

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION - Engineering Bureau - 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A] [A] Location - Spacing Unit - Simultaneous Dedication [X] NSL [] NSP [] SD Check One Only for [B] or [C] [B] Commingling - Storage - Measurement [] DHC [] CTB [] PLC [] PC [] OLS [] OLM [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery [] WFX [] PMX [] SWD [] IPI [] EOR [] PPR [D] Other: Specify _____

- [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or [] Does Not Apply [A] [] Working, Royalty or Overriding Royalty Interest Owners [B] [] Offset Operators, Leaseholders or Surface Owner [C] [] Application is One Which Requires Published Legal Notice [D] [] Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office [E] [] For all of the above, Proof of Notification or Publication is Attached, and/or, [F] [] Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name Signature Title Date e-mail Address

SOUTHWEST PETROLEUM LAND SERVICES L.L.C.
100 N. PENNSYLVANIA
ROSWELL, NEW MEXICO 88203

(505) 622-6713 OFFICE
(505) 626-6879 CELLPHONE

(505) 622-9282 FAX
(505) 622-3615 HM

July 19, 2005

Oil Conservation Division
New Mexico State Land Office
1220 S. St. Francis Drive
Santa Fe, NM 87505

RE: McKay Oil Corp.
Non-Standard Location of the Lookout B Fed. #5
Township 6 South, Range 22 East, NMPM, Sec. 9, Unit P
Chaves County, NM

RECEIVED

AUG 15 2005

OIL CONSERVATION
DIVISION

30-005 - 62357

Gentlemen:

McKay Oil Corp. desire to drill a location 1,310' from the south line, and 400' from the east line of Unit P in Sec. 9 of Township 6 South, Range 22 East, NMPM (See Attached Survey Plat). Due to topographical concerns and in an effort to reduce the surface impact, McKay Oil Corp. is requesting an unorthodox location (See Attached Location Verification Map).

The well was originally staked at 660' from the east line and 990' from the south line of Section 9. The location was on a severe slope and it was recommended by the Bureau of Land Management that the well be moved north and east to avoid excessive surface impact (See Rig Plat). Any location feasible to drill would have to be a non-standard location. Therefore, it is our opinion that this location would be the best economical and productive location to drill.

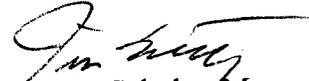
McKay Oil Corp. owns the operating rights surrounding the location, with the exception of the section south of this location, being Sec. 16, T6S, R22E, which is leased to Yates Petroleum Corp. (See Attach Land Map) An approval letter from Yates Petroleum is attached hereto.

Therefore, McKay Oil Corporation is requesting that the OCD grant administrative approval to the unorthodox location at 1,310' form the south line and 400' from the east line in unit P of Section 9, Township 6 South, Range 22 East, NMPM. This location has been approved by the Southern New Mexico Archaeological Services, Inc. and the BLM.

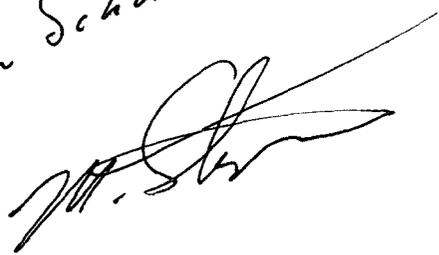
Page 2 of 2
Oil Conservation Division
July 19, 2005

Thank you for your cooperation and assistance in this matter.

Sincerely,


James L. Schultz, Manager and
as Agent for McKay Oil Corp.

cc: McKay Oil Corp.

3:30 PM Tuesday Aug. 16, 2005
Talked w/ Jim Schultz by phone.


State of New Mexico

Energy, Minerals and Natural Resources Department

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

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

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

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

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

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name LOOKOUT B FEDERAL	Well Number 5
OGRID No.	Operator Name McKAY OIL CORPORATION	Elevation 4361'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	9	6-S	22-E		1310	SOUTH	400	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

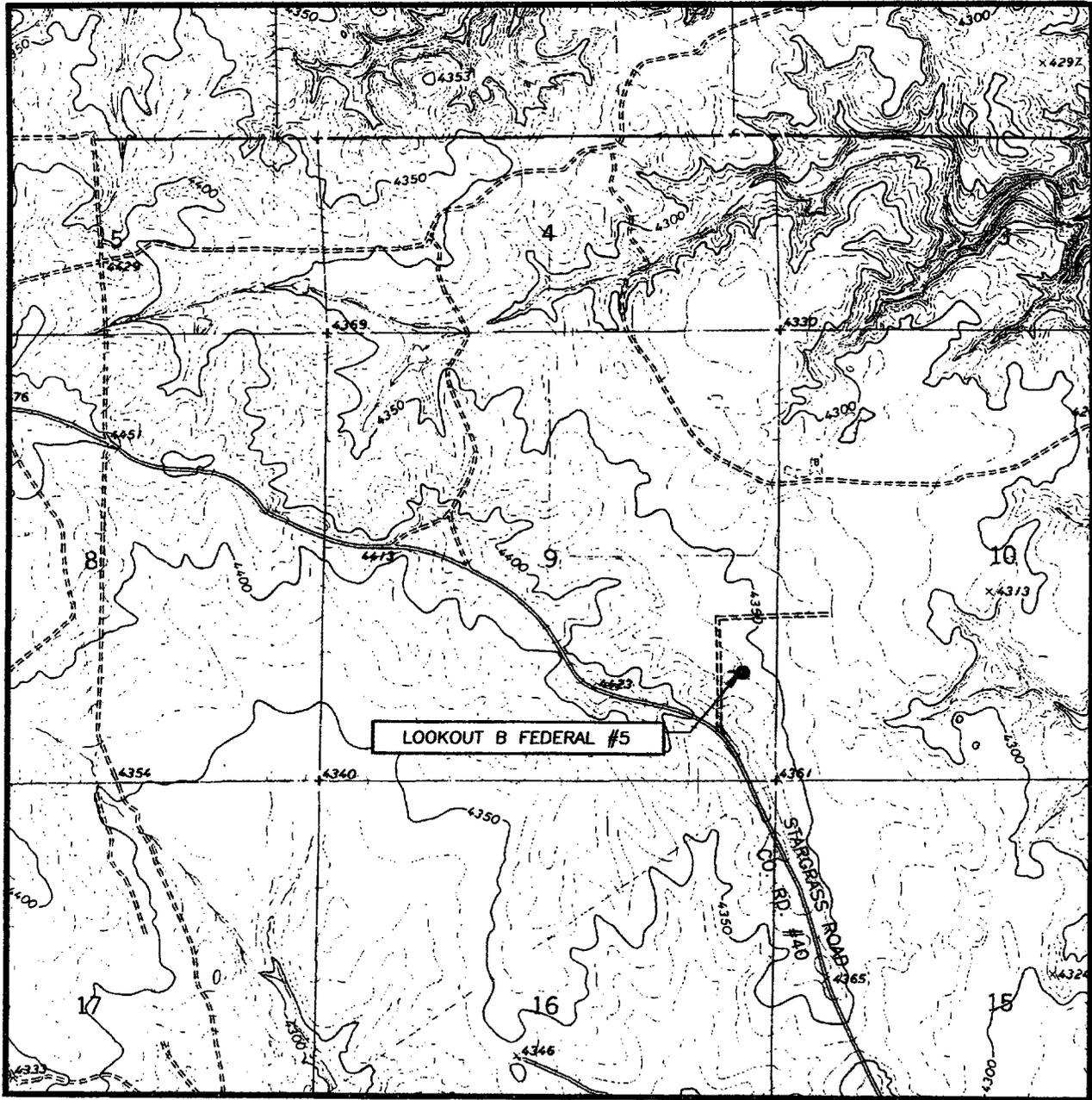
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=1021165.0 N X=383133.2 E</p> <p>LAT.=33°48'23.38" N LONG.=104°43'05.02" W</p>	<p>Lookout Fed. #5 30-005-62357 1980' FSL-660' FEL</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>James Schultz</i> Signature</p> <p>James Schultz Printed Name</p> <p>Agent</p> <p>Title</p> <p>03/16/05 Date</p>
		<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>DECEMBER 8, 2004</p> <p>Date Surveyed</p> <p>Signature of Surveyor <i>Harry V. Eidson</i></p> <p>Professional Seal NEW MEXICO 12641 04.11.16 12641</p>

Standard 640-acre Section

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 9 TWP. 6-S RGE. 22-E

SURVEY _____ N.M.P.M. _____

COUNTY _____ CHAVES _____

DESCRIPTION 1310' FSL & 400' FEL

ELEVATION _____ 4361' _____

OPERATOR _____ McKAY OIL CORPORATION _____

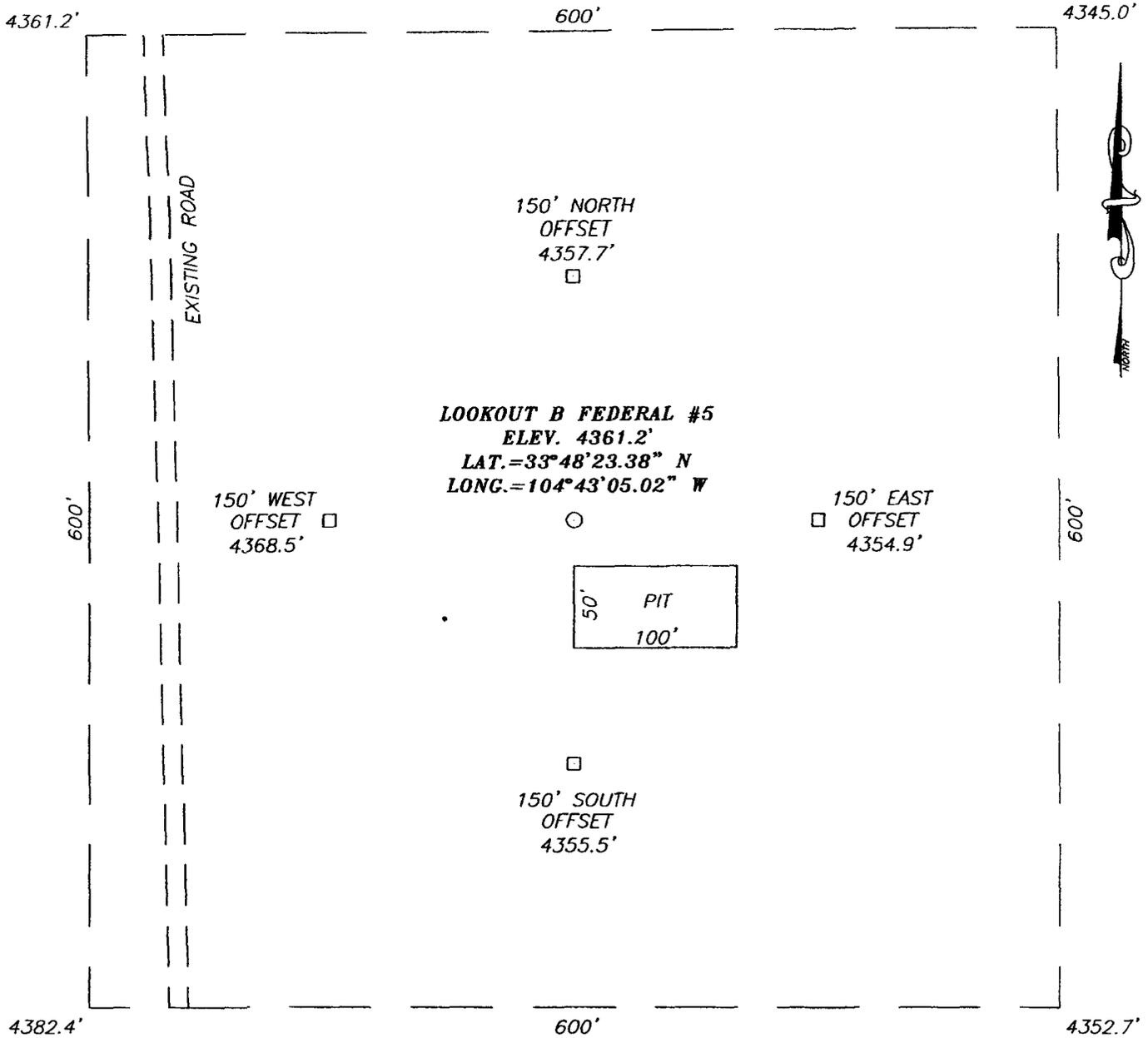
LEASE _____ LOOKOUT B FEDERAL _____

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



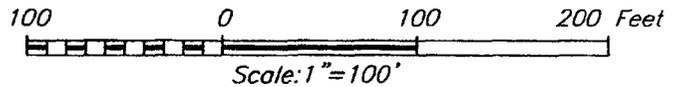
PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

SECTION 9, TOWNSHIP 6 SOUTH, RANGE 22 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #285 AND COUNTY ROAD #40 (STARGRASS RD.). GO WEST ON CR. #40 APPROX. 8.3 MILES. TURN RIGHT AND GO N-NW APPROX. 1.1 MILES. TURN RIGHT ON DIRT ROAD AND GO NORTH APPROX. 900'. THIS LOCATION IS APPROX. 250' EAST.



PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
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McKAY OIL CORPORATION		
LOOKOUT B FEDERAL #5 WELL LOCATED 1310 FEET FROM THE SOUTH LINE AND 400 FEET FROM THE EAST LINE OF SECTION 9, TOWNSHIP 6 SOUTH, RANGE 22 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO.		
Survey Date: 12/08/04	Sheet 1 of 1 Sheets	
W.O. Number: 04.11.1634	Dr By: D. LOVE	Rev 1:N/A
Date: 02/28/05	Disk: CD#4	04111634
		Scale: 1"=100'

Tim

SOUTHWEST PETROLEUM LAND SERVICES L.L.C.
100 N. PENNSYLVANIA
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(505) 622-3615 HM

July 19, 2005

7-20-05

Copy to:

Mark M. Dave B.

Yates Petroleum Corp.
105 S. Fourth Street
Artesia, NM 88210

Attention: Kathy Porter

RE: McKay Oil Corp.
Non-Standard Location of the Lookout B Fed. #5
Township 6 South, Range 22 East, NMPM, Sec. 9, Unit P
Chaves County, NM

Dear Kathy:

McKay Oil Corp. requests a non standard location for the Lookout B Federal #5 location at 1,310' FSL and 400' FEL, Sec. 9, T6S, R22E. Should you not object to this location, please sign in the space below and return via fax at the above fax number.

Should you have any questions please do not hesitate to contact me. Thank you for your cooperation and assistance in this matter.

Sincerely,



James L. Schultz, Manager and
as Agent for McKay Oil Corp.

Yates Petroleum Corp. has no objection to this location.

BY: H. Jim Miller

Date: 7-29-05

cc: McKay Oil Corp.