

Form 3160-3
(April 2004)

AUG 27 2007
OCD-ARTESIA

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

1a. Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No
1b. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. Miller & Fed. #21
2. Name of Operator McKay Oil Corporation		9. Well No. 30-005-63981
3a. Address PO Box 2014 Roswell, NM 88202-2014	3b. Phone No. (include area code) 505-623-4735	10. Field and Pool, or Exploratory W. Pecos ABO Slope
4. Location of Well (Report location clearly and in accordance with any State requirements *) At surface 1460' FNL & 660' FWL At proposed prod. zone		11. Sec., T R M. or Blk and Survey or Area Lot 2, Sec. 7, T6S, R23E
14. Distance in miles and direction from nearest town or post office* Approximately 25 miles		12. County or Parish Chaves
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drg. unit line, if any) 660'		13. State NM
16. No. of acres in lease 830.38		17. Spacing Unit dedicated to this well 160'
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 4300'		20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4216'		22. Approximate date work will start* 09/01/2007
		23. Estimated duration 7-10 days

24. Attachments

ROSWELL CONTROLLED WATER BASIN

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) James L. Schultz	Date 07/12/2007
Title Agent		

Approved by (Signature) /s/ Angel Mayes	Name (Printed/Typed) /s/ Angel Mayes	Date AUG 23 2007
Title Assistant Field Manager, Lands And Minerals		Office ROSWELL FIELD OFFICE

APPROVED FOR 2 YEARS

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

*(Instructions on page 2)

DECLARED WATER BASIN

CEMENT BEHIND THE 95"
CASING MUST BE CIRCULATED

WITNESS

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

DISTRICT I

1625 N. FRANCH DR., HOBBS, 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

State of New Mexico

Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

AUG 27 2007

OCD-AR-100A

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 82740	Pool Name Pecos Slope; Abq, West
Property Code 36690	Property Name MILLER FEDERAL C	Well Number 2
OGRID No. 14424	Operator Name McKAY OIL CORPORATION	Elevation 4213'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2	7	6-S	23-E		1460	NORTH	660	WEST	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 165.84	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

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>James L. Schultz</i> 7-18-07 Signature Date James L. Schultz Printed Name</p>
<p>LOT 1 42.96 AC</p> <p>LOT 2 42.88 AC</p> <p>LOT 3</p> <p>LOT 4 42.82 AC</p> <p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=1023692.9 N X=400103.4 E</p> <p>LAT.=33°48'48.97" N LONG.=104°39'44.00" W</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>RONALD J. EIDSON Date Surveyed: 7/16/07 Signature & Seal of Professional Surveyor Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239</p>

N.M. Oil Cons. DIV-Dist. 2
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Grand Avenue
Alamogordo, NM 88210FORM APPROVED
OMB 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 ☐ Other2. Name of Operator
McKay Oil Corporation3a. Address
PO Box 2014, Roswell, NM 88202-20143b. Phone No. (include area code)
505.623.47354. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1460'FNL & 660'FWL, Sec. 7, T6S, R23E5. Lease Serial No.
NM 32322

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.
Miller B Fed. 2Y

9. API Well No.

10. Field and Pool, or Exploratory Area
W. Pecos ABO Slope11. 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 type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Name Change
	<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.)

Operator desires to amend the APD to change the name of the well to the Miller C Federal #2. Attached is a correct C-102 with the name change.

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

James L. Schultz

Title Agent

Signature

Date

07/18/2007

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

ISI Angel Mayes

Assistant Field Manager,
Lands And Minerals

Date

AUG 23 2007

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)

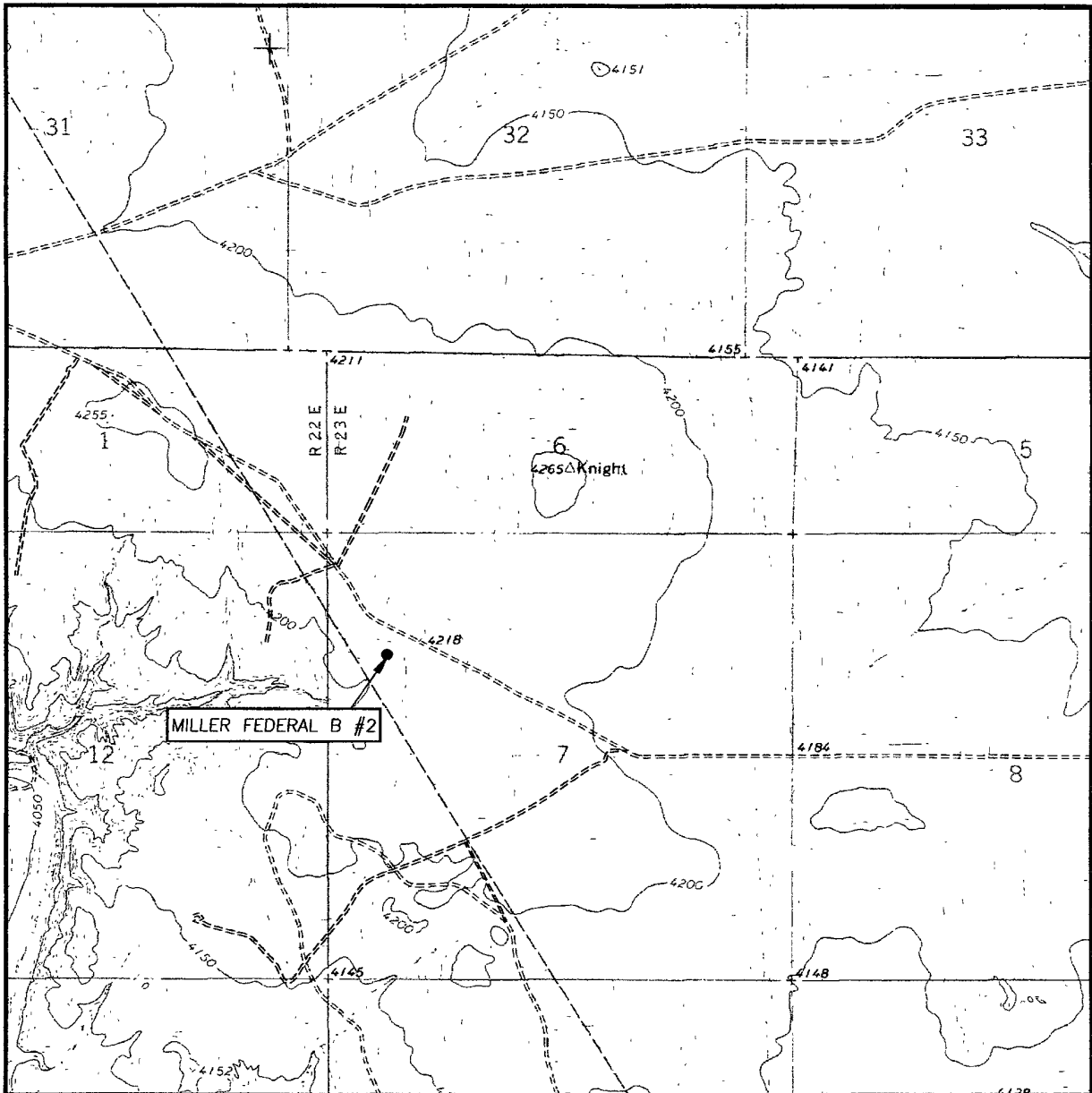
PERTINENT INFORMATION

FOR
MCKAY OIL CORPORATION
MILLER B FED. #2Y
1460' FNL & 660' FWL Sec. 7, T6S, R23E

Chaves County, New Mexico

<u>LOCATED:</u>	25 air miles Northwest of Roswell, NM.
<u>LEASE NUMBER:</u>	NM 322322
<u>LEASE ISSUED:</u>	11/1/1978
<u>RECORD LESSEE:</u>	McKay Petroleum Corporation
<u>BOND COVERAGE:</u>	Operator's \$25,000 Statewide
<u>AUTHORITY TO OPERATE:</u>	Assignment of Operating Rights
<u>ACRES IN LEASE:</u>	890.38
<u>SURFACE OWNERSHIP:</u>	Federal
<u>OWNER:</u>	USA-BLM
<u>POOL RULES:</u>	General Statewide Rules
<u>EXHIBITS:</u>	A. Road and Well Map B. Contour Map C. Rig Layout D. BOP Diagram E. Lease Map

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 7 TWP. 6-S RGE. 23-E

SURVEY _____ N.M.P.M.

COUNTY _____ CHAVES

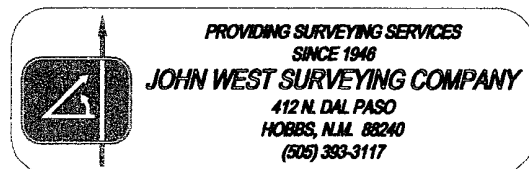
DESCRIPTION 1460' FNL & 660' FWL

ELEVATION _____ 4213'

OPERATOR _____ McKAY
OIL CORPORATION

LEASE _____ MILLER FEDERAL B

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

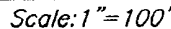


CHAVES COUNTY,

NEW MEXICO

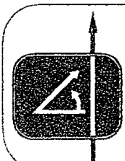


FROM THE INTERSECTION OF U.S. HWY. # 208 AND CO. RD. #40 (STARGRASS RD.) GO WEST ON CO. RD. #40 FOR APPROX. 2.5 MILES TO A CALICHE ROAD ON THE RIGHT. TURN RIGHT (NORTH) AND GO APPROX. 2.0 MILES, TURN LEFT (WEST) AND GO APPROX. 1.0 MILES, TURN RIGHT (NORTH) AND GO APPROX. 0.15 MILES PAST CATTLEGUARD. TURN WEST AND GO APPROX. 1.6 MILES. PROPOSED LOCATION IS APPROX. 300' SOUTH.



MILLER FEDERAL B #2 WELL
LOCATED 1460 FEET FROM THE NORTH LINE
AND 660 FEET FROM THE WEST LINE OF SECTION 7,
TOWNSHIP 6 SOUTH, RANGE 23 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.

Survey Date: 09/26/05		Sheet 1 of 1 Sheets	
W.O. Number: 05.11.1519		Dr By: J.R.	Rev 1:10/4/04
Date: 09/28/05	Disk: CD#5	05111519	Scale: 1"=100'

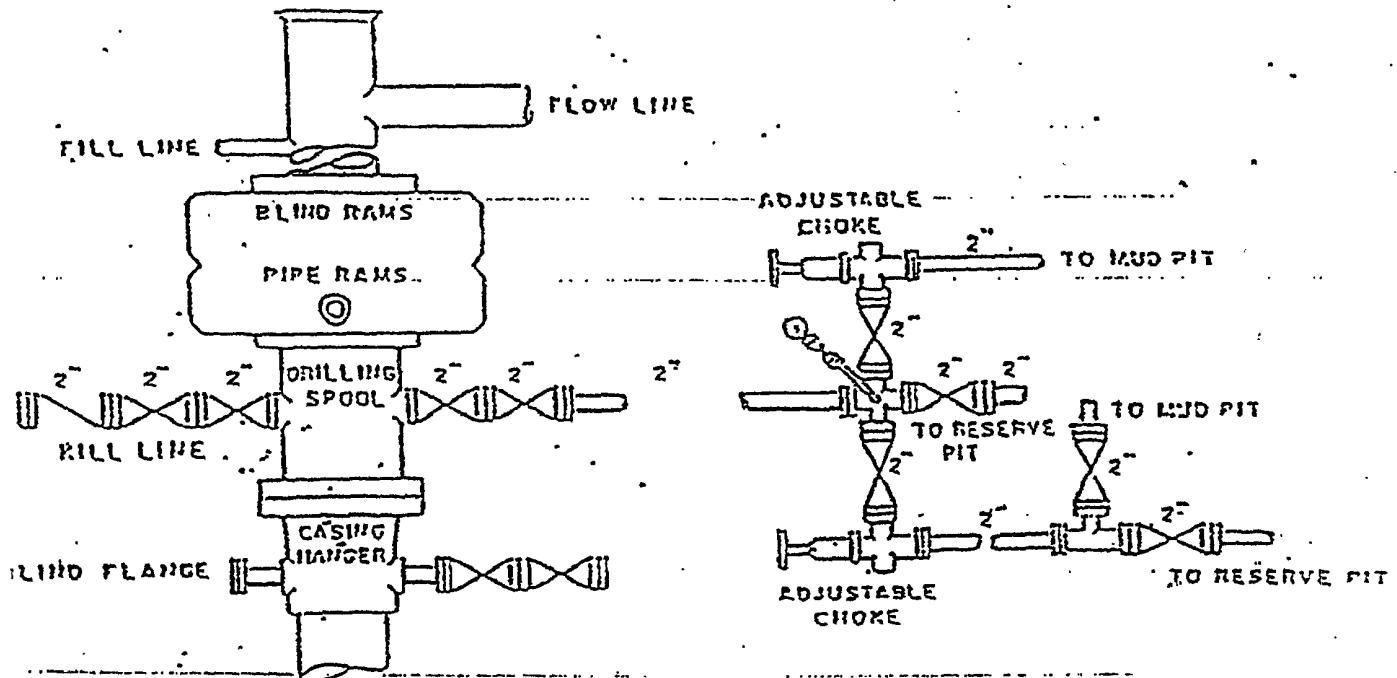


**PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 383-3117**

MCKAY OIL CORPORATION

Miller B Federal #2Y
1460' FNL & 660' FWL
Sec. 7, T6S, R23E
Chaves County, New Mexico

EXHIBIT "D"



SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION
MILLER B FED. #2Y
1460' FNL & 660' FWL Sec. 7, T6S, R23E

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 - 939'
Tubb - 2435'
Abo - 2648'

3. ESTIMATED DEPTHS TO WATER, OIL OR GAS FORMATIONS:

Fresh Water - In surface formation above 600'
Gas - In Abo Formation below 2648'

4. PROPOSED CASING PROGRAM:

12-1/4" hole	8-5/8" J-55	24#	950' +
7-7/8" hole	5-1/2" J-55	15.5#	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.

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. 5-1/2" 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 September 1, 2007
Drilling should be completed within 10 days. Completion operations (perforations and stimulation) will follow drilling operations.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MCKAY OIL CORPORATION
MILLER B FED. #2Y
1460' FNL & 660' FWL Sec. 7, T6S, R23E

Chaves County, New Mexico

NM 32322

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 21 miles and turn left on county road just before mile marker 137 (Cottonwood Road). Go approximately 2.0 miles, then turn north for approximately 2 miles to the lease road, turn west for approximately 2 3/4 miles to the location.

2. PLANNED ACCESS ROAD:

A. Length and Width: None.

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, Cattle guards: None needed. 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 400' x 400'. (See Exhibit "D")

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. Pit has been constructed in the drilling of the Miller B Fed. #2 well.

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 south in the vicinity of the access road and south-southwest in the vicinity of the drill pad. Regional slope is south-southwest toward the Arroyo del Macho which is south-southwest 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: Arroyo del Macho south-southwest of the proposed location.

E. Residences and other Structures: The David Corn ranch house (old W.R. McKnight Ranch) is approximately 1 mile to the south-southwest.

F. Archaeological, Historical and Other Cultural Sites: This well is located on the same wellsite of the Miller B Fed. #2 and an archeological survey was previously filed..

G. Land Use: Grazing.

H. Surface Ownership: USA-BLM.

12. OPERATOR'S REPRESENTATIVE:

Matt Murphy
Roswell, New Mexico
(505) 623-4735 (O)
(505) 830-8909 (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.



SIGNATURE

7-12-07

DATE

MCKAY OIL CORPORATION
MILLER B FED. #2Y
1460' FNL & 660' FWL Sec. 7, T6S, R23E

Chaves County, New Mexico

Other Specific Information and Plans

Proposed Pipeline

If the well is completed as a producing well, the well will be connected to a gas gathering system pipeline that runs across the SW4 of the 600' X 600' locations.

**Southwest Petroleum
Land Services, LLC**

100 N. Pennsylvania
Roswell, NM 88203
(505) 622-6713
(505) 622-9282 fax

July 12, 2007

Oil Conservation Division
Bryan Arrant
1301 W Grand Avenue
Artesia, NM

Re: H2S Contingency Plan-Miller B #7

Bryan,

Please see attached Contingency Plan-H2S for the Miller B Fed. #2Y located in Sec 7, T6S, R23E 1460' FNL & 660' FWL in Chaves County. Should you need any further information, please contact me at 505-626-6879.

Sincerely,



Jim Schultz
Agent for McKay Oil Corporation

MCKAY OIL CORPORATION
PO BOX 2014
ROSWELL, NM 88202-2014
505-623-4735

HYDROGEN SULFIDE (H₂S) CONTINGENCY PLAN FOR THE
MILLER B FED. #2y
LOCATED IN SEC 7, T6S, R23E IN
CHAVES COUNTY, NEW MEXICO

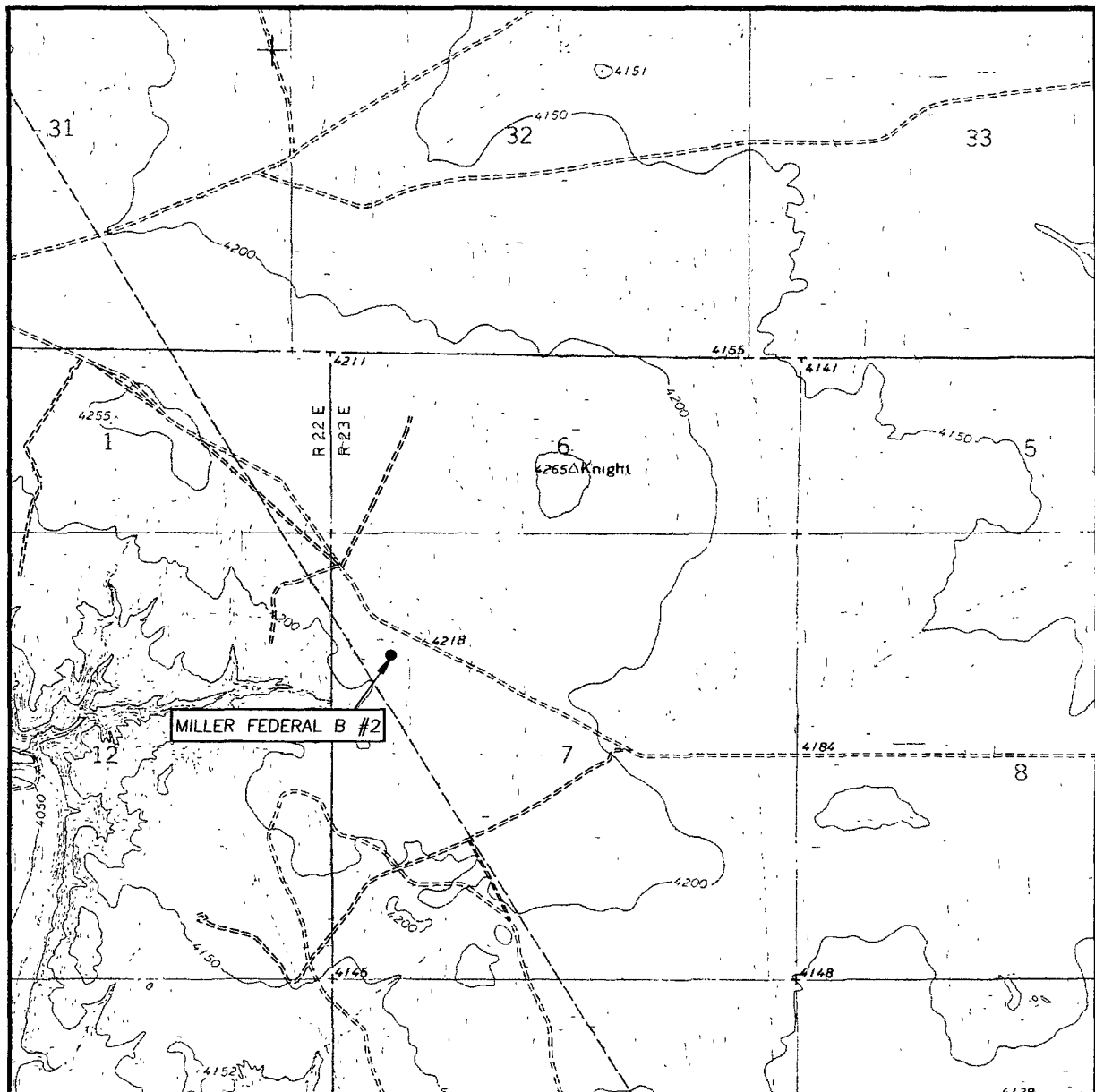
NO HYDROGEN SULFIDE OR OTHER HAZARDOUS GASES OR FLUIDS HAVE
BEEN ENCOUNTERED, REPORTED OR KNOWN TO EXIST AT THIS DEPTH IN
THIS AREA.

MILLER B FED. #2Y

This is an open drilling Site. H2S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H2S, including warning signs, wind indicators and H2S monitor. Pumpers carry (MICROPACKS) H2S pocket testers at all times. Pulling units have an H2S indicator that puts off light and alarm on any indication of H2S being present.

MAPS -- SEE ATTACHED

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 7 TWP. 6-S RGE. 23-E

SURVEY N.M.P.M.

COUNTY CHAVES

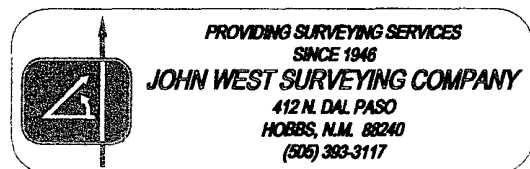
DESCRIPTION 1460' FNL & 660' FWL

ELEVATION 4213'

OPERATOR McKAY OIL CORPORATION

LEASE MILLER FEDERAL B

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



EMERGENCY PROCEDURES

In the case of a release of gas containing H₂S, the first responder must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder must evacuate any public spaces encompassed by the 100 ppm ROE. First responder must take care not to injure themselves during this operation. Company and or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H₂S measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H₂S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries occur during the response.

IGNITION OF GAS SOURCE

Should control of the well be considered lost and ignition considered, take care to protect against exposure of sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas.

CHARACTERISTICS OF H₂S & SO₂

COMMON NAME	CHEMICAL FORMULA	SPECIFIC GRAVITY	THRESHOLD LIMIT	HAZARDOUS LIMIT	LETHAL CONCENTRATION
HYDROGEN SULFIDE	H ₂ S	1.189 AIR=1	10 PPM ⁴	100 PPM/HR	600 PPM
SULFUR DIOXIDE	SO ₂	2.21 AIR=1	2 PPM	N/A	1000 PPM

CONTACTING AUTHORITIES

McKay Oil Corporation personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. be prepared with all information available. The following call list of essential and potential responders must be in coordination with the State of New Mexico's Hazardous Materials Emergency Response Plan (HMER).

MCKAY OIL CORPORATION CALL LIST

Chaves County (505)	OFFICE	CELL PHONE	HOME PHONE
Matt Murphy	623-4735	840-8909	840-8909
Jim Robinson	623-4735	626-8579	624-1093
Roy L. McKay	623-4735	626-8571	623-4735

CHAVES COUNTY (505)

ROSWELL

STATE POLICE	622-7200
CITY POLICE	911 or 624-6770
SHERIFF'S OFFICE	624-6500
AMBULANCE	911
FIRE DEPARTMENT	624-6800
LEPC (Local Emergency Planning Committee)	Teresa Barncastle 624-6770
	Ext. 129
NMOCD	748-1283
ENMMC (Hospital)	622-8170

V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

B. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 627-0272 in sufficient time for a representative to witness:

a. Spudding

b. Cementing casing: 8-5/8 inch 5-1/2 inch

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

C. CASING:

1. 8-5/8 inch surface casing should be set at approximately 900 feet, below usable water and circulate cement to the surface. If cement does not circulate to the surface, the BLM Roswell Field Office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. Minimum required fill of cement behind the 5-1/2 inch production liner is sufficient to tie back 500 feet above the uppermost perforation in the pay zone.

D. PRESSURE CONTROL:

1. Before drilling below the 8-5/8 inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The BOPE shall be installed before drilling below the 8-5/8 inch surface casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

a. The results of the test shall be reported to the BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201-1287.

b. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

c. Testing must be done in a safe workman like manner. Hard line connections shall be required.