

Form 3160-3
(April 2004)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

JAN 21 2005

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

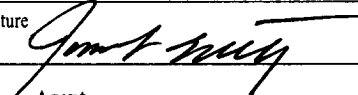
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No.
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		8. Lease Name and Well No. Samantha B #1 Fed. 35002
2. Name of Operator McKay Oil Corporation 14424		9. API Well No. 30-005-63764
3a. Address PO Box 2014 Roswell, NM 88202-2014	3b. Phone No. (include area code) 505-623-4735	10. Field and Pool, or Exploratory W. Pecos ABO Slope
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FSL & 1980' FEL At proposed prod. zone 2080 (0)		11. Sec., T. R. M. or Blk. and Survey or Area Unit O, Sec. 31, T5S, R22E
14. Distance in miles and direction from nearest town or post office* Approximately 25 miles		12. County or Parish Chaves 13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drg. unit line, if any) 660'	16. No. of acres in lease 640.00	17. Spacing Unit dedicated to this well 160'
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.) 4211'	22. Approximate date work will start* 11/01/2004	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 L. Schultz	Date 10/11/2004
Title Agent		

Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date JAN 20 2005
Title Assistant Field Manager,	Office ROSWELL FIELD OFFICE	APPROVED FOR 1 YEAR

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)

CEMENT TO COVER ALL OIL,
GAS AND WATER BEARING
ZONES

If earthen pits are used in
association with the drilling of this
well, an OCD pit permit must be
obtained prior to pit construction.

154 - 5258

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT1301 W. Central Avenue
Artesia, NM 88210FORM APPROVED
OM B No. 1004-0137
Expires: March 31, 2007

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

RECEIVED

2. Name of Operator
McKay Oil Corporation

JAN 21 2005

3a. Address
PO Box 2014, Roswell, NM 88202-20143b. Phone No. (include area code)
505.623.47354. Location of Well (Footage, Sec., T., R., M., or Survey Description)
660' FSL, 2080' FEL, Unit O, Section 31, T5S, R22E

5. Lease Serial No.

NM 88084

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

Samantha B Federal #1

9. API Well No.

30-005-63764

10. Field and Pool, or Exploratory Area
W. Pecos ABO Slope

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 type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input checked="" 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 recomple 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 recomple 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.)

(1.) Move well location to 660' FSL, 2080' FEL.

(2.) The well pad will be rotated to the Northwest (Pits to the Northwest).

(3.) Access Road is approximately 1012' long and moved to the Southeast corner of location.

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

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

James L. Schultz

Title Agent

Signature

Date

01/10/2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/S/LARRY D. BRAY

Title

Assistant Field Manager

Date

JAN 20 2005

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.

Office

ROSWELL FIELD OFFICE

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 - 5258

State of New Mexico

DISTRICT I

1625 N. FRENCH DR., HOBBS, NM 88240

Energy, Minerals and Natural Resources Department

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

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	Pool Name
Property Code	Property Name SAMANTHA B	Well Number 1
OGRID No.	Operator Name McKAY OIL CORPORATION	Elevation 4211'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
0	31	5-S	22-E		660	SOUTH	1980	EAST	CHAVES

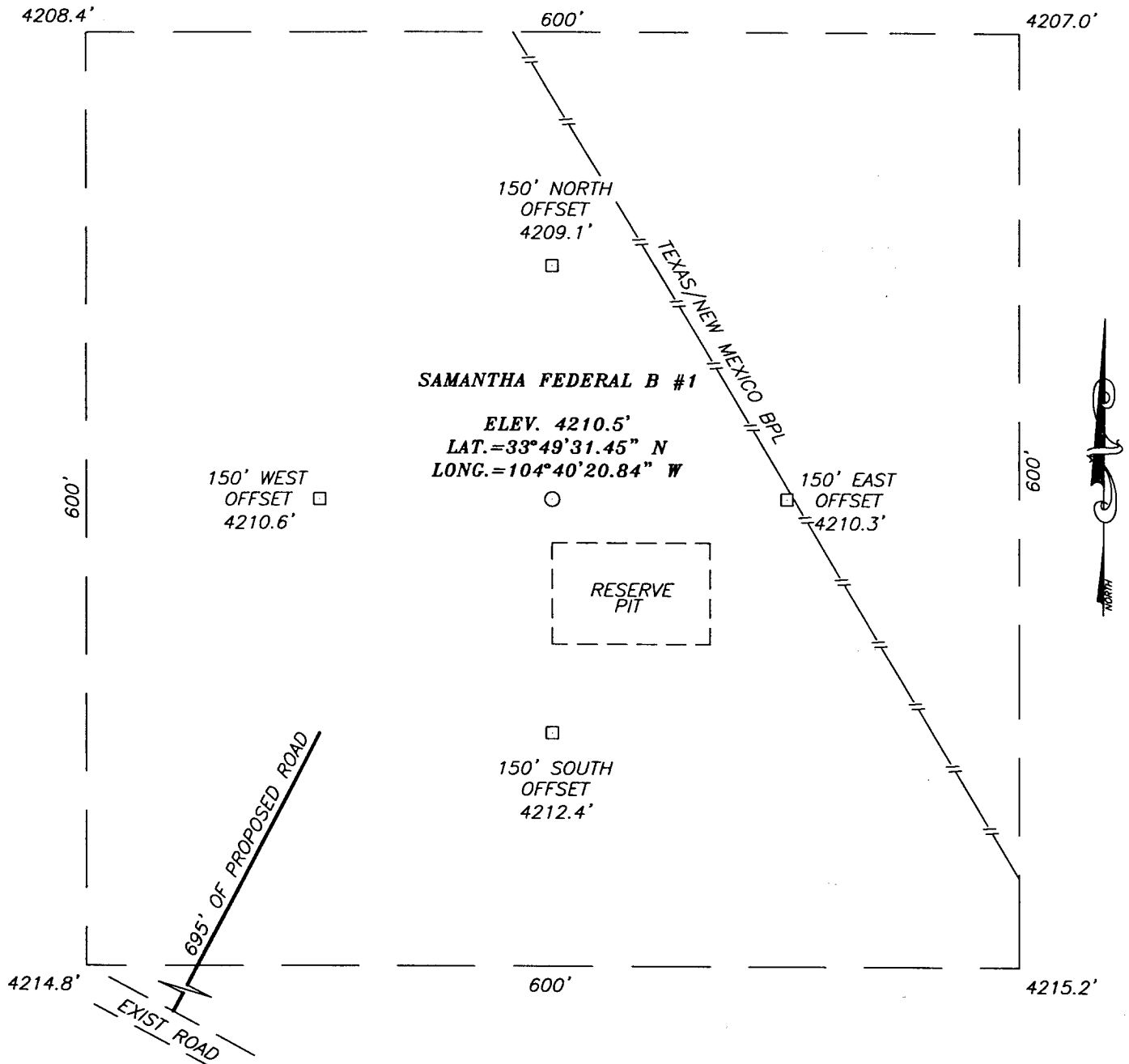
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 16c	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

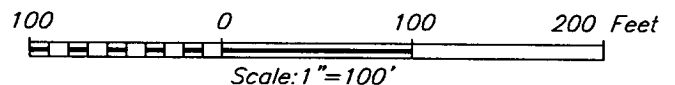
<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=1027996.8 N X=397009.4 E</p> <p>LAT.=33°49'31.45" N LONG.=104°40'20.84" W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>James Schultz</i> Signature James Schultz Printed Name Agent Title 10/11/2004 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>SEPTEMBER 14, 2004 Date Surveyed JR Signature & Seal of Professional Surveyor <i>GARY EIDSON</i> 04.11.1156 Certificate No. GARY EIDSON 12641</p>

SECTION 31, TOWNSHIP 5 SOUTH, RANGE 22 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

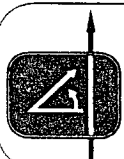
FROM THE INTERESECTION OF U.S. HWY. # 208
AND CO. RD. #40 (STARGRASS RD.) GO WEST
ON CO. RD. #40 FOR APPROX. 2.5 MILES TO A
CALICHE ROAD ON THE RIGHT. TURN RIGHT
(NORTH) AND GO APPROX. 2.0 MILES, TURN
LEFT (WEST) AND GO APPROX. 1.0 MILES, TURN
RIGHT (NORTH) AND GO APPROX. 0.15 MILES
PAST CATTLEGUARD. TURN WEST AND GO
APPROX. 2.6 MILES. PROPOSED LOCATION IS
APPROX. 500' NORTH ACROSS PASTURE.



McKAY OIL CORPORATION

SAMANTHA FEDERAL B #1 WELL
LOCATED 660 FEET FROM THE SOUTH LINE
AND 1980 FEET FROM THE EAST LINE OF SECTION 31,
TOWNSHIP 5 SOUTH, RANGE 22 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.

Survey Date: 09/14/04	Sheet 1 of 1 Sheets		
W.O. Number: 04.11.1156	Dr By: J.R.	Rev 1:10/4/04	
Date: 09/24/04	Disk: CD#10	04111156	Scale: 1"=100'



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 383-3117

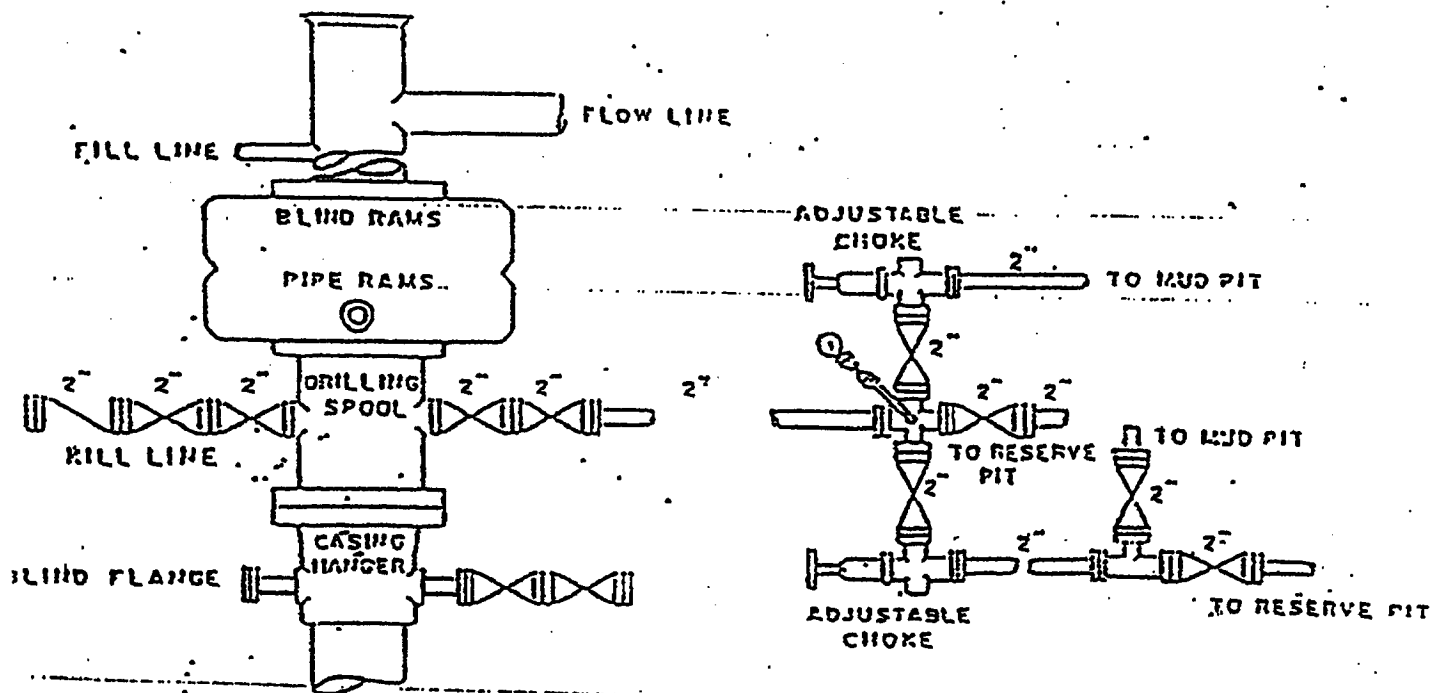
MCKAY OIL COPORATION

Samantha B #1

SW4SE4 of Section 31, T5S, R22E

Chaves County, New Mexico

EXHIBIT "D"



SUPPLEMENTAL DRILLING DATA

MCKAY OIL CORPORATION
SAMANTHA B #1
660' FSL & 1980' FEL Sec. 31, T5S, 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 - 934'
Tubb - 2430'
Abo - 2643'

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

Fresh Water - In surface formation above 600'
Gas - In Abo Formation below 2643'

4. PROPOSED CASING PROGRAM:

12-1/4" hole 8-5/8" ~~42~~ 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: 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 November 1, 2004
Drilling should be completed within 10 days. Completion operations (perforations and stimulation) will follow drilling operations.

**Southwest Petroleum
Land Services, LLC**

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

October 13, 2004

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

Re: H2S Contingency Plan-Samantha B #1

Bryan,

Please see attached Contingency Plan-H2S for the Samantha B #1 located in Sec 31, T5S, R22E 660' FSL & 1980' 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
SAMANTHA B #1
LOCATED IN SEC 31, T5S, 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.

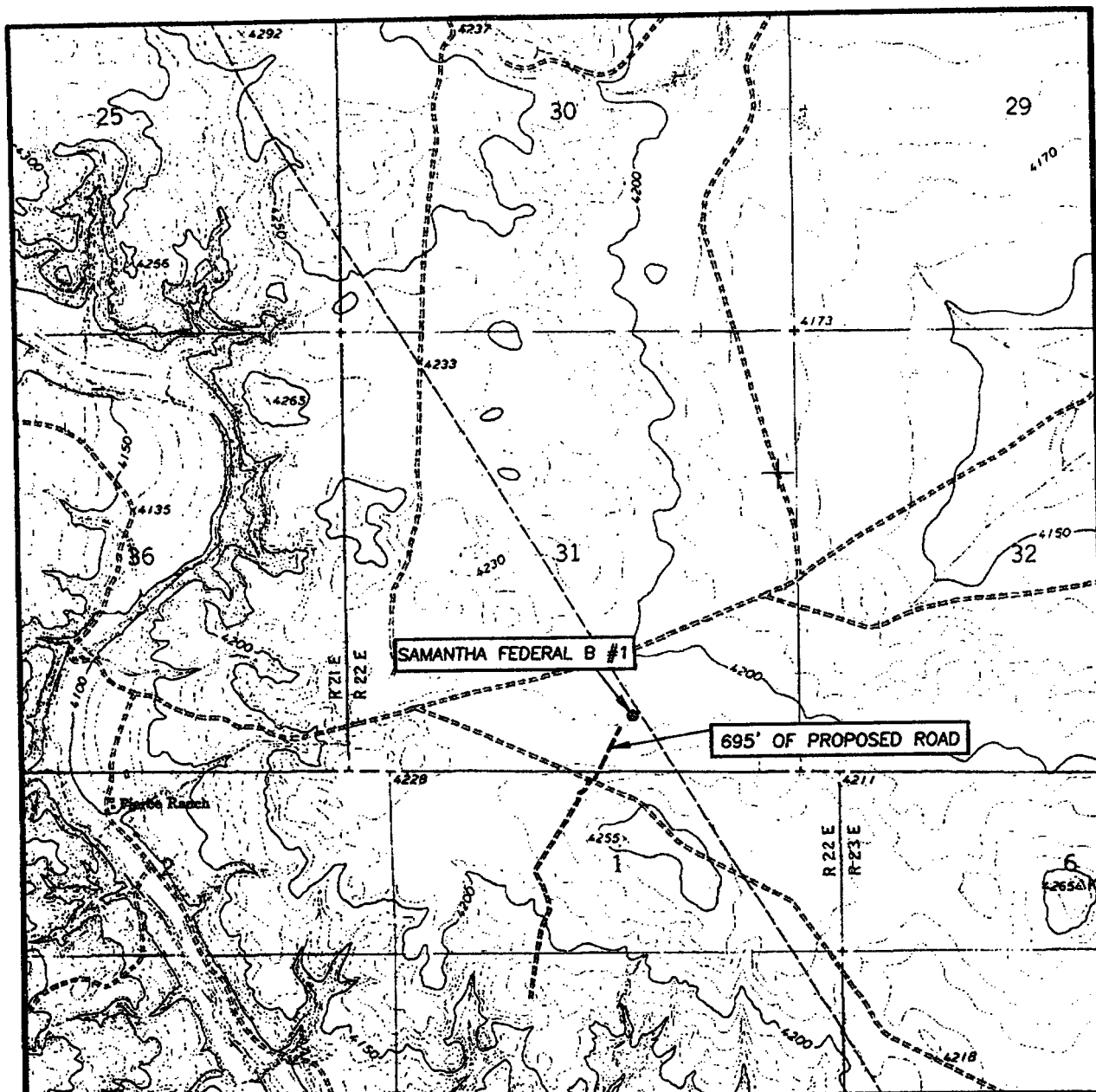
SAMANTHA B #1

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

EXHIBIT "B"

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 31 TWP. 5-S RGE. 22-E

SURVEY N.M.P.M.

COUNTY CHAVES

DESCRIPTION 660' FSL & 1980' FEL

ELEVATION 4211'

OPERATOR McKAY
OIL CORPORATION

LEASE SAMANTHA FEDERAL B

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

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 383-9117

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



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

OLD-ARTISIA

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 19, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

McKay Oil Corporation

c/o Southwest Petroleum Land Services, LLC

100 N. Pennsylvania

Roswell, New Mexico 88203

RECEIVED

JUL 29 2005

OLD-ARTISIA

Attention: **Jim Schultz**

Re: *Administrative application for an exception to the well location provisions of the rules and regulations governing the West Pecos Slope-Abo Gas Pool (82740) for McKay Oil Corporation's proposed Samantha "B" Federal Well No. 1 to be drilled at an unorthodox gas well location 660 feet from the South line and 2080 feet from the East line (unit O) of Section 31, Township 5 South, Range 22 East, NMPM, Chaves County, New Mexico.*

Dear Mr. Schultz:

This letter acknowledges receipt of your above-described refilling of the administrative application dated May 20, 2005 for administrative review to the New Mexico Oil Conservation Division ("Division") by telefax on June 29, 2005. This matter has been assigned **administrative application reference No. pSEM0-518128518**. Please refer to this number in future correspondence with the Division.

Since you are proposing to complete this well in the Abo formation, it is subject to the special pool rules governing the West Pecos Slope-Abo Gas Pool (see copies of Division Orders No. R-9976-C and R-9976-D attached). The well location and spacing provisions for this pool require: (i) a spacing unit of 160 acres being a single quarter section that is a legal subdivision of the U. S. Public Land Surveys; (ii) wells to be located no closer than 660 feet to any outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and (iii) allows for an optional infill within an existing unit without the necessity of a hearing.

My preliminary review indicates that the information provided in the application is insufficient to process an administrative order. You mention in your application a couple of times that the proposed unorthodox location is also "due to geological concerns;" however, no details were provided nor were there any geological or engineering support data included. Please provide me with a detailed discussion how the proposed unorthodox location is geologically necessary and a geological interpretation on the Abo structure underlying the immediate area. Also, provide sufficient information (plats, maps, cross-sections, calculations) to support your claim. There still is no explanation why this well cannot be moved to a standard location to the north in either the NE/4 or NW/4 of the SE/4 of Section 31.

McKay Oil Corporation c/o Southwest Petroleum Land Services, LLC
Division Administrative Application Reference No. pSEM0-518128518

July 19, 2005

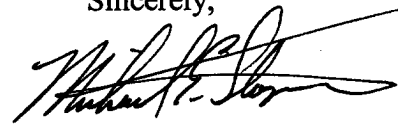
Page 2

Since the submitted information is insufficient to review, the application was ruled as incomplete on July 19, 2005. Please submit the above stated information by Friday, July 29, 2005.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be: (i) faxed to (505) 476-3462; (ii) e-mailed to "michael.stogner@state.nm.us"; or (iii) mailed to the address shown above.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 476-3465. Thank you.

Sincerely,



Michael E. Stogner
Engineer

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
April McKay, Vice President – McKay Oil Corporation, Roswell