

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

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-36192
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 Coporation 14424		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. Lookout B Federal 5 34715
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1310' FSL & 400' FEL At proposed prod. zone		9. API Well No. 30-005-63763
14. Distance in miles and direction from nearest town or post office* 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 Lot P, Sec 9, T6S, R22E
16. No. of acres in lease 320.00		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 4500'		
20. BLM/BIA Bond No. on file		
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4361'		22. Approximate date work will start* 05/01/2005
		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:

- | | |
|---|--|
| 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 	Name (Printed/Typed) James Schultz	Date 5-5-05
Title Agent		

Approved by (Signature) JORIG, SGD.) ARMANDO A. LOPEZ	Name (Printed/Typed)	Date 6/6/05
Title Assistant Field Manager, Lands And Minerals	Office 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)

NSL-5237

APPROVED FOR 1 YEAR

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 82730	Pool Name
Property Code	Property Name LOOKOUT B FEDERAL	Well Number 5
OGRID No.	Operator Name McKAY OIL CORPORATION	Elevation 4361'

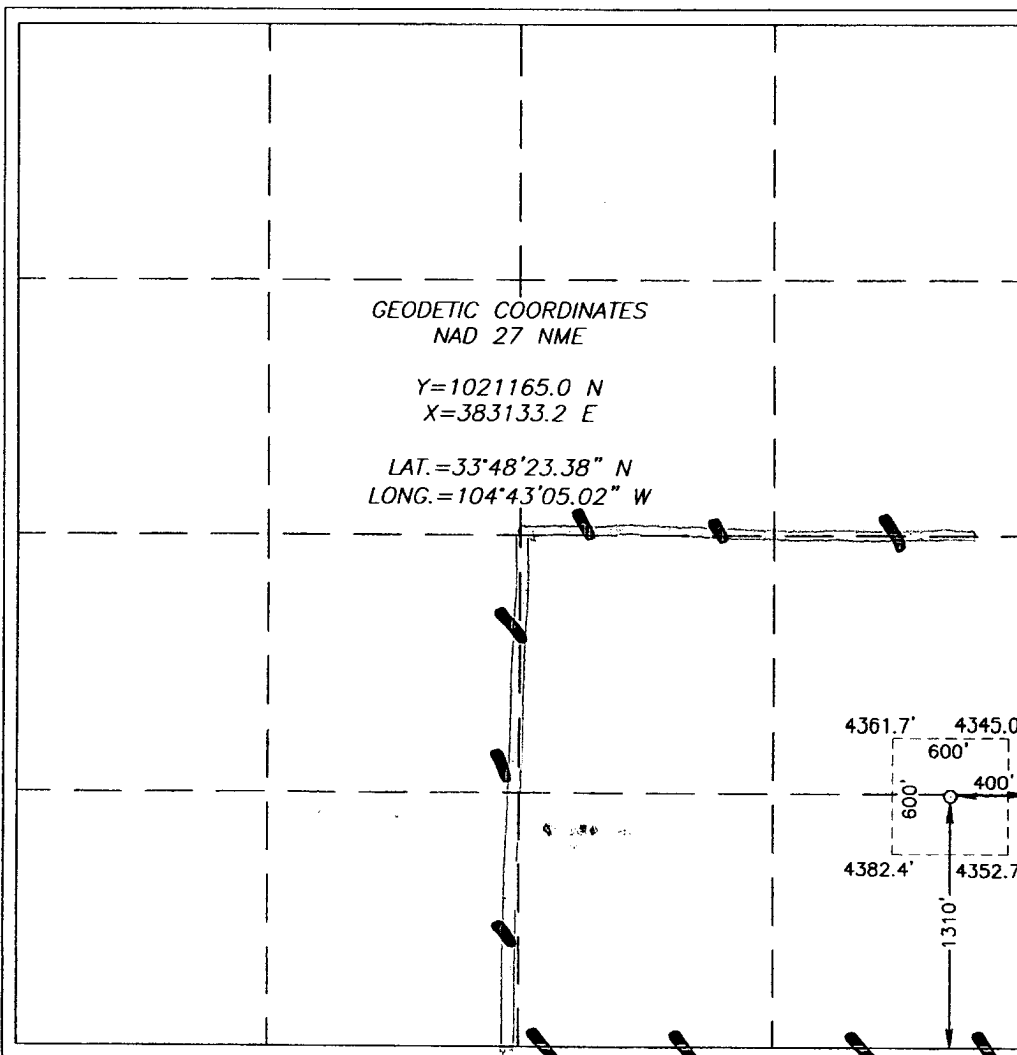
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	9	6-S	22-E		1310	SOUTH	400	EAST	CHAVES

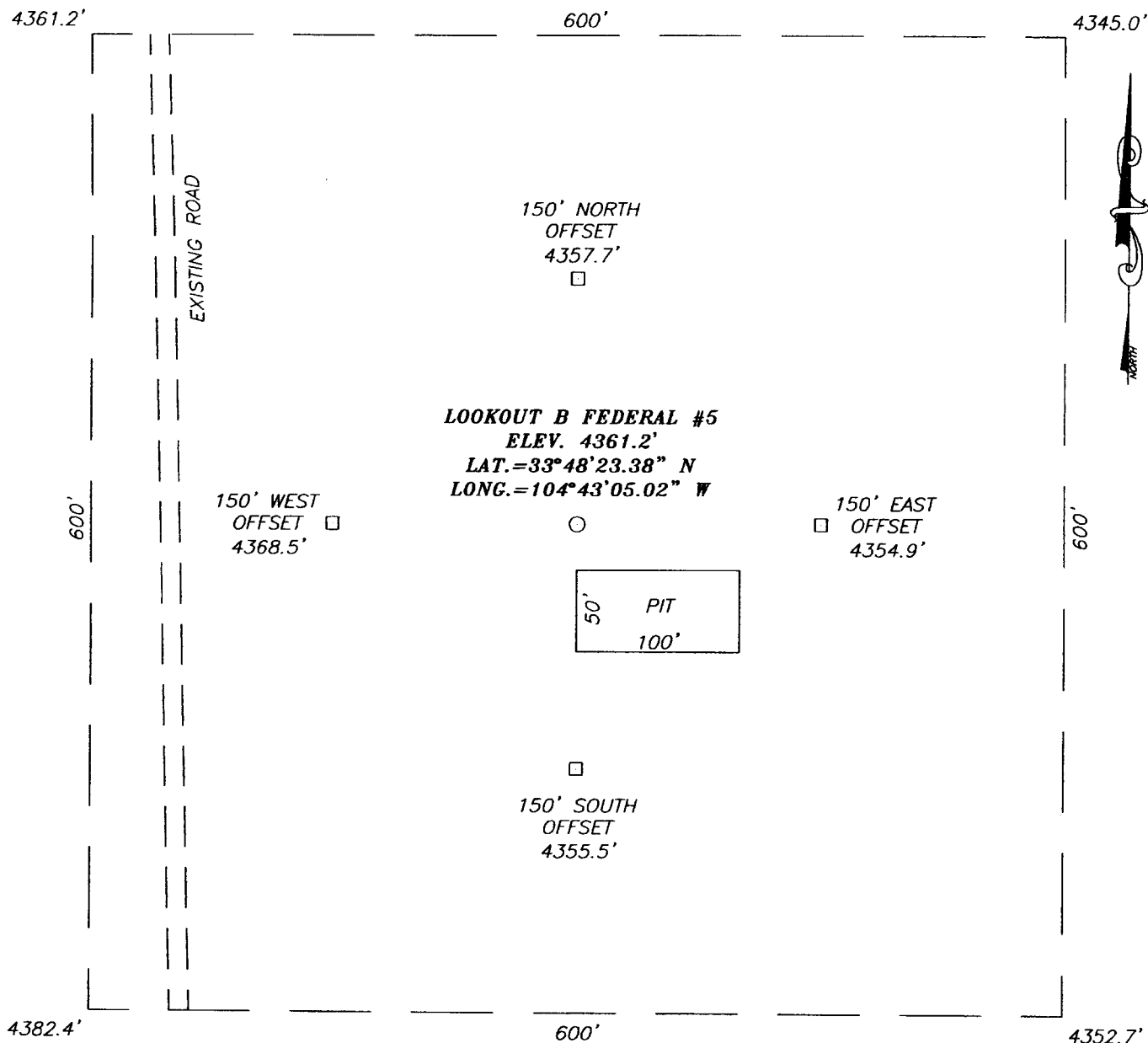
Bottom Hole Location If Different From Surface

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

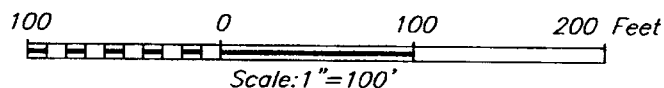
<p>GEODETIC COORDINATES NAD 27 NME Y=1021165.0 N X=383133.2 E LAT.=33°48'23.38" N LONG.=104°43'05.02" W</p> 	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>James Schultz</i> Signature James Schultz Printed Name Agent Title 03/16/05 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>DECEMBER 8, 2004</p> <p>Date Signed Signature Professional Surveyor 12641 04.11.15 No. 12641 Carmel Eidsen</p>
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SECTION 9, TOWNSHIP 6 SOUTH, RANGE 22 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

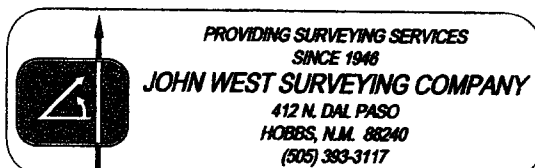
FROM THE INTERSECTION OF U.S. HWY. #285 AND COUNTY ROAD #40 (STARGRASS RD.). GO WEST ON CR. #40 APPROX. 8.3 MILES. TURN RIGHT AND GO N-NW APPROX. 1.1 MILES. TURN RIGHT ON DIRT ROAD AND GO NORTH APPROX. 900'. THIS LOCATION IS APPROX. 250' EAST.



McKAY OIL CORPORATION

LOOKOUT B FEDERAL #5 WELL
 LOCATED 1310 FEET FROM THE SOUTH LINE
 AND 400 FEET FROM THE EAST LINE OF SECTION 9,
 TOWNSHIP 6 SOUTH, RANGE 22 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO.

Survey Date: 12/08/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.1634	Dr By: D. LOVE
Date: 02/28/05	Disk: CD#4
04111634	Scale: 1"=100'



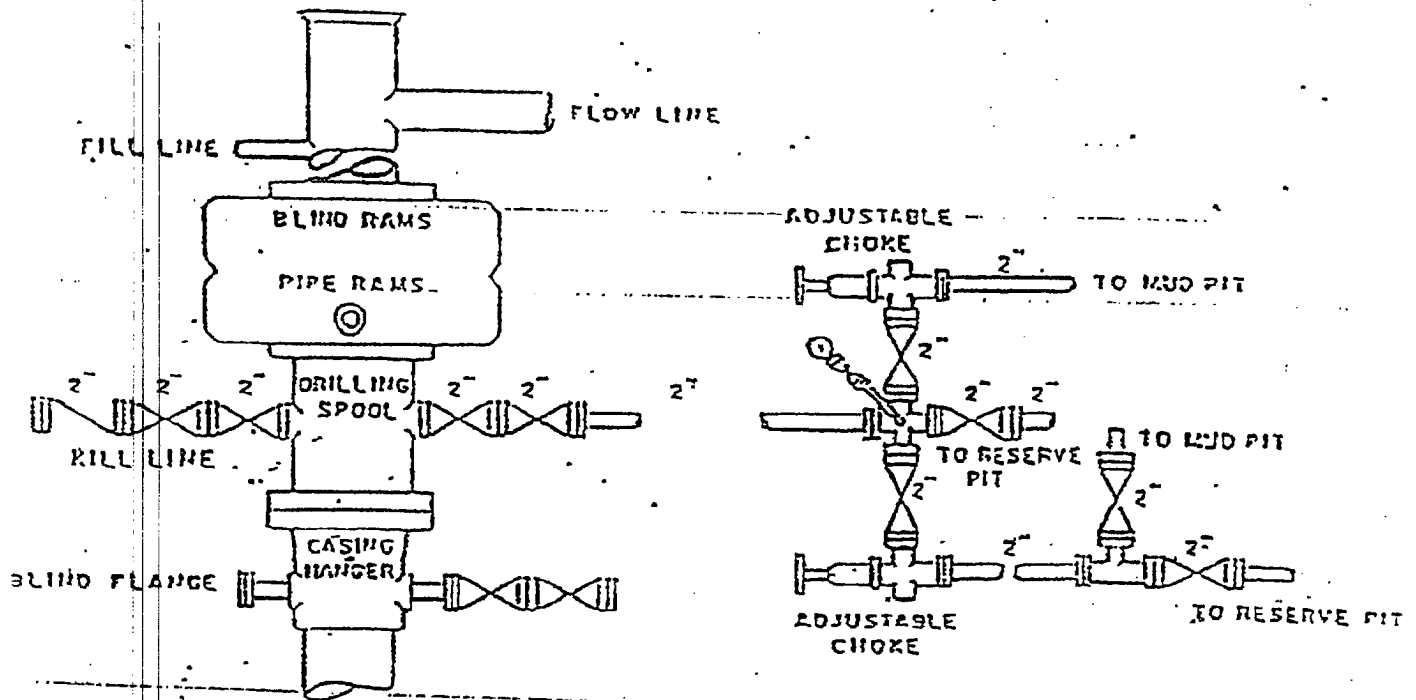
McKay Oil Corporation

Look Out B Federal 5

Section 09, T6S, R22E

Chaves County, New Mexico

Exhibit "D"



SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION
LOOKOUT B FEDERAL 5
1310' FSL & 400' FEL Sec 9, 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 - 1077'
Tubb - 2573'
Abo - 2801'

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

Fresh Water - In surface formation above 600'
Gas - In Abo Formation below 2801'

4. PROPOSED CASING PROGRAM:

12-1/4" hole	8-5/8" J-55	24#	950' +
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.

8. CIRCULATION MEDIUM: Fresh water and mud

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: As soon as possible.

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
LOOKOUT B FEDERAL 3
660' FSL & 660FWL Sec 10, T6S, R22E

Chaves County, New Mexico

NM 36192

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 21 miles north of Roswell, NM.

B. Directions: From the intersection of US Highway #285 and County Rd. #40 (Stargrass Rd.). Go West on CR #40 approximately 8.3 miles. Turn right and go N-NW approximately 1.1 miles. Turn right on dirt road and go north approximately 900'. This location is approximately 250' East,

2. PLANNED ACCESS ROAD:

A. Length and Width: not applicable

B. Surface Materials: Sand, gravel and caliche where needed.

C. Turnouts: None

D. Maximum Grade: No more than 3%.

E. Drain Design: no applicable

F. Culverts: None.

G. Cuts and Fill: None.

MCKAY OIL CORPORATION
Lookout B Federal #5
1310' FSL & 4000' FEL Sec. 09, T6S, R22E

Chaves County, New Mexico

Other Specific Information and Plans

Existing pipeline is already on location.

**Southwest Petroleum
Land Services, LLC**

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

March 21, 2005

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

Re: H2S Contingency Plan-Lookout B Federal #5

Bryan,

Please see attached Contingency Plan-H2S for the Lookout Federal B #5 located in Sec 09, T6S, R22E 1310' FSL & 400' FEL 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
LOOKOUT B FEDERAL 5
LOCATED IN SEC 09, T6S, R22E IN
CHAVES COUNTY, NEW MEXICO

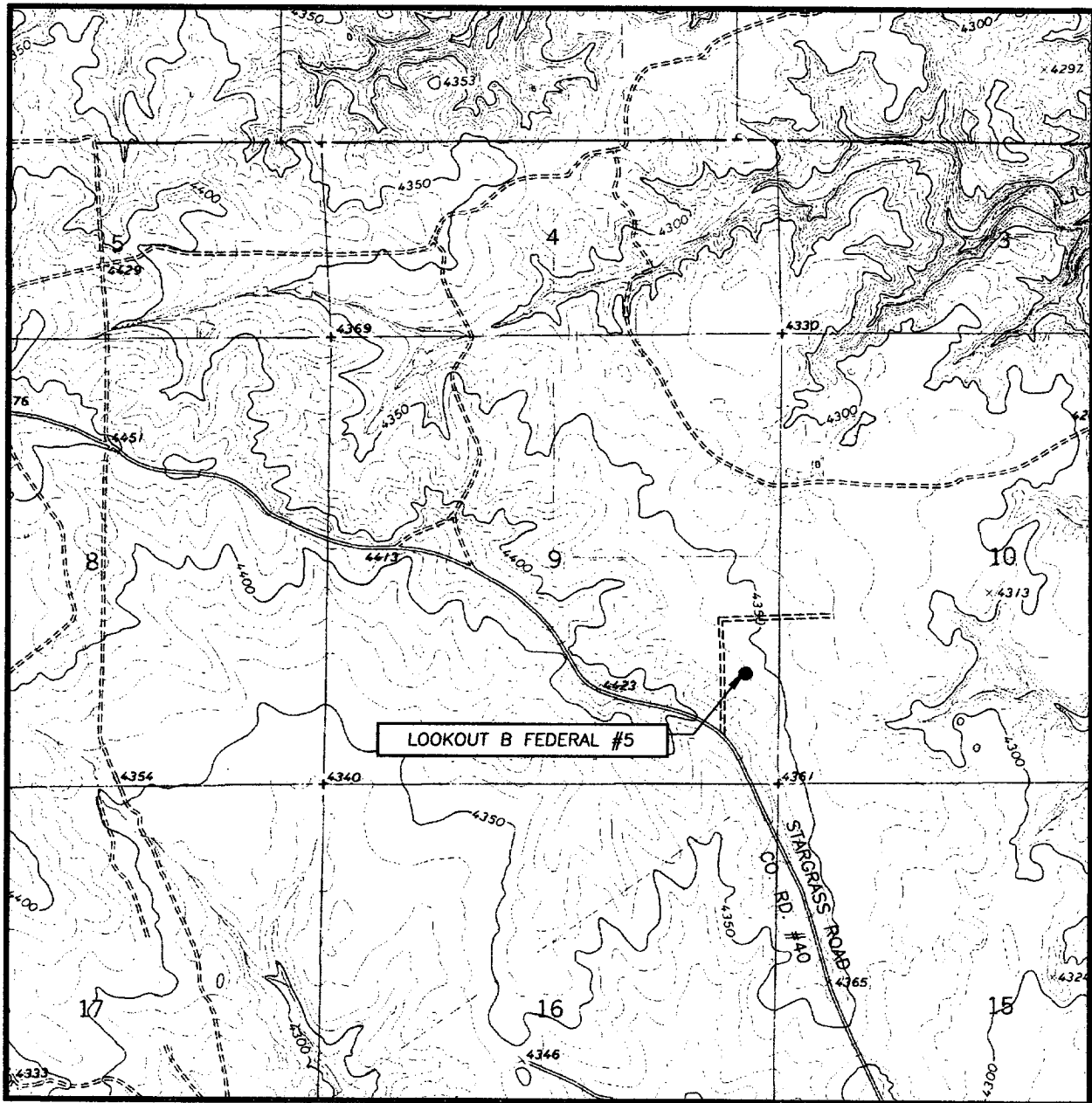
NO HYDROGEN SULFIDE OR OTHER HAZARDOUS GASES OR FLUIDS HAVE
BEEN ENCOUNTERED, REPORTED OR KNOWN TO EXIST AT THIS DEPTH IN
THIS AREA.

LOOKOUT FEDERAL B #5

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

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 9 TWP. 6-S RGE. 22-E

SURVEY N.M.P.M.

COUNTY CHAVES

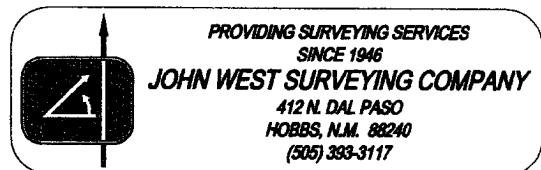
DESCRIPTION 1310' FSL & 400' FEL

ELEVATION 4361'

OPERATOR McKAY OIL CORPORATION

LEASE LOOKOUT B FEDERAL

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



PROVIDING SURVEYING SERVICES
SINCE 1946

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

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
HUMBERTO PEREZ	625-1154	626-8580	627-1985
JIM ROBINSON	625-1154	626-8579	624-1093
APRIL MCKAY	623-4735	626-8575	625-2848

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