the surface, pea gravel can be dumped down the annulus as a slurry (pea gravel and cement).

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. 4-1/2" 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 July 1, 2001  
Drilling should be completed within 15 days. Completion operations (perforations and stimulation) will follow drilling operations.

## MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MCKAY OIL CORPORATION  
CACTUS FEDERAL #7  
SW/4SE/4 of Sec. 35, T-6S, R-22E  
Chaves County, New Mexico

NM 91498

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 21 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 (Stargrass Road). Go approximately 8.5 miles, then turn south for approximately 2-1/2 miles to the cattleguard, turn south for approximately 100 feet, then turn east for approximately 1/2 mile along the China Draw, then south for 3/4 miles, then turn east at the Cactus Federal #6 location and continue for approximately 2/3rds of a mile to the location.

### 2. PLANNED ACCESS ROAD:

A. Length and Width: 1/2 miles long and 20' wide.

B. Surface Materials: Sand, gravel and caliche where needed.

C. Turnouts: None

D. Maximum Grade: No 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: Cattleguard located at fence crossing in NE/4 of Section 34, T6S, R22E, said cattleguard is already in place.

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 258' x 350'. (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. Closest Pit to the location.

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 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 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 east-southeast in the vicinity of the access road and east-southeast in the vicinity of the drill pad. Regional slope is northeast toward the China Draw which is northeast 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: China Draw northeast of the proposed location.

E. Residences and other Structures: The old China Draw windmill is approximately 2 miles north of this location. The David Corn ranch house (old W.R. McKnight Ranch) is approximately 3-1/2 miles to the northeast.

F. Archaeological, Historical and Other Cultural Sites: An Archaeologist from Roswell, NM will be contracted to check and approve this site and access road.

G. Land Use: Grazing.

H. Surface Ownership: USA/BLM.

12. OPERATOR'S REPRESENTATIVE:

Gary Richburg  
Roswell, New Mexico  
(505) 623-4735 (O)  
(505) 626-8581 (C)

13. CERTIFICATION:

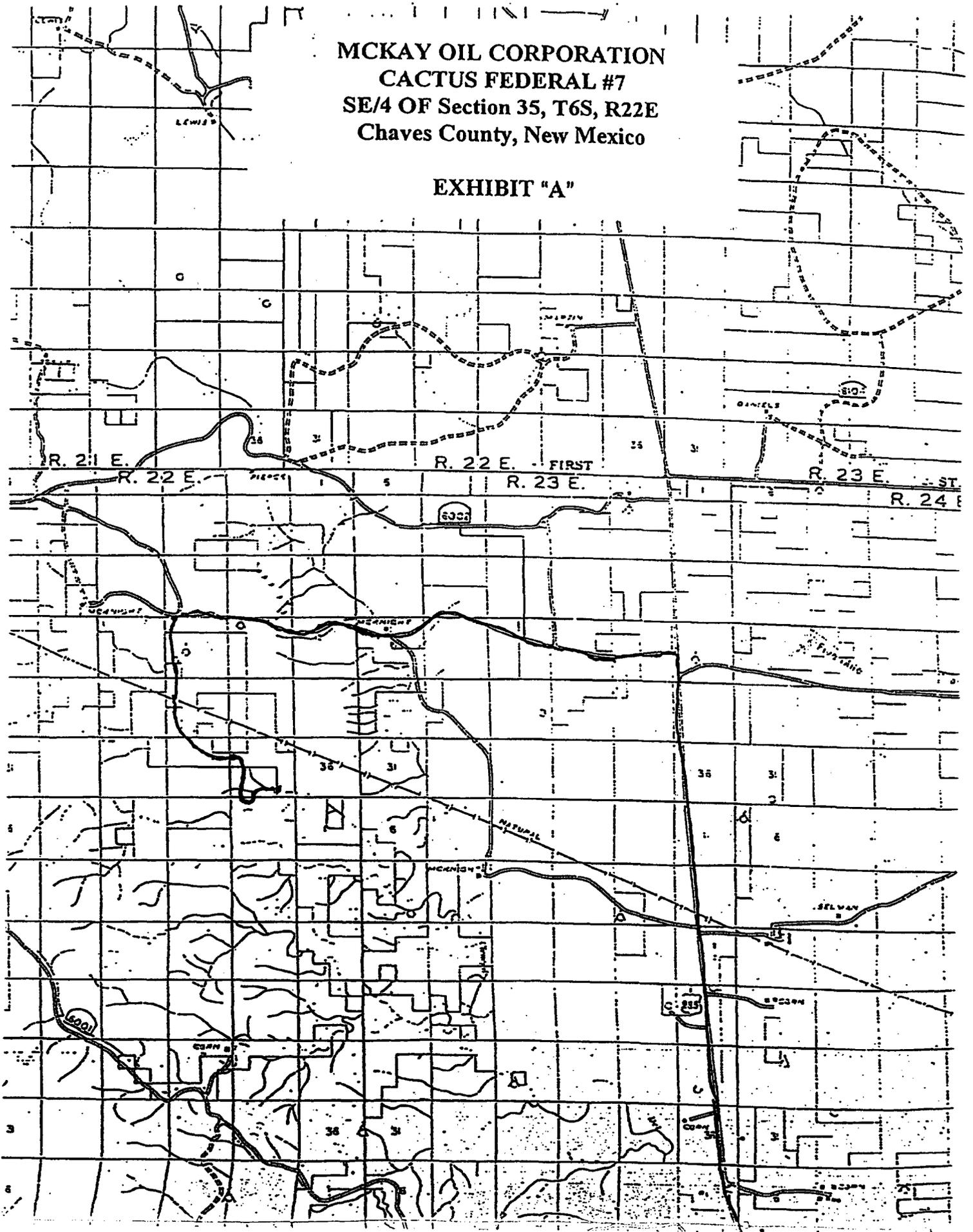
I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exists; that the statements made in this plan are, to the best of my knowledge true and correct; that the work associated with 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.

5-22-01  
DATE

Bill J. McLeod

MCKAY OIL CORPORATION  
CACTUS FEDERAL #7  
SE/4 OF Section 35, T6S, R22E  
Chaves County, New Mexico

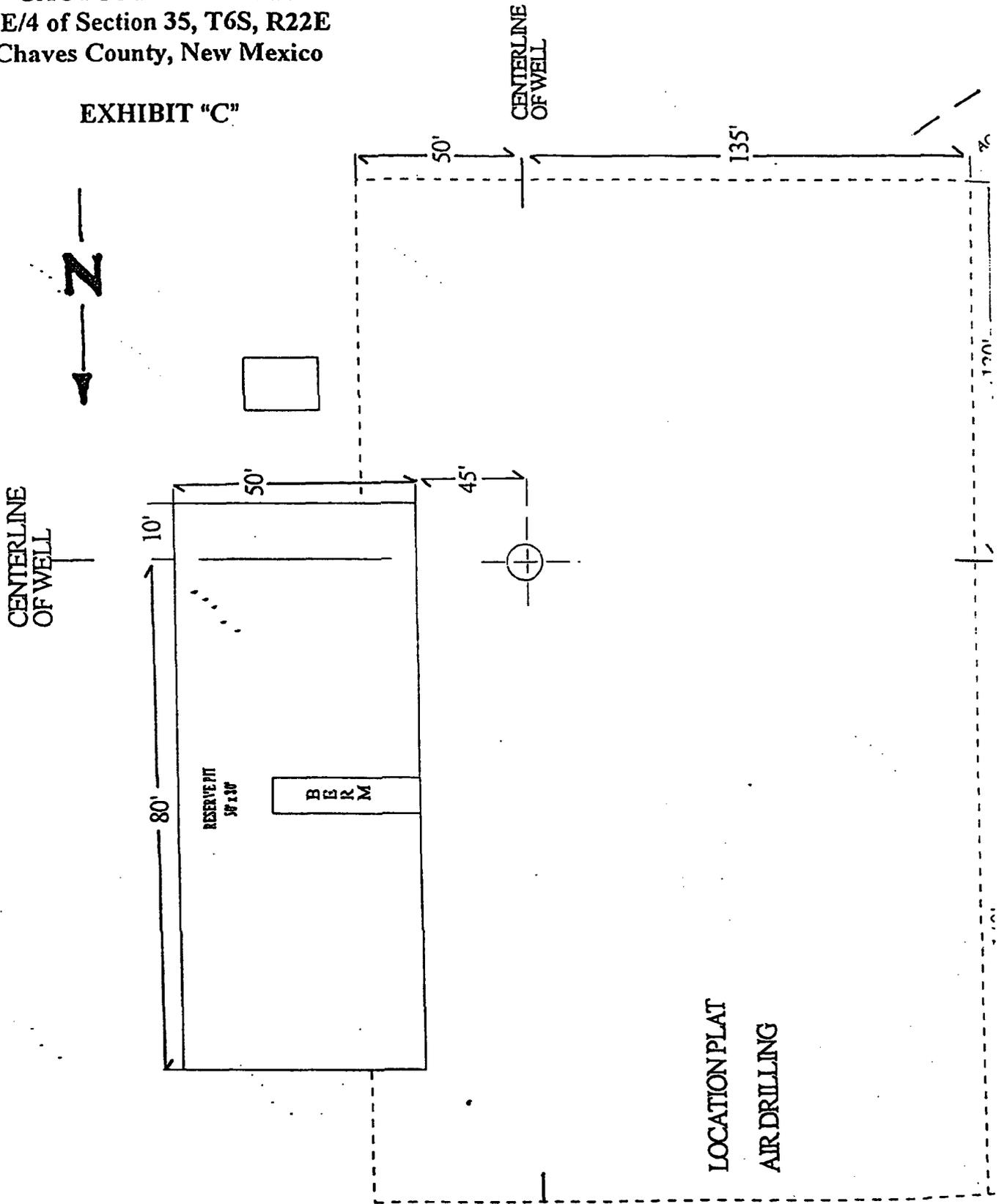
EXHIBIT "A"





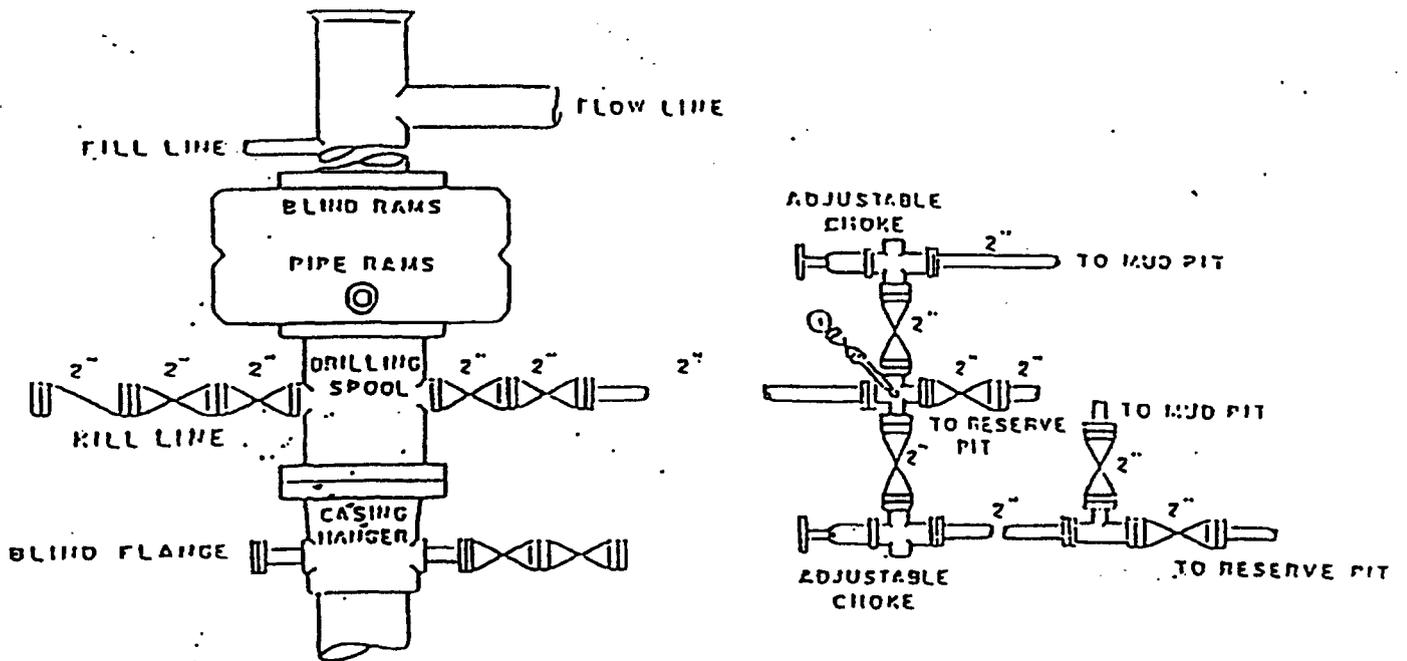
MCKAY OIL CORPORATION  
CACTUS FEDERAL #7  
SE/4 of Section 35, T6S, R22E  
Chaves County, New Mexico

EXHIBIT "C"



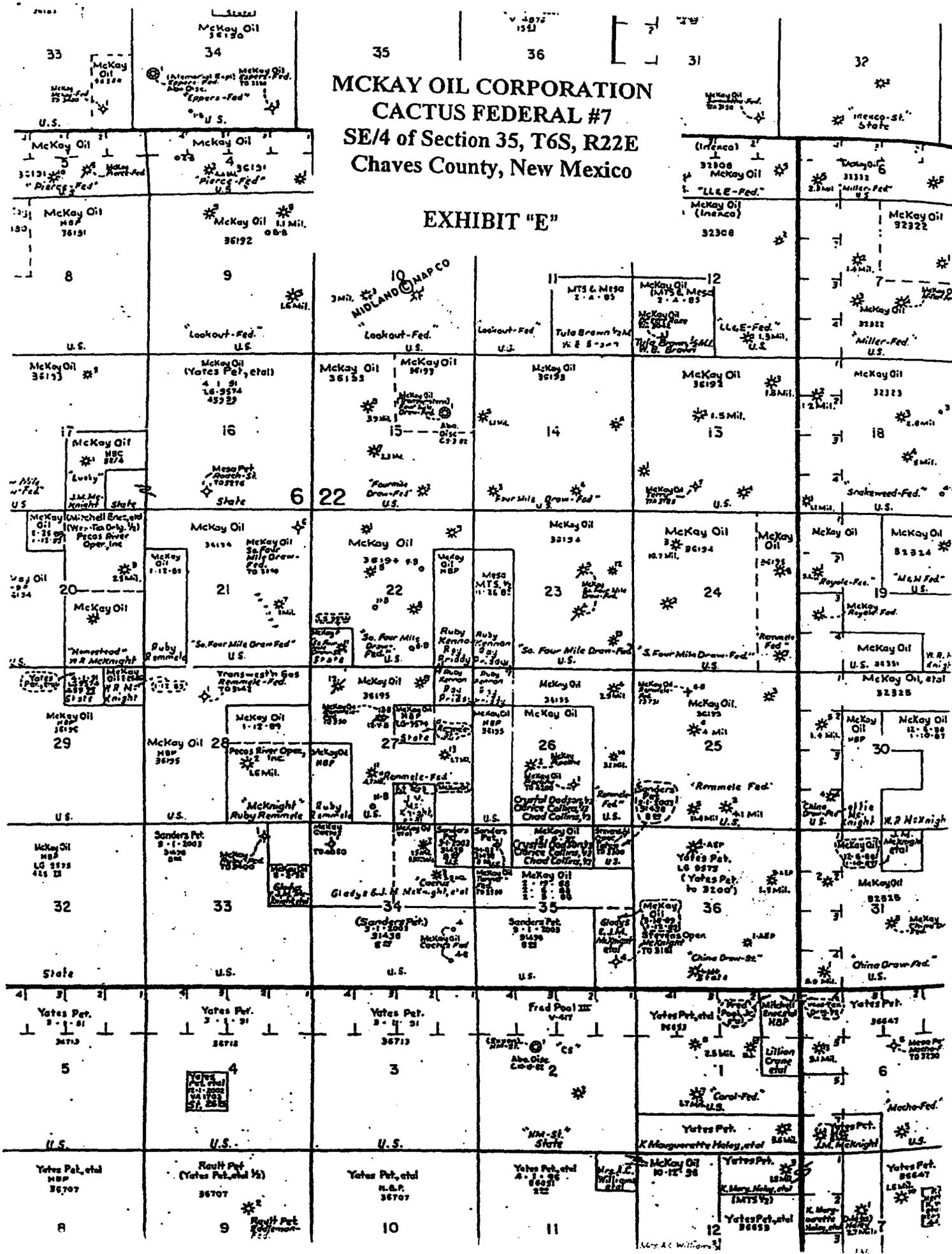
MCKAY OIL CORPORATION  
CACTUS FEDERAL #7  
SE/4 of Section 35, T6S, R22E  
Chaves County, New Mexico

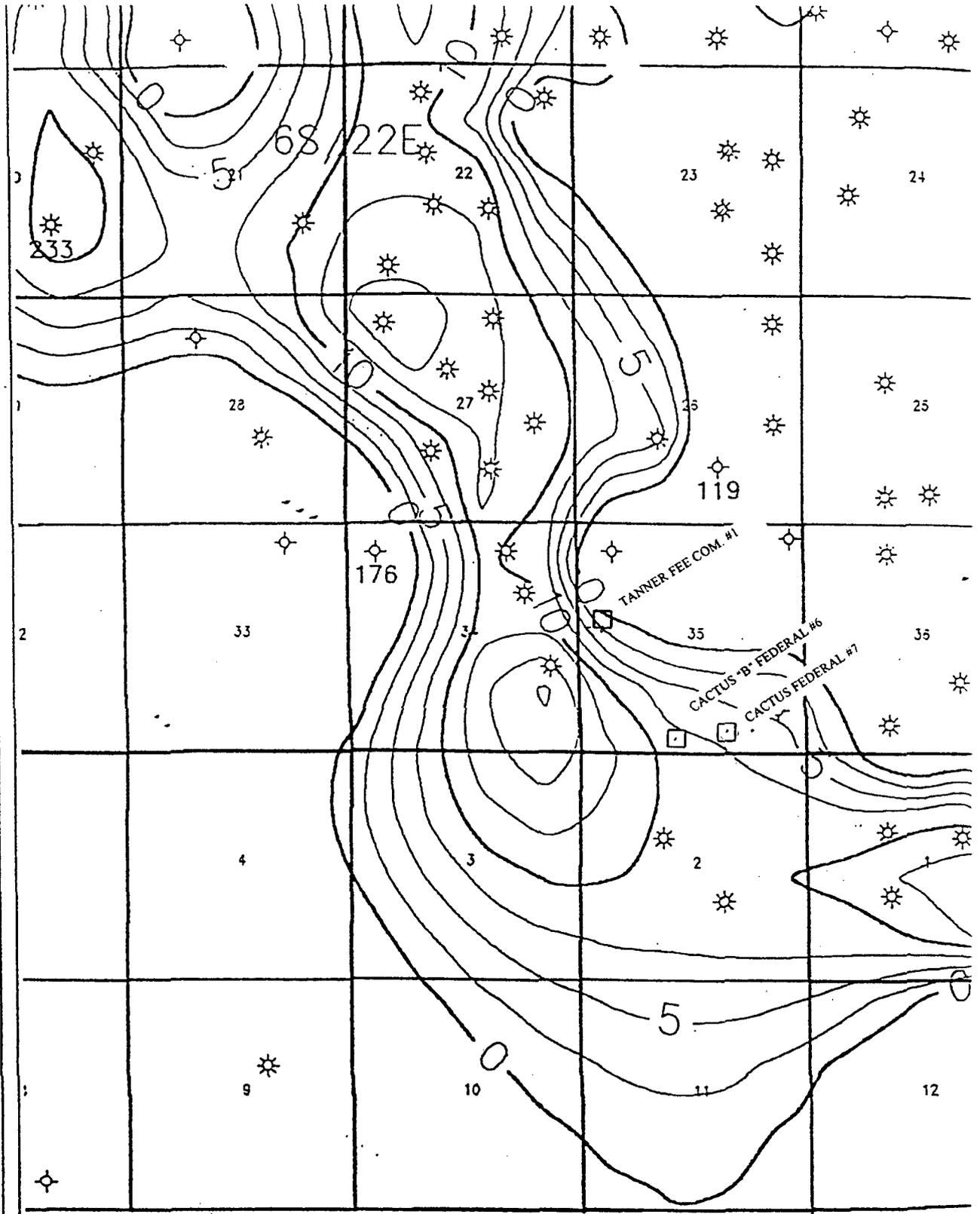
EXHIBIT "D"



MCKAY OIL CORPORATION  
 CACTUS FEDERAL #7  
 SE/4 of Section 35, T6S, R22E  
 Chaves County, New Mexico

EXHIBIT "E"





McKay Oil Corporation		
West Pecos Slope field Net Reservoir Isopach Abo IB Sandstone		
Rev. 02/08	0.25	08/26/2007
Scale 1:5000		

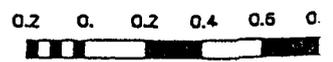
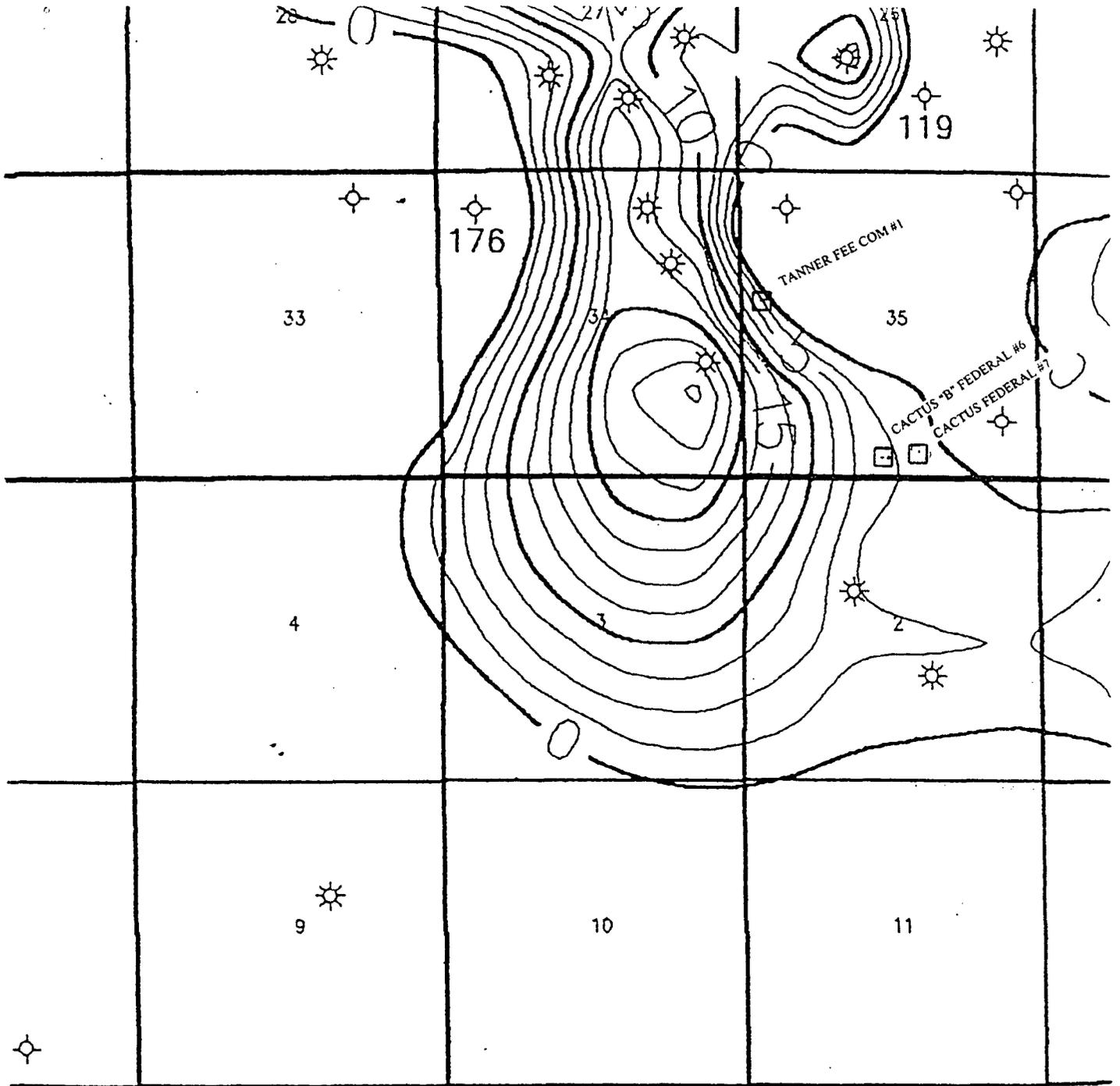


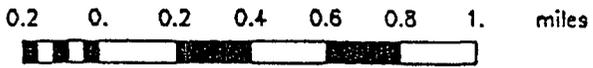
Exhibit I



McKay Oil Corporation

West Pecos Slope field  
 Net Reservoir Isopach  
 Composite IB and IC Abo

User ID: GPR	Q: 2.5'	06/05/2001
	Scale 1:40000	



*Exhibit II*