

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

OCT 20 2008
OCD-ARTESIA

Form 3160-3
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

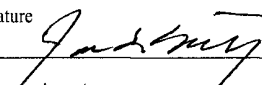
FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

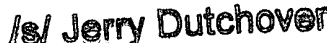
1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM- 36190 36195
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single 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 PO Box 2014 Roswell, NM 88202-2014	3b. Phone No. (include area code) 505-623-4735	8. Lease Name and Well No. Remmele C Federal 6
4. Location of Well (Report location clearly and in accordance with any State requirements *) At surface 760' FNL, 660' FWL At proposed prod. zone		9. API Well No. 30-005-64067
14. Distance in miles and direction from nearest town or post office* Approximately 25 miles		10. Field and Pool, or Exploratory W. Pecos ABO Slope
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		11. Sec., T. R. M. or Blk. and Survey or Area Unit D, Sec. 25, T6S, R22E
16. No. of acres in lease		12. County or Parish Chaves
17. Spacing Unit dedicated to this well 160'		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		
19. Proposed Depth 4300'		
20. BLM/BIA Bond No. on file		
21. Elevations (Show whether DF, KDB, RT, GL, etc) 4169'		
22. Approximate date work will start* 01/01/2005		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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office)
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above)
- Operator certification ROSWELL CONTROLLED WATER BASIN
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature 	Name (Printed/Typed) James L. Schultz	Date 12/12/2007
Title Agent		

Approved by (Signature) 	Name (Printed/Typed) Jerry Dutchover	Date OCT 16 2008
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 2 YEARS

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)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED



State of New Mexico

DISTRICT I

1625 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 October 12, 2005
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 30.005.64067	Pool Code 82740	Pool Name West Pecos Slope ABC
Property Code 37447	Property Name REMMELE "C" FEDERAL	Well Number 6
OGRID No. 14424	Operator Name MCKAY OIL CORPORATION	Elevation 4171'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	25	6-S	22-E		760	NORTH	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

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

	<p>DETAIL</p> <p>4160.5' 4163.0'</p> <p>4168.1' 4153.8'</p> <p>600' 600'</p> <p>SEE DETAIL</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>James V. Schultz</i> 12/12/07 Signature Date James V. Schultz Printed Name</p>
<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=1008485.5 N X=394748.0 E</p> <p>LAT.=33.771761° N LONG.=104.679685° W</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>NOVEMBER 09 2007 Date Surveyed Signature, & Seal of Professional Surveyor 3239 <i>Ronald J. Eidson</i> 11/26/07 Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239</p>

PERTINENT INFORMATION

FOR
MCKAY OIL CORPORATION
REMMELE C FEDERAL 6
760' FNL & 660' FWL Sec. 25, T6S, R22E

Chaves County, New Mexico

<u>LOCATED:</u>	25 air miles Northwest of Roswell, NM.
<u>LEASE NUMBER:</u>	NM 36190
<u>LEASE ISSUED:</u>	8/8/1978
<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>	1800.00
<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

SEC. 25 TWP. 6-S RGE. 22-E
SURVEY _____ N.M.P.M. _____
COUNTY CHAVES STATE NEW MEXICO
DESCRIPTION 760' FNL & 660' FWL
ELEVATION _____ 4171'
OPERATOR _____ MCKAY OIL CORPORATION
LEASE _____ REMMELE "C" FEDERAL

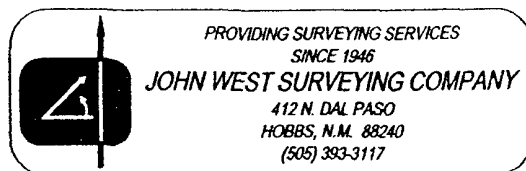
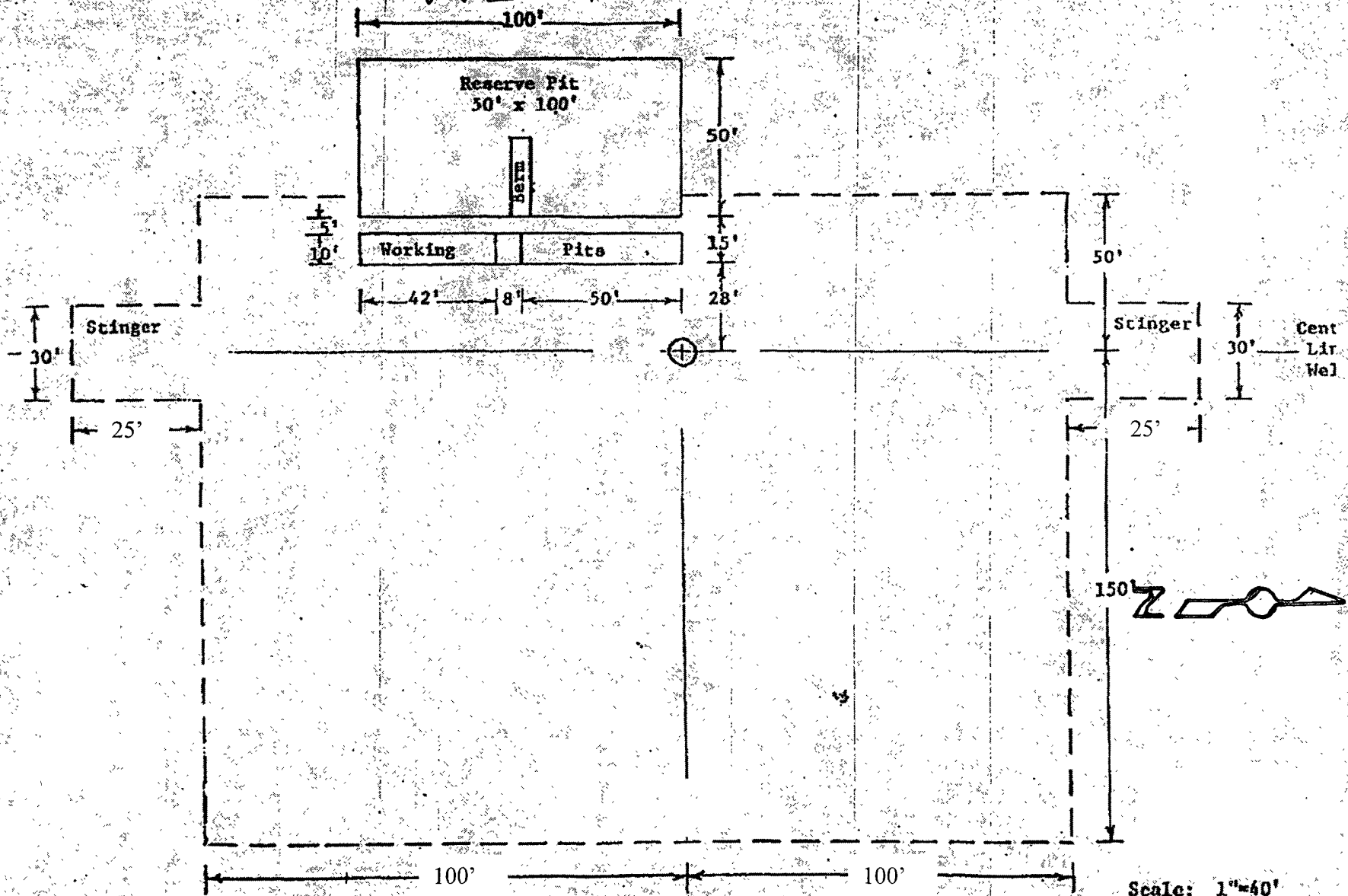


EXHIBIT "C"

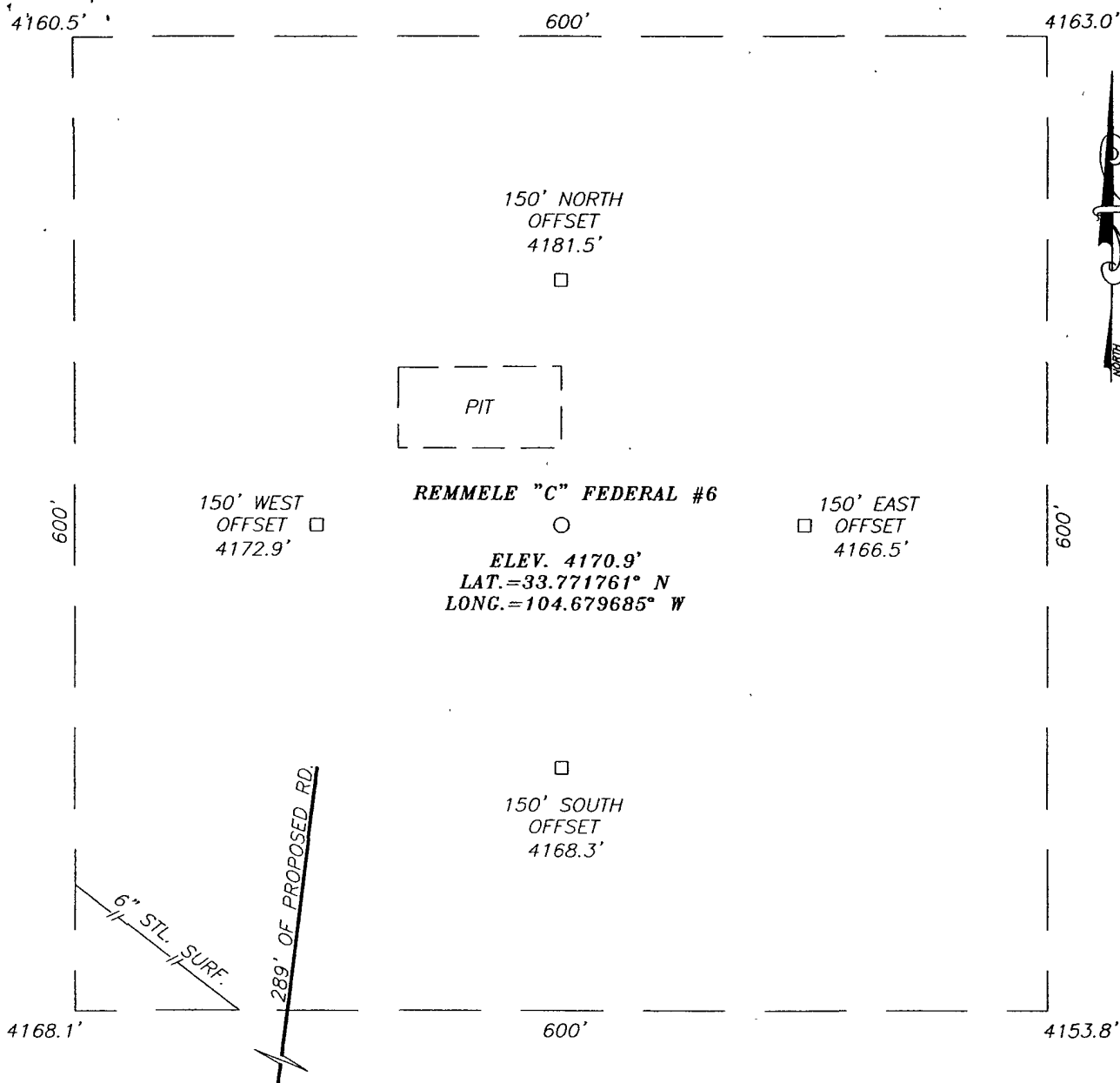
Line
Well

WEST



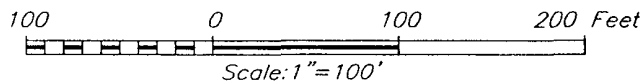
Scale: 1"=40'

SECTION 25, TOWNSHIP 6 SOUTH, RANGE 22 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #285 AND CO. RD. #40 (STARGRASS RD.), GO WEST ON CO. RD. #40 APPROX. 3.3 MILES. BEND LEFT AND GO SOUTHWEST APPROX. 1.1 MILES. TURN LEFT AND GO SOUTH APPROX. 0.7 MILES. TURN RIGHT AND GO WEST APPROX. 0.4 MILES. BEND LEFT AND GO SOUTHWEST APPROX. 0.45 MILES. STAY RIGHT AT FORK AND GO SOUTHWEST APPROX. 0.3 MILES. THIS LOCATION IS APPROX. 475 FEET NORTH.



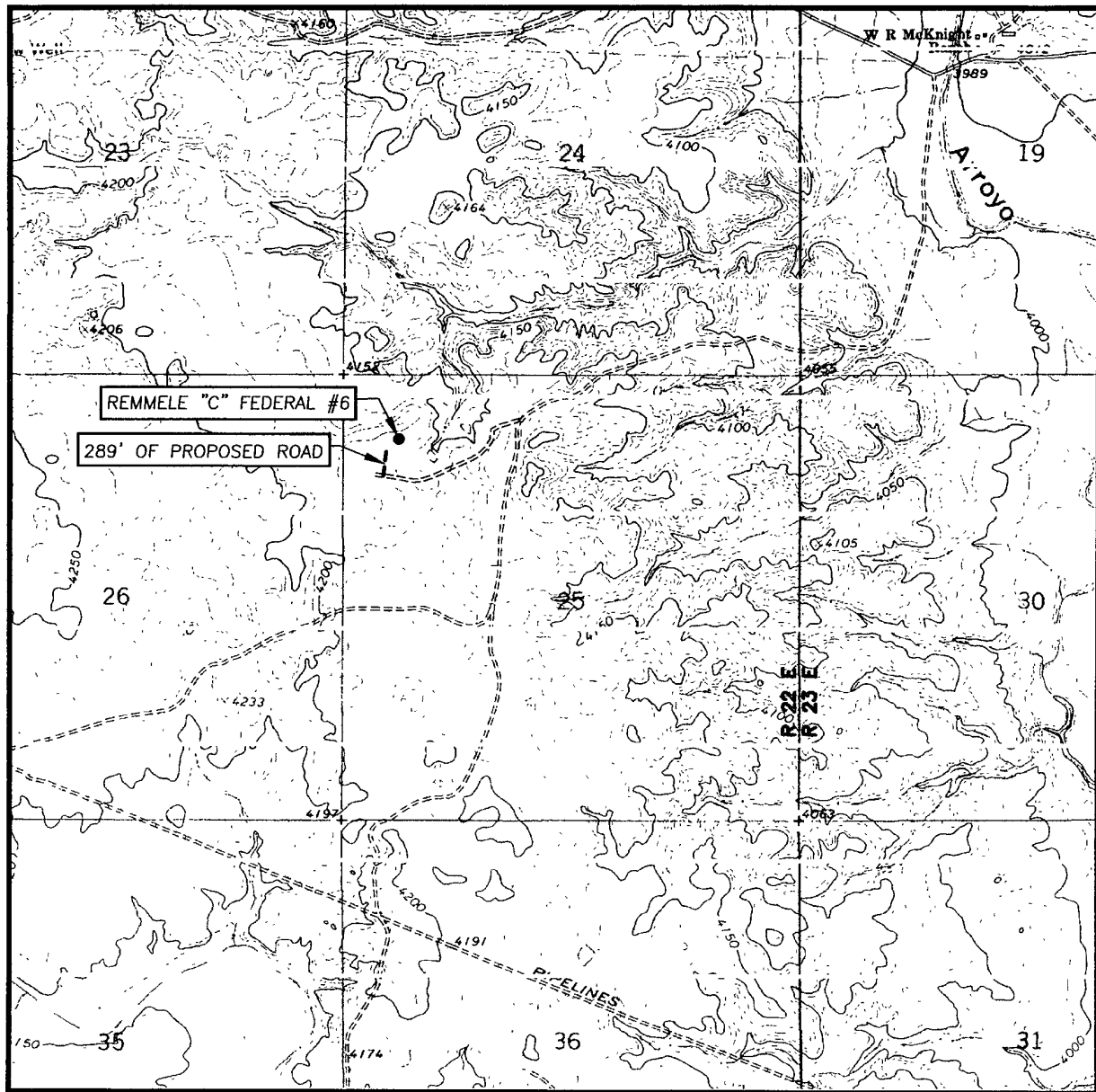
MCKAY OIL CORPORATION

REMMELE "C" FEDERAL #6 WELL
 LOCATED 760 FEET FROM THE NORTH LINE
 AND 660 FEET FROM THE WEST LINE OF SECTION 25,
 TOWNSHIP 6 SOUTH, RANGE 22 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO.

Survey Date: 11/09/07	Sheet 1 of 1 Sheets
W.O. Number: 07.11.1584	Dr By: AR
Date: 11/21/07	Disk: 07111584
	Rev 1: N/A
	Scale: 1"=100'

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

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
MESA SW, N.M. - 10'

SEC. 25 TWP. 6-S RGE. 22-E

SURVEY _____ N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 760' FNL & 660' FWL

ELEVATION _____ 4171'

OPERATOR _____ MCKAY OIL CORPORATION

LEASE _____ REMMELE "C" FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
MESA SW, N.M.

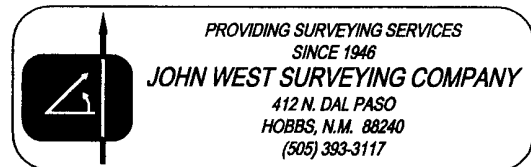
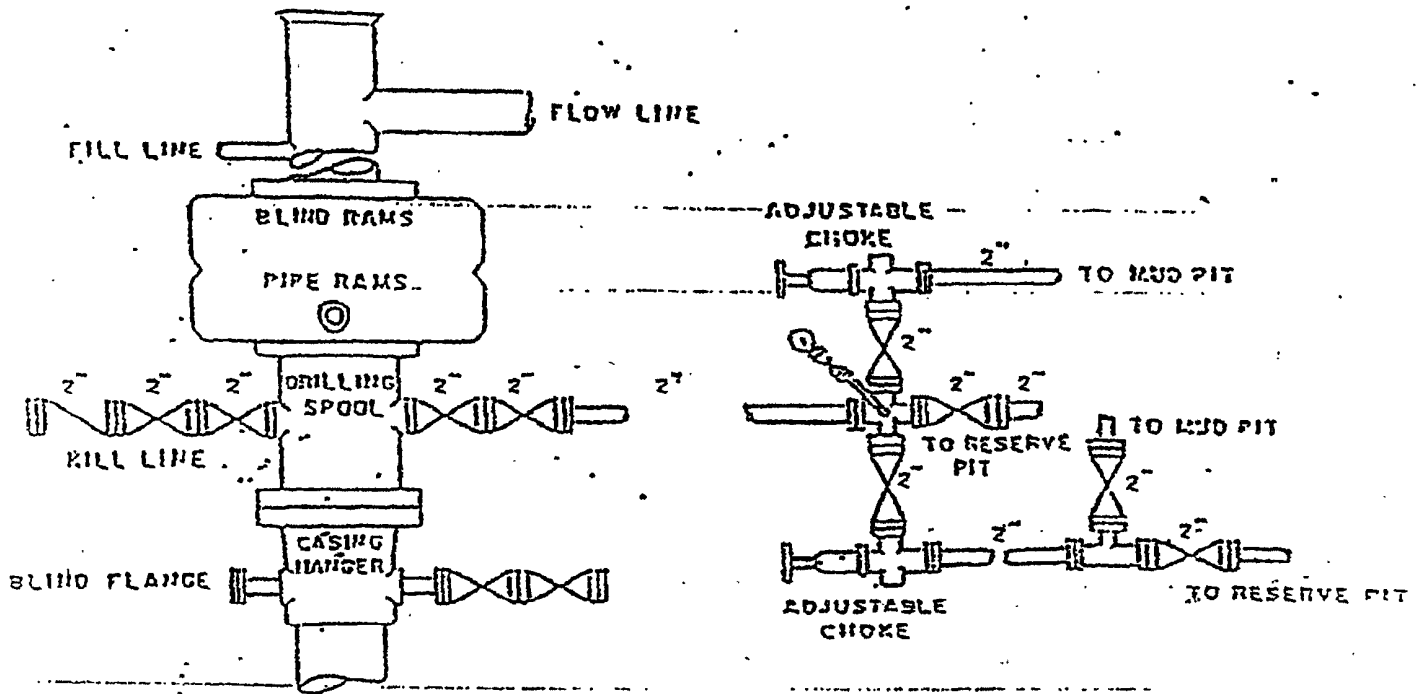
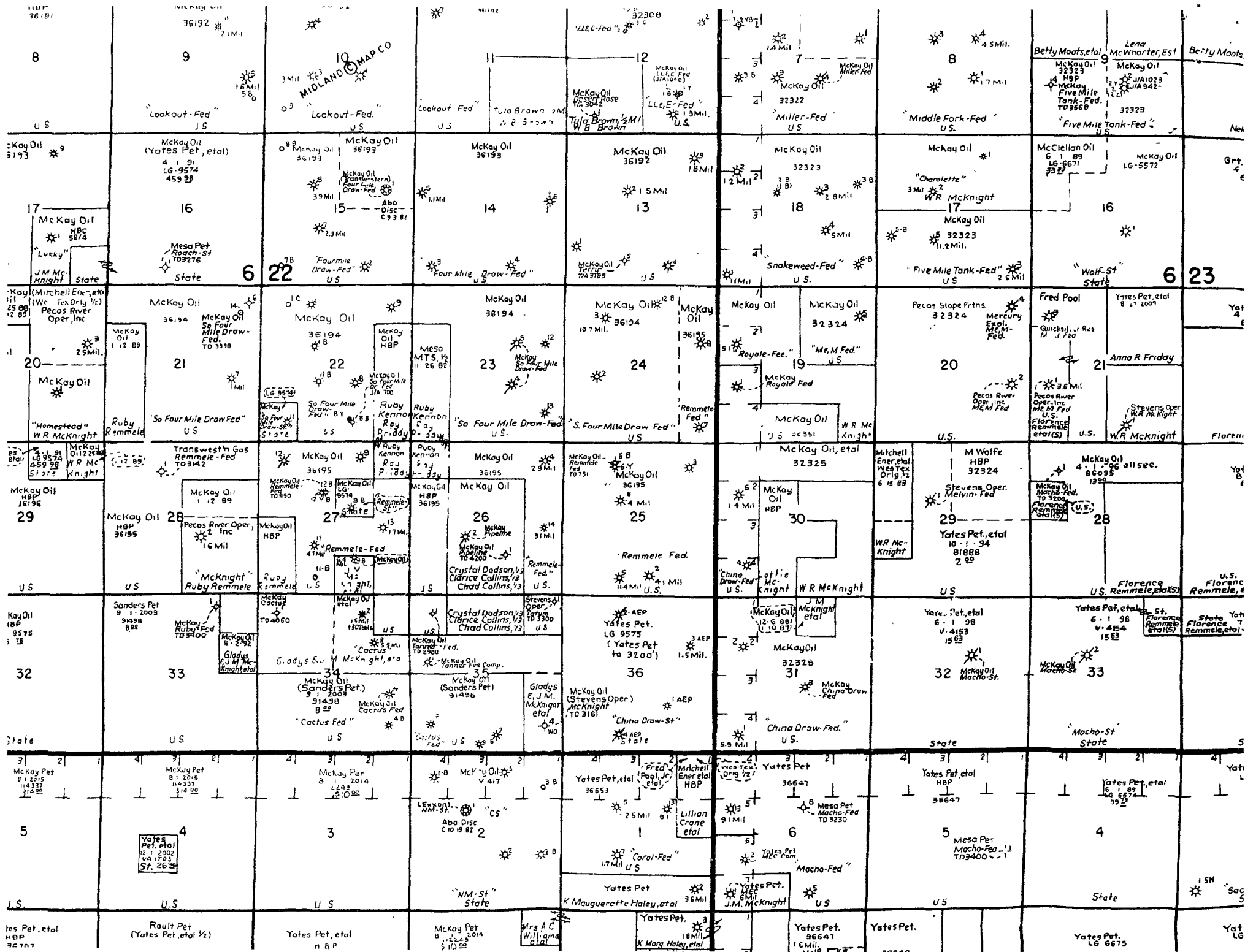


EXHIBIT "D"





SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION
REMMELE C FEDERAL 6
760' FNL & 660' FWL Sec. 25, T6S, R22E

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: San Andres

2. ESTIMATED TOPS OF GEOLOGICAL MARKERS:

Yeso - 891'
Tubb - 2387'
Abo - 2615'

3. ESTIMATED DEPTHS TO WATER, OIL OR GAS FORMATIONS:

Fresh Water - In surface formation above 600'
Gas - In Abo Formation below 2615'

4. PROPOSED CASING PROGRAM:

12-1/4" hole	8-5/8" X-42	24#	950'+ WITNESS
7-7/8" hole	5-1/2" J-55	15.5#	' TD

5. PROPOSED CEMENTING PROGRAM:

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

6. PROPOSED 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.

7. PRESSURE CONTROL EQUIPMENT: Blowout preventer will consist of 2 ram, 2M system. A sketch of the BOP is attached to Pertinent Information.
8. CIRCULATION MEDIUM: Mud Drilling
9. 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.
10. TESTING, LOGGING AND CORING PROGRAM:
 - Samples: Catch samples from surface to TD.
 - DST's: None.
 - Logging: GR-CNL, Dual Lateral MSFL from surface to TD.
 - Coring: None.
11. ABNORMAL PRESSURES, TEMPERATURES OR HYDROGEN SULFIDE:
None anticipated.
12. ANTICIPATED STARTING DATE: On or before January 20, 2008
Drilling should be completed within 10 days. Completion operations (perforations and stimulation) will follow drilling operations.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MCKAY OIL CORPORATION
REMMELE C FEDERAL 6
760' FNL & 660' FWL Sec. 25, T6S, R22E

Chaves County, New Mexico

NM

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 25 miles north of Roswell, NM.

B. Directions: From the intersection of U.S. Highway #285 and County Road #40 (Stargrass Road). Go west on County Road #40 approximately 3.3 miles. Bend left and go southwest approximately 1.1 miles. Turn left and go south approximately 0.7 miles. Turn right and go west approximately 0.04 miles. Bend left and go southwest approximately 0.45 miles. Stay right at fork and go southwest approximately 0.3 miles. The location is approximately 475 feet north.

2. PLANNED ACCESS ROAD:

A. Length and Width: 289' long and 20' 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 necessary.

F. Culverts: None.

G. Cuts and Fill: None.

H. Gates, Cattle guards: None needed. Already in place.

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 ~~250' x 250'~~ (See Exhibit "~~B~~") ^C
~~200' x 230'~~

C. Top Soil: Any topsoil 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 placed in portable receptacles and hauled from the location upon completion of drilling and completion operations.

F. All trash and debris will be 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 west.

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 a gradual slope to the south in the vicinity of the access road and south-southwest in the vicinity of the drill pad. Regional slope is east toward the Arroyo del Macho, which is east of the location.

B. Soil: Sandy loam with limestone outcropping.

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: Arroyo del Macho east of the proposed location.

E. Residences and other Structures: The David Corn Ranch (formerly the W. R. McKnight Ranch) is approximately 1 mile northeast of the location.

F. Archaeological, Historical and Other Cultural Sites: An archaeological survey will be filed under separate cover by Archeological Survey Consultants of Roswell, NM.

G. Land Use: Grazing.

H. Surface Ownership: USA-BLM.

12. OPERATOR'S REPRESENTATIVE:

Jim Robinson
Roswell, New Mexico
(505) 623-4735 (O)
(505) 626-8580 (C)

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.



SIGNATURE

12-13-07

DATE

MCKAY OIL CORPORATION
REMMEL C FEDERAL 6
760' FNL & 660' FWL Sec. 25, T6S, R22E

Chaves County, New Mexico

Other Specific Information and Plans

Proposed Pipeline

An existing pipeline is located on the SW corner of the wellpad. Therefore, no additional pipelines will be required.

**Southwest Petroleum
Land Services, LLC**

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

December 12, 2007

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

Re: H2S Contingency Plan-Remmele C Federal 6

Bryan,

Please see attached Contingency Plan-H2S for the Remmele C Federal 6 located in Sec 25, T6S, R22E 760' FNL & 660' FWL 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
REMMELE C FEDERAL 6
LOCATED IN UNIT D, SEC 25, 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.

REMMELE C FEDERAL 6

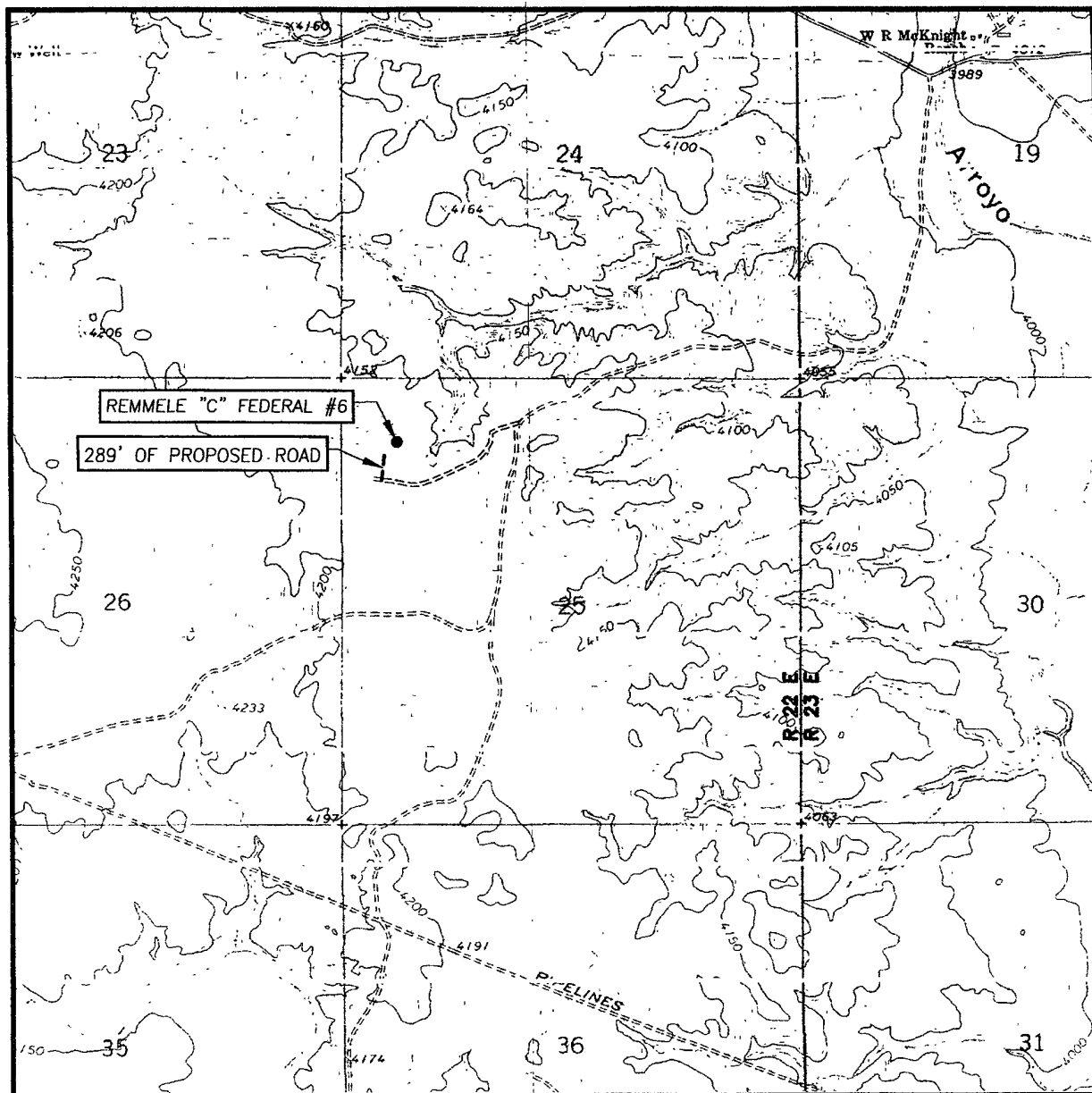
This is an open drilling Site. H2S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H2S, including warning signs, wind indicators and H2S monitor. Pumpers carry (MICROPACKS) H2S pocket testers at all times. Pulling units have an H2S indicator that puts off light and alarm on any indication of H2S being present.

MAPS – SEE ATTACHED



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

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
MESA SW, N.M. - 10'

SEC. 25 TWP. 6-S RGE. 22-E

SURVEY _____ N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

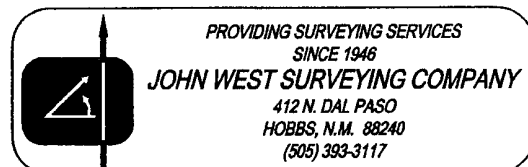
DESCRIPTION 760' FNL & 660' FWL

ELEVATION 4171'

OPERATOR MCKAY OIL CORPORATION

LEASE REMMELE "C" FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
MESA 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
JIM ROBINSON	625-1154	626-8579	624-1093
ROY MCKAY	623-4735	626-8571	623-4735

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
PECOS DISTRICT - RFO
CONDITIONS OF APPROVAL
October 2008

OPERATORS NAME: McKay Oil Corporation
LEASE NO.: NMNM-36195
WELL NAME & NO: Remmele "C" Federal #6
SURFACE HOLE FOOTAGE: 760' FNL & 660' FWL
LOCATION: Section 25, T. 6 S., R. 22 E., NMPM
COUNTY: Chaves County, New Mexico

GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

I. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD (Filing of a Sundry Notice is required for this 60 day extension).

II. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

III. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

In the event weeds are discovered after the construction of the access road and/or well pad, measures will be taken to eradicate the population.

IV. CONSTRUCTION

A. NOTIFICATION:

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (575) 627-0247 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL:

The operator shall stockpile the topsoil of the well pad. The topsoil to be stripped is approximately 6 inches in depth. The soil shall be stockpiled on the northeast corner of the well pad.

C. RESERVE PITS:

The reserve pit shall be constructed and closed in accordance with the NMOCD rules.

The reserve pit shall be constructed 50' X 100' on the WEST side of the well pad.

The reserve pit shall be constructed, so that upon completion of drilling operations, the dried pit contents shall be buried a minimum depth of four (4) feet below ground level. Should the pit content level not meet the four foot minimum depth requirement, the excess contents shall be removed until the required minimum depth of four feet below ground level has been met. The operator shall properly dispose of the excess contents at an authorized disposal site.

The reserve pit shall be constructed and maintained so that runoff water from outside the location is not allowed to enter the pit. The berms surrounding the entire perimeter of the pit shall extend a minimum of two (2) feet above ground level. At no time will standing fluids in the pit be allowed to rise above ground level.

The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.

D. FEDERAL MINERAL MATERIALS PIT:

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office at (505) 627-0236.

E. WELL PAD SURFACING:

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational need.

F. ON LEASE ACCESS ROADS:

If any conflicts with livestock do arise as a result of the access road and well pad construction, mitigation measures will be taken, and consultation with the allottee will mitigate those impacts.

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

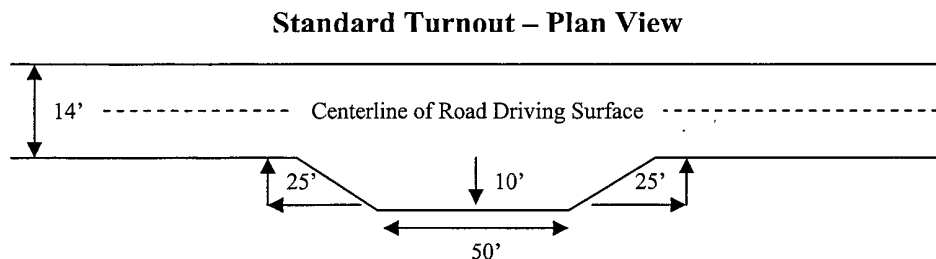
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Turnouts

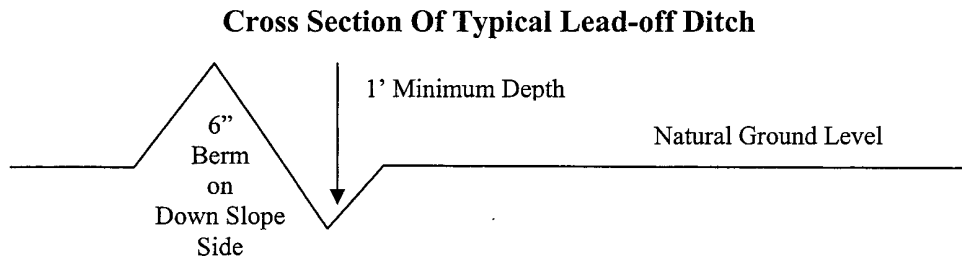
Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:



Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval Of Lead-off Ditches

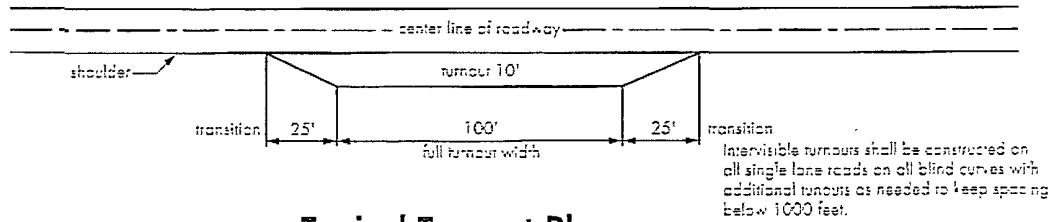
Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$400 \text{ foot road with } 4\% \text{ road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

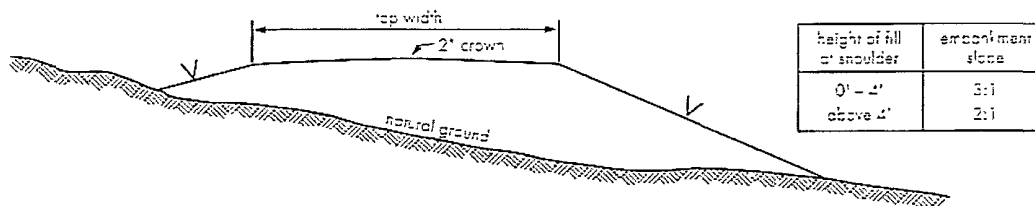
Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

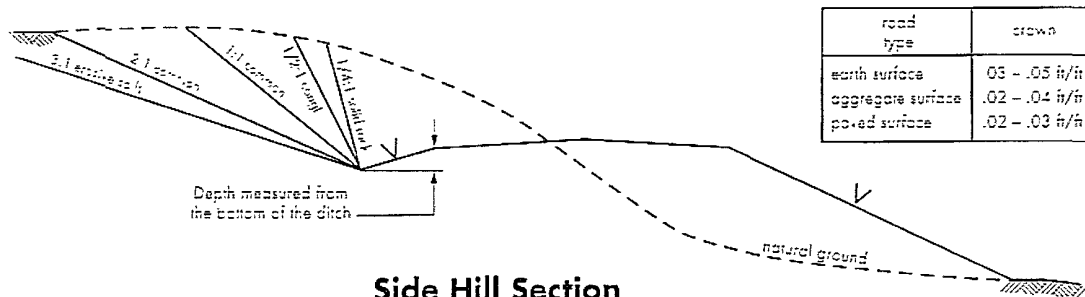
Figure 1 – Cross Sections and Plans For Typical Road Sections



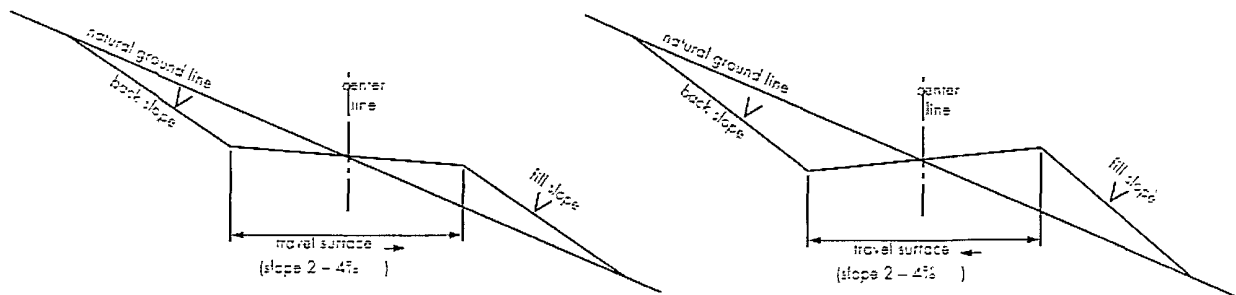
Typical Turnout Plan



Embankment Section



Side Hill Section



Typical Outsloped Section

Typical Insloped Section

V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. Call the Roswell Field Office, 2909 West Second St., Roswell, NM 88201. During office hours call (575) 910-6024 or after office hours call (575) 627-0205. Engineer on call during office hours call (575) 627-0275 or after office hours call (575) 626-5749.

2. The Roswell Field Office is to be notified a minimum of 24 hours in advance for a representative to witness:

- a. Spudding
- b. Cementing casing: 8-5/8 inch 5-1/2 inch
- c. BOPE Tests-4 Hours Call Out

3. 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.

4. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

5. The operator will accurately measure the drilling rate in ft/min to set the base of the usable water protection casing string(s) opposite competent rock. The record of the drilling rate along with the gamma ray-neutron well log run to surface will be submitted to this office as well as all other logs run on the borehole 30 days from completion

6. Air, air-mist or fresh water and non toxic drilling mud shall be used to drill to the base of the usable water protection casing string(s). Any polymers used will be water based and non-toxic.

B. CASING:

1. The 8 5/8 inch usable water protection casing string(s) shall be set at approximately 950 ft. in competent bedrock.

If not the operator is required to set casing in the next thick competent bedding (i.e. 15 to 25 ft or greater) encountered and cemented to the surface.

a. If cement does not circulate to the surface, the Roswell Field Office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin or 500 pounds compression strength at the casing shoe, whichever is greater prior to drilling out.

c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater prior to drilling out.

d. If cement falls back, remedial action will be done prior to drilling out that string.

e. All casing shall be new or reconditioned and tested casing and meet API standards for new casing. The use of reconditioned and tested casing shall be subject to approval by the authorized officer. Approval will be contingent upon the wall thickness of any casing being verified to be at least 87-1/2 per cent of the nominal wall thickness of new casing.

2. The minimum required fill of cement behind the **5-1/2** inch production casing is **sufficient to tie back 200 feet above the top of the Abo formation**. If cement does not circulate, a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

3. If hardband drill pipe is rotated inside casing, returns shall be monitored for metal. If metal is found in samples, drill pipe shall be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL:

1. Before drilling below the **8-5/8** inch surface casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

2. Before drilling below the **8-5/8** inch surface casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2000 (2M)** psi.

3. The BOPE shall be installed before drilling below the **8-5/8** inch surface casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

a. The BLM Roswell Field office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

b. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201.

c. 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.

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

e. The requested variance to test the BOPE to the reduced pressure of **1000** psi prior to drilling below the **8-5/8** inch surface casing, using the rig mud pumps is approved.

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

- a. The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.
- b. A containment structure or earthen dike is required so that if a oilfield waste contaminant or product contaminant were leaked, spilled, and or released upon the well pad the oilfield waste contaminant or product contaminant shall be contained in order to prevent the contaminant from entering into the drainage and playa located east of the well pad location.

A containment structure or earthen dike shall be constructed and maintained around the east and southeast outside boundary of the well pad. The containment structure or earthen dike shall be constructed two (2) feet high (the containment structure or earthen dike can be constructed higher than the two (2) feet high minimum).

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, Juniper Green (Standard Environmental Color Chart June 2008).

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well sit. Must be completed with six (6) months of well completion or well plugging. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo "interim" reclamation in order to minimize the environmental impacts of development on other resources and uses.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

B. RESERVE PIT CLOSURE

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows:

The following soil or soil associations may represent these ecological sites: ECTOR VERY COBBLY LOAM, 3-15% SLOPE; ECTOR VERY COBBLY LOAM, DRY, 3-15% SLOPE; Shallow SD-3 Ecological Site; Very Shallow, CP-4 Ecological Site

Common Name and Preferred Variety	Scientific Name	Pounds of Pure Live Seed Per Acre
Blue grama	<i>(Bouteloua gracilis)</i>	3.00 lbs.
Or Black grama	<i>(B. eriopoda)</i>	
Sideoats grama	<i>(Bouteloua curtipendula)</i>	2.00 lbs.
New Mexico Feathergrass	<i>(Stipa neomexicana)</i>	1.00 lb.
Or Green sprangletop	<i>(Leptochloa dubia)</i>	
Desert or Scarlet	<i>(Sphaeralcea ambigua</i>	1.00 lb.
Globemallow	<i>or S. coccinea)</i>	
Croton	<i>(Croton spp.)</i>	1.00 lb.
Buckwheat	<i>(Eriogonum spp.)</i>	<u>1.00 lb.</u>
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE		9.00 lbs.

Certified Weed Free Seed. If one species is not available. Increase ALL other proportionately; Use no less than four (4) species, including one (1) forb. No less than 9 pounds pls per acre shall be applied.

VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

- a. Upon abandonment of the well and/or when the access road is no longer in service, a Notice of Intent to Abandon on Sundry Notices and Reports on Wells form 3160-5, describing the proposed surface restoration procedure must be submitted for approval.
- b. The operator is responsible for reclaiming any surface disturbance that resulted from its actions, even if a well was not drilled.

IX. PIPELINE PROTECTION REQUIREMENT

Precautionary measures shall be taken by the operator during construction of the access road to protect existing pipelines that the access road will cross over. An earthen berm; 2 feet high by 3 feet wide and 14 feet across the access road travelway (2' X 3' X 14'), shall be constructed over existing pipelines. The operator shall be held responsible for any damage to existing pipelines. If the pipeline is ruptured and/or damaged the operator shall immediately cease construction operations and will contact the pipeline holder (McKay Oil Corporation). The operator shall be held liable for any unsafe construction operations that threaten human life and/or cause the destruction of equipment.

X. Range Requirement

The operator shall keep traffic to a minimum, with the speed limit less than 20 MPH. When conflicts with livestock do arise as a result of the access road and well pad construction, in consultation with the allottee, measures will be taken to resolve the conflicts.

XI. Wildlife Requirement

The operator shall cover with netting open top storage tanks and install cones on separator stacks.

Exhibit B

October 2008

OPERATORS NAME: McKay Oil Corporation
LEASE NO.: NMNM-36195
WELL NAME & NO: Remmele "C" Federal #6
SURFACE HOLE FOOTAGE: 760' FNL & 660' FWL
LOCATION: Section 25, T. 6 S., R. 22 E., NMPM
COUNTY: Chaves County, New Mexico

