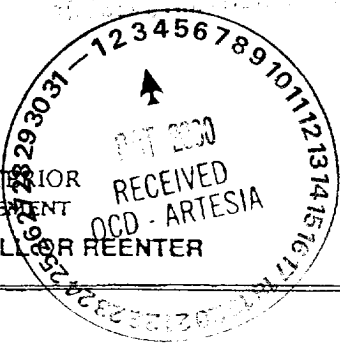


UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER



FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM 32323-A
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator McKay Oil Corporation 14424		7. If Unit or CA Agreement, Name and No. 26732
3a. Address P.O. Box 2014 Roswell, NM 88202		8. Lease Name and Well No. Five Mile Tank "B" Fed. #3
3b. Phone No. (include area code) 505-623-4735		9. API Well No. 30-005-63293
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 880' FSL and 1760' FEL At proposed prod. zone Unit N		10. Field and Pool, or Exploratory W. Pecos Slope Abo
14. Distance in miles and direction from nearest town or post office* 23 miles north of Roswell, NM		11. Sec., T., R., M., or Blk. and Survey or Area 17 - T6S, R23E, N.M.P.M.
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 880'	16. No. of Acres in lease 1360.00	12. County or Parish Chaves
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1,100'	19. Proposed Depth 3400'	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4102' GL	22. Approximate date work will start* 3/20/00	17. Spacing Unit dedicated to this well 160.00
23. Estimated duration 15 days		20. BLM/BIA Bond No. on file NM 1981

24. Attachments

ROSWELL CONTROLLED WATER BASIN

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 officers. |

25. Signature <i>Bill J. Milstead</i>	Name (Printed/Typed) Bill J. Milstead	Date 2-4-00
Title Vice President		
Approved by (Signature) <i>/S/LARRY D. BRAY</i>	Name (Printed/Typed) LARRY D. BRAY	Date OCT 02 2000
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 1 YEAR

Application approval does not warrant or certify the 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 reverse)

Notify OCD at SPUD & TIME
to witness cementing the
12 1/4" casing.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
SPECIAL STIPULATIONS
ATTACHED

RECEIVED
BUREAU OF LAND MANAGEMENT
ROSWELL OFFICE

2000 FEB -4 P 4: 23

RECEIVED

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

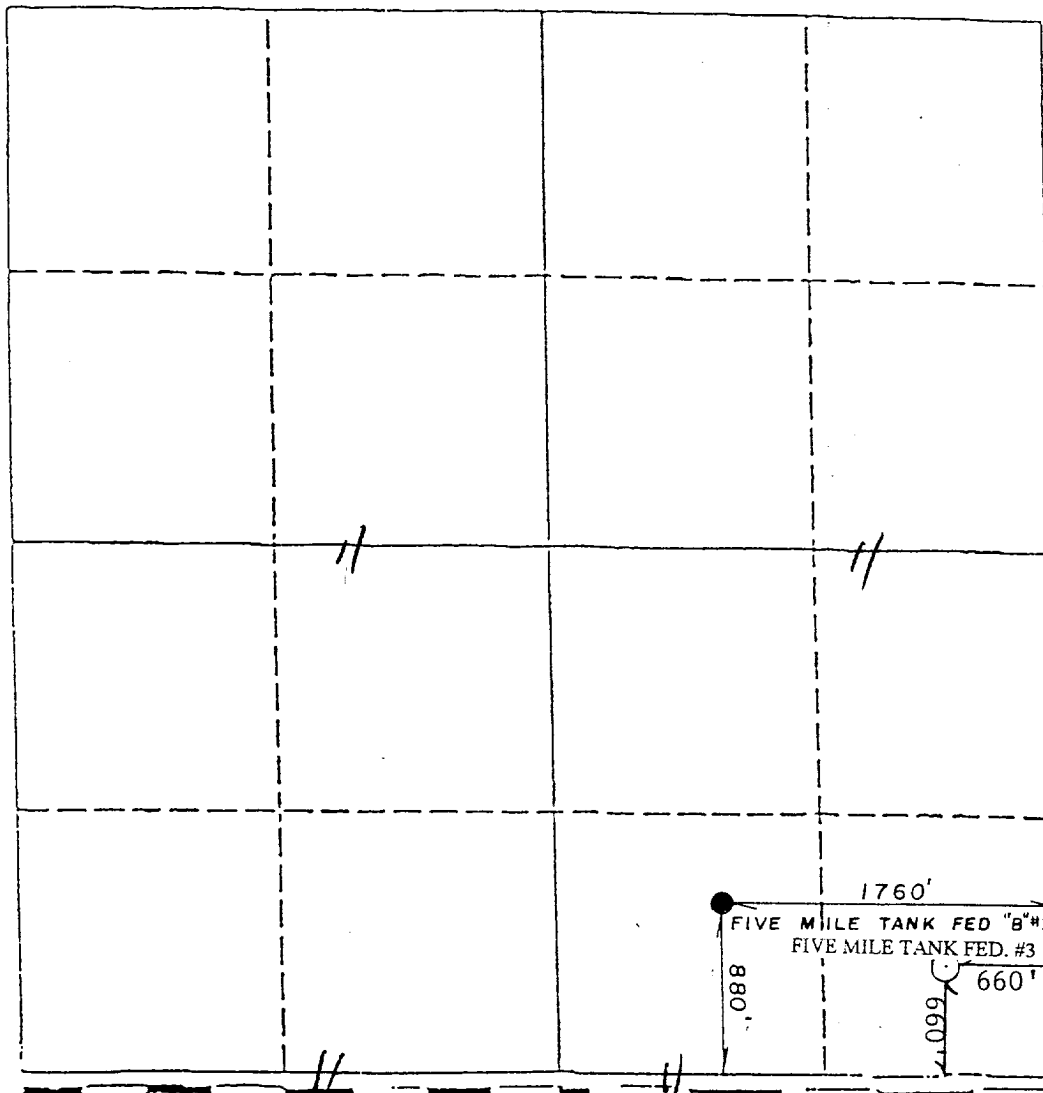
1000 Rio Brazos Rd., Artesia, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator McKAY OIL CORP.			Lease FIVE MILE TANK FED "B"		Well No. 3
Unit Letter O	Section 17	Township 6S	Range 23E	County CHAVES	
Actual Footage Location of Well: 880 feet from the SOUTH line and 1760 feet from the EAST line					
Ground level Elev. 4102	Producing Formation ABO		Pool W. Pecos Slope Abo		Dedicated Acreage: 160 Acres

- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc?
☐ Yes ☐ No If answer is "yes" type of consolidation _____
If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)
No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, force-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature <i>Bill J. Milstead</i>
Printed Name Bill J. Milstead
Position Vice President
Company McKay Oil Corporation
Date 2-4-00

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 knowledge and belief.

Date Surveyed 1/1/00
Signature of Professional Surveyor <i>Jackie D. Atkins</i>
Professional Surveyor Seal JACKIE D. ATKINS NEW MEXICO LAND SURVEYOR 13504
Certificate No. LS 8504

PERTINENT INFORMATION

FOR

MCKAY OIL CORPORATION
FIVE MILE TANK "B" FED. #3
SW/4SE/4 of Sec. 17, T-6S, R-23E
Chaves County, New Mexico

<u>LOCATED:</u>	23 air miles Northwest of Roswell, NM.
<u>LEASE NUMBER:</u>	NM-32323A
<u>LEASE ISSUED:</u>	November 1, 1978
<u>RECORD LESSEE:</u>	McKay Oil Corporation McKay Children's Trust
<u>BOND COVERAGE:</u>	Operator's \$25,000 Statewide
<u>AUTHORITY TO OPERATE:</u>	Assignment of Operating Rights
<u>ACRES IN LEASE:</u>	1,360.00 acres, more or less
<u>SURFACE OWNERSHIP:</u>	Fee
<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 ✓ F. Location Topography

SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION
FIVE MILE TANK "B" FED. #3
SW/4SE/4 of Sec. 17, T-6S, R-23E
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 - 876'
Tubb - 2372'
Abo - 2600'

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

Fresh Water - In surface formation above 600'
Gas - In Abo Formation below 2600'

4. PROPOSED CASING PROGRAM:

12-1/4" hole	8-5/8" X-42	23#	900' 750'	OWC
7-7/8" hole	4-1/2" J-55	10.5#	TD	

5. PROPOSED CEMENTING PROGRAM:

Surface to 900'	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 900' of surface casing will be set and cemented to surface. 4-1/2" 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*
~~Rotary Head with a rotating rubber with 1,000# WP and 1,000# test pressure and a steel Boppy Line with 1,000# WP valve.~~ A sketch of the BOP is attached. *JMC*
8. CIRCULATION MEDIUM: Air 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 March 20, 2000
Drilling should be completed within 15 days. Completion operations (perforations and stimulation) will follow drilling operations.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

MCKAY OIL CORPORATION
FIVE MILE TANK "B" FED #3
SW/4SE/4 of Sec. 17, T-6S, R-23E
Chaves County, New Mexico

NM 32323A

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 23 miles north of Roswell, NM.

B. Directions: Heading North out of Roswell, New Mexico on U.S. 285 for approximately 23 miles and turn left on county road just before mile marker 137 (Stargrass Road). Go approximately 2.0 miles, then turn north for approximately 1/4 mile on the access road to the Five Mile Tank Fed. #3, turn west for approximately 1/4 mile to location.

2. PLANNED ACCESS ROAD:

A. Length and Width: 1/4 mile 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, Cattleguards: 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 258' x 350'. (See Exhibit "F")

C. Top Soil: Any top soil 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 east and southeast.

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 south-southwest toward the Arroyo del Macho which is south-southwest 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 southwest of the proposed location.

E. Residences and other Structures: The David Corn ranch house (old W.R. McKnight Ranch) is approximately 2 mile to the south-southwest.

F. Archaeological, Historical and Other Cultural Sites: An Archaeologist from Roswell, NM will be contracted to check and approve this site and access road.

G. Land Use: Grazing.

H. Surface Ownership: USA-BLM.

12. OPERATOR'S REPRESENTATIVE:

Gary Richburg
Roswell, New Mexico
(505) 623-4735 (O)
(505) 626-8581 (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.

2-4-00
DATE

Bill Mitchell

MCKAY OIL CORPORATION
FIVE MILE TANK "B" FEDERAL #3
SW/4SE/4 of Sec. 17, T-6S, R-23E

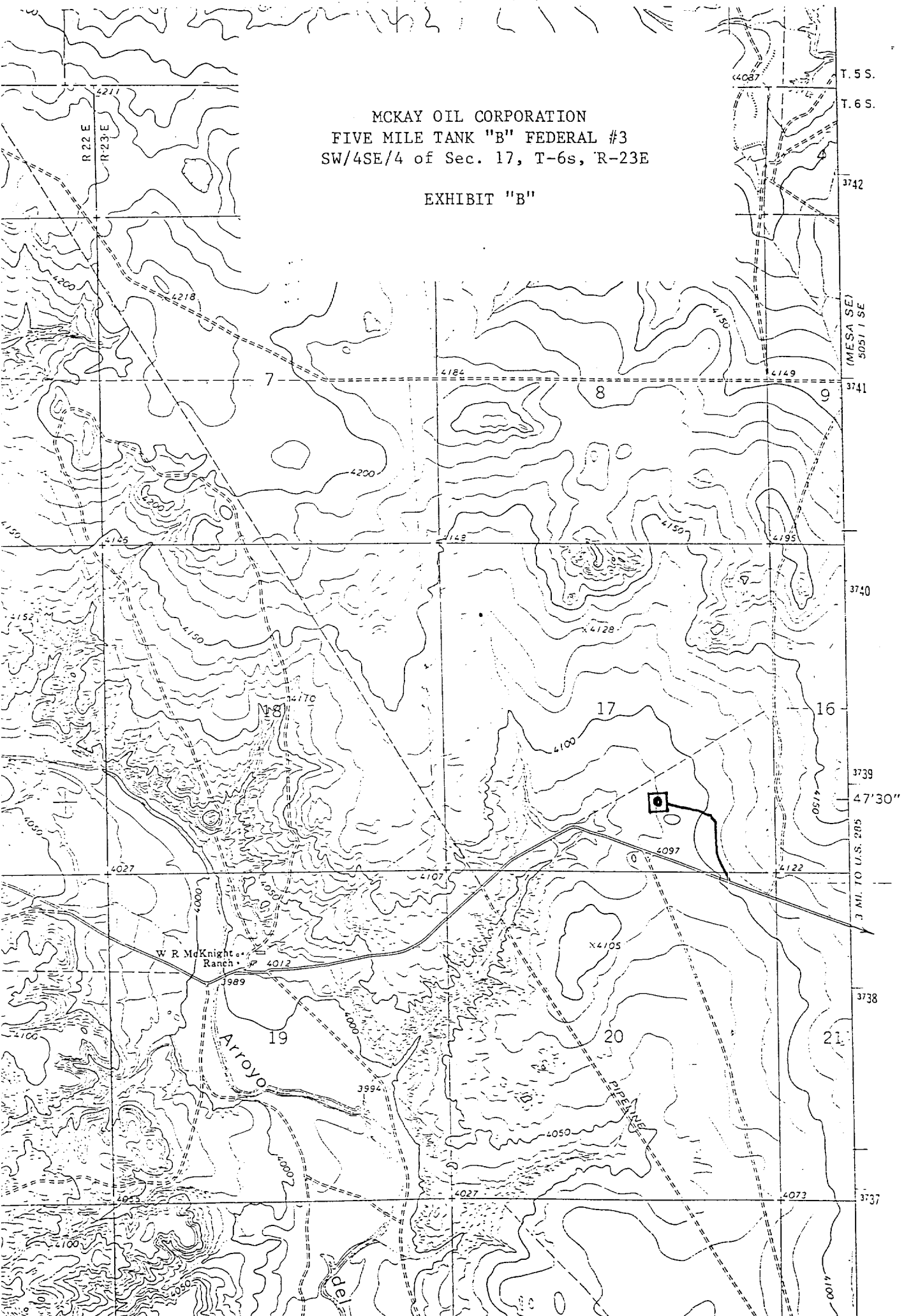
EXHIBIT "A"

MCKAY OIL CORPORATION
FIVE MILE TANK "B" FEDERAL #3
SW/4SE/4 of Sec. 17, T-6S, R-23E

EXHIBIT "A"

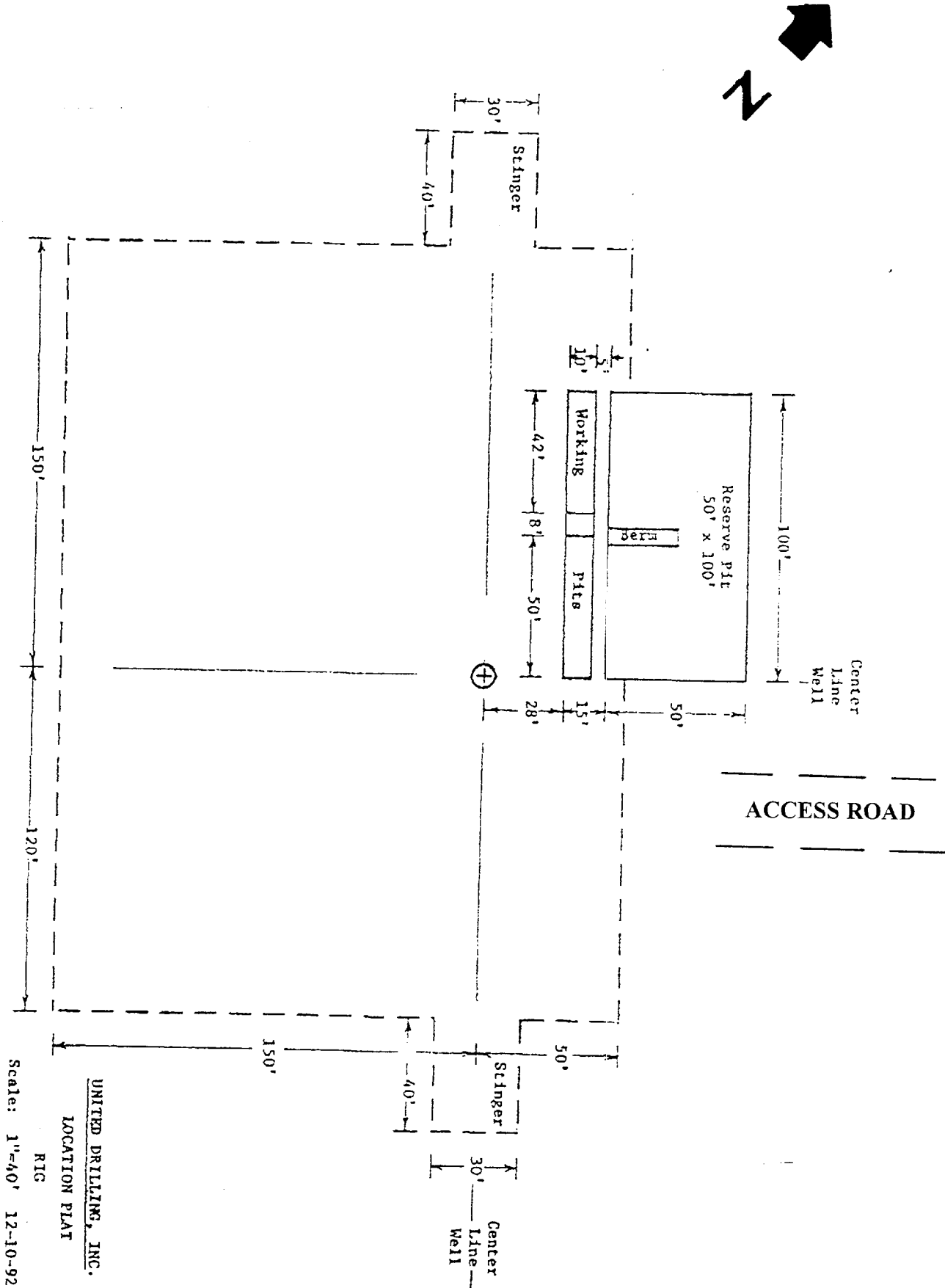
MCKAY OIL CORPORATION
FIVE MILE TANK "B" FEDERAL #3
SW/4SE/4 of Sec. 17, T-6s, R-23E

EXHIBIT "B"



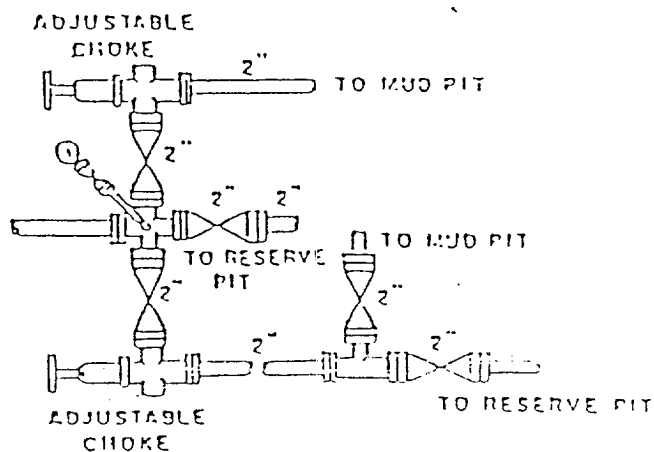
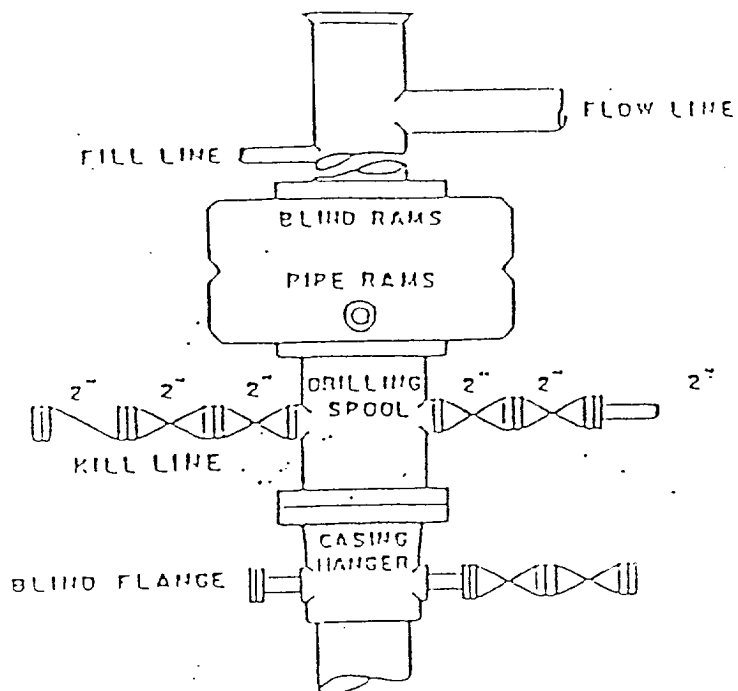
MCKAY OIL CORPORATION
FIVE MILE TANK "B" FED. #3
SW/4SE/4 OF SEC. 17, T6S, R23 E, N.M.P.M.
CHAVES COUNTY, NM

EXHIBIT "C"



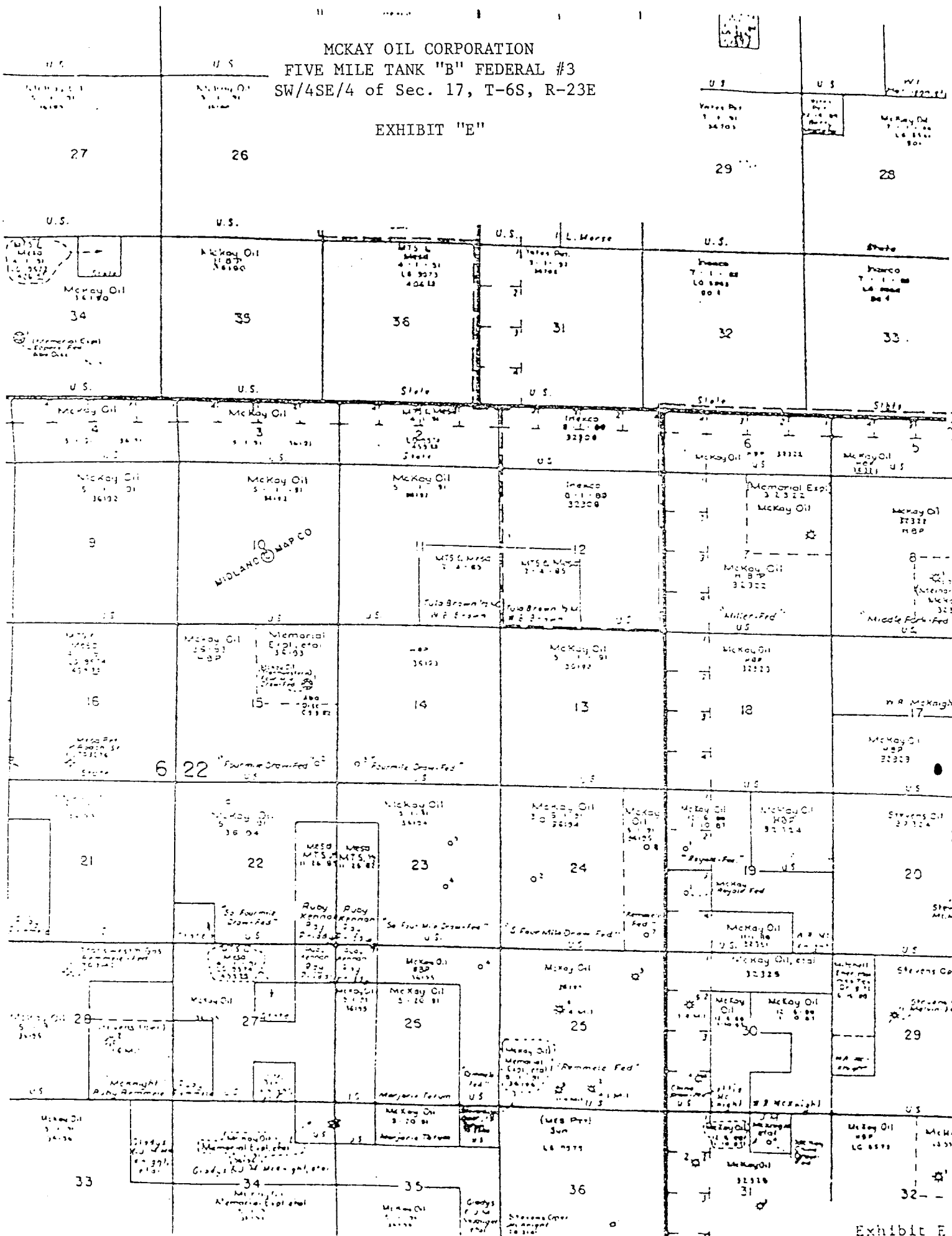
MCKAY OIL CORPORATION
FIVE MILE TANK "B" FED. #3
SW/4SE/4 OF SEC. 17, T6S, R23 E, N.M.P.M.
CHAVES COUNTY, NM

EXHIBIT "D"



MCKAY OIL CORPORATION
FIVE MILE TANK "B" FEDERAL #3
SW/4SE/4 of Sec. 17, T-6S, R-23E

EXHIBIT "E"



**MCKAY OIL CORPORATION
FIVE MILE TANK "B" FED. #3
SW/4SE/4 OF SEC. 17, T6S, R23 E, N.M.P.M.
CHAVES COUNTY, NM**

EXHIBIT "F"

THERE IS NO EXHIBIT "F"

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division

811 S. 1st Street

Artesia, NM 88210-2834

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

SUNDRY 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
☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
McKay Oil Corporation

3a. Address P.O. Box 2014
Roswell, NM 88202

3b. Phone No. (include area code)
505-623-4735

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
880' FSL and 1760' FEL. Sec. 17, T6S, R23E

Serial No.
NM-32323-A

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

Five Mile Tank "B" Fed. #3

9. API Well No.

10. Field and Pool, or Exploratory Area

W. Pecos Slope Abo

11. County or Parish, State

Chaves, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" 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 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 checked="" 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. Describe 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 proposes to construct a natural gas flow line from the Five Mile Tank "B" Fed. #3 to the Five Mile Tank Fed. #3 well. The flow line will be constructed using 2-3/8" line pipe and will initially be layed on the surface. After testing the well and determining it is capable of production we will then trench the line. The flow line will run along the north side of the access road from the Five Mile Tank "B" Fed. #3 to the Five Mile Tank Fed. #3 well.

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
SPECIAL STIPULATIONS
ATTACHED**

This is part of the approval for the Application
for Permit to Drill well No. 3-Five Mile Tank "B"
Federal approved 10-02-2000.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Bill J. Milstead

Title

Vice President

Signature

Date

9/12/00

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by /S/LARRY D. BROWN

Title Assistant Field Manager, OCT 02 2000
Office Lands And Minerals

Conditions of approval, if any, are 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.

ROSWELL FIELD OFFICE APPROVED FOR 1 YEAR

Title 18 U.S.C. Section 1001, makes 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.

