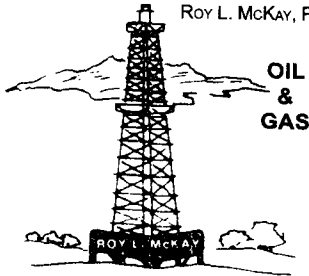


McKay Oil Corporation



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

June 3, 2004

Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
Mr. Michael Stogner
1220 South St. Francis Drive
Santa Fe, NM 87505

RECEIVED

JUN - 7 2004

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Cactus Federal #7 Non Standard Location

Mr. Stogner:

McKay Oil Corporation requests to be placed on the hearing docket for the next available hearing after publication of McKay's request for approval for the following non-standard location:

The names and justification for the non-standard location is as follows:

CACTUS FEDERAL #7 is located at 660' FSL' & 2310' FEL, Sec 35, T6S, R22E, NMPM. The well location has been placed in this location due to 2 constraints. The first constraint is geological in that we believe the ABO formation channels are restricted to the very southern portion of this section. The second constraint is topographical in nature. There is a major run-off draw immediately to the north. This non standard location was originally filed in June of 2001 and approved July 12, 2001 CASE NO 12696 Order NO. R-11635 but located at 380' FSL & 2130' FEL of Sec 35, T6S, R22E.

In regards to Sec 35, McKay Oil Corporation has 100% operating rights

In T6S, R22E

Sec 36 S/2

McKay Oil Corporation has 100% operating rights

In T6S, R22E

Sec 34

McKay Oil Corporation has 100% operating rights

In T7S, R22E

Sec 2

McKay Oil Corporation has 100% operating rights

In any event, McKay Oil Corporation, McKay Petroleum Corporation hereby give it's approval for said unorthodox location.

Should this information be sufficient, please administratively approve NSL for the Cactus Federal #7.

Sincerely,

A handwritten signature in cursive script, appearing to read "April McKay", written over a horizontal line.

April McKay
Vice President

IT IS THEREFORE ORDERED THAT:

(1) The applicant, McKay Oil Corporation, is hereby authorized to drill its Cactus Federal Well No. 7 at an unorthodox gas well location 380 feet from the South line and 2130 feet from the East line (Unit O) of Section 35, Township 6 South, Range 22 East, NMPM, Chaves County, New Mexico, to test the Abo formation, West Pecos Slope-Abo Gas Pool. The SE/4 of Section 35 shall be dedicated to the well forming a standard 160-acre gas spacing and proration unit.

(2) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

OPERATOR'S COPY

m3160
2001)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM 91498
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		6. If Indian, Allottee or Tribe Name
2. Name of Operator MCKAY OIL CORPORATION		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. BOX 2014, ROSWELL, NM 88202-2014		8. Lease Name and Well No. <i>Pecos Fed Com #</i> MCKNIGHT FEDERAL #4
3b. Phone No. (include area code) 505-623-4735		9. API Well No.
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 660' FSL & 2310' FEL At proposed prod. zone		10. Field and Pool, or Exploratory W. PECOS ABO SLOPE
14. Distance in miles and direction from nearest town or post office* APPROXIMATELY 25 MILES		11. Sec., T. R. M. or Blk. and Survey or Area UNIT O, SEC 35, T6S, R22E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of acres in lease 1240	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. APPROX 900'	13. State NM
19. Proposed Depth 3400'	20. BLM/BIA Bond No. on file	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4153'	22. Approximate date work will start* 04/15/2004	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. | 4. Bond to cover the operations unless covered by an existing bond on file (see 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 by the authorized officer. |

25. Signature <i>April D. McKay</i>	Name (Printed/Typed) APRIL D. MCKAY	Date 02/01/2004
Title V.P.		

Approved by (Signature) <i>Larry D. Bray</i>	Name (Printed/Typed) LARRY D. BRAY	Date MAY 25 2004
Title Assistant Field Manager, ROSWELL FIELD OFFICE		

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)

APPROVED FOR 1 YEAR

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

DISTRICT I
1075 N. Francis Dr., Hobbs, NM 88240

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

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

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
McKNIGHT B FEDERAL		4
OGRID No.	Operator Name	Elevation
	McKAY OIL CORPORATION	4153

Surface Location


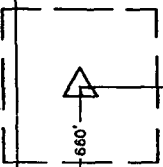
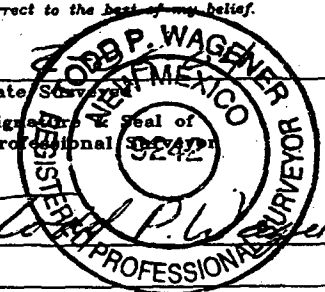
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	35	6 S	22 E		660	SOUTH	2310	EAST	CHAVES

Bottom Hole Location If Different From Surface

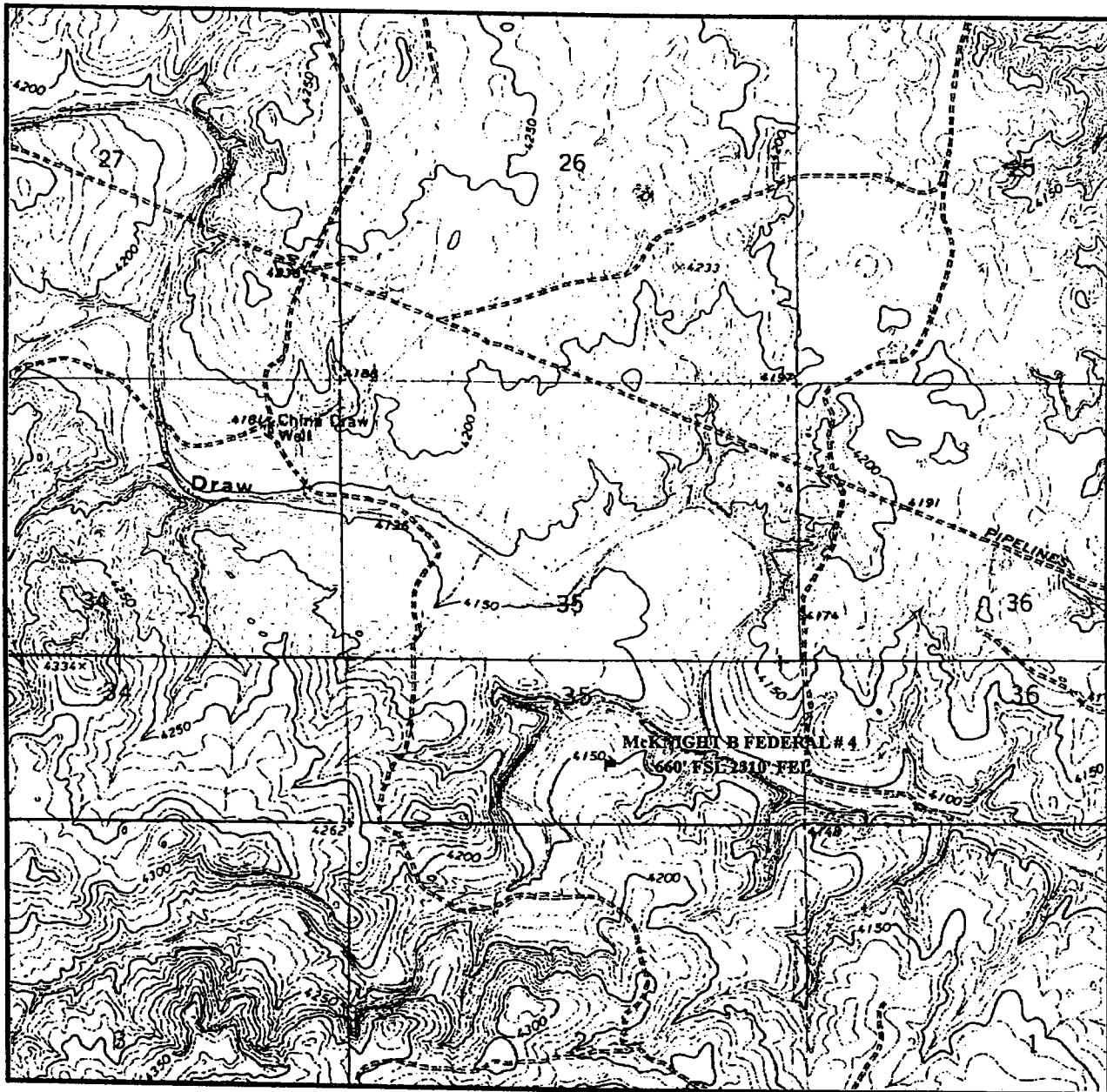
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	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>McKnight II 30-005-62078</p>	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>April D. McKay</u> Printed Name: <u>April D. McKay</u> Title: <u>J.P.</u> Date: <u>2/9/04</u>
			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.  Date: <u>2/9/04</u> Signature: <u>Todd P. Wagener</u> Printed Name: <u>Todd P. Wagener</u> Title: <u>Professional Surveyor</u> Certificate No. <u>9242</u> WAGENER ENGINEERING 1410 N. MISSOURI AVE. ROSWELL, NM 88201 505-623-8382

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'

SEC. 35 TWP. 6 S RGE. 22 E

SURVEY N.M.P.M.

COUNTY CHAVES

DESCRIPTION 660' FSL & 2310' FEL

ELEVATION 4153

OPERATOR McKAY OIL CORPORATION

LEASE McKNIGHT B FEDERAL # 4

U.S.G.S. TOPOGRAPHIC MAP

MESA SW, NW &
ROCK HOUSE CANYON, NM

WAGENER **WE**
ENGINEERING

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

MCKAY OIL CORPORATION

MCKNIGHT B FEDERAL #4

SE/4 of Section 35, T6S, R22E
Chaves County, New Mexico

EXHIBIT "E"

