

Form 3160-3
(April 2004)

OCT 17 2006

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

5. Lease Serial No.
NM-36192

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.
Lookout B Federal 5

9. API Well No.

10. Field and Pool, or Exploratory
W. Pecos ABO Slope

11. Sec., T. R. M. or Blk. and Survey or Area

Lot P, Sec 9, T6S, R22E

12. County or Parish
Chaves

13. State
NM

1a. Type of work: ☒ DRILL

☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator

McKay Oil Coporation

3a. Address PO Box 2014

Roswell, NM 88202-2014

3b. Phone No. (include area code)

505-623-4735

4. Location of Well (Report location clearly and in accordance with any State requirements.)

At surface

1310' FSL & 400' FEL

At proposed prod. zone

14. Distance in miles and direction from nearest town or post office*
25 miles

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drg. unit line, if any)

16. No. of acres in lease

320.00

17. Spacing Unit dedicated to this well

160'

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.

19. Proposed Depth

4500'

20. BLM/BIA Bond No. on file

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

4361'

22. Approximate date work will start*

10/20/2006

23. Estimated duration

7 - 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.

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

Title

Agent

Name (Printed/Typed)

James Schultz

Date

09/15/2006

Approved by (Signature)

Title

Assistant Field Manager,
Lands And Minerals

Name (Printed/Typed)

Office

ROSWELL FIELD OFFICE

Date

APPROVED FOR 1 YEAR

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)

NSL- 5257

DISTRICT I
1626 N. FRENCH 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 87605

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 JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 82740	Pool Name Pecos Slope; Abq, West
Property Code	Property Name LOOKOUT B FEDERAL	Well Number 5
OGRID No.	Operator Name McKAY OIL CORPORATION	Elevation 4361'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	9	6-S	22-E		1310	SOUTH	400	EAST	CHAVES

Bottom Hole Location If Different From Surface

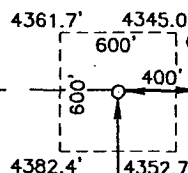
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 160	Joint or Infill	Consolidation Code	Order No.						

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

GEODETIC COORDINATES
NAD 27 NME

Y=1021165.0 N
X=383133.2 E

LAT.=33°48'23.38" N
LONG.=104°43'05.02" W



OPERATOR CERTIFICATION

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

Signature

James Schultz
Printed Name
Agent

Title

03/16/05
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.

DECEMBER 8, 2004

Date Signed DEL

Signature
Professional Surveyor

NEW MEXICO

04.11.15

No. 12641

Certified Professional Surveyor

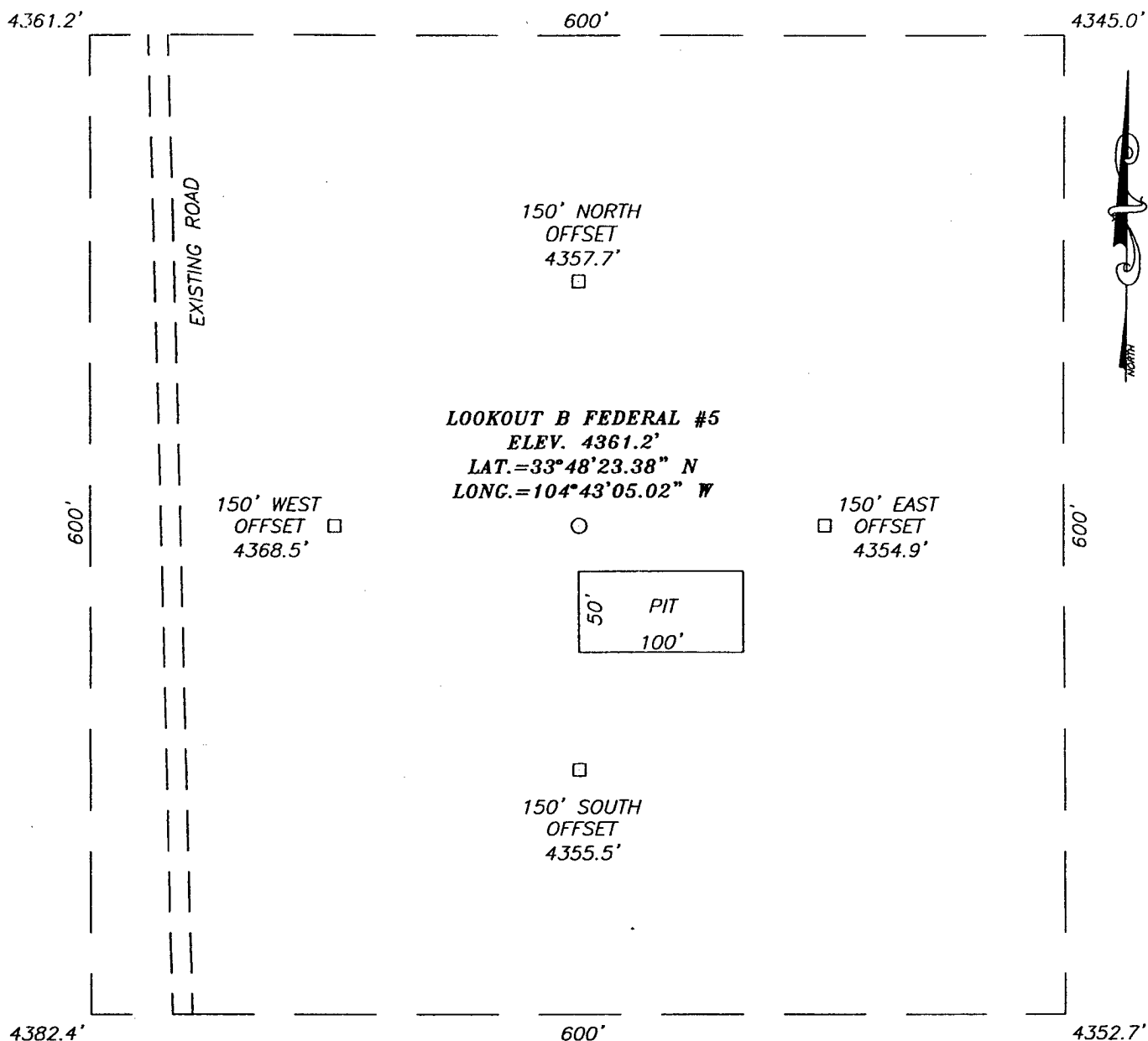
PERTINENT INFORMATION

FOR
MCKAY OIL CORPORATION
LOOKOUT B FEDERAL 5
1310' FSL & 400' FEL SEC 09, T6S, R22E

Chaves County, New Mexico

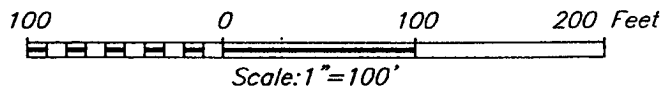
<u>LOCATED:</u>	25 air miles Northwest of Roswell, NM.
<u>LEASE NUMBER:</u>	NM 36192
<u>LEASE ISSUED:</u>	05/01/1981
<u>RECORD LESSEE:</u>	McKay Petroleum Corporation
<u>BOND COVERAGE:</u>	Operator's \$25,000 Statewide
<u>AUTHORITY TO OPERATE:</u>	Assignment of Operating Rights
<u>ACRES IN LEASE:</u>	320.00
<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

SECTION 9, TOWNSHIP 6 SOUTH, RANGE 2 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

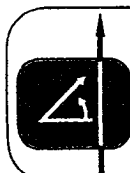
FROM THE INTERSECTION OF U.S. HWY. #285 AND
COUNTY ROAD #40 (STARGRASS RD.). GO WEST
ON CR. #40 APPROX. 8.3 MILES. TURN RIGHT
AND GO N-NW APPROX. 1.1 MILES. TURN RIGHT
ON DIRT ROAD AND GO NORTH APPROX. 900'.
THIS LOCATION IS APPROX. 250' EAST.



McKAY OIL CORPORATION

LOOKOUT B FEDERAL #5 WELL
LOCATED 1310 FEET FROM THE SOUTH LINE
AND 400 FEET FROM THE EAST LINE OF SECTION 9,
TOWNSHIP 6 SOUTH, RANGE 22 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.

Survey Date: 12/08/04		Sheet 1 of 1 Sheets	
W.O. Number: 04.11.1634		Dr By: D. LOVE	Rev 1:N/A
Date: 02/28/05	Disk: CD#4	04111634	Scale: 1"=100'



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

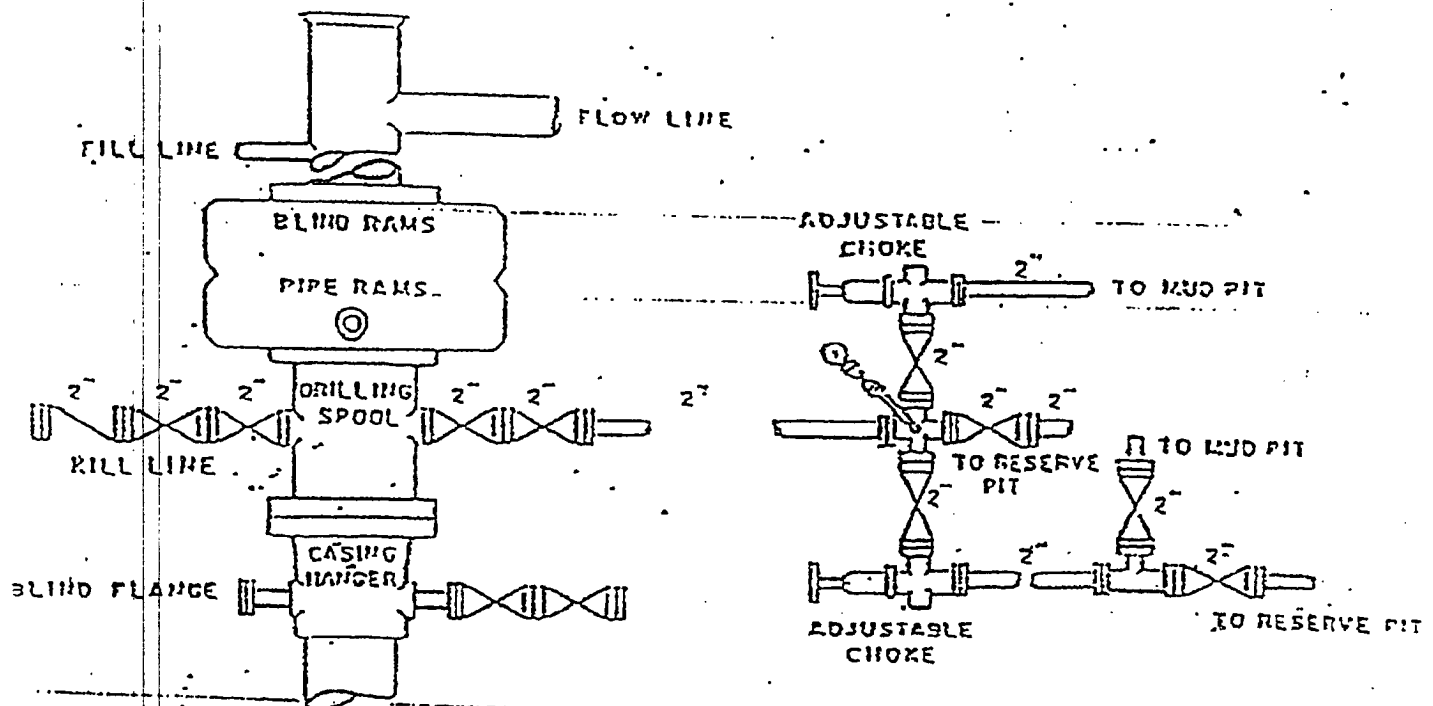
McKay Oil Corporation

Look Out B Federal 5

Section 09, T6S, R22E

Chaves County, New Mexico

Exhibit "D"



SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION
LOOKOUT B FEDERAL 5
1310' FSL & 400' FEL Sec 9, T6S, R22E

Chaves County, New Mexico

g items supplement Form 3160-3 in accordance with instruction contained in
and Gas Order No. 1:

IDE:

SURFACE FORMATION: San Andres

ESTIMATED TOPS OF GEOLOGICAL MARKERS:

forations

Yeso - 1077'
Tubb - 2573'
Abo - 2801'

ESTIMATED DEPTHS TO WATER, OIL OR GAS FORMATIONS:

Fresh Water - In surface formation above 600'
Gas - In Abo Formation below 2801'

ROPOSED 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

ROPOSED CEMENTING PROGRAM:

Surface to 950' class C - 350 sxs cemented and circulated to surface.
Production Casing class C - 300 sxs cemented with adequate cover.

ROPOSED 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.

PRESSURE CONTROL EQUIPMENT: Blowout preventer will consist of
ram, 2M system. A sketch of the BOP is attached.

CIRCULATION MEDIUM: Fresh water and mud

AUXILIARY EQUIPMENT: Full-opening drill string safety valve fit for

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MCKAY OIL CORPORATION
LOOKOUT B FEDERAL 3
660' FSL & 660FWL Sec 10, T6S, R22E

Chaves County, New Mexico

NM 36192

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: From the intersection of US Highway #285 and County Rd. #40 (Stargrass Rd.). Go West on CR #40 approximately 8.3 miles. Turn right and go N-NW approximately 1.1 miles. Turn right on dirt road and go north approximately 900'. This location is approximately 250' East,

2. PLANNED ACCESS ROAD:

A. Length and Width: not applicable

B. Surface Materials: Sand, gravel and caliche where needed.

C. Turnouts: None

D. Maximum Grade: No more than 3%.

E. Drain Design: no applicable

F. Culverts: None.

G. Cuts and Fill: None.

**Southwest Petroleum
Land Services, LLC**

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

September 14, 2006

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

Re: H2S Contingency Plan-Lookout B Federal #5

Bryan,

Please see attached Contingency Plan-H2S for the Lookout Federal B #5 located in Sec 09, T6S, R22E 1310' FSL & 400' FEL 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
LOOKOUT B FEDERAL 5
LOCATED IN SEC 09, T6S, R22E IN
CHAVES COUNTY, NEW MEXICO

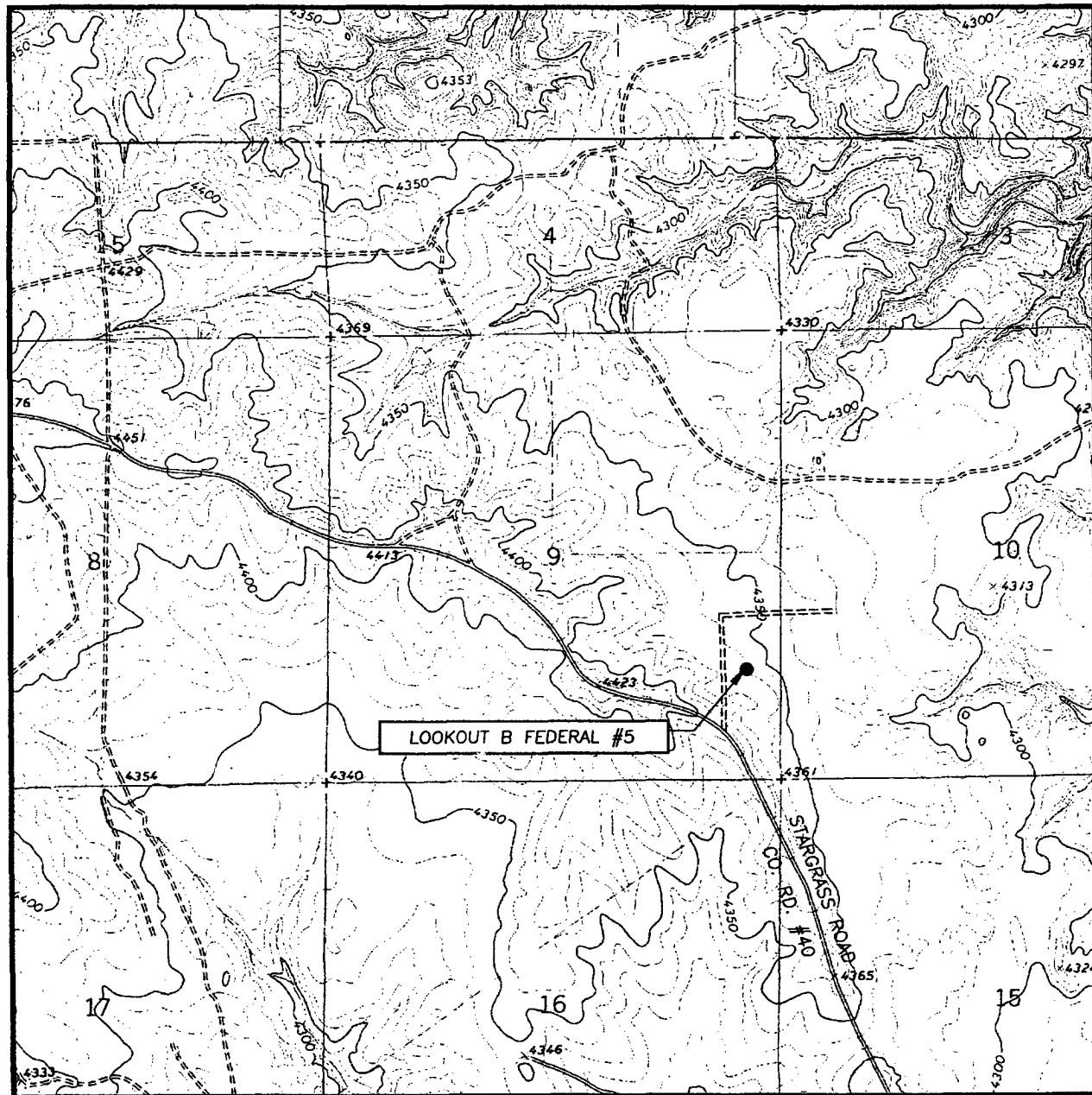
NO HYDROGEN SULFIDE OR OTHER HAZARDOUS GASES OR FLUIDS HAVE
BEEN ENCOUNTERED, REPORTED OR KNOWN TO EXIST AT THIS DEPTH IN
THIS AREA.

LOOKOUT FEDERAL B #5

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:
MEAS SW, N.M. - 10'

SEC. 9 TWP. 6-S RGE. 22-E

SURVEY N.M.P.M.

COUNTY CHAVES

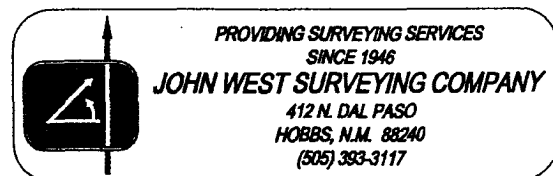
DESCRIPTION 1310' FSL & 400' FEL

ELEVATION 4361'

OPERATOR McKAY OIL CORPORATION

LEASE LOOKOUT B FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
MEAS 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
HUMBERTO PEREZ	625-1154	626-8580	627-1985
JIM ROBINSON	625-1154	626-8579	624-1093
APRIL MCKAY	623-4735	626-8575	625-2848

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

EXHIBIT A

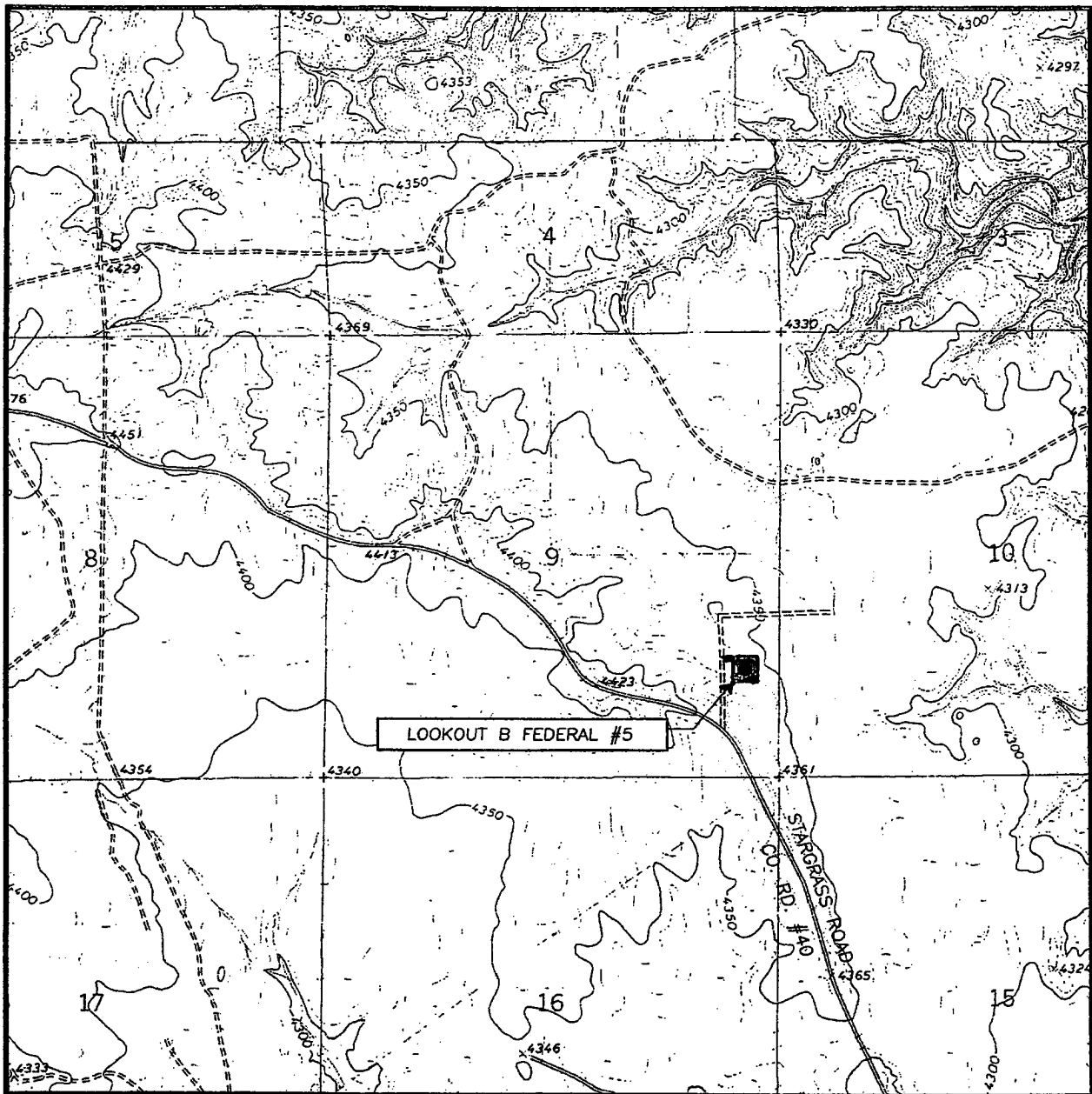
Operator: McKay Oil Corporation

BLM Serial Number: NM-36192

Well Name & NO.: Lookout "B" Federal #5

Location: Section 9, T. 6 S., R. 22 E.

1310' FSL & 400' FEL, Chaves County, N.M.



WELL DRILLING REQUIREMENTS

3 of 5 pages

III. DRILLING OPERATION REQUIREMENTS:

A. GENERAL DRILLING REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 in sufficient time for a representative to witness:

A. Spudding B. Cementing casing: 8 $\frac{5}{8}$ inch 5 $\frac{1}{2}$ inch C. BOP tests

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. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

B. CASING:

1. The 8 $\frac{5}{8}$ inch surface casing shall be set at 950' and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM 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. The minimum required fill of cement behind the 5 $\frac{1}{2}$ inch intermediate casing is **cement shall extend upward a minimum of 500 feet above the uppermost perforation.**

C. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8 $\frac{5}{8}$ inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

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

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

D. The results of the test shall be reported to the appropriate BLM office.

E. 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.

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