



August 4, 2008

HAND DELIVERY

Mr. Mark Fesmire, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Myco Industries, Inc. for administrative approval of an unorthodox well location for its Basin 15 Federal Well No. 1, to be drilled to the Delaware formation at a location 1745 feet from the South line and 1455 feet from the West line of Section 15, Township 21 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

Dear Mr. Fesmire:

Myco Industries, Inc. ("Myco") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) of an unorthodox well location for its Basin 15 Federal Well No. 1, in the Delaware formation, to be drilled 1745 feet from the South line and 1455 feet from the West line of Section 15, Township 21 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

This proposed location in the Delaware formation is unorthodox because it is governed by the Division's Statewide Rules which provides for oil wells on 40-acre spacing units to be located no closer than 330 feet from the outer boundary of the spacing unit. The proposed location is 135 feet from the western boundary of the spacing unit and therefore 195 feet closer than the rules allow. A standard 40-acre spacing unit and proration unit comprised of the NE/4 SW/4 of Section 15 will be dedicated to the well.

The unorthodox location is required for geologic reasons. Myco originally proposed a standard location to the BLM. However, the BLM has requested that Myco move the location because of Cave and Karst issues. Attached as **Exhibit A** is a BLM map which shows Cave or Karst Occurrence Areas. The area outlined in red on the map is the area of the proposed wellsite.



This location encroaches on the spacing unit to the west which is operated by Myco and all underlying mineral interests are common in both spacing units. Therefore, there are no affected parties as defined by Division rules and no notice is required. **Exhibit B** is the C-102 showing the proposed well location and spacing unit.

Your attention to this application is appreciated.

Sincerely,

Ocean Munds-Dry

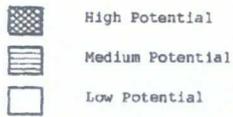
Ocean Munds-Dry

ATTORNEY FOR MYCO INDUSTRIES, INC.

Enclosures

cc: Hannah Palomin

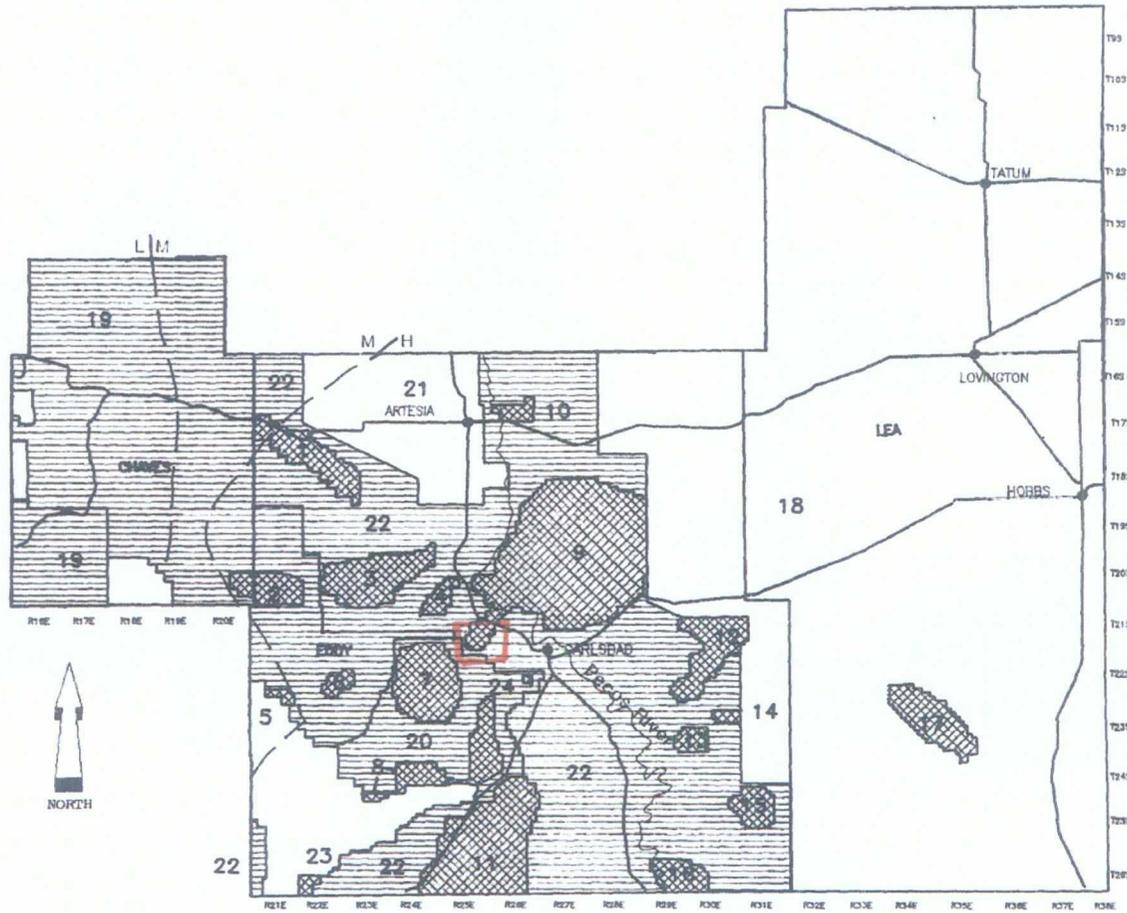
Cave or Karst Occurrence Areas



Oil & Gas Potential
Occurrence Boundaries

H = High Potential
M = Moderate Potential
L = Low Potential

NOTE - The table associated with this map shows the relative depth of each area shown on this map. For example, area number 9 is the Burton Flats area which has a high potential for the occurrence of caves or karst features to a depth of 350 feet.



Township 21 South, Range 25 East, NMPM
Eddy County, New Mexico

SCALE
1/2" = 9.5 Miles
BIM-Roswell District, 1994

MAP A3-1
CAVE or KARST OCCURRENCE AREAS
Carlsbad Resource Area

AP3-3



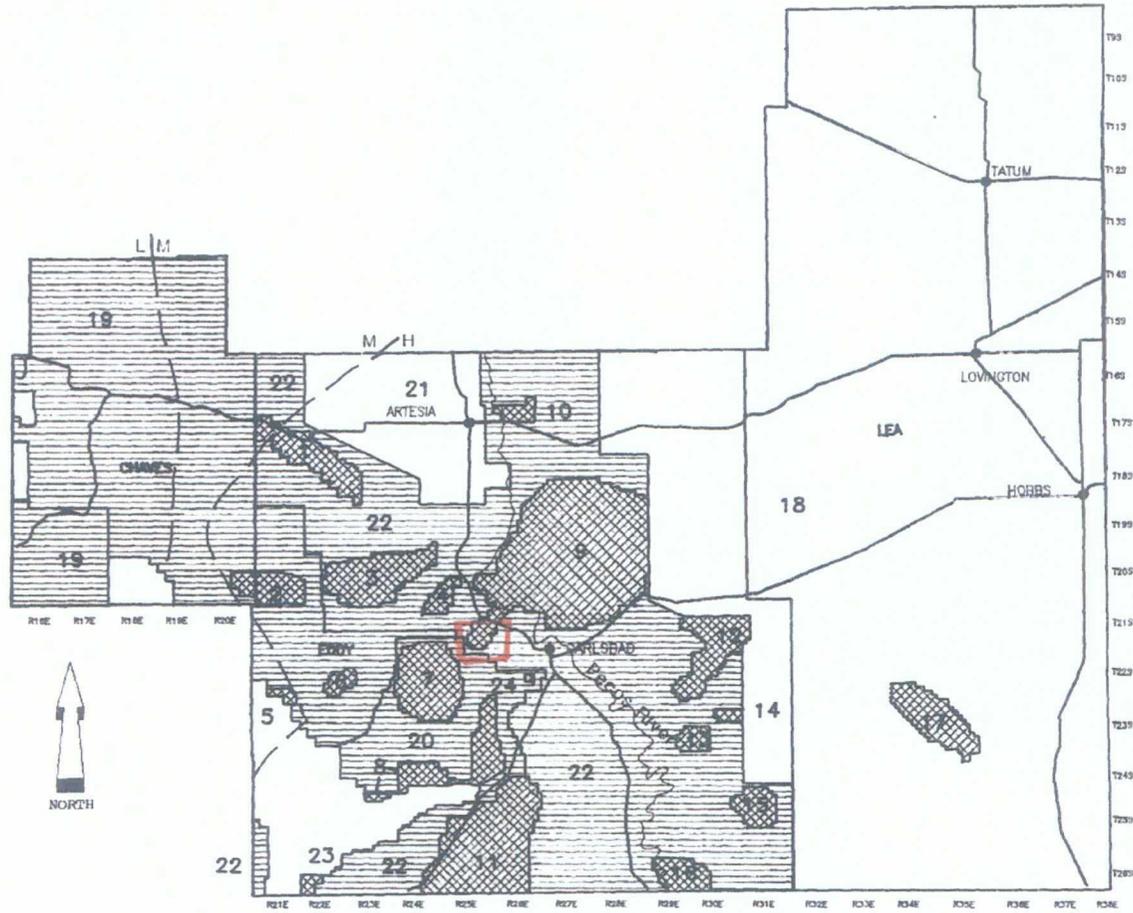
Cave or Karst Occurrence Areas

-  High Potential
-  Medium Potential
-  Low Potential

Oil & Gas Potential
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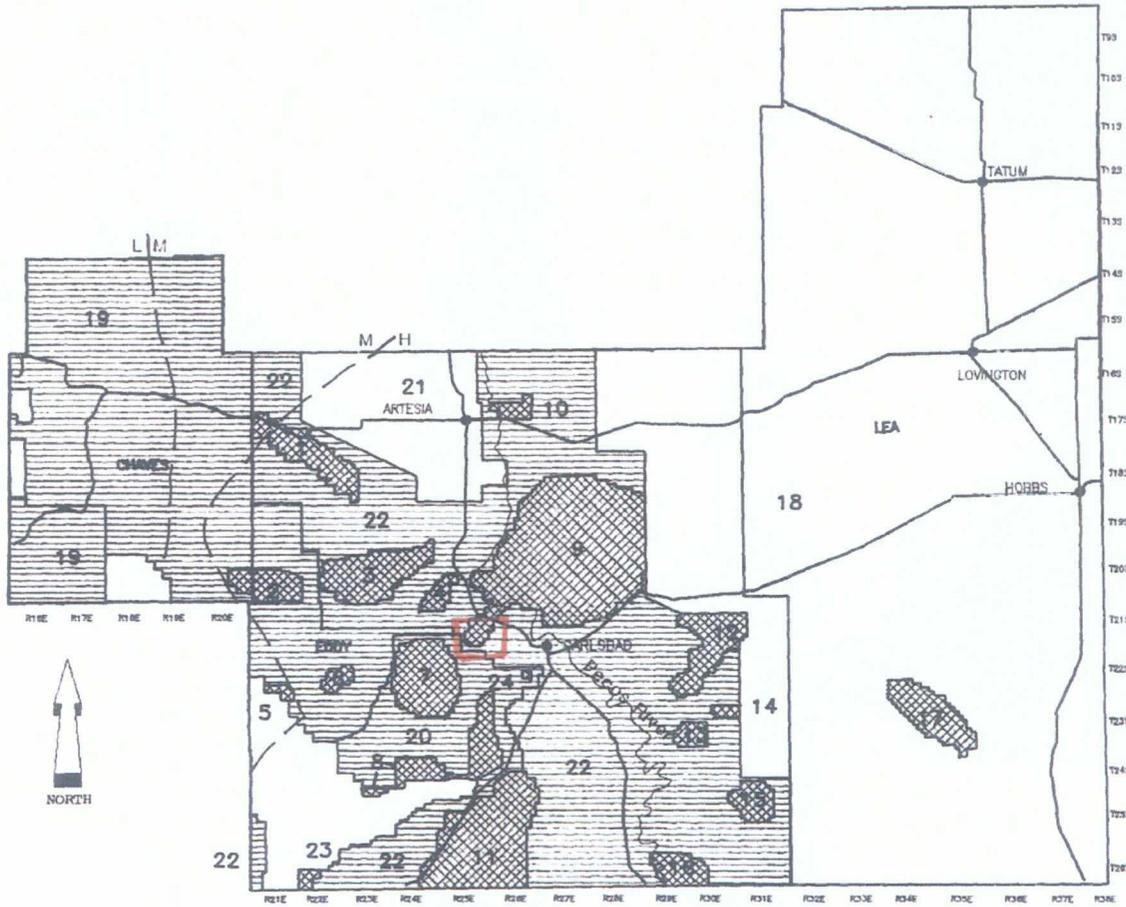
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MAP A3-1
CAVE or KARST OCCURRENCE AREAS
Carlsbad Resource Area

AP3-3

DISTRICT I
1825 N. FRENCH DR., HOBBES, NM 88240

DISTRICT II
1201 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

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number	Pool Code 10480	Pool Name Catalaw Draw (Delaware) Oil
Property Code	Property Name BASIN 15 FEDERAL	Well Number 1
OGRID No. 15445	Operator Name MYCO INDUSTRIES, INC.	Elevation 3434'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	15	21-S	25-E		1745	SOUTH	1455	WEST	EDDY

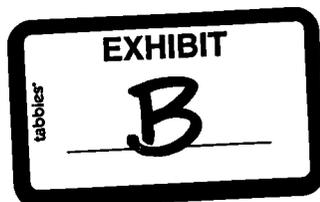
Bottom Hole Location If Different From Surface

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

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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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=537120.6 N X=483618.6 E</p> <p>LAT.=32.476645° N LONG.=104.386454° W</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature: <i>[Signature]</i> Date: 5.19.08 Printed Name: Gary Milne Agent</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>Date: 5/19/08 Signature: <i>[Signature]</i> Professional Surveyor 3239</p>
		<p>Certificate No. GARY EIDSON 12841 RONALD J. EIDSON 3239</p>



State of New Mexico

Energy, Minerals and Natural Resources Department

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1625 N. FRENCH DR., HOBBS, NM 88240

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Brooks, David K., EMNRD

From: Brooks, David K., EMNRD
Sent: Tuesday, September 02, 2008 2:51 PM
To: 'Ocean Munds-Dry'
Subject: Myco Industries Basin Fed 15 #1

Dear Ocean

This location appears to encroach on the diagonal towards the SW/4 SW/4 (Unit M) of Section 15, as well as directly towards the NW/SW (Unit L). By my calculation the diagonal from the location to the SW corner of the spacing unit is the square root of 198,850 feet, whereas the nearest standard location would be the square root of 217,800 feet.

Is ownership also common as to Units M and K? If so please advise. If not, notice to affected persons in Unit M will be required.

Sincerely

David

Brooks, David K., EMNRD

From: Ocean Munds-Dry [Omundsdry@hollandhart.com]
Sent: Thursday, September 11, 2008 7:41 AM
To: Brooks, David K., EMNRD
Subject: RE: Myco Industries Basin Fed 15 #1

David - The ownership in Unit M is also common with Unit K.

Thanks,
Ocean

From: Brooks, David K., EMNRD [mailto:david.brooks@state.nm.us]
Sent: Tuesday, September 02, 2008 3:51 PM
To: Ocean Munds-Dry
Subject: Myco Industries Basin Fed 15 #1

Dear Ocean

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