

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Alamosa, NM 88210
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OM B No. 1004-0137
Expires: March 31, 2007

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.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

RECEIVED

2. Name of Operator
McKay Oil Corporation

JAN 04 2006

3a. Address
PO Box 2014, Roswell, NM 88202-2014

3b. Phone ()
505.623.4735

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

1980'FEL & 840'FSL, Sec. 1, T6S, R22E, NMPM

5. Lease Serial No.

NM 32308

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

LL&E B Fed. #5

9. API Well No.

30-005-63751

10. Field and Pool, or Exploratory Area

W. Pecos ABO Slope

11. County or Parish, State

Chaves, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" 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 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 checked="" type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Pipeline
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<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 thereof. If the proposal is to deepen directionally or recompleat 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 recompleat 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.)

A 4" steel pipeline was laid on surface along the north side of the access road until it crosses the old Chickweed County road where it is buried approximately four (4) feet deep and protected by a 6" steel sleeve. The pipeline is continued to be buried approximately 12" to the westside of LL&E Fed. #5 location. The total length of the pipeline is approximately 1/4 mile long.

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

Title Agent

Signature

Date

10-31-05

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (ORIG. SGD.) ARMANDO A. LOPEZ

Assistant Field Manager,
Lands And Minerals

Date

DEC 27 2005

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 ROSWELL FIELD OFFICE

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)

Accepted for Record - NMOC

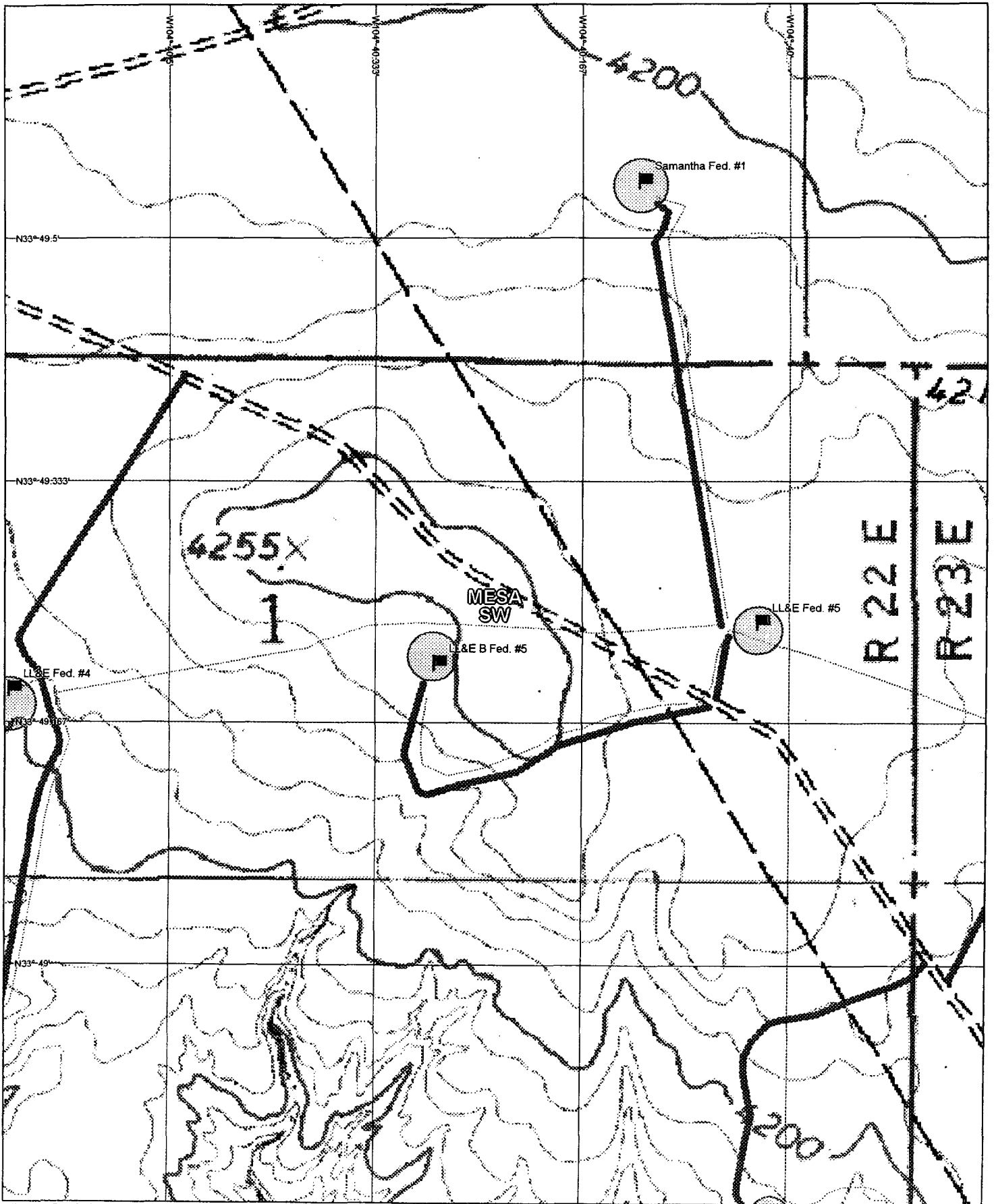


EXHIBIT A

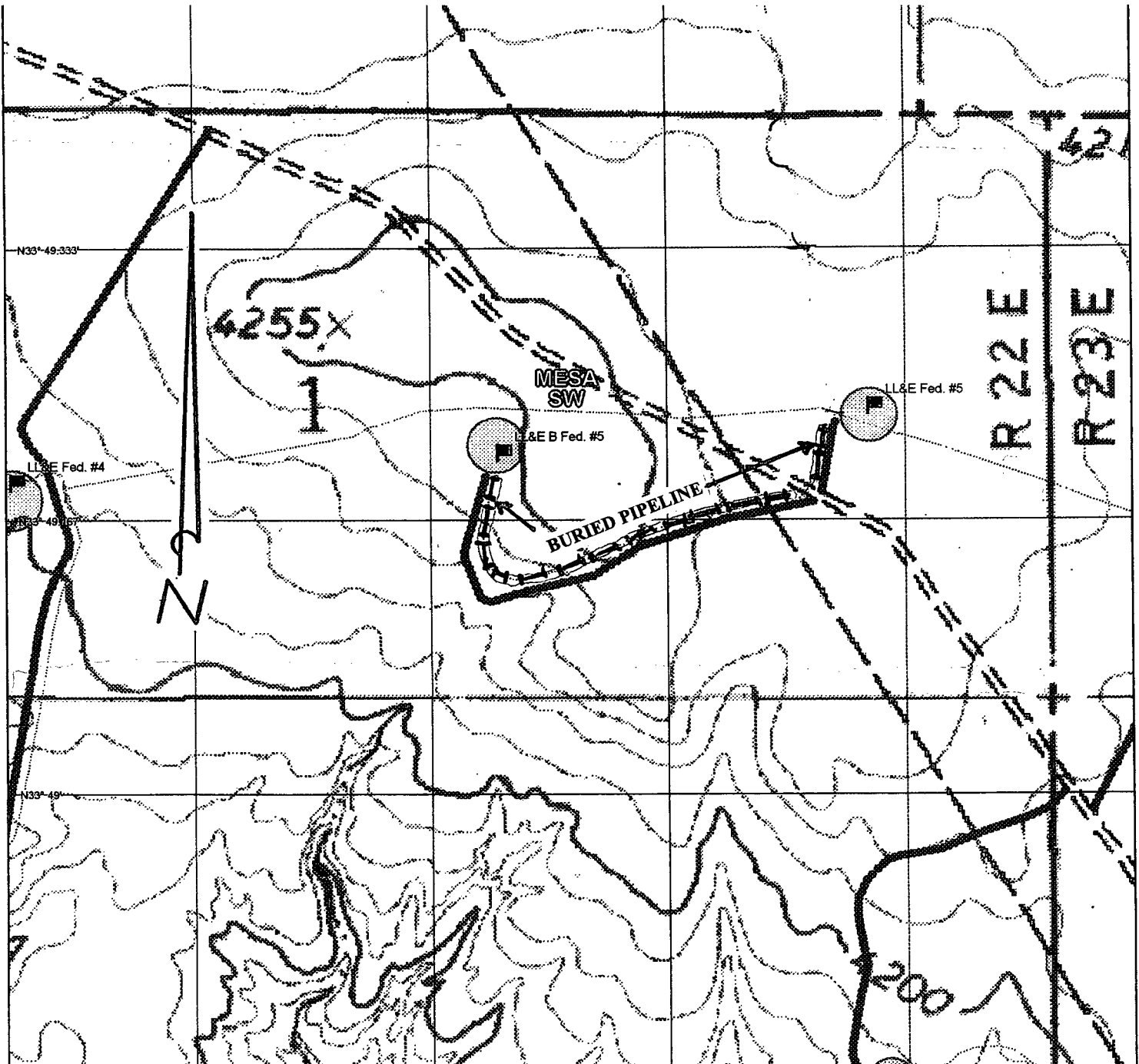
ROSWELL FIELD OFFICE -BLM

BLM Serial Number: NM-32308

Company Name: McKay Oil Corporation

Well Name and Number: LL & E "B" Federal #5

ON-LEASE BURIED PIPELINE: SE¼ of Section 1, T. 6 S., R. 22 E.





United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

EXHIBIT B

Page 1 of 5

ROSWELL FIELD OFFICE -BLM
BLM Serial Number: NM-32308
Company Name: McKay Oil Corporation
Well Name and Number: LL & E "B" Federal #5
ON-LEASE BURIED PIPELINE: SE¼ of Section 1, T. 6 S., R. 22 E.

BURIED PIPELINE STIPULATIONS FOR THE ROSWELL FIELD OFFICE, BLM.

A. THE APD AND/OR THE SUNDRY NOTICE WAS USED FOR THE ON-LEASE BURIED PIPELINE CONSTRUCTION.

1. The APD and/or Sundry Notice And Report On Wells can act, to the extent possible, as an application for the on-lease construction of the buried pipeline on Federal surface lands. In combination with the approved APD, the following standard terms and conditions are hereby attached to the APD/SN on-lease authorization.

B. The holder agrees to comply with the following stipulations to the satisfaction of the Authorized Officer, BLM.

1. The BLM shall administer compliance and monitor construction of the pipeline. Notify **Richard G. Hill** at least 3 working days (72 Hours) prior to commencing construction of the pipeline. Roswell Field Office number (505) 627-0247.

2. ON-LEASE PIPELINE CONSTRUCTION:

A.) The operations shall be contained within the perimeters of the archaeological surveyed areas. Monitoring of pipeline construction shall be carried out only by a BLM permitted archeologist familiar with the boundaries of the following five archeological sites: LA 59920, LA 148158, LA 148159, LA 148160 and LA 148161. These five sites shall be avoided.

B.) The entire length (1320 feet) of the pipeline shall be buried in a trench 36 inches deep and 46 inches deep under all existing access roads.

C.) The 4 inch steel pipeline shall be buried on the north side of the existing access road until it reaches the tie-in point, on the LL & E Federal #5 well pad, located in the SE¼ of Section 1, T. 6 S., R. 22 E..

D.) The pipeline construction on the well pad shall not impede any well operations.

E.) The holder shall consult with the Authorized Officer if the depth cannot be accomplished due to rock outcropping, or if the soils are not deep enough.

3. The holder shall conduct all activities associated with the construction, operation, and removal of the pipeline within the authorized limits of the pipeline corridor, **not to exceed 20 feet**. The holder shall consult with the Authorized Officer prior to utilizing more surface than the allowable limits of the pipeline corridor or for approval of any changes that are made to the pipeline route.
4. Clearing and/or blading of all vegetation shall be allowed. Clearing is defined as the removal of brush while leaving ground vegetation (grasses, weeds, *etc.*) intact. Clearing is best accomplished by holding the blade 4 to 6 inches above the ground surface to reap the vegetation. Blading is defined as the complete removal of brush and ground vegetation. **Where blading and/or clearing is allowed, the maximum surface disturbance width of these operations shall not exceed 20 feet.**
5. **The pipeline shall be buried under all roads. The holder shall bury the pipeline 48 inches deep and 30 feet across all road crossings.** The pipeline shall be buried 48 inches deep in order for the buried pipeline to be covered with a layer of soil 45 inches in depth between the top of the pipeline and the road surface level. The width of maximum disturbance on all roads is 30 feet and in order to secure that the buried pipeline is protected from maintenance and/or renovation work on the roads, the holder is required to start and end construction of the buried pipeline outside the perimeters of the road width maximum disturbance width. The holder shall consult with the Authorized Officer if the depth cannot be accomplished due to rock outcropping, or if the soils are not deep enough.
6. The approval of this APD/SN for pipeline construction does not in any way imply or approve any other on-lease, off-lease, or off-unit action(s). It is the responsibility of the holder to obtain other approval(s) such as rights-of-way from the Roswell Field Office or other agencies, including private surface landowner(s).
7. The holder shall indemnify the United States against any liability for damage to life or property arising from the occupancy or use of public lands under this authorization.
8. The holder shall comply with all applicable Federal laws and regulations existing or hereafter enacted or promulgated. In any event, the holder shall comply with the Toxic Substances Control Act of 1976, as amended (15 U.S.C. 2601, *et. seq.*) with regard to any toxic substances that are used, generated by, or stored on the pipeline corridor. (See 40 CFR, Part 702-799 and especially, provisions on polychlorinated biphenyls, 40 CFR 761.1-761.193.) Additionally, any release of toxic substances (leaks, spills, *etc.*) in excess of the reportable quantity established by 40 CFR, Part 117 shall be reported as required by the Comprehensive Environmental Response, Compensation and Liability Act, Section 102b. A copy of any report required or requested by any Federal agency or State government as a result of a reportable release or spill of any toxic substances shall be furnished to the Authorized Officer concurrent with the filing of the reports to the involved Federal agency or State government.
9. The holder agrees to indemnify the United States against any liability arising from the release of any hazardous substance or hazardous waste (as these terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, *et. seq.* or the Resource Conservation and Recovery Act, 42 U.S.C. 6901, *et. seq.*) on the pipeline corridor (unless the release or threatened release is wholly unrelated to the holder's activity on the pipeline corridor). This agreement applies without regard to whether a release is caused by the holder, its agent, or unrelated third parties.

10. If, during any phase of the construction, operation, maintenance, or termination of the pipeline, any gas, or other pollutant should be discharged, impacting Federal land, the control and total removal, disposal, and cleaning up of such pollutants, wherever found, shall be the responsibility of the holder, regardless of fault. Upon failure of the holder to control, dispose of, or clean up such discharge on, or affecting Federal land, or to repair all damages to Federal land resulting therefrom, the Authorized Officer may take such measures as deemed necessary to control and cleanup the discharge and restore the area, including, where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the holder. Such action by the Authorized Officer shall not relieve the holder of any liability or responsibility.

11. The holder shall minimize disturbance to existing fences and other improvements or facilities on public lands. When necessary to pass through a fence line, the fence will be braced on both sides of the passageway prior to cutting of the fence. No permanent gates will be allowed unless approved by the Authorized Officer. The holder is required to promptly repair impacted improvements or facilities to at least their former state. The holder shall contact the owner(s) of any improvements or facilities prior to disturbing them.

12. Vegetation, soil, and rocks left as a result of the pipeline construction, or maintenance activity will be randomly scattered over the project area and will not be left in rows, piles, or berms, unless otherwise approved by the Authorized Officer. An earthen berm is approved to be left over the ditch line to allow for the trench settling back to grade.

13. In those areas where erosion control structures are required to stabilize soil conditions, the holder shall install such structures as are suitable for the specific soil conditions being encountered and which are in accordance with sound management practices. Any earth work not specifically granted by this authorization shall require prior approval by the Authorized Officer.

14. All above-ground structures (e.g.: meter houses, above ground pipelines, and related appurtenance, etc.) not subject to safety requirements shall be painted by the holder to blend with the natural color of the landscape. The paint used shall be a color which simulates "Standard Environmental Colors" designated by the Rocky Mountain Five-State Interagency Committee. The color selected for this project is Olive Drab 18-0622 TPX of the Munsell Supplemental Environmental Color Chart.

15. The holder shall post signs designating a pipeline crossing at the following locations: the points of origin and completion, or entry to and exit from public land, at all road crossings. These signs shall be posted in a permanent, conspicuous manner, and shall be maintained in a legible condition until the pipeline no longer services the well and is removed.

16. The holder shall not use the pipeline corridor as a road except during periodic routine maintenance work as determined necessary by the Authorized Officer. The pipeline corridor shall not be used for any other purposes than for what it was hereby approved. The holder shall consult with the Authorized Officer if the disturbed areas are used for other reasons than for maintenance purposes. The holder shall take whatever steps are necessary to ensure that the pipeline corridor is not used as a roadway.

17. The holder shall seed all surface disturbed by the pipeline construction activities. Seeding is required on the disturbed areas and the seed mixture was determined by the Roswell Field Office for the Desired Plant Community on this pipeline project.

A. Desired Plant Community seed mixture to be planted in pounds of pure live seed per acre:

Alama silt loam, dry, 0-3% Slope; Hollomex loam, 1-9% slope, dry; Reeves loam, 0-2% slope, dry;
Milner loam, 0-2% slope, dry

Loamy, SD-3 Ecological Site; Loamy CP-2; Gyp Upland CP-2

<u>Common Name and Preferred Variety</u>	<u>Scientific Name</u>	<u>Pounds of Pure Live Seed Per Acre</u>
Blue grama, var. Lovington	(<i>Bouteloua gracilis</i>)	4.00 lbs.
Sideoats grama, var. Vaughn or El Reno	(<i>Bouteloua curtipendula</i>)	1.00 lb.
Sand dropseed	(<i>Sporobolus cryptandrus</i>)	0.50 lb.
Vine mesquite	(<i>Panicum obtusum</i>)	1.00 lb.
Plains bristlegrass	(<i>Setaria macrostachya</i>)	1.00 lb.
Indian blanketflower	(<i>Gaillardia aristata</i>)	0.50 lb.
Desert or Scarlet	(<i>Sphaeralcea ambigua</i>)	
Globemallow	or (<i>S. coccinea</i>)	<u>1.00 lb.</u>
TOTAL POUNDS PURE LIVE SEED PER ACRE		9.00 lbs.

If one species is not available, increase ALL others proportionately. Certified Weed Free Seed. A minimum of 4 species is required, including 1 forb species.

B. The recommended time to seed is from June 15th through September 15th. The optimum seeding time is in mid-July. Successive seeding should be done either late in the fall (Sept. 15th - Nov. 15th, before freeze up) or early as possible the following spring to take advantage of available ground moisture. However, the holder may seed immediately after completing the surface disturbing activities.

C. The holder shall be responsible for the establishment of vegetation on the pipeline route. Evaluation of vegetative growth will not be made before the completion of the first growing season after seeding. The Authorized Officer reserves the right to require reseeding at a specific time if seed does not germinate after one growing season. Waiver of this requirement would be considered if diligent attempts to revegetate the disturbed areas have failed and the Authorized Officer determines that any further attempts to replant the disturbed area is futile.

18. Any cultural and/or paleontological resource (i.e.: historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on Federal land shall be immediately reported to the Authorized Officer. The holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery will be made by the Authorized Officer to determine appropriate actions that shall be taken to prevent the loss of significant cultural or scientific values. The holder shall be responsible for the cost of evaluation of any cultural and/or paleontological resources that are discovered. Any decision as to the proper mitigation measures shall be made by the Authorized Officer after consultation with the holder.

19. The holder is hereby obligated to comply with procedures established in the Native American Graves Protection and Repatriation Act (NAGPRA) to protect such cultural items as human remains, associated funerary objects, sacred objects, and objects of cultural patrimony discovered inadvertently during the course of project implementation. In the event that any of the cultural items listed above are discovered during the course of the project work, the holder shall immediately halt the disturbance and contact the BLM within 24 hours for instructions. The holder or initiator of any project shall be held responsible for protecting, evaluating, reporting, excavating, treating, and disposing of these cultural items according to the procedures established by the BLM in consultation with Indian Tribes. Any unauthorized collection or disturbance of cultural resources may result in a shutdown order by the Authorized Officer.

20. Special Stipulations: ****NONE****