

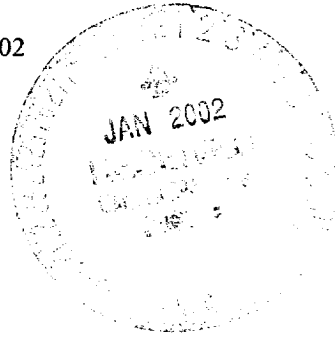


NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 24, 2002



MYCO Industries, Inc.
c/o Permits West, Inc.
37 Verano Loop
Santa Fe, New Mexico 87505
Attention: Brian Wood
brian@permitswest.com

Administrative Order NSL-4689

Dear Mr. Wood:

Reference is made to the following: (i) your application on behalf of the operator, MYCO Industries, Inc. ("MYCO"), submitted to the New Mexico Oil Conservation Division ("Division") on January 3, 2002 (*Division application reference No. pKRV0-200334401*); and (ii) the Division's records in Aztec and Santa Fe: all concerning MYCO's request for authorization to reenter the plugged and abandoned "LY" Federal Well No. 1 (API No. 30-045-29113), located 2490 feet from the South line and 1780 feet from the West line (Unit K) of Section 34, Township 25 North, Range 13 West, NMPM, San Juan County, New Mexico.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

This well, to be redesignated the "LY" Federal Well No. 4, was originally drilled by MYCO to a total depth of 1,200 feet in 1994 and completed in the Basin-Fruitland Coal (Gas) Pool at a standard coal gas well location within the W/2 of Section 34, being a standard 320-acre gas spacing unit for this pool. According to the Division's records this well never produced commercial volumes of gas and in 1996 was plugged and abandoned.

It is our understanding that MYCO now intends to reenter this well and attempt a completion in the Pictured Cliffs formation within a standard 160-acre gas spacing unit comprising the SW/4 of Section 34. The location of this well however is considered to be unorthodox pursuant Division Rule 104.C (3).

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Pictured Cliffs gas well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Aztec
U. S. Bureau of Land Management - Farmington