

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
May 27, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

RECEIVED

NOV 02 2004

Submit to appropriate District Office

ODD-ARTESIA

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address MYCO INDUSTRIES, INC. P.O. BOX 840, ARTESIA, NEW MEXICO 88211		² OGRID Number 015445
³ Property Code		⁴ API Number 30- 015-33705
⁵ Property Name MADISON 1 FEE COM		⁶ Well No. #1
⁹ Proposed Pool 1 CARLSBAD MORROW, EAST		¹⁰ Proposed Pool 2

7 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/Westline	County
E	1	22S	27E		1980'	NORTH	1310'	WEST	EDDY

8 Proposed 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/Westline	County
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Additional Well Information

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3093'
¹⁶ Multiple N	¹⁷ Proposed Depth 12,100'	¹⁸ Formation MORROW	¹⁹ Contractor NABORS DRLG.	²⁰ Spud Date 01/28/2005
Depth to Groundwater 350-400'		Distance from nearest fresh water well > 1 MILE		Distance from nearest surface water > 1 MILE
Pit: Liner: Synthetic ☒ 20 milst thick Clay ☐ Pit Volume: _____ bbls Drilling Method: _____ Closed-Loop System ☐ Fresh Water ☒ Brine ☐ Diesel/Oil-based ☐ Gas/Air ☐				

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	48.0#	475'	500	CIRCULATE
12-1/4"	9-5/8"	36.0#	2200'	900	CIRCULATE
8-3/4"	5-1/2"	17.0#	12100'	2000	CIRCULATE
					2-STAGE

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

*NOTE: WILL RUN FLUID CALIPER ON ALL STRINGS.

NOTE ATTACHED APPLICATION FOR DRILLING - PROCEDURE

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines ☐, a general permit ☐, or an (attached) alternative OCD-approved plan ☒.

OIL CONSERVATION DIVISION

Approved by:

TIM W. GUM

DISTRICT II SUPERVISOR

Printed name: A.N. MUNCY *ainimuncy, PELS*

Title: EXPL./OPER. MGR.

Approval Date: NOV 08 2004

Expiration Date: NOV 08 2005

E-mail Address: anmuncy@mycoinc.com

Date: 10/28/2004

Phone: (505)748-4289

Conditions of Approval Attached ☐

MYCO INDUSTRIES, INC.
MADISON 1 FEE COM #1
1980' FNL & 1310' FWL (UNIT E)
N/2 OF SEC. 1-T22S-R27E
EDDY COUNTY, NEW MEXICO

APPLICATION FOR DRILLING - PROCEDURE

1. The estimated tops of geologic markers are as follows:

Bell Canyon	2650'	Atoka	11,000'
Brushy Canyon	3980'	Morrow "A"	11,400'
Bone Spring LS	5500'	Morrow "B"	11,500'
Wolfcamp	9050'	Morrow "C"	11,750'
Strawn	10,400'	TD	12,100'

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water:	350' – 400'
Oil or Gas:	9700' – 11,950'

3. Pressure Control Equipment: BOPE will be installed on the 9-5/8" casing and rated for 5000 BOP. Systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report.

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when Kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft.</u>	<u>Grade</u>	<u>Thread</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48.0#	H-40	8R	ST&C	0-475'	475'
12 1/4"	9 5/8"	36.0#	J-55	8R	LT&C	0-2200'	2200'
8 3/4"	5 1/2"	17.0#	K/N-80	8R	LT&C	0-12100'	12100'

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8

- B. Cementing Program:

Surface Casing: 13 3/8" casing circulate cement 500 sacks.

Intermediate Casing: 9 5/8" casing circulate cement 900 sacks.

Production Casing: 5 1/2" casing circulate cement 2000 sacks, (2-Stage)

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 475'	FW	8.6 – 9.8	32-40	N/C
475' – 2200'	FW	10.0 – 10.3	28	N/C
2200' – TD	SW Gel/Starch	9.4 – 9.8	32-40	10cc

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: 2500' to TD (12,100')

Logging: Mud Logger (1-man); 2500'-TD *GR 0'-TD, Porosity & Resistivity 2500'-TD

Coring: None anticipated

DST's: None anticipated

7. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Anticipated BHP:

From: 0	TO: 425'	Anticipated Max. BHP: 200 PSI
From: 425'	TO: 2200'	Anticipated Max. BHP: 500 PSI
From: 2200'	TO: TD	Anticipated Max. BHP: 5000 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 170° F

8. ANTICIPATED STARTING DATE:

Plans are to drill spud this well approximately January 28, 2005. It should take approximately 40 days to drill the well with completion taking another 10-20 days.

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 68240

State of New Mexico
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 MADISON 1 FEE COM	Well Number 1
OGRID No.	Operator Name MYCO INDUSTRIES, INC.	Elevation 3093'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	1	22-S	27-E		1980	NORTH	1310	WEST	EDDY

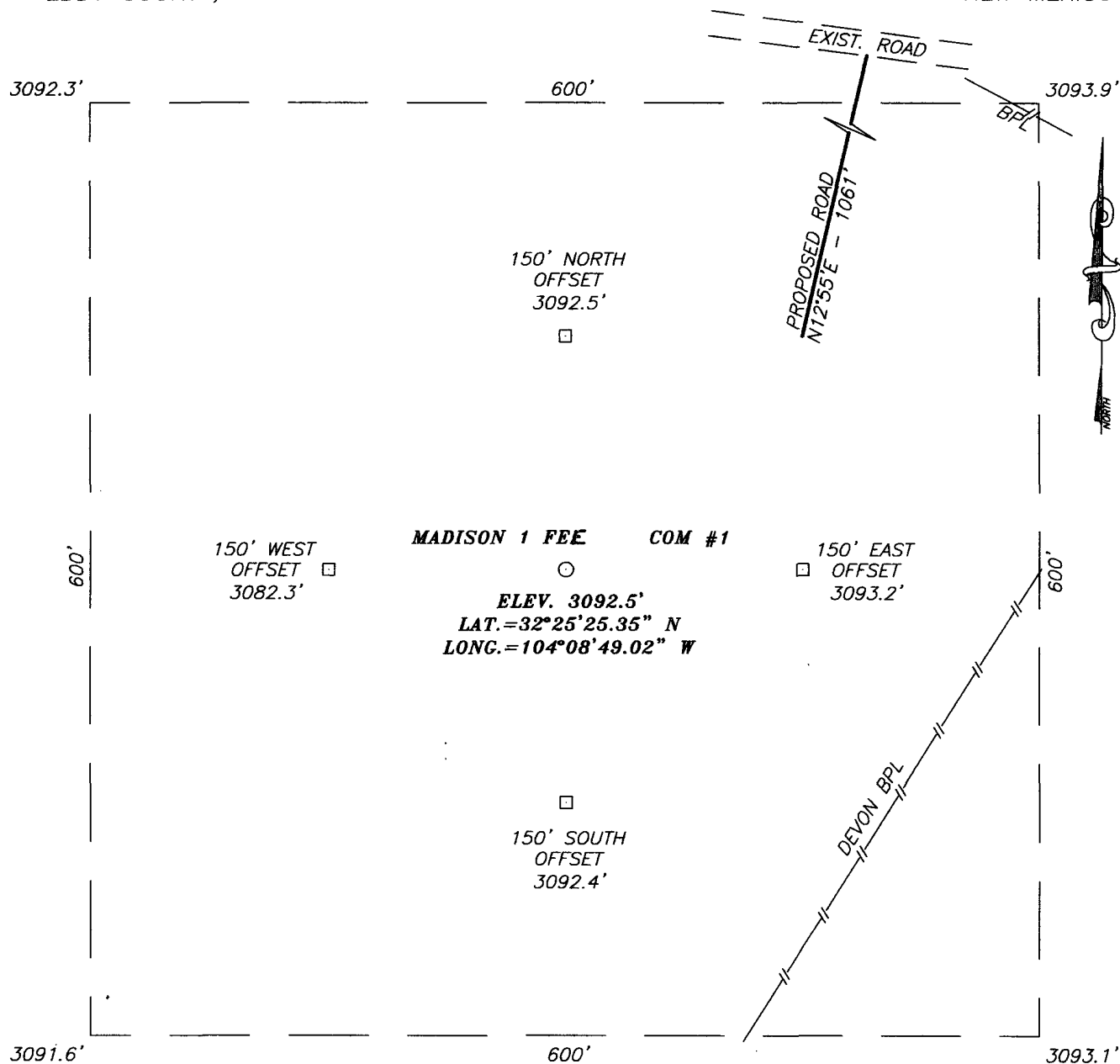
Bottom Hole Location If Different From Surface

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

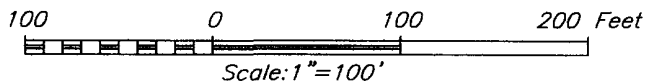
	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <i>Gini Muncy, PELS</i> Signature <i>A.N. MUNCY</i> Printed Name <i>EXPLOR- OPER. M6R</i> Title <i>10/28/2004</i> Date SURVEYOR CERTIFICATION I hereby certify that 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. OCTOBER 19, 2004 Date Surveyed: 10/27/04 Signature & Seal of Professional Surveyor: <i>GARY EDISON</i> 04-11-1368 Certificate No. GARY EDISON 12641
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SECTION 1, TOWNSHIP 22 SOUTH, RANGE 27 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

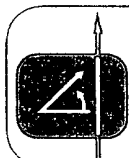
AT MILE MARKER 42.5± ON US HIGHWAY 62-180
 GO EAST ON CALICHE ROAD 0.3 MILES TO A
 CALICHE ROAD TO THE RIGHT. TURN RIGHT AND
 FOLLOW MAIN ROAD IN A SOUTHWESTERLY
 DIRECTION FOR 3.0 MILES TO A ROAD
 INTERSECTION. CONTINUE SOUTHWEST FOR 400'±
 TO WHERE ROAD BENDS SOUTH. FOLLOW ROAD
 SOUTH FOR 0.3 MILES TO A PROPOSED ROAD
 SURVEY. FOLLOW ROAD SURVEY SOUTHWEST FOR
 1061' TO THIS LOCATION.



MYCO INDUSTRIES, INC.

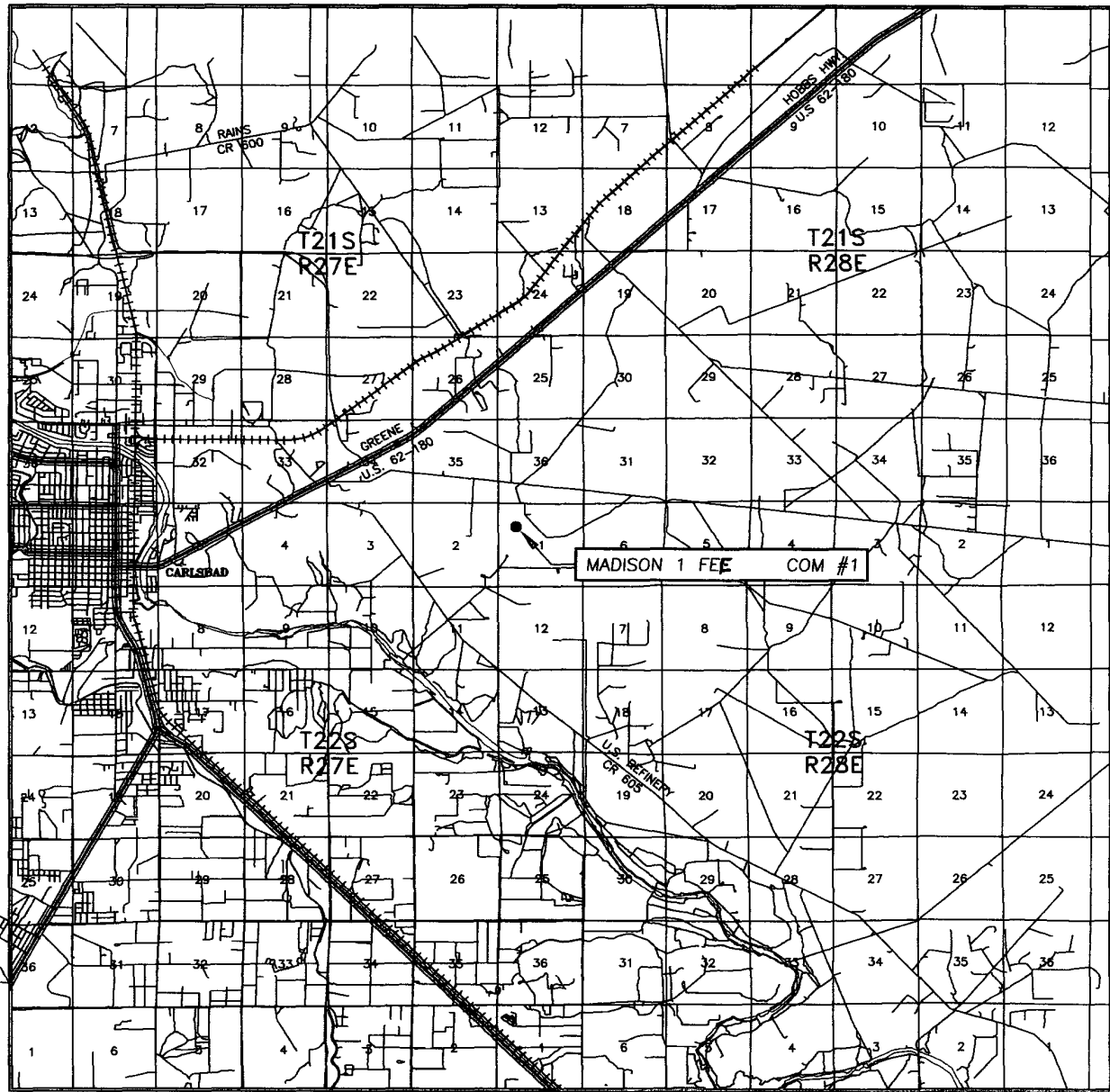
MADISON 1 FEE COM #1 WELL
 LOCATED 1980 FEET FROM THE NORTH LINE
 AND 1310 FEET FROM THE WEST LINE OF SECTION 1,
 TOWNSHIP 22 SOUTH, RANGE 27 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 10/19/04	Sheet 1 of 1 Sheets		
W.O. Number: 04.11.1368	Dr By: LA	Rev 1:10/27/04	
Date: 10/25/04	Disk: CD#3	04111368	Scale: 1"=100'



PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 1 TWP. 22-S RGE. 27-E

SURVEY N.M.P.M.

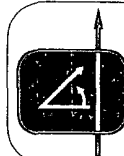
COUNTY EDDY

DESCRIPTION 1980' FNL & 1310' FWL

ELEVATION 3093'

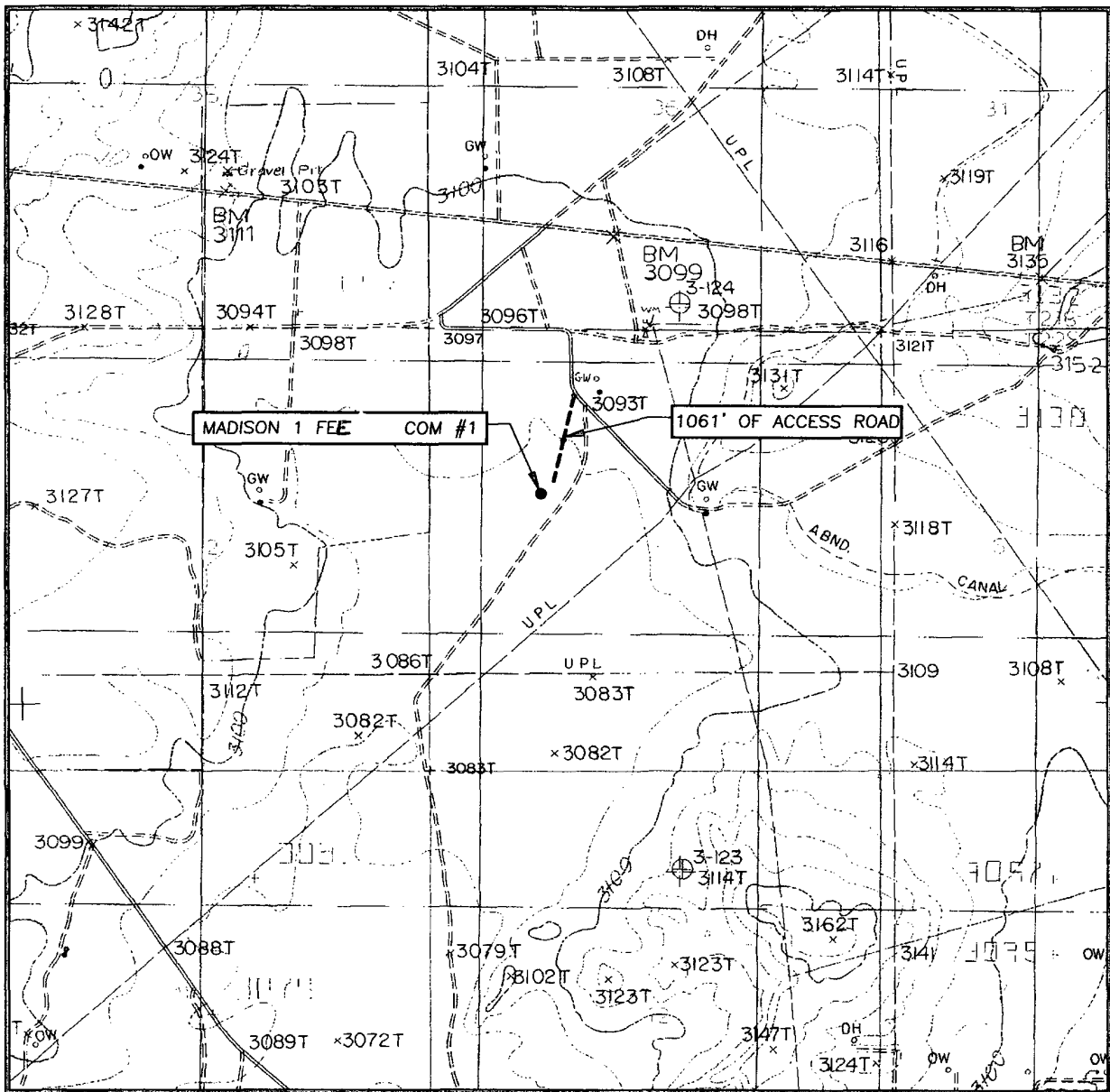
OPERATOR MYCO INDUSTRIES, INC.

LEASE MADISON 1 FEE COM



PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
CARLSBAD EAST, N.M. - 10'

SEC. 1 TWP. 22-S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

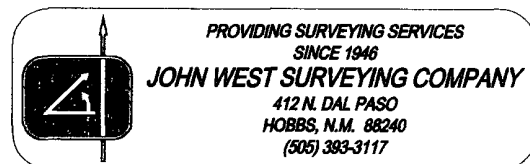
DESCRIPTION 1980' FNL & 1310' FWL

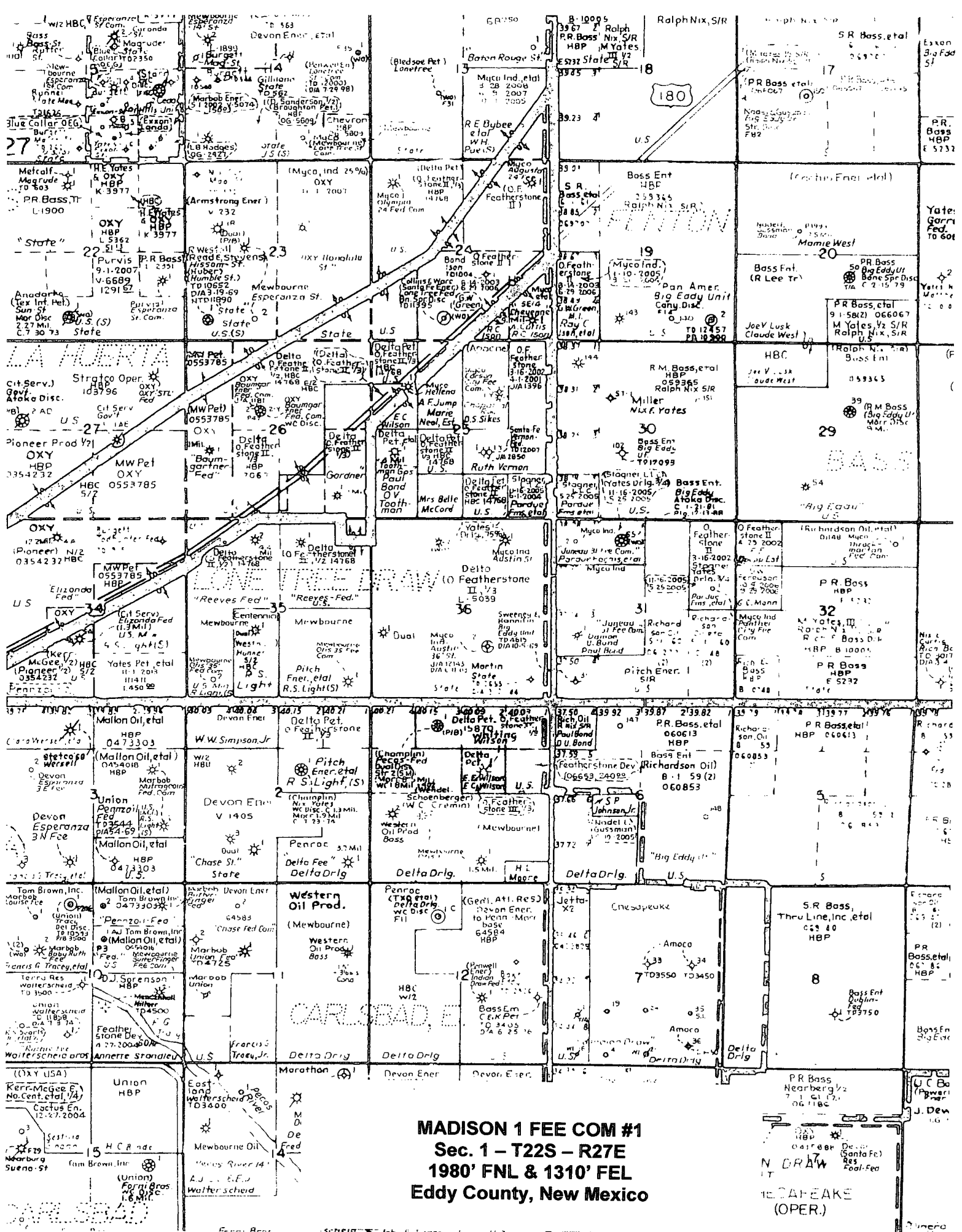
ELEVATION 3093'

OPERATOR MYCO INDUSTRIES, INC.

LEASE MADISON 1 FEE COM

U.S.G.S. TOPOGRAPHIC MAP
CARLSBAD EAST, N.M.



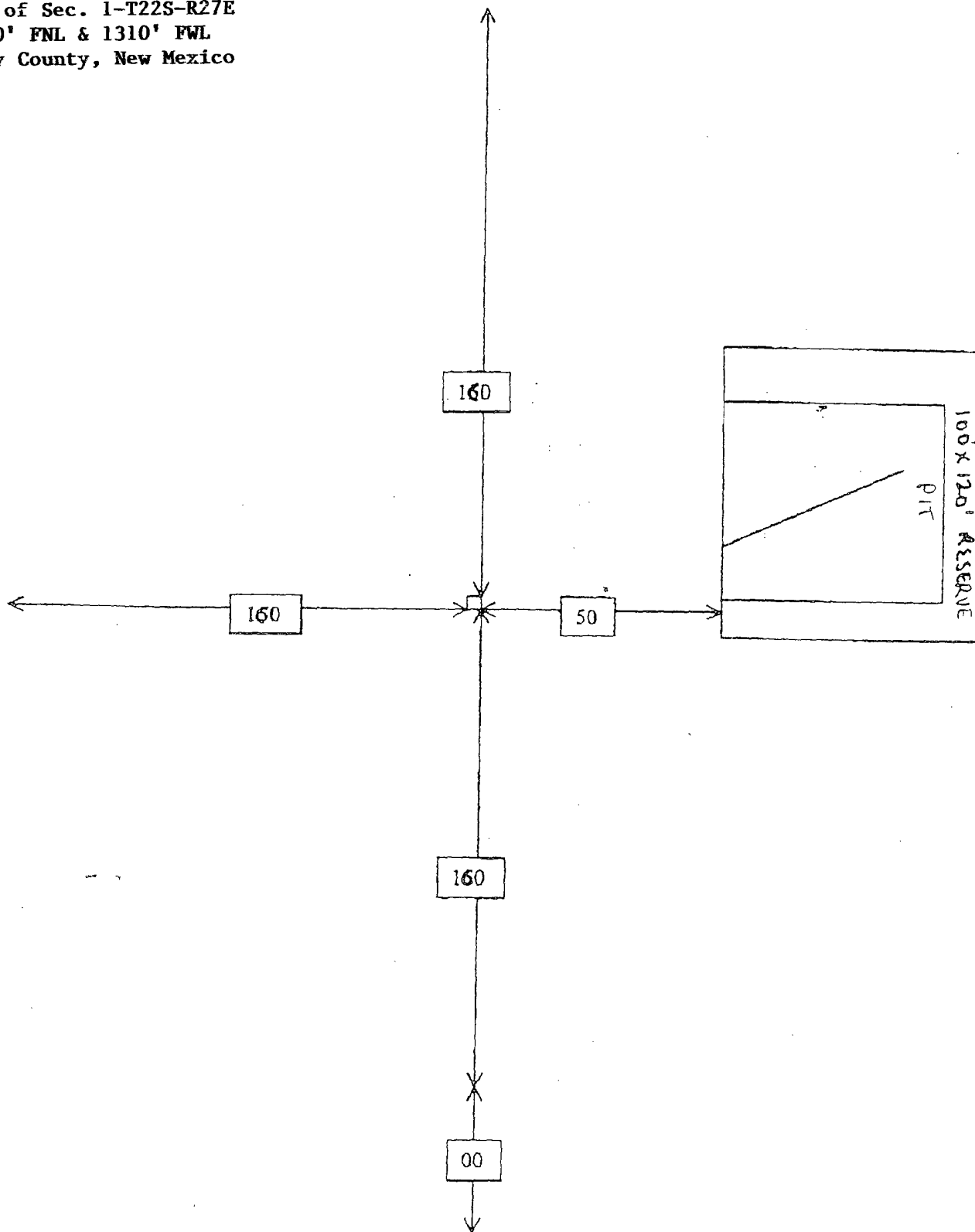


MADISON 1 FEE COM #1
Sec. 1 - T22S - R27E
1980' FNL & 1310' FEL
Eddy County, New Mexico

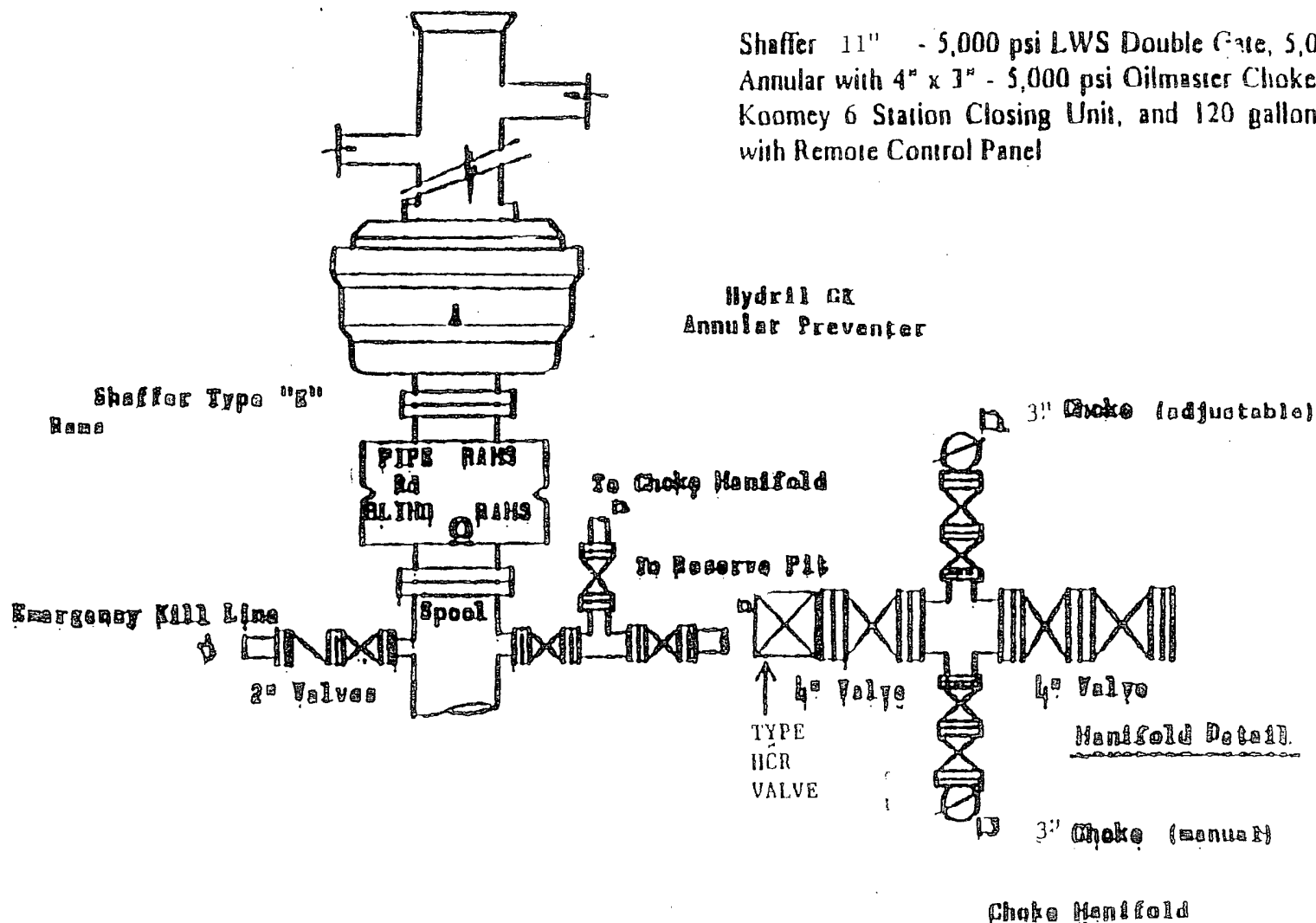
N. DRAW

TECAFEAKE
(OPER.)

MADISON 1 FEE COM #1
N/2 of Sec. 1-T22S-R27E
1980' FNL & 1310' FWL
Eddy County, New Mexico



BLOWOUT PREVENTOR SCHEME



MADISON 1 FEE COM #1
N/2 of Sec. 1-T22S-R27E
1980' FNL & 1310' FWL
Eddy County, New Mexico



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

15 April 2004

Yates Petroleum Corporation Et Al
Yates Petroleum Corp.
105 South 4th Street
Artesia, New Mexico 88210

RE:
General Plan for Pits Submitted 4-14-04.

Dear Mr. Dolan,

The Oil Conservation Division of Artesia is in receipt of your plan. The plan is hereby accepted and approved with the following provisions:

1. Approval of plan does not permit pits in any watercourse, lakebed, sinkhole, playa lake, or wetland. (19.15.2.50.C.2.a.)
2. Pits in groundwater sensitive areas or wellhead protection areas may be subject to additional measures or may not be allowed. This will be on site specific, case-by-case basis. (19.15.2.50.C.2.a.)
3. All pit encapsulations must meet all specific criteria including, but not limited to, site evaluation, liner thickness, and/or amount of and type of cover.
4. The Division may attach additional conditions to any permit upon a finding that such conditions are necessary to prevent the contamination of fresh water, or to protect public health or the environment. (19.15.2.50.C.3.G.1.)
5. Notify the Artesia O.C.D. 48 hours prior to the closing of any storage or production pit.
6. Notify the Artesia O.C.D. 48 hours prior to any sampling event.
7. Re-seeding mixture will be approved or authorized by surface owner.

If I can be of any further assistance, please feel free to call (505) 748-1283 ext. 109.

Sincerely,

Van Barton

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

April 14, 2004

Oil Conservation Division
State of New Mexico
Attn: Mr. Van Barton
1301 W. Grand Ave.
Artesia, NM 88210

Re: General Plan
Pit design and operation, Drilling Workover, and Blowdown.

Companies included in this plan are:

1. Yates Petroleum Corporation
2. Yates Drilling Company
3. Abo Energy Company
4. Myco Industries
5. Agave Energy Company

Yates Petroleum Corporation Et Al is requesting approval to construct, use and close the above described pits, as per the attached diagrams the aforementioned pits will be lines as required, according to the rules and guidelines as set forth in Pit Rule 50.

The attached diagrams are standard pits used on all Yates Petroleum Et Al drilling and workover operations, minor changes may be needed from time to time to work safely with the terrain and environmental conditions on a site-specific basis.

All pits will be constructed to prevent contamination of fresh waters, human health, and the environment.

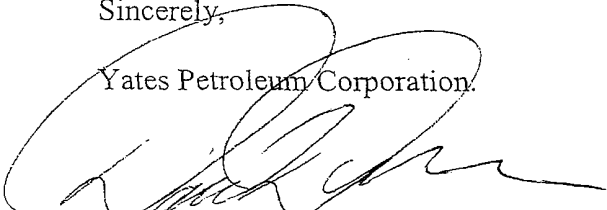
During operations, all pits will be fenced as required to maintain safety for livestock and wildlife.

When the pit is no longer used, it will be closed according to all applicable rules of the OCD, and all required reports will be submitted at that time.

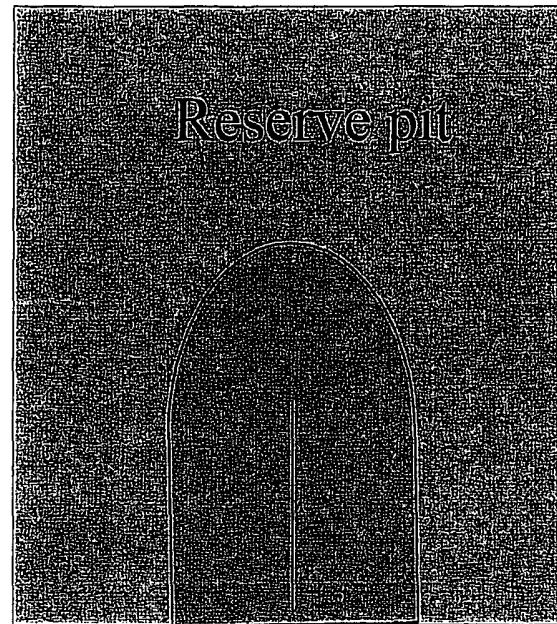
If we can be further assistance, please feel free to call (505) 748-4181.

Sincerely,

Yates Petroleum Corporation.



Daniel W. Dolan CWC
Environmental Field Tech.



Flare pit

Standard reserve pit. All Reserve pits are double
Horse shoe size varies with depth of well

Figure "A"

Built with Dozer
2-Blades wide
60' Long
4' or 5' Deep

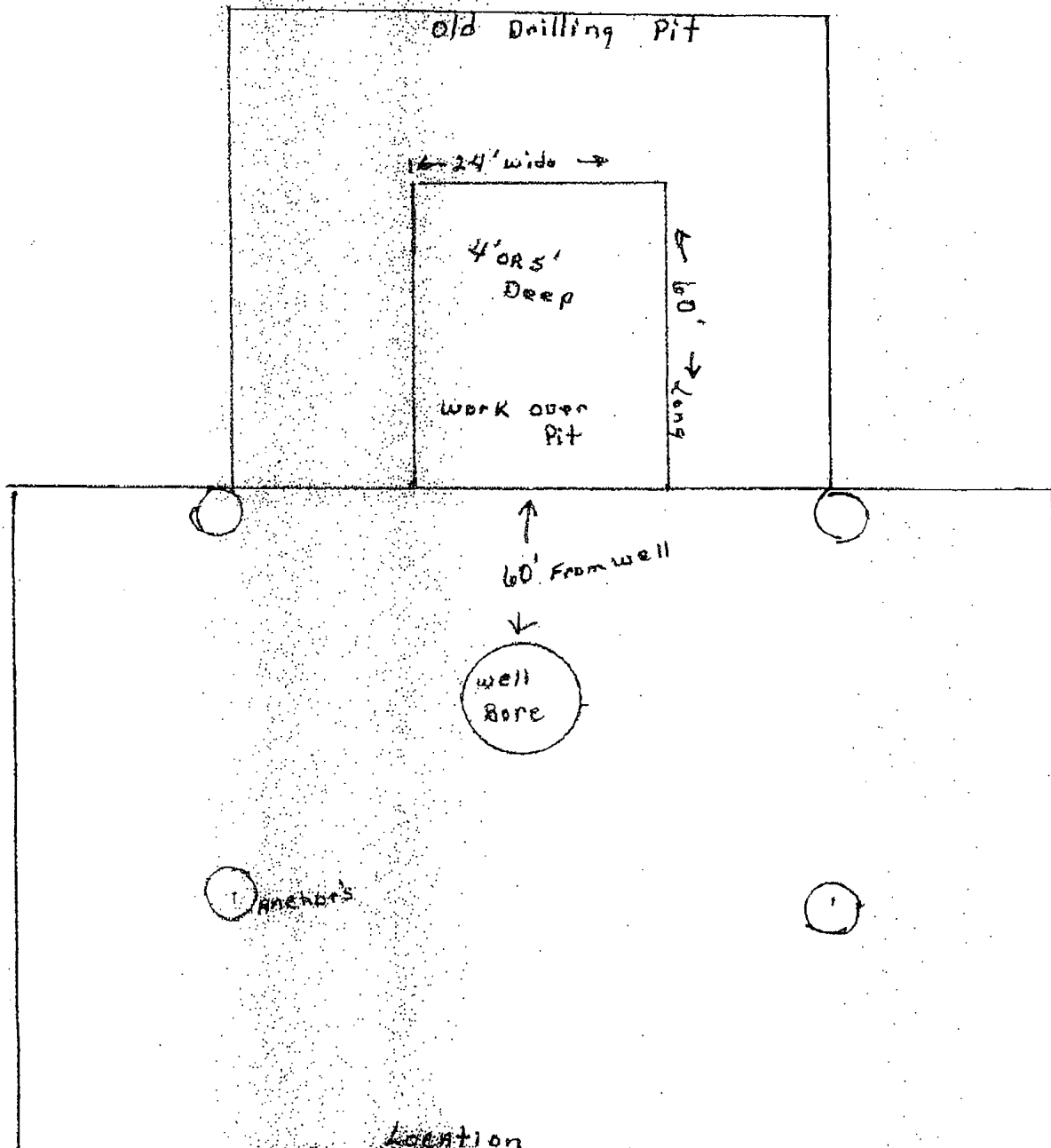


Figure "B"

Built with Dozier
1/8" wide
60' Long
4' to 5' Deep

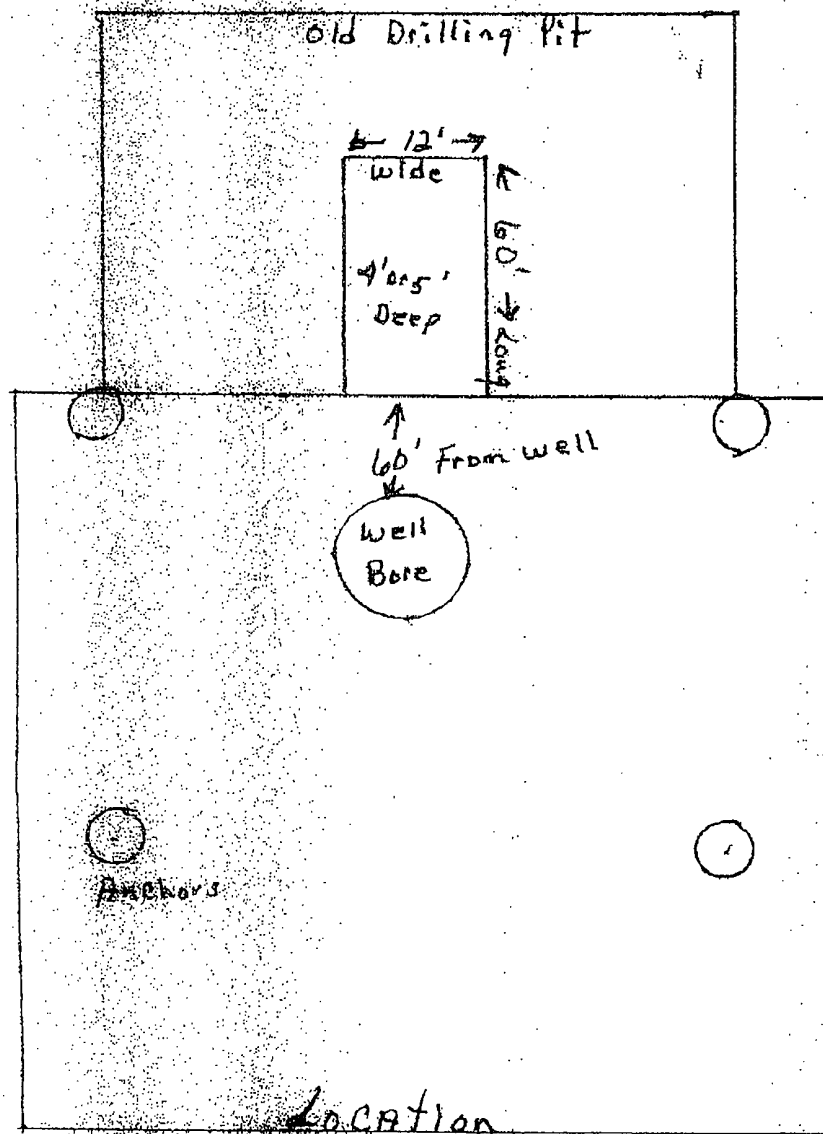
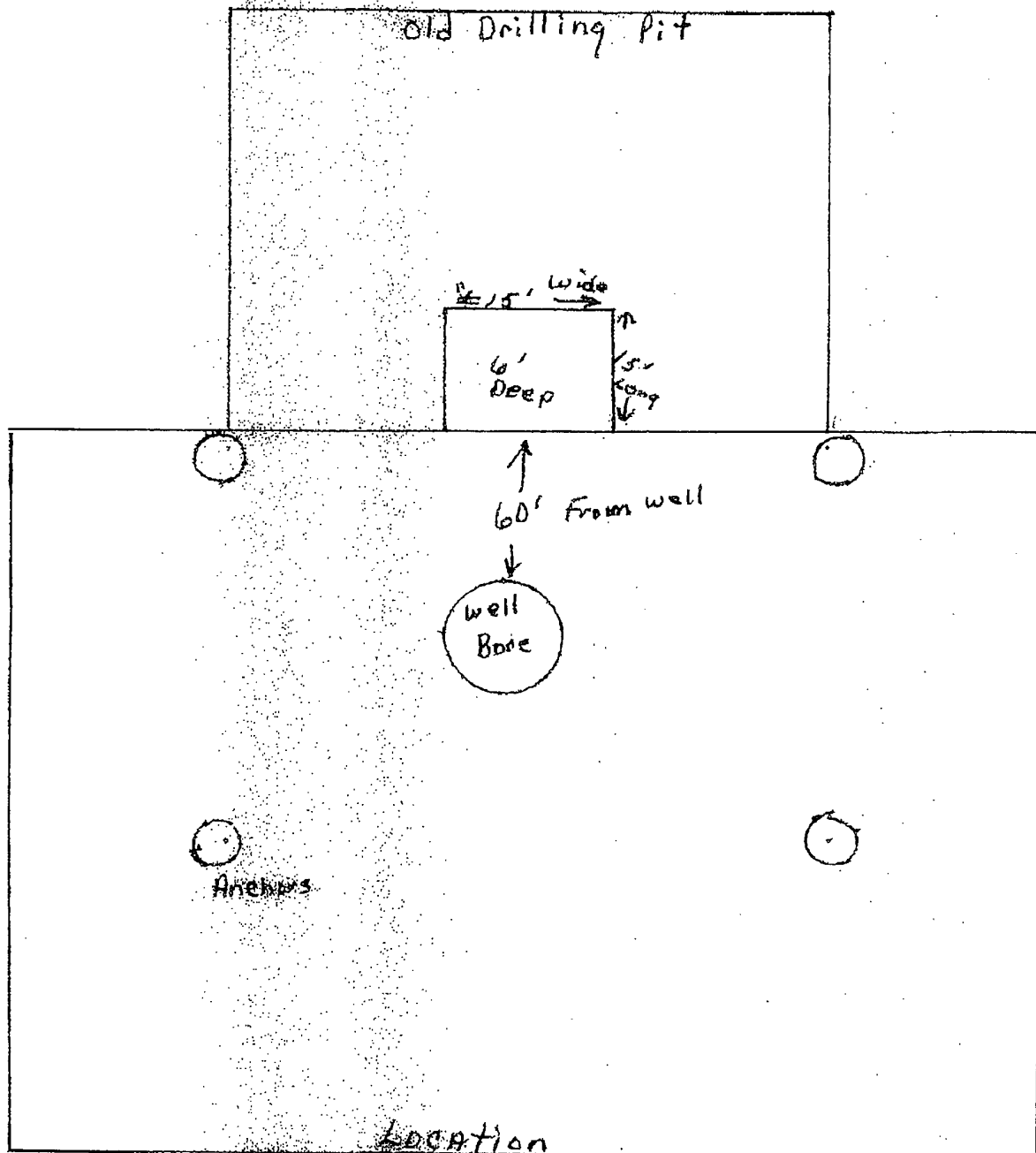


Figure "C"

Built with Backhoe
15' x 15' x 6'
Long - wide - Deep





MYCO INDUSTRIES, INC.
OIL PRODUCERS
POST OFFICE BOX 840
ARTESIA, NEW MEXICO 88211-0840
Phone (505) 748-1471

November 4, 2004

Via Hand Delivery

New Mexico Oil Conservation Division
Bryan Arant
1301 W. Grand
Artesia, New Mexico 88210

RECEIVED

NOV 04 2004

OCD-ARTESIA

Re: Myco Industries, Inc.
Madison 1 Fee Com #1
H2S Contingency Plan

Dear Mr. Arrant:

Sources at Myco Industries, Inc. have relayed information to me that they believe there will not be enough H2S found from the surface through the Morrow Formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118.

Please note that I have enclosed our Contingency Plan for this well based on a remote chance that Rule 118 might become applicable.

Thank you,

MYCO INDUSTRIES, INC.

A.N. Muncy

A.N. Muncy, PE
Operations/Engineering Manager

ANM:hp
Enclosure

Myco Industries, Inc.

**423 W. Main Street
Artesia, NM 88210**

Hydrogen Sulfide (H₂S) Contingency Plan

For

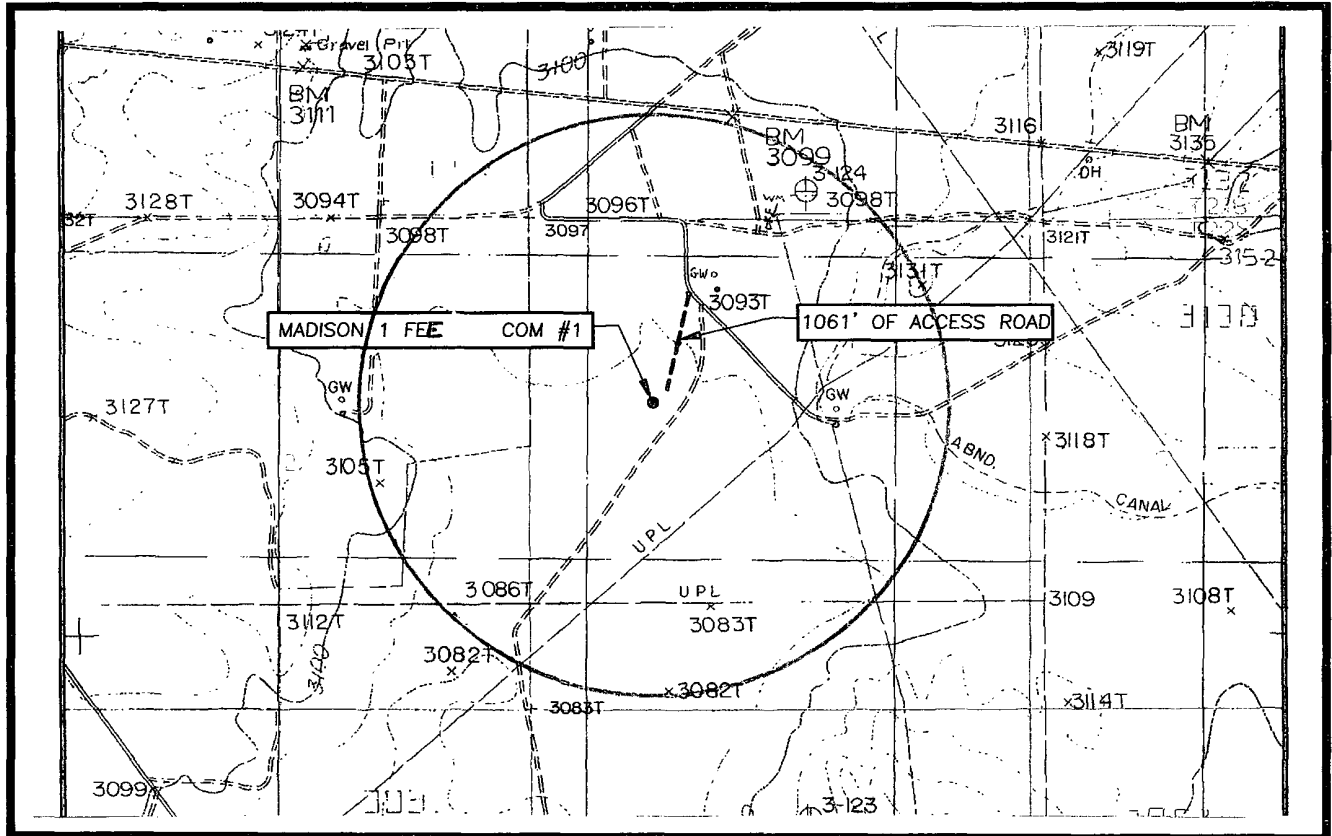
**Madison 1 Fee Com #1
1980' FNL & 1310' FWL
Sec-1, T-22S, R-27E
Eddy County NM**

RECEIVED

NOV 04 2004

COO ARTESIA

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.



Assumed 100 ppm ROE = 3000'
100 ppm H₂S concentration shall trigger activation of this plan.

Emergency Procedures

In the case of a release of gas containing H₂S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) 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 during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to 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 and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H₂S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO₂	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

Myco 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 has been prepared for use during a release. Myco Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Myco Industries, Inc. Phone Numbers

Myco Office(505) 748-4280
Nelson Muncy/Operations Engineering Manager.....(505) 748-4289
.....(505) 308-3502
Craig Bailey/Field Engineer(505) 748-4289
.....(505) 308-3414
Artesia Answering Service(505) 748-4302
(During non-office hours)

Agency Call List

Eddy County (505)

Artesia

State Police..... 746-2703
City Police..... 746-2703
Sheriff's Office 746-9888
Ambulance 911
Fire Department 746-2701
LEPC (Local Emergency Planning Committee) 746-2122
NMOCD..... 748-1283

Carlsbad

State Police..... 885-3137
City Police..... 885-2111
Sheriff's Office 887-7551
Ambulance 911
Fire Department 885-2111
LEPC (Local Emergency Planning Committee)..... 887-3798
US Bureau of Land Management.....887-6544

New Mexico Emergency Response Commission (Santa Fe) (505)476-9600
24 HR(505) 827-9126
New Mexico State Emergency Operations Center.....(505) 476-9635
National Emergency Response Center (Washington, DC) ...(800) 424-8802

Other

Boots & Coots IWC1-800-256-9688 or (281) 931-8884
Cudd Pressure Control.....(915) 699-0139 or (915) 563-3356
Halliburton(505) 746-2757
B. J. Services.....(505) 746-3569

Flight For Life -4000 24th St, Lubbock, TX(806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX(806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuquerque, NM(505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuquerque, NM(505) 842-4949