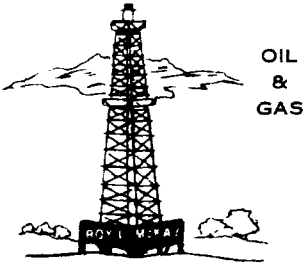


McKay Oil Corporation

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



November 21, 1990

State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Attention: David R. Catanach

RE: Administrative Approval
Horizontal Drilling
West Fork Unit #12
Chaves County, New Mexico

Dear Mr. Catanach:

This letter is to request administrative approval of deviation drilling for the captioned well which is located as described below:

West Fork Unit #12
1650 FNL 990 FEL
Section 6, T-5S-22E

A copy of the approved Application for Drilling Permit is enclosed for your reference.

The proposed plan for horizontally drilling of this well shall be as follows:

- (1) Drilling a verticle hole to a total depth of approximately 3400 feet from ground level.
- (2) Run compensated neutron log and dual lateral log to TD.
- (3) If productive zone is indicated, cement back to approximately 40 feet above the zone and wait 24 hours.
- (4) Using a horizontal tool, at the top of the cement commence drilling a 90° curve to reach a horizontal plane at approximately 45 feet below kickoff point and 50

RECEIVED

NOV 21 1990

OIL CONSERVATION DIVISION

10191

page 2 of 2
Oil Conservation Division
November 21, 1990

feet from verticle wellbore. (The direction of the kickoff can not be determined until actual drilling is commenced, but the drilling will not be any closer than 660 feet from an outside boundary line.)

- (5) Drilling horizontally for approximately 500 feet from the verticle wellbore.
- (6) Run directional surveys to determine location of bottom of hole.
- (6) Run casing liner and tubing.

Mckay Oil Corporation is the lessee of the adjacent proration units to this well and therefore no additional notices are required.

Should this request meet with your approval, please notify this office at your earliest convenience.

Very truly yours,

MCKAY OIL CORPORATION


James L. Schultz
V.P. Land & Legal

JLS/tr
40:OCD1-2

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE
(Other instructions on the
reverse side)

Department of the Interior
Bureau of Land Management
LEASE DEVELOPMENT PERMIT

NM-32312

IF INDIAN, ALLOTTEE OR TRIBE

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT" for such proposals.)

1. WELL TYPE: OIL WELL GAS WELL OTHER

2. NAME OF OPERATOR
McKay Oil Corporation

3. ADDRESS OF OPERATOR
Post Office Box 2014, Roswell, New Mexico 88201

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*
See also space 17 below)
At surface
1650' FNL & 990' FEL

14. PERMIT NO.

15. ELEVATION (Show whether OF, RL, OR, etc.)
4336' GR

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
West Fork Federal

9. WELL NO.
12

10. FIELD AND FOOT OR WELL NO.
W. Pecos Slope Abo

11. SEC., T., R., M., OR BLS AND
SURVEY OR ACRES
Sec. 6-5S-22E

12. COUNTY OR PARISH, 13. STATE
Chaves NM

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRAC TURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRAC TURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZING <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>	
Other: 1 year extension-APD <input checked="" type="checkbox"/>		(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and log form.)	

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Operator requests a 1 year extension of the Application for Permit to Drill on the above referenced location.

18. I hereby certify that the foregoing is true and correct

SIGNED Theresa Rodriguez TITLE Production Analyst DATE 10-26-90

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions on Reverse Side

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1A. TYPE OF WORK
DRILL **DEEPEN** **PLUG BACK**

B. TYPE OF WELL
 OIL WELL GAS WELL OTHER
 SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 McKay Oil Corporation

3. ADDRESS OF OPERATOR
 P.O. Box 2014, Roswell, New Mexico 88202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface: 1650' FNL & 990' FEL. SE/4 NE/4. Unit letter H
 At proposed prod. zone: Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 33 air miles North of Roswell, N.M.

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drilg. unit line, if any)
 990'

16. NO. OF ACRES IN LEASE
 1920

17. NO. OF ACRES ASSIGNED TO THIS WELL
 160

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 1/2 mile

19. PROPOSED DEPTH
 3,400'

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 4336' GR

22. APPROX. DATE WORK WILL START*
 ASAP

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	8 5/8"	24.0 J-55	900±	850 cf cement circulated
7 7/8"	4 1/2"	9.5 J-55	TD	1200 cf cement including 480 cf to tie in 4 1/2" to 8 5/8" from 1500' to 800'.

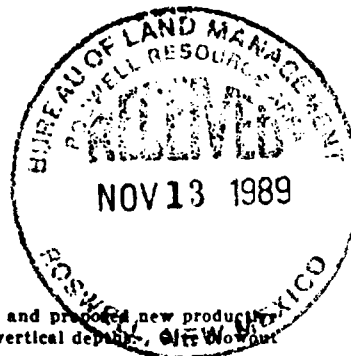
See attached logs

We propose to drill and test the Abo formation. Approximately 900' 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.

MUD PROGRAM: See Supplemental Drilling Data Which is Attached.

BOP PROGRAM: BOP will be installed on 8 5/8" casing and tested daily.

Gas is not dedicated.



IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depth. If well is to be plugged, give well number and present program, if any.

SIGNED Jim Schultz TITLE V.P. Land & Legal DATE 11/10/89

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY Levi D. Duhe TITLE Acting Area Manager DATE Jan. 18, 1990
 CONDITIONS OF APPROVAL, IF ANY:

APPROVAL OF THIS APPLICATION 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.

PLEASE BE ADVISED THAT THERE WILL BE NO EXCAVATION OF FEDERALLY OWNED MINERAL MATERIAL FOR CONSTRUCTION OF THE ACCESS ROAD OR PAD WITHOUT PAYMENT IN ADVANCE.

All distances must be from the outer boundaries of the Section.

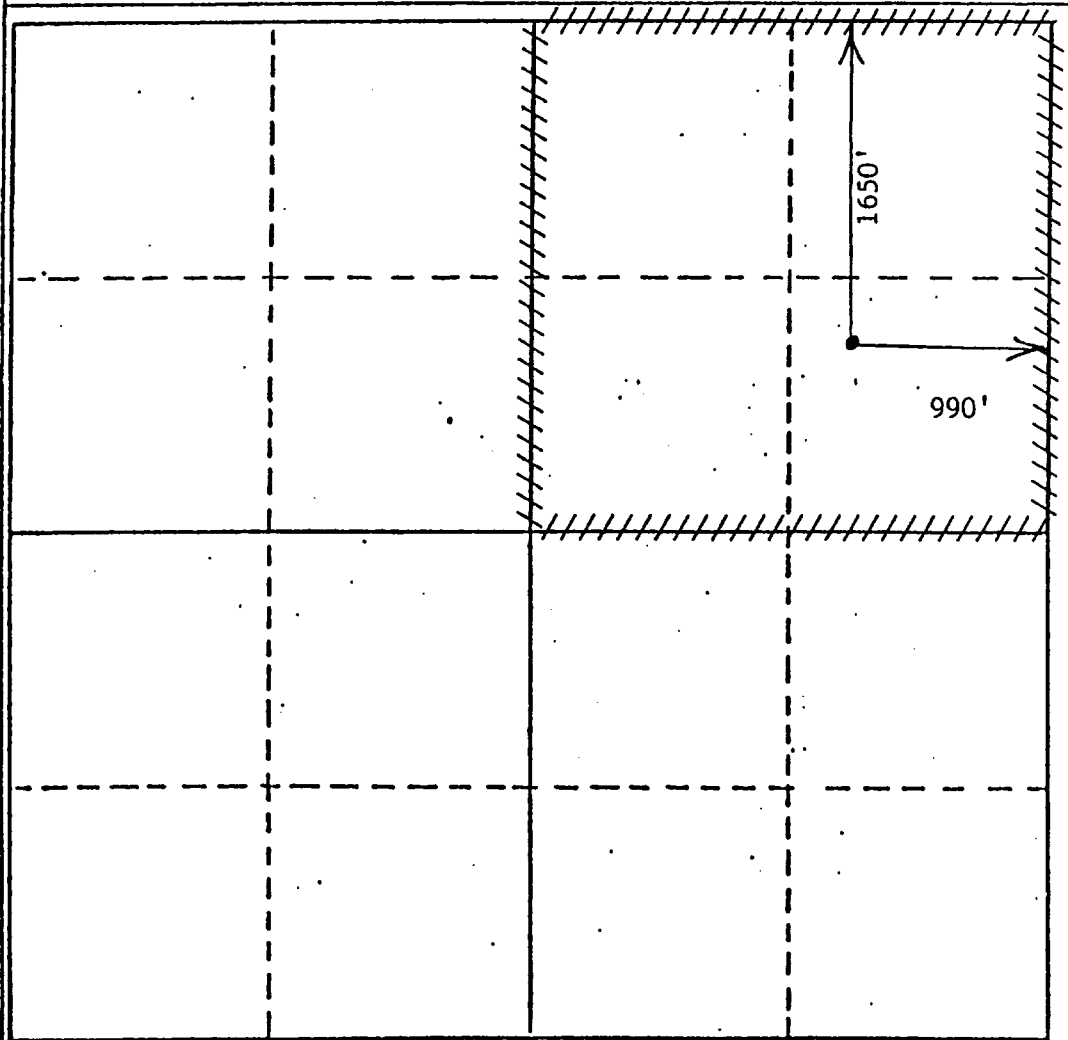
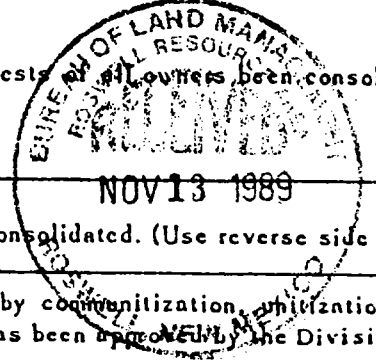
Operator McKay Oil Corp.		Lease West Fork Federal			Well No. #12
Unit Letter H	Section 6	Township 5 South	Range 22 East	County Chaves	
Actual Postage Location of Well: 1650 feet from the North line and 990 feet from the East line					
Ground Level Elev. 4336'	Producing Formation Abo		Pool W. Pecos Slope-Abo	Dedicated Acreage 160 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Terry W. Franklin
Name
Terry W. Franklin
Position
Agent
Company
McKay Oil Corporation
Date
May 27, 1987

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 knowledge and belief.

Date Surveyed
May 1987
Registered Professional Engineer and/or Land Surveyor
John D. Jaquess
John D. Jaquess, P.E. & L.S.
Certificate No. PROFESSIONAL 6290



PERTINENT INFORMATION

For

McKAY OIL CORPORATION
Westfork Federal #12
SW/4NE/4 Sec. 6-5S-22E
Chaves County, N. M.

LOCATED: 33 air miles north
of Roswell, New Mexico

LEASE NUMBER: NM 32312

LEASE ISSUED: March 1, 1979

RECORD LESSEE: The Louisiana Land and
Exploration Company
(formerly Inexco Oil Co.)

BOND COVERAGE: Lessee's \$25,000.00 Statewide

ACRES IN LEASE: 1,920.0 acres more or less

SURFACE OWNERSHIP: Federal

OWNER: USA-BLM

POOL RULES: General Statewide Rules

EXHIBITS:

- 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
Westfork Federal #12
SW/4NE . 6-5S-22E
Chaves County, N.M.

NM 32312

The following items supplement Form 9-331C in accordance with instructions contained in NTL-6.

1. SURFACE FORMATION: San Andres
2. ESTIMATED TOPS OF GEOLOGIC MARKERS:

Yeso	- 927'
Tubb	- 2445'
Abo	- 3135'
3. ESTIMATED DEPTHS TO WATER, OIL OR GAS FORMATION:

Fresh water	- In surface formations above 600'
Gas	- In Abo formation below 3135'
4. PROPOSED CASING PROGRAM: See Form 9-331C
5. PRESSURE CONTROL EQUIPMENT: Blowout preventer stack will consist of at least a double-ram blowout preventer rated to 3000#WP. A sketch of the BOP is attached.
6. CIRCULATING MEDIUM:

0'- 600'	Lime and gel, spud mud, viscosity 32 to 34 seconds.
600'- 2935'	Fresh water
2935'- TD	Start mudding up at 2935'; viscosity 36 to 38 seconds; water loss 10 cc or less; 3-5% Diesel; 2 KCL

Mud additives will be used to control water loss.
7. AUXILIARY EQUIPMENT: full-opening drill string safety valve fit the drill string in use, will be kept on the rig floor at all times.

8. 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
9. ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE:
None anticipated.
10. ANTICIPATED STARTING DATE: On or before June 1, 1987
Drilling should be completed within 60 days.
Completion operations (perforations and stimulation)
will follow drilling operations.

MCKAY OIL CORPORATION
Westfork Federal #12
SW/4NE/4 Sec. 6-5S-22E
Chaves County, N.M.

NM-32312

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 as staked. The well is approximately 31 miles Northeast of Roswell, New Mexico.
- B. Directions: Heading North out of Roswell, New Mexico on U.S. 285 for approximately 30 miles. The turn is + 1/2 mile before highway 20 North. Turn left on dirt road (entrance has heavy metal swinging gate). Go approximately 4 miles west, then turn degrees southwest for 5/8 mile to a gate. Continue south for 3/8 mile access on right.

2. PLANNED ACCESS ROAD:

- A. Length and Width: The new access road will be 14' wide by approximately 1 mile in length.
- B. Surfacing Materials: Caliche will be placed where necessary
- C. Turnouts: one every 1/4 mile.
- D. Maximum Grade: None.
- E. Drainage Design: None necessary.

- F. Culverts: None necessary
 - G. Cuts and Fills: none
 - H. Gates, Cattleguards: none
 - 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 & fill will be required for the 250' x 250' pad.
 - 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. Caliche will be purchased from a Federal pit located in the NW/4SE/4 of sec. 33-4S-22E.
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.

- 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 buried in a separate trash pit and covered with a minimum of 24 inches of dirt or deposited in an approved sanitary landfill. All waste material will be contained by a netted container to prevent scattering by the wind. Location of the trash pit is shown on Exhibit "C".
 - F. All trash and debris will be buried or 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 slightly to the 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 condition 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.
11. OTHER INFORMATION:
- A. Topography: The topography is sloping to the southeast in the vicinity

of the access road and in the vicinity of the drill pad. Regional slope is Southwest toward the Arroyo del Macho which is approximately 4.5 miles from this location.

- B. Soil: Sandy loam with limestone outcroppings.
- C. Flora and Fauna: The flora consists of typical desert vegetation, such as yucca, cactus and various grasses. Fauna consists of desert wild-life such as coyotes, rodents, snakes, deer and antelope.
- D. Ponds or Streams: Arroyo del Macho is about 4.5 miles south of the proposed location.
- E. Residences and other Structures: J.Y. Ranch, Inc. house is approximately 2 miles west of this location.
- F. Archaeological, Historical and Other Cultural Sites: No artifacts are noted in the area of the pad or access road. An Archaeologist from Portales, NM Checked the location and has given a favorable recommendation.
- G. Land Use: Grazing
- H. Surface Ownership: Federal

12. OPERATOR'S REPRESENTATIVE:

Gary Richburg
Roswell, New Mexico
(505) 623-4735

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 exist; 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.

4-12-87
DATE:

Terry W. Franklin
Terry W. Franklin, Agent

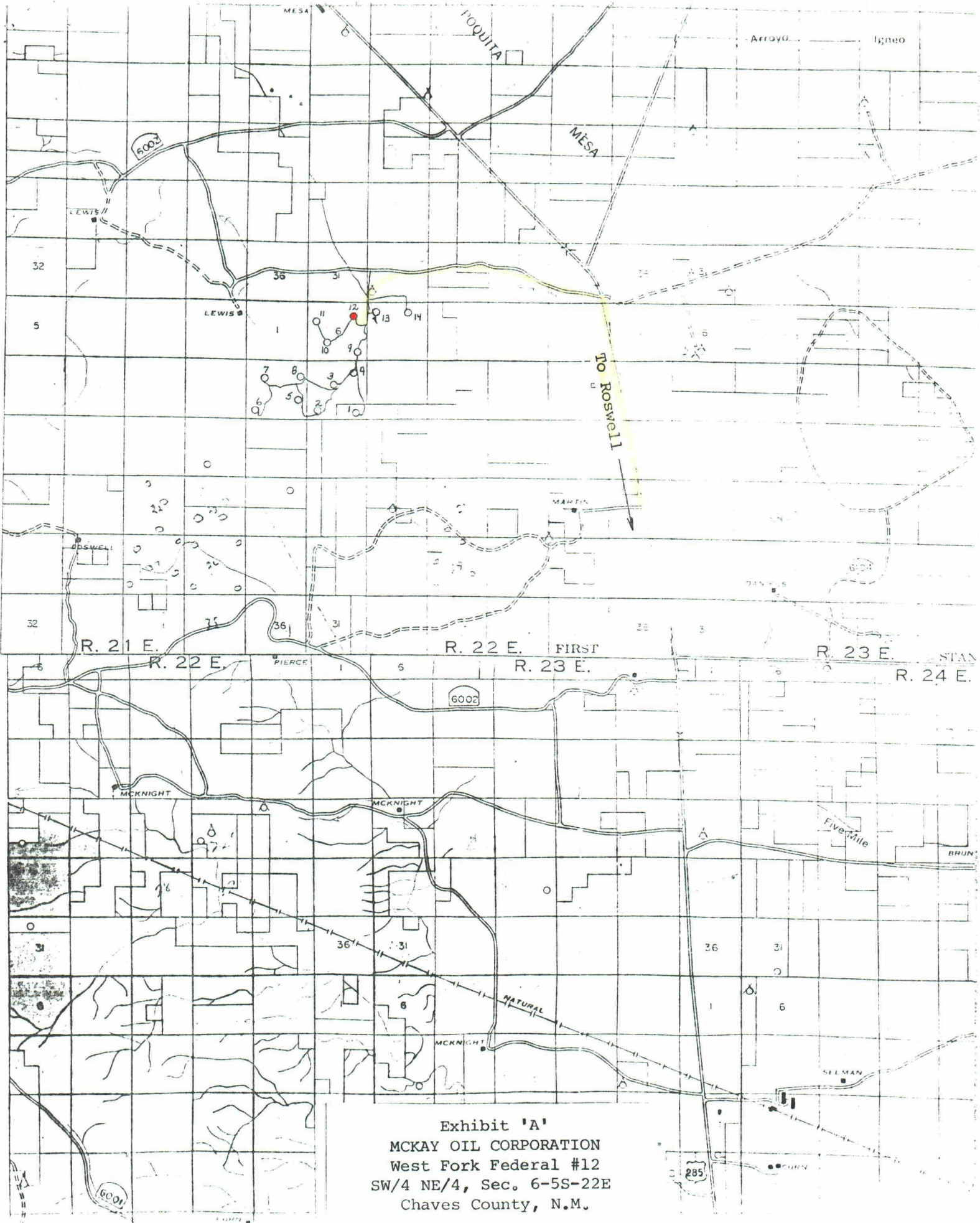
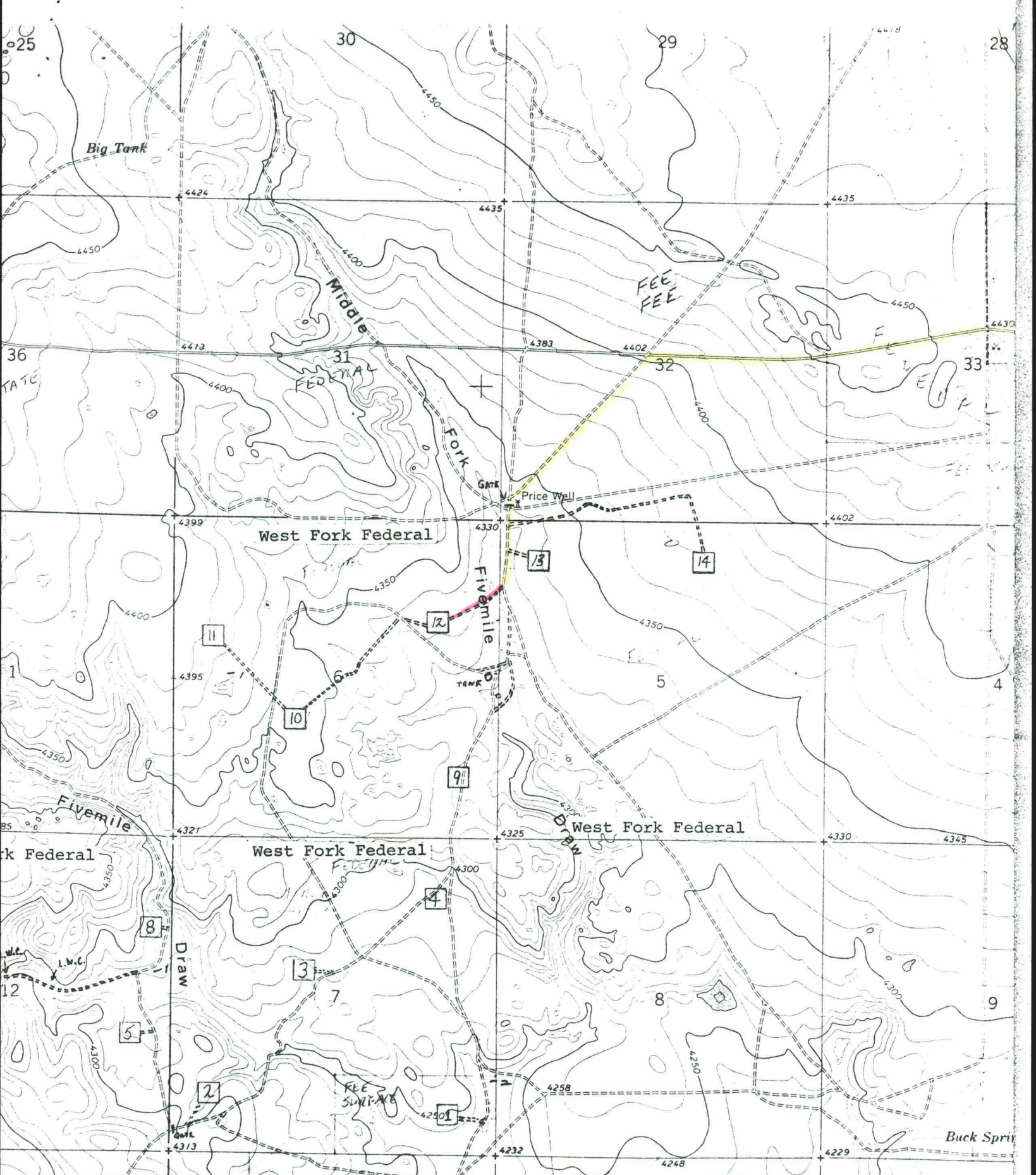


Exhibit 'A'
MCKAY OIL CORPORATION
West Fork Federal #12
SW/4 NE/4, Sec. 6-5S-22E
Chaves County, N.M.



Existing Access Road That
 Will be Upgraded ———
 Proposed Access ———

Exhibit 'B'
 MCKAY OIL CORPORATION
 West Fork Federal #12
 SE/4 NE/4, Sec. 6-5S-22E
 Chaves County, N.M.

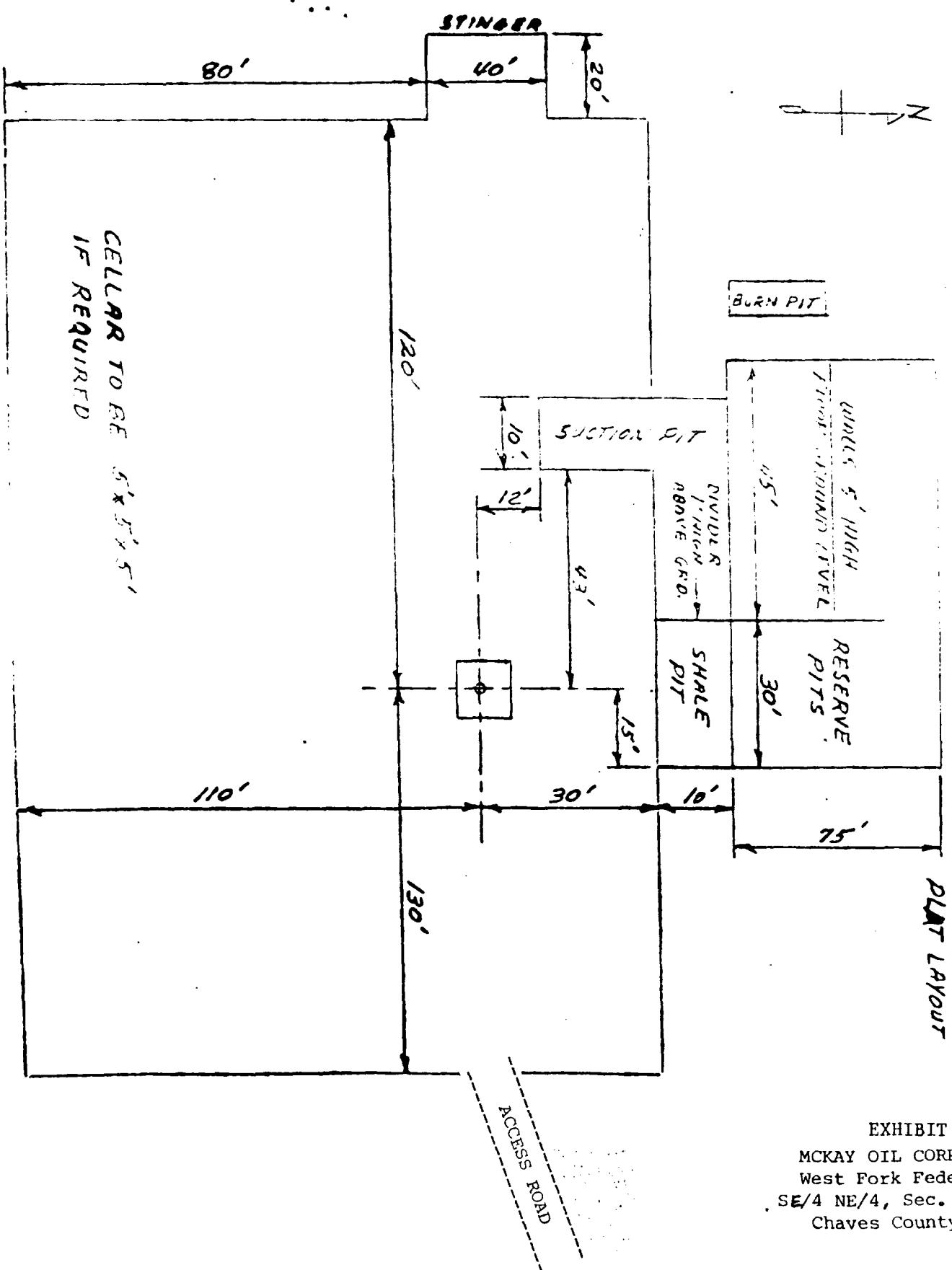
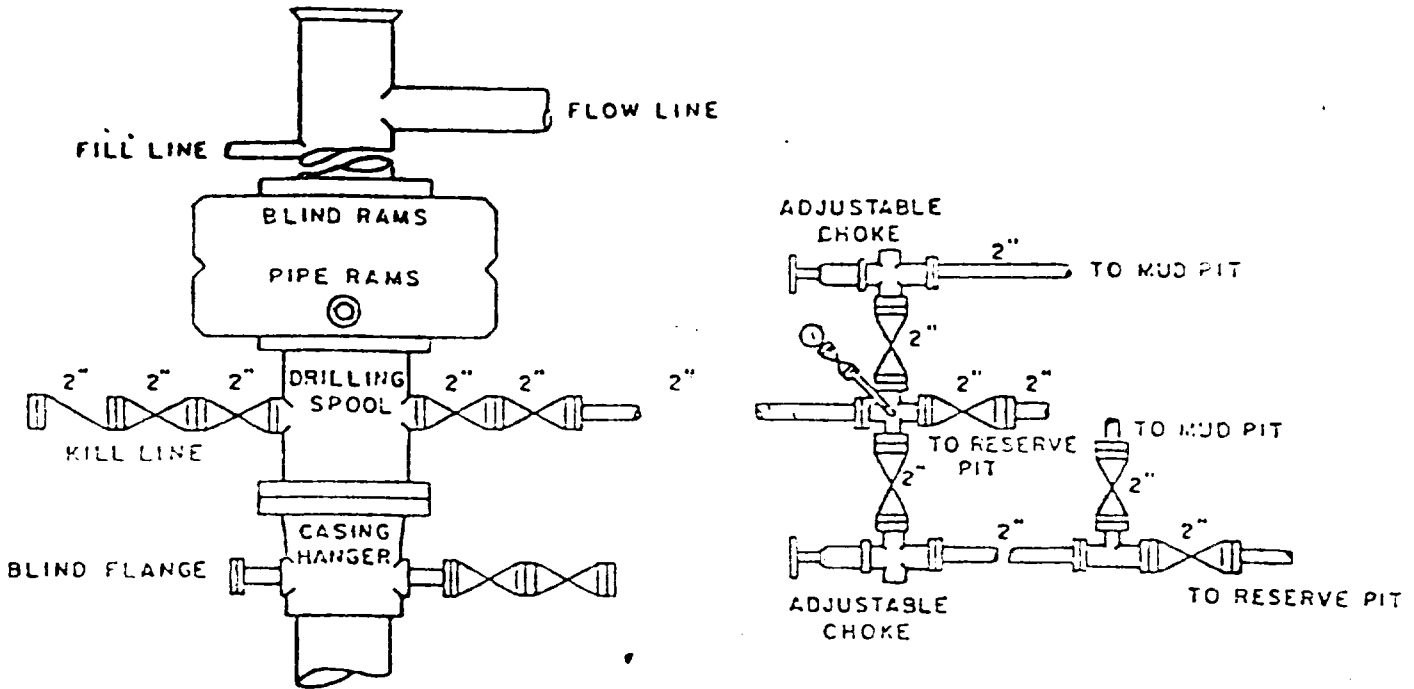


EXHIBIT 'C'
 MCKAY OIL CORPORATION
 West Fork Federal #12
 SE/4 NE/4, Sec. 6-5S-22E
 Chaves County, N.M.

MCKAY OIL CORPORATION
West Fork Federal #12
SW/4 NE/4, Sec. 6-5S-22E
Chaves County, N.M.



BOP DIAGRAM

**3000# Working Pressure
Rams Operated Daily**

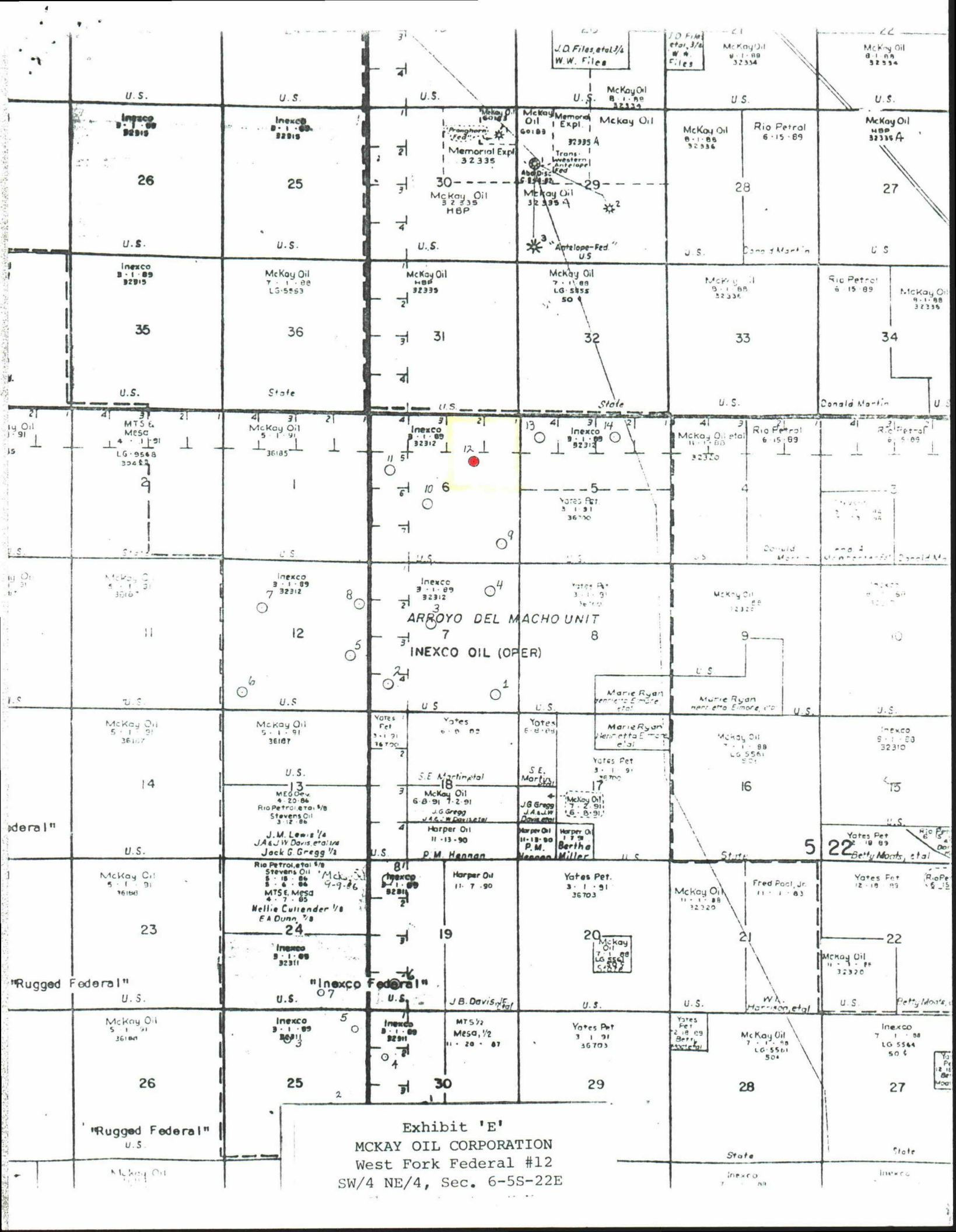


Exhibit 'E'
 MCKAY OIL CORPORATION
 West Fork Federal #12
 SW/4 NE/4, Sec. 6-5S-22E

JOHN D. JAQUESS
CONSULTING ENGINEER
Suite 327 J.P. White Building
ROSWELL, NEW MEXICO 88201
(505) 622-8866

JOB _____

SHEET NO _____ OF _____

CALCULATED BY _____ DATE _____

CHECKED BY _____ DATE _____

SCALE _____

WEST FORK FED. # 12
990 FEL 1650 FNL
SEC. 6-5-22

