



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 11, 2008

Ms. Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSL-5927

Re: Myco Industries, Inc.
Basin 15 Federal Well No. 1
API No. 30-015
1745 feet FSL and 1455 feet FWL
Unit K, Section 15-21S-25E
Eddy County, New Mexico

Dear Ms Munds-Dry:

Reference is made to the following:

- (a) your application (**administrative application reference No. pKVR08-21828683**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Myco Industries, Inc. (Myco) on August 4, 2008,
- (b) additional information supplied in your email dated September 11, 2008, and
- (c) the Division's records pertinent to this request

Myco has requested to drill the above-referenced well at an unorthodox oil well location, described above in the caption of this letter. The NE/4 SW/4 of Section 15 will be dedicated to this well in order to form a standard 40-acre spacing unit in the undesignated Catclaw Draw-Delaware Pool (10480). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is less than 330 feet from the western unit boundary.

Your application on behalf of Myco has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location in order to comply with United States Bureau of Land Management surface siting requirements.



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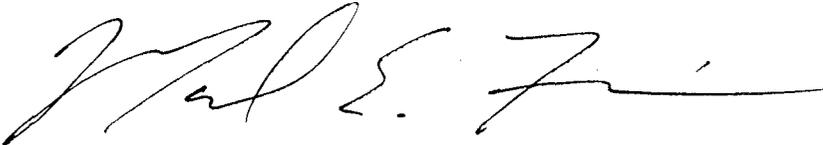
It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to Myco being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad