

N.M. Oil & Gas Div-Dist. 2

1301 W. Grand Avenue

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Artesia, NM 88210FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

SUNDRIY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. LC-068132
2. Name Of Operator MCKAY OIL CORPORATION		6. If Indian, Allottee or Tribe Name
3a. Address P.O. BOX 2014 ROSWELL, NM 88202-2014	3b. Phone No. (include area code) 505-623-4735	7. If Unit or CA/Agreement, Name and/or No
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 660' FWL & 1780' FSL, Unit L, SEC 34, T6S, R26E		8. Well Name and No. Cottonwood Fed Com #1
		9. API Well No. 30-005-62654
		10. Field and Pool, or Exploratory Area WEST PECOS ABO SLOPE
		11. County or Parish, State CHAVES COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Described Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

MCKAY OIL CORPORATION had work-over unit on location 2/24/06. Not able to rig up due to mechanical breakdown. Rigged up Tuesday, 2/28/06. Found hole in casing @ 1600'.

07/07/06 Workover commenced, deadman delivered to location. Swabbing started 7/07/06 thru 07/19/06. Mechanical breakdown 7/20/06 and parts ordered. Equipment repaired and workover's commenced 09/12/06. Equipment breakdown 09/15/06 thru 09/28/06. Swabbing from 09/29/06 thru current. Well has produced approximately 5MCF since swabbing began 7/07/06. Plans are to continue with workover operations till well producing. W/O directive from management operations to proceed with more extensive operations.

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) CAROL SHANKS	Title Accepted for record - NMOCD PRODUCTION ANALYST
Signature <i>Carol Shanks</i>	Date 11/14/06

APPROVED FOR RECORD /S/ DAVID R. GLASS		THIS SPACE FOR FEDERAL OR STATE OFFICE USE	
Approved By DAVID R. GLASS NOV 21 2006 PETROLEUM ENGINEER	Title	Date	
Conditions of approval, if attached, approval of this notice 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.		Com munitization Agreement NM-72635 Terminated 02/28/2006 Effective The Day Operations To Restore Production Ceased. Lease LC-068132 Will Be Eligible For An Extension To 02/28/2008 As A Result Of The Termination Of CA NM-72635. Lease LC-068132 Will Expire 02/28/2008 Without Continuous Production.	
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to fraudulent statements or representations to any officer within its jurisdiction.			