

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



Me Kay Oil
4 Mile Draw B Fed #71
5600

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A]
[A] ☒ Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] ☐ Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] ☐ Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] ☐ Other: Specify _____

- [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
[B] ☐ Offset Operators, Leaseholders or Surface Owner
[C] ☐ Application is One Which Requires Published Legal Notice
[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
[F] ☐ Waivers are Attached

- [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Signature Title Date

e-mail Address

SOUTHWEST PETROLEUM LAND SERVICES L.L.C.

**100 N. PENNSYLVANIA
ROSWELL, NEW MEXICO 88203**

(505) 622-6713 OFFICE
(505) 626-6879 CELLPHONE

(505) 622-9282 FAX
(505) 622-3615 HM

March 9, 2007

Oil Conservation Division
New Mexico State Land Office
1220 S. St. Francis Drive
Santa Fe, NM 87505

RE: McKay Oil Corp.
Non-Standard Location of the Four Mile Draw B Federal #7Y
Sec. 15: SW4, T6S, R22E
Chaves County, NM

Gentlemen:

McKay Oil Corp. desire to drill a horizontal well in the Four Mile Draw B Federal #7Y proration unit (Sec. 15: SW4, T6S, R22E). The surface location has been staked at 695'FSL and 660'FEL of Section 15, Township 6 South, Range 22 East, NMPM. The horizontal hole will penetrate to Abo formation at approximately 575' from the vertical hole and the bottom hole location will be at 1666'FSL and 2332'FWL of Section 15, Township 6 South, Range 22 East, NMPM. (See Attached Survey Plat). Due to reservoir and geological concerns, McKay Oil Corp. requests an unorthodox location.

Recent reservoir studies conclude that based on porosity and volumetric calculations that there are substantial reserves in the West Pecos Slope Abo formation. However, that due to low permeability of the formation that only approximately 10 to 20 acres of gas is being drained from a single vertical wellbore. Therefore, horizontal drilling is necessary to enhance the ability to extract the gas reservoirs in each proration unit.

The attached geological isopach map shows the formation channel thickening to the east. Also, further geological studies of the West Pecos Slope Abo Area indicate that there are natural faulting fractures in this area that trend in a northwest to southeast direction. In order to crosscut these natural fracture and maximize drainage of the proration unit, the horizontal hole needs to be drilled in a 60°00" direction from the vertical wellbore a distance of 1370.5 feet. McKay Oil Corp. owns all of the operating rights surrounding this location that are toward the unorthodox well location encroachment. (See attached map)

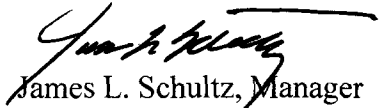
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Oil Conservation Division
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Therefore, McKay Oil Corporation is requesting that the OCD grant administrative approval to the unorthodox location of a surface location of 695'FSL and 660'FWL in Section 15, Township 6 South, Range 22East, NMPM with a bottom hole location of 1666'FSL and 2332'FWL in Section 15, Township 6 South, Range 22 East, NMPM. The surface location has been approved by the Southern New Mexico Archaeological Services, Inc. and the BLM.

Thank you for your cooperation and assistance in this matter.

Sincerely,



James L. Schultz, Manager
Agent for McKay Oil Corp.

cc: McKay Oil Corp.

State of New Mexico

DISTRICT I

1825 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Revised JUNE 10, 2003

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-005-63900	Pool Code	Pool Name West Pecos Slope Abo	82740
Property Code	Property Name FOUR MILE DRAW B FEDERAL		Well Number 7Y
OGRID No.	Operator Name McKAY OIL CORPORATION		Elevation 4358'

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	15	6-S	22-E		695	SOUTH	660	WEST	CHAVES

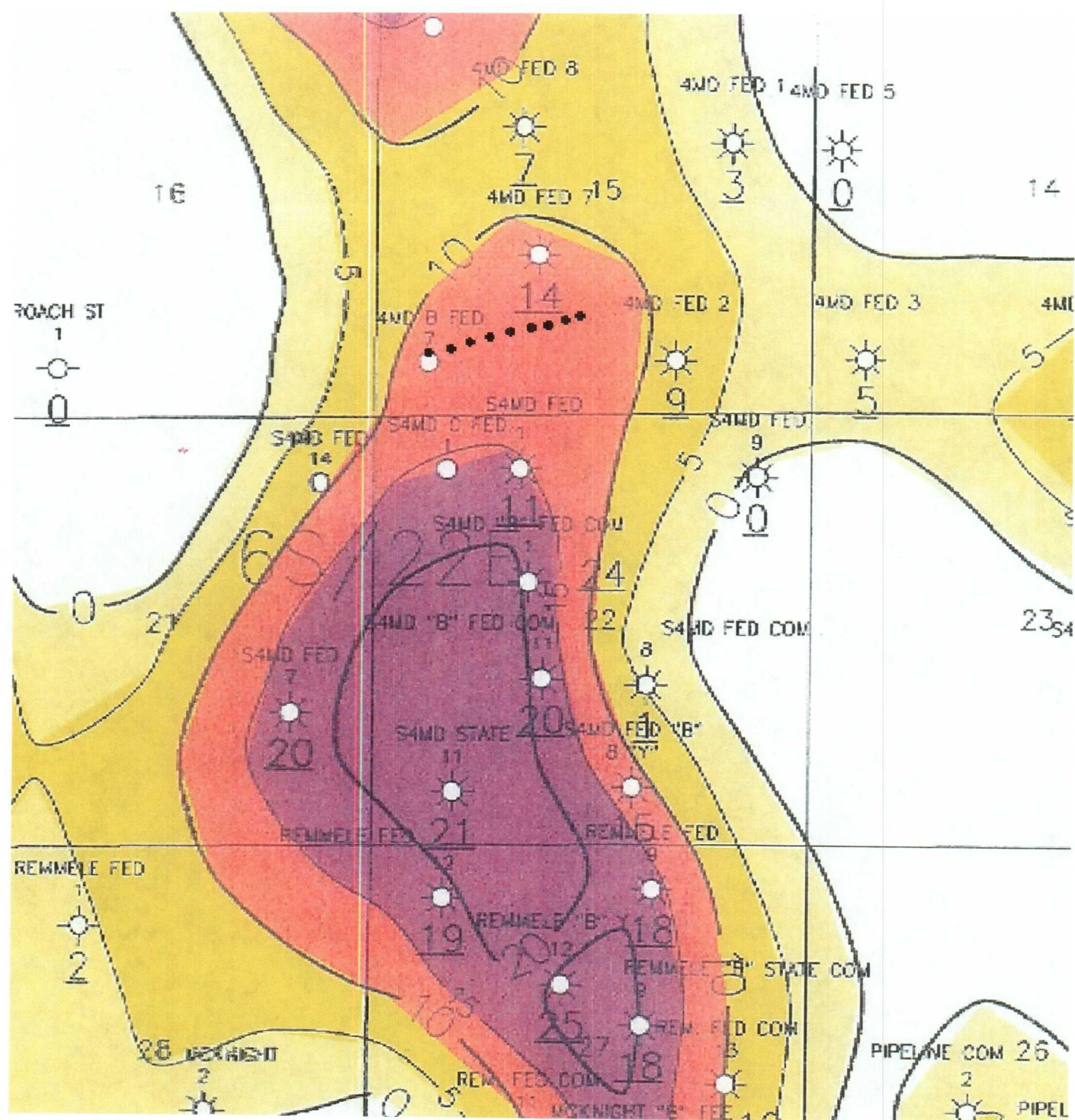
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	15	6-S	22-E		1666	SOUTH	2332	WEST	CHAVES

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160.00			

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>DETAIL</p> <p>4339.9' 4358.1'</p> <p>600' 600'</p> <p>4342.3' 4346.5'</p> <p>GEODETIC COORDINATES NAD 27 NME BOTTOM HOLE LOCATION Y=1016239.1 N X=385802.0 E</p> <p>PENETRATION POINT Y=1015554.0 N X=384615.3 E</p> <p>SURFACE LOCATION Y=1015266.6 N X=384117.5 E</p> <p>LAT.=33.790294' N LONG.=104.714749' W</p> <p>2332' 1666'</p> <p>660' 695'</p> <p>330'</p> <p>B.H.</p> <p>P.P.</p> <p>SURF.</p> <p>GRID AZ = 60°00' H. DIST. = 1370.5'</p> <p>SEE DETAIL</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>James L. Schultz</i> Signature James L. Schultz Printed Name Agent Title 3-05-2007 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>FEBRUARY 12, 2007</p> <p>Date Surveyed REV: 03/01/07 JR</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Gary A. Eidson 3/1/07</i> 07.13.0201</p> <p>Certificate No. GARY EIDSON 12641</p>
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Well File Search - Select API Number to View

Please select the API Number you wish to view from the list below by clicking the radio button next to the API Number. Then click the "Continue" button to see the thumbnails for the API you selected. The search results are broken out by groups of 25 on each page. Switching pages can be done by clicking the "Next 25" or "Previous 25" links.

8 Records found

Displaying Screen 1 of 1

- | | API Number | ULSTR | Footages |
|-----------------------|--|-------------|---------------------|
| <input type="radio"/> | 3000561607 | H-15-6S-22E | 1980 FNL & 990 FEL |
| | Well Name & Number: FOUR MILE DRAW FEDERAL No. 001 | | |
| | Operator: MCKAY OIL CORP | | |
| <input type="radio"/> | 3000562302 | P-15-6S-22E | 660 FSL & 1650 FEL |
| | Well Name & Number: FOUR MILE DRAW FEDERAL No. 002 | | |
| | Operator: MCKAY OIL CORP | | |
| <input type="radio"/> | 3000562348 | K-15-6S-22E | 1980 FSL & 1980 FWL |
| | Well Name & Number: FOUR MILE DRAW FEDERAL No. 007 | | |
| | Operator: MCKAY OIL CORP | | |
| <input type="radio"/> | 3000562349 | F-15-6S-22E | 1780 FNL & 1780 FWL |
| | Well Name & Number: FOUR MILE DRAW FEDERAL No. 008 | | |
| | Operator: MCKAY OIL CORP | | |
| <input type="radio"/> | 3000563755 | M-15-6S-22E | 660 FSL & 660 FWL |
| | Well Name & Number: FOUR MILE DRAW B FEDERAL No. 007C | | |
| | Operator: MCKAY OIL CORP | | |
| <input type="radio"/> | 3000563756 | D-15-6S-22E | 510 FNL & 660 FWL |
| | Well Name & Number: FOUR MILE DRAW B FED No. 008 | | |
| | Operator: MCKAY OIL CORP | | |
| <input type="radio"/> | 3000563865 | M-15-6S-22E | 660 FSL & 660 FWL |
| | Well Name & Number: FOUR MILE DRAW B FEDERAL No. 007H | | |
| | Operator: MCKAY OIL CORP | | |
| <input type="radio"/> | 3000563900 | M-15-6S-22E | 695 FSL & 660 FWL |
| | Well Name & Number: FOUR MILE DRAW B FEDERAL No. 007Y | | |
| | Operator: MCKAY OIL CORP | | |

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