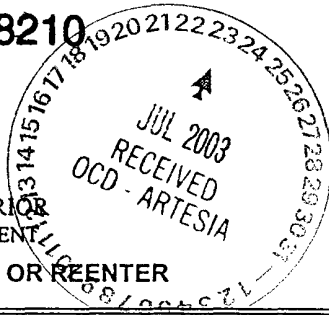


**N.M. Oil Cons. Div-Dist. 2**  
**1301 W. Grand Avenue**  
**Artesia, NM 88210**

Form 3160-3  
 (August 1999)

UNITED STATES  
 DEPARTMENT OF THE INTERIOR  
 BUREAU OF LAND MANAGEMENT

**APPLICATION FOR PERMIT TO DRILL OR REENTER**



FORM APPROVED  
 OMB No. 1004-0136  
 Expires November 30, 2000

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-33271
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator McKay Oil Corporation		7. If Unit or CA Agreement, Name and
3a. Address P.O. Box 2014 Roswell, NM		8. Lease Name and Well No. Pecos Federal 11B
3b. Phone No. (include area code) 505-623-4735		9. API Well No. 30-005-63588
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 860' FWL & 660' FSL At proposed prod. zone Unit M		10. Field and Pool, or Exploratory Pecos Slope-ABO
14. Distance in miles and direction from nearest town or post office* 19 Miles NE of Roswell		11. Sec., T., R., M., or Blk. and Survey c Sec 34, T7S, 26E
15. Distance from proposed* location to nearest property or lease line, ft. 660' (Also to nearest drig. unit line, if any)	16. No. of Acres in lease 400	12. County or Parish Chaves
17. Spacing Unit dedicated to this well 160	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	13. Sta NM
19. Proposed Depth 5760'	20. BLM/BIA Bond No. on file	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3782'	22. Approximate date work will start* July 2003	23. Estimated duration 8-10 days
24. Attachments		

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.  | 4. Bond to cover the operations unless covered by an existing bond on Item 20 above).       |
| 2. A Drilling Plan.   | 5. Operator certification.  |
| 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). | 6. Such other site specific information and/or plans as may be required authorized officer. |

25. Signature <i>April D. McKay</i>	Name (Printed/Typed) April D. McKay	Date 6/4/03
Title Vice President		
Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date JUL 21 2003
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to c 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 th States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*(Instructions on reverse)

*Also test only per  
 April McKay 7/25/03*

**PERTINENT INFORMATION**

**FOR  
MCKAY OIL CORPORATION  
PECOS FEDERAL B #1  
SW/4 SW/4 OF SEC.34, T7S, R26E  
Chaves County, New Mexico**

<b><u>LOCATED:</u></b>	19 air miles Northeast of Roswell, NM.
<b><u>LEASE NUMBER:</u></b>	NM-33271
<b><u>LEASE ISSUED:</u></b>	July 1, 1978
<b><u>RECORD LESSEE:</u></b>	McKay Oil Corporation
<b><u>BOND COVERAGE:</u></b>	Lessee's \$150,000 Nation
<b><u>AUTHORITY TO OPERATE:</u></b>	Assignment of Operating Rights
<b><u>ACRES IN LEASE:</u></b>	400.00 acres, more or less
<b><u>SURFACE OWNERSHIP:</u></b>	Federal Mark Marley
<b><u>OWNER:</u></b>	USA-BLM
<b><u>POOL RULES:</u></b>	General Statewide Rules
<b><u>EXHIBITS:</u></b>	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  
PECOS FEDERAL B #1  
SW/4 SW/4 OF SEC.34, T7S, R26E  
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: Alluvium
2. ESTIMATED TOPS OF GEOLOGICAL MARKERS:

San Andres	-	743'
Glorietta	-	1775'
Yeso	-	1890'
Tubb	-	3297'
Abo	-	4005'
Wolfcamp	-	4110'
Spear Zone	-	5105'
Cisco	-	5335'
Strawn	-	5465'
3. ESTIMATED DEPTHS TO WATER, OIL OR GAS FORMATIONS:

Fresh Water	-	In surface formation above 500'
Gas	-	In Abo Formation below 4005'
4. PROPOSED CASING PROGRAM: See Form 3160-3

12 1/4 Hole	8 5/8 X-42	24#	960' +
7 7/8 Hole	5 1/2" J-55	15.5#	TD-Approx 5760'
5. PRESSURE CONTROL EQUIPMENT: Blowout preventer will consist of 2 ram, 2m sys with Rotary Head with a rotating rubber with 1,000#WP and 1,000# test pressure and a steel Blooey Line with 1,000#WP valve. A sketch of the BOP is attached.
6. CIRCULATION MEDIUM: Gel Drilling Fluid
7. 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.

8. TESTING, LOGGING AND CORING PROGRAM:

Samples: Catch samples from surface to TD.

DST's: None.

Logging: Compensated Neutron Density 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 JULY, 2003. Drilling  
should be completed within 7-10 days. Completion operations (perforations and  
stimulation) will follow drilling operations.

## MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MCKAY OIL CORPORATION  
PECOS FEDERAL B #1  
SW/4 SW/4 OF SEC.34, T7S, R26E  
Chaves County, New Mexico

NM-33271

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 19 miles northeast of Roswell, NM.
- B. Directions: From the intersection of Hwy 285 and Hwy 70 North of Roswell City Limits, go 14 miles North Hwy. Just east of the old rock school house turn north on the county road (Aztec Road) and proceed north approximately 5.3, then turn east on an existing oilfield road and proceed east for approximately 6/10 of a mile; then turn south on an existing oilfield road and proceed south for approximately 6/10 of a mile to an existing well; then turn east for 2/10 mile to location. Turn South 1/2 mile 3/10 mile west and then south 1/2 mile.

### 2. PLANNED ACCESS ROAD:

- A. Length and Width: 1/4 mile long and 10' wide.
- 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 and if necessary.
- F. Culverts: None.

G. Cuts and Fill: None.

H. Gates, Cattleguards: One

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 400X400 (See Exhibit )

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. Closest Pit to the Location.

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 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.

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 very slightly to the southwest.

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 relatively level. Any sloping or drainage occurs to the west towards the Pecos River which is located approximately 1.7 miles west of the proposed location.

B. Soil: Sandy loam with minor caliche and gravel float.

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: The Pecos River is located approximately 1.7 miles west of the proposed location.

E. Residences and other Structures: No occupied dwellings are located in the immediate area

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: Federal.

12. OPERATOR'S REPRESENTATIVE:

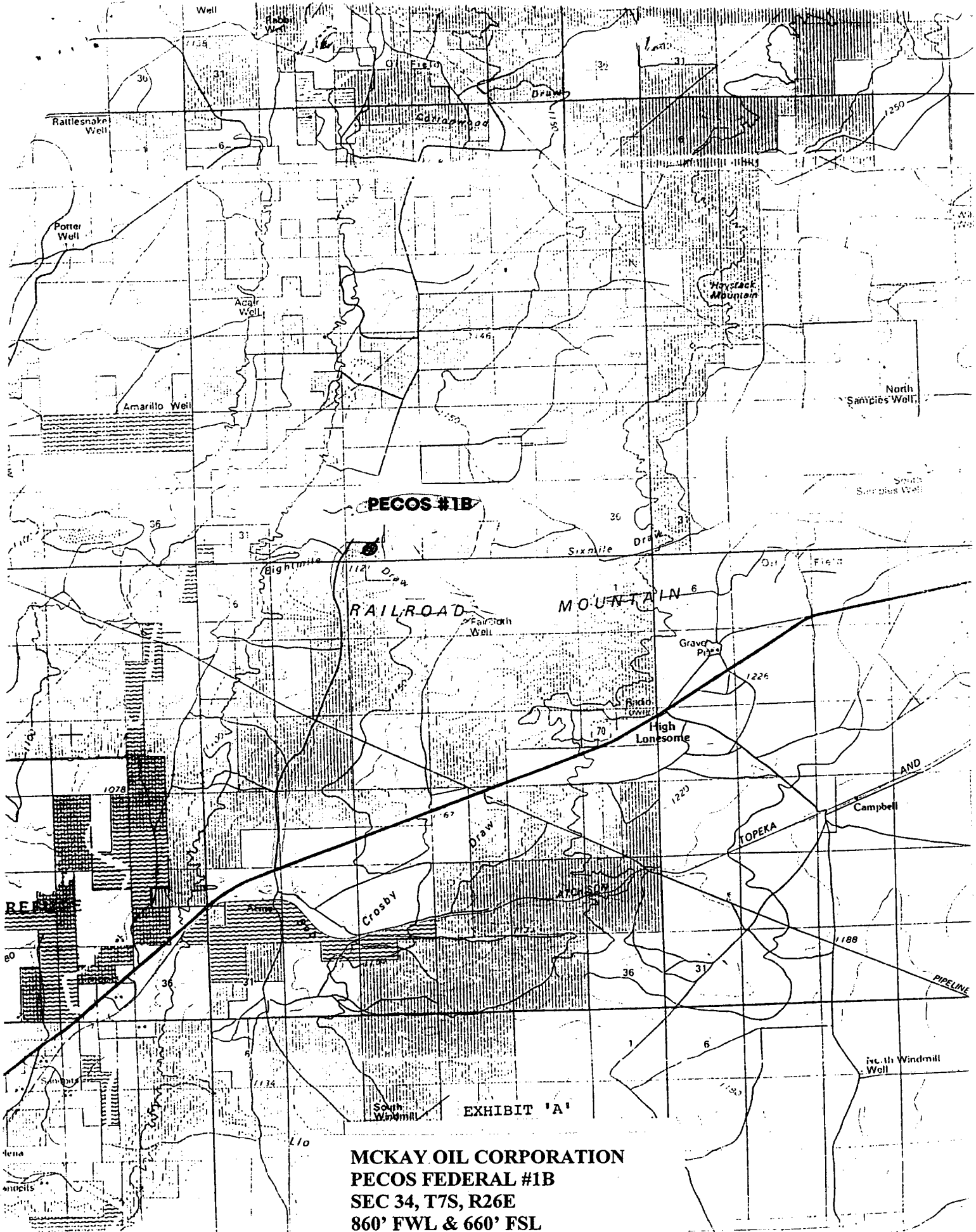
Humberto Perez  
Roswell, New Mexico  
(505) 626-8580

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.

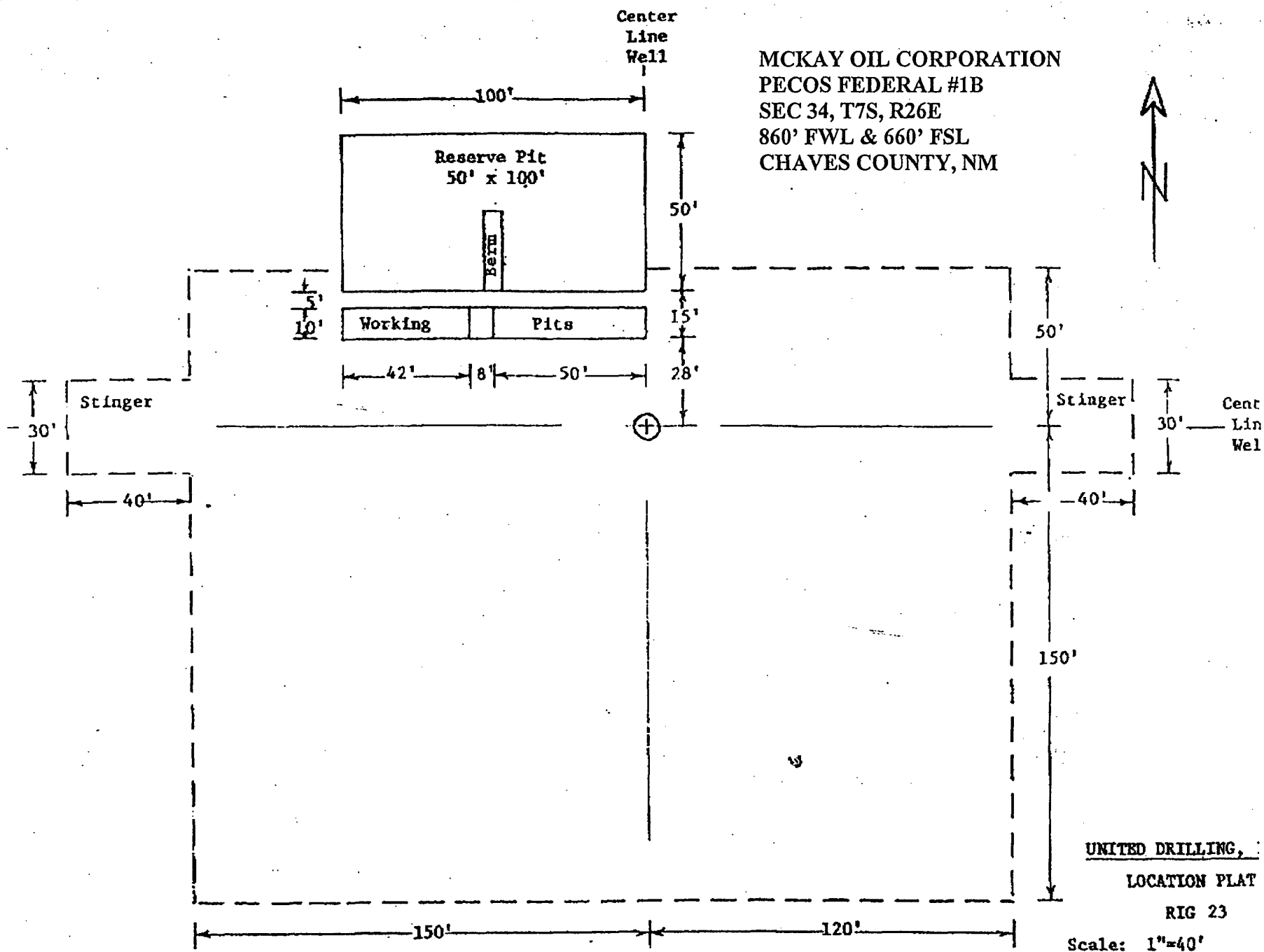
Ap O Mckay 6/4/03  
DATE



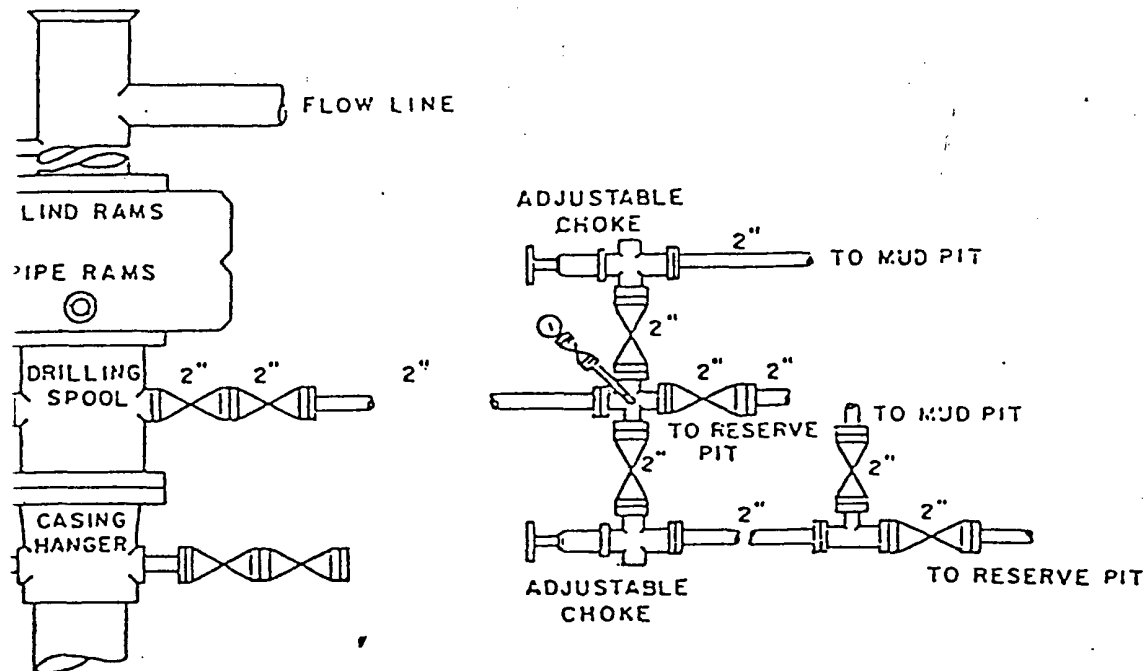


**MCKAY OIL CORPORATION**  
**PECOS FEDERAL #1B**  
**SEC 34, T7S, R26E**  
**860' FWL & 660' FSL**  
**CHAVES COUNTY, NM**





**MCKAY OIL CORPORATION**  
**PECOS FEDERAL #1B**  
**SEC 34, T7S, R26E**  
**860' FWL & 660' FSL**  
**CHAVES COUNTY, NM**

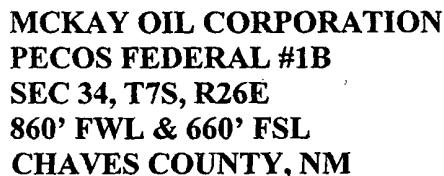


**BOP DIAGRAM**

**3000# Working Pressure**  
**Rams Operated Daily**

**EXHIBIT D**

U.S.	Stevens Oil, et al	19821	4-1-82	12
U.S.	Stevens Oil, et al	19821	4-1-82	13
U.S.	Stevens Oil, et al	19821	4-1-82	14
U.S.	Stevens Oil, et al	19821	4-1-82	15
U.S.	Stevens Oil, et al	19821	4-1-82	16
U.S.	Stevens Oil, et al	19821	4-1-82	17
U.S.	Stevens Oil, et al	19821	4-1-82	18
U.S.	Stevens Oil, et al	19821	4-1-82	19
U.S.	Stevens Oil, et al	19821	4-1-82	20
U.S.	Stevens Oil, et al	19821	4-1-82	21
U.S.	Stevens Oil, et al	19821	4-1-82	22
U.S.	Stevens Oil, et al	19821	4-1-82	23
U.S.	Stevens Oil, et al	19821	4-1-82	24
U.S.	Stevens Oil, et al	19821	4-1-82	25
U.S.	Stevens Oil, et al	19821	4-1-82	26
U.S.	Stevens Oil, et al	19821	4-1-82	27
U.S.	Stevens Oil, et al	19821	4-1-82	28
U.S.	Stevens Oil, et al	19821	4-1-82	29
U.S.	Stevens Oil, et al	19821	4-1-82	30
U.S.	Stevens Oil, et al	19821	4-1-82	31
U.S.	Stevens Oil, et al	19821	4-1-82	32
U.S.	Stevens Oil, et al	19821	4-1-82	33
U.S.	Stevens Oil, et al	19821	4-1-82	34
U.S.	Stevens Oil, et al	19821	4-1-82	35
U.S.	Stevens Oil, et al	19821	4-1-82	36
U.S.	Stevens Oil, et al	19821	4-1-82	37
U.S.	Stevens Oil, et al	19821	4-1-82	38
U.S.	Stevens Oil, et al	19821	4-1-82	39
U.S.	Stevens Oil, et al	19821	4-1-82	40
U.S.	Stevens Oil, et al	19821	4-1-82	41
U.S.	Stevens Oil, et al	19821	4-1-82	42
U.S.	Stevens Oil, et al	19821	4-1-82	43
U.S.	Stevens Oil, et al	19821	4-1-82	44
U.S.	Stevens Oil, et al	19821	4-1-82	45
U.S.	Stevens Oil, et al	19821	4-1-82	46
U.S.	Stevens Oil, et al	19821	4-1-82	47
U.S.	Stevens Oil, et al	19821	4-1-82	48
U.S.	Stevens Oil, et al	19821	4-1-82	49
U.S.	Stevens Oil, et al	19821	4-1-82	50



DISTRICT I  
1925 N. French Dr., Hobbs, NM 88240

DISTRICT II  
811 South First, Artesia, NM 88210

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

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87506

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised August 15, 2000  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name	Well Number
PECOS FEDERAL		1B
OGRID No.	Operator Name	Elevation
McKAY OIL CORPORATION		3752

Surface Location

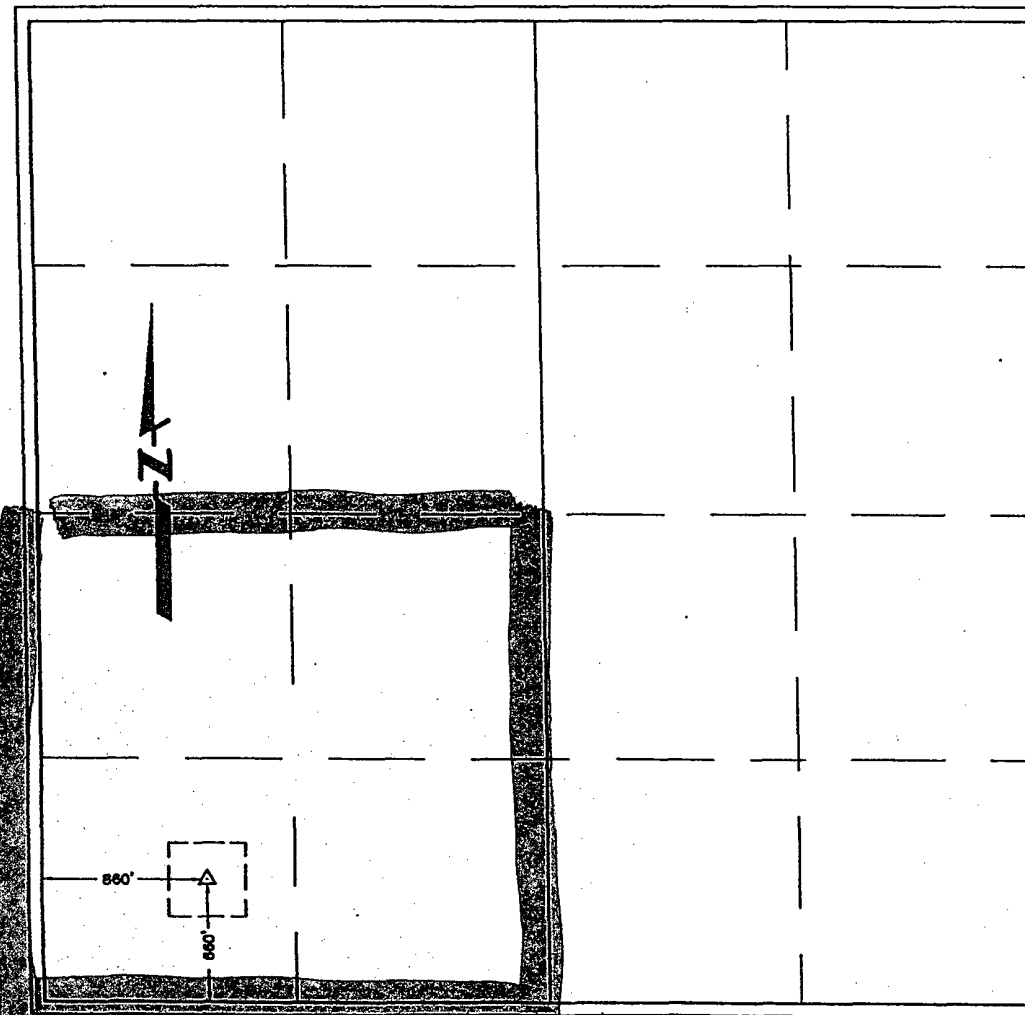
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	34	7 S	26 E		660	SOUTH	860	WEST	CHAVES

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	Joint or Infill	Consolidation Code	Order No.
160			

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



OPERATOR CERTIFICATION

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

*April D. McKay*  
Signature

April D. McKay  
Printed Name

V.P.  
Title

6/4/03  
Date

SURVEYOR CERTIFICATION

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.

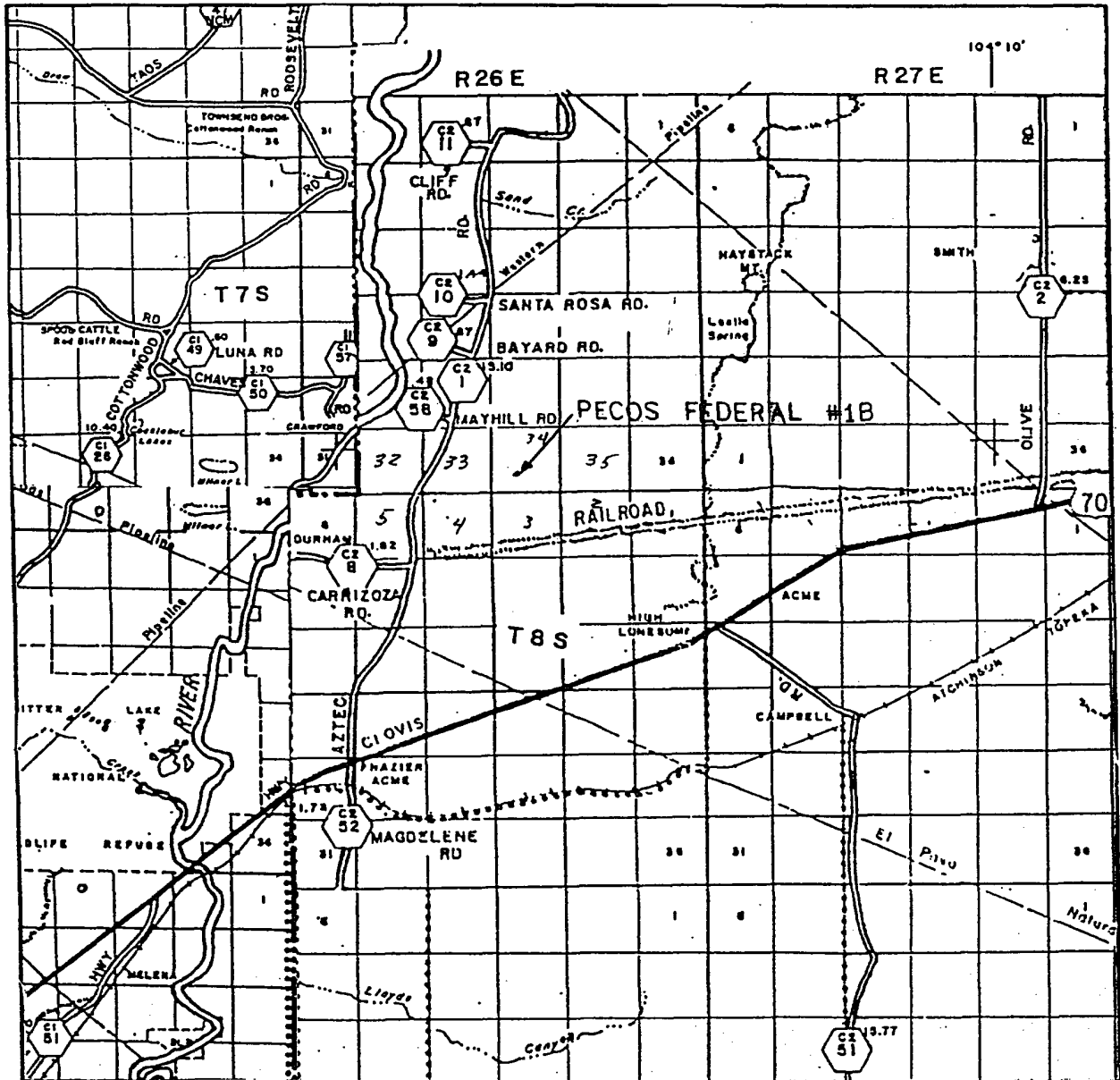
5/21/03  
Date Surveyed

*Todd P. Wagener*  
Signature & Professional Surveyor

TODD P. WAGENER  
NEW MEXICO  
REGISTERED PROFESSIONAL SURVEYOR  
9242

Certificate No. 1000 P. WAGENER NMPS # 9242  
WAGENER ENGINEERING  
1410 N. MISSOURI AVE.  
ROSWELL, NM 88201  
505-823-8382

# VICINITY MAP



SEC. 34 TWP. 7 S RGE. 26 E  
 SURVEY N.M.P.M.  
 COUNTY CHAVES  
 DESCRIPTION 660' FSL & 860' FWL  
 ELEVATION 3752  
 OPERATOR McKAY OIL CORPORATION  
 LEASE PECOS FEDERAL #1B

**WAGENER** **WE**  
**ENGINEERING**

1410 N. MISSOURI AVE.  
 ROSWELL, N. M. 88201  
 (505) 623-8382