

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

Form 3160-5  
(April 2004)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM 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 <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	OCT 08 2008
2 Name of Operator McKay Oil Corporation	OCD-ARTESIA
3a Address PO Box 2014, Roswell, NM 88202-2014	3b Phone No (include area code) 505.623.4735
4 Location of Well (Footage, Sec, T, R, M, or Survey Description) 990'FNL & 2160'FEL, Sec. 9, T6S, R22E	5 Lease Serial No NM 36192
	6 If Indian, Allottee or Tribe Name
	7 If Unit or CA/Agreement, Name and/or No
	8 Well Name and No Lookout D Fed. #8
	9 API Well No 30 005 64062
	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 type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input checked="" 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 intends to drill the payzone of this well with air. Therefore, attached is a new Supplemental Drilling Data and a new rig plat.

Soil scrapped from the wellpad area will be stockpiled in the NW corner of the wellpad for later reclamation.

Also, as requested by the BLM letter received 7/3/2008, attached is a new Operator Certification Statement with an original signature.

14 I hereby certify that the foregoing is true and correct Name (Printed/Typed) James L. Schultz		Title Agent
Signature 		Date 07/15/2008
<b>THIS SPACE FOR FEDERAL OR STATE OFFICE USE</b>		
Approved by <u>ISA Angel Mayes</u> 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.		Assistant Field Manager, Lands And Minerals Date OCT 06 2008 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)

RECEIVED

FOR RECORDS ONLY

## SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION  
Lookout D Federal #8  
990' FSL & 2160' FEL, Sec. 9, T6S, R22E

Chaves County, New Mexico

1. SURFACE FORMATION: San Andres

2. ESTIMATED TOPS OF GEOLOGICAL MARKERS:

Yeso - 921'  
Tubb - 2417'  
Abo - 2877'  
Abo Pay - 2930'

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

Fresh Water - Approx. 500'  
Gas - In Abo Formation below 2930'

4. PROPOSED CASING PROGRAM:

<u>Hole Size</u>	<u>Casing Size</u>	<u>Weight</u>	<u>Depth</u>
12-1/4"	8-5/8" J-55	#24	1000' ±
7-1/2"	5-1/2" K-55	#15.5	2935' ±

McKay Oil Corporation proposes to air drill the well and open hole test the ABO formation. Approximately 1,000' of surface casing (8-5/8" - 24# J-55) will be set and cemented to surface. WOC a total of 18 hours before drilling out. Pressure test casing and BOP to 1000 psi before drilling out. 5-1/2", 1.5# K-55 seamless casing will be set to approximately 2,935'. Use a guide shoe, float collar, and 3 centralizers (on 1<sup>st</sup>, 3<sup>rd</sup> and 5<sup>th</sup> joints from bottom). Cement with 50/50 pozmix. Top of Cement should be brought up to 660' above the top of the Abo, or to about 2,220'. Note: Fresh water is to be used to pump the cementing plug down. Pressure test casing to 3000 psi after WOC a minimum of 18 hours. The water will later be displaced with air before drilling out with air and mist for an open-hole completion

5. PROPOSED CEMENTING PROGRAM:

8-5/8" - 600 sks 35% Poz/65% C, with 6% gel, 8#Gisonite/sk 1/4# Cellflake/sk, all with 3% CACL and circulated to surface.  
5-1/2" - 50/50 pozmix back up to 600' above top of Abo (Approx. 2200')

6. PROPOSED DRILLING PROGRAM:

0-1000' Drill with 2% KCL foam. If problem occurs, pump polymer or super sweep to address sticking problem.

1000-2905' Drill with air and foam mist, using anionic clay-swelling inhibitor. Use no water or KCL in this interval. Casing will be set at 2920'

2920'-3100' This interval will be drilled with 2-2/3" tubing and a 4-5/8" bit. Install drilling head and stripper before drilling out. Drill out shoe joint and continue drilling with the air and foam mist (anionic inhibitor) as above. It is anticipated that a strong flow of gas will occur within this interval. At this time, air and mist injection should be shut down, and the well secured and shut in. The purpose of this operation is to discover if, by allowing no water to contact the pay zone, an open-hole natural completion can result in a commercially successful gas well. NOTE: If drilling problems develop that prevents further air drilling, the option would be to continue to maximum depth of 3100' with drilling mud.

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 (See above)

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: None.

DST's: None.

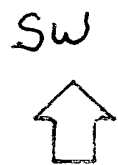
Logging: None as offset well logs are available

Coring: None.

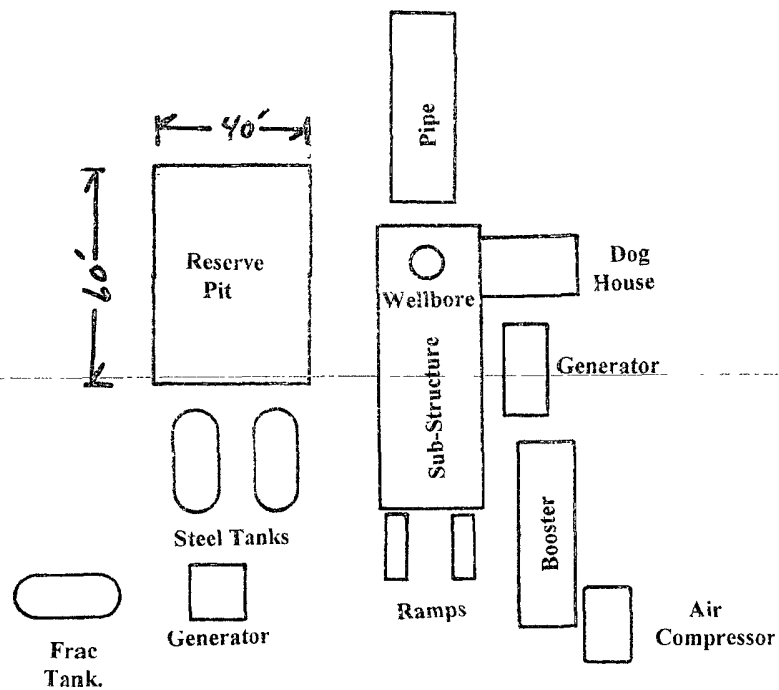
11. ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE:

None anticipated.

12. ANTICIPATED STARTING DATE: July 23, 2008. Drilling should be completed within 10 days. Completion operations (perforations and stimulation) will follow drilling operations.

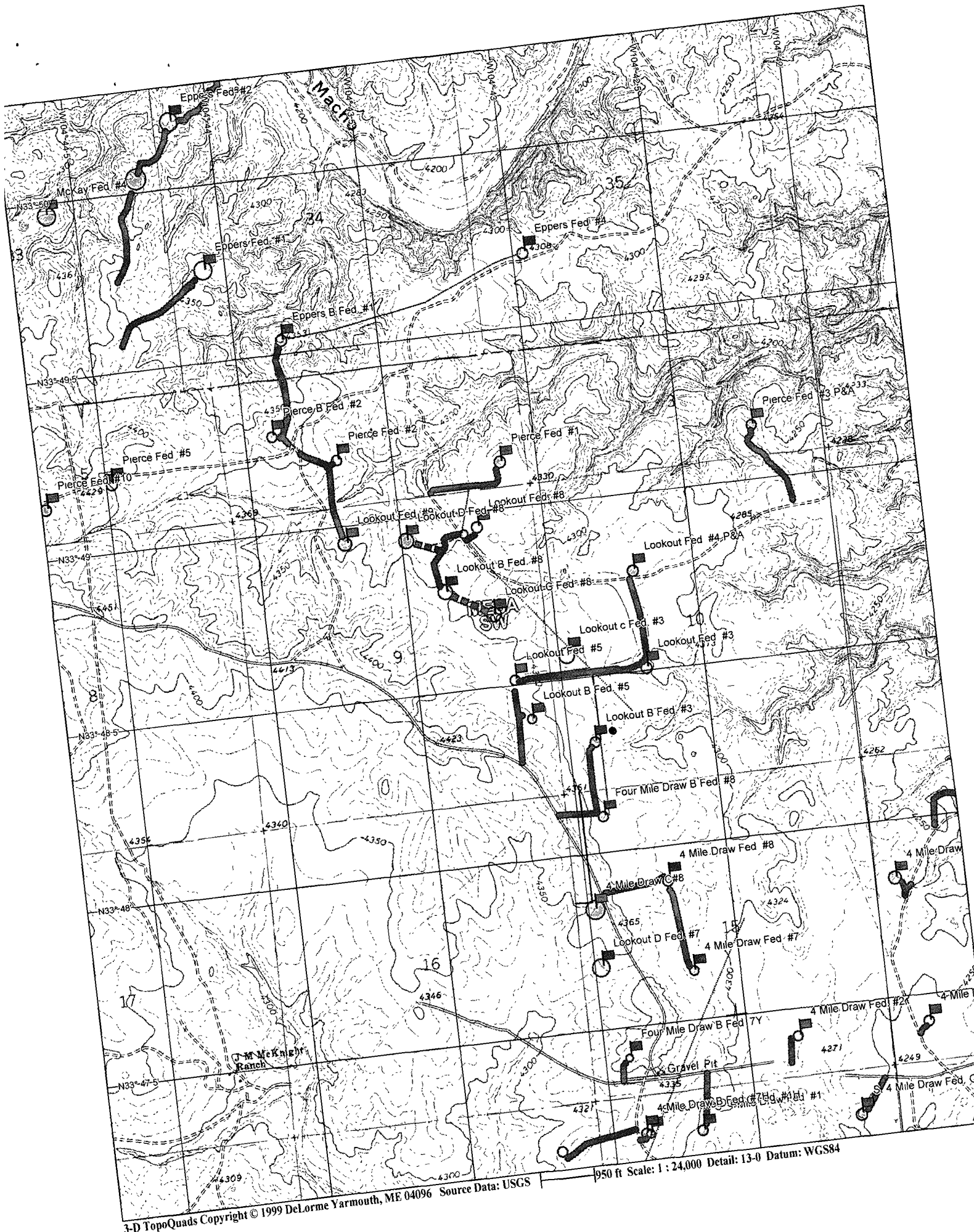


Access  
Road



160'

180'



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 north-northeast of the proposed location.

E. Residences and other Structures: The David Corn ranch house (old W.R. McKnight Ranch) is approximately 1.5 miles to the east-southeast. The Cox ranch house is approximately 1.5 miles to the northeast. The Dinwiddie ranch house is approximately 1 mile south-southwest.

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.


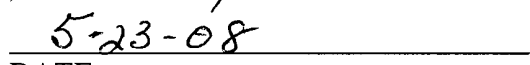
H. Surface Ownership: USA-BLM.

12. OPERATOR'S REPRESENTATIVE:

Jim Robinson  
Roswell, New Mexico  
(505) 623-4735 (O)  
(505) 626-8579 (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  
  
DATE