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OCD-ARTESIA

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

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-14768-A
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator MYCO INDUSTRIES, INC.		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. BOX 840 ARTESIA, NM 88211		8. Lease Name and Well No. BOISE FEDERAL #1
3b. Phone No. (include area code) (505)748-4289		9. API Well No. 30-015-33735
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1877' FNL & 1312' FEL (UNIT H) At proposed prod. zone SAME		10. Field and Pool, or Exploratory CARLSBAD MORROW, EAST
14. Distance in miles and direction from nearest town or post office* 3 - MILES EAST OF CARLSBAD, NM		11. Sec., T., R., M., or Blk. and Survey or Area SEC. 35-T21S-R27E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1312'	16. No. of Acres in lease 920	12. County or Parish EDDY
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 0.6 MILES	19. Proposed Depth 12,100'	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3102' GL	22. Approximate date work will start* 11/15/2004	17. Spacing Unit dedicated to this well 320
23. Estimated duration 40 DAYS		20. BLM/BIA Bond No. on file BLM #585971
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. Operation 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 <i>A. N. Muncy</i> , PELS	Name (Printed/Typed) A. N. MUNCY	Date 10/12/2004
Title EXPLORATION/OPERATIONS MANAGER		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date 16 NOV 2004
Title ACTING FIELD MANAGER		
Office CARLSBAD FIELD OFFICE		

Application approval does not warrant or certify the 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.

APPROVAL FOR 1 YEAR

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 and false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

CARLSBAD CONTROLLED WATER BASIN

District I
N. French Dr., Hobbs, NM 88240
District II
11 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-144
March 12, 2004

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

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: MYCO INDUSTRIES, INC. Telephone: 505-748-4288 e-mail address: hannah@mycoinc.com		
Address: P.O. BOX 840, ARTESIA, NEW MEXICO 88211		
Facility or well name: BOISE FEDERAL #1 API #: 30-015-33735 U/L or Qtr/Qtr H Sec 35 T 21S R 27E		
County: EDDY Latitude 1877' FNL Longitude 312' FEL NAD: 1927 <input type="checkbox"/> 1983 <input type="checkbox"/> Surface Owner Federal <input type="checkbox"/> State <input type="checkbox"/> Private <input checked="" type="checkbox"/> Indian <input type="checkbox"/>		
Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness 20 mil Clay <input type="checkbox"/> Volume <input type="checkbox"/> bbl	Below-grade tank Volume: <input type="checkbox"/> bbl Type of fluid: <input type="checkbox"/> Construction material: <input type="checkbox"/> Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. <input type="checkbox"/>	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet	(20 points)
	50 feet or more, but less than 100 feet	(10 points)
	100 feet or more	(0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes	(20 points)
	No	(0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)
	200 feet or more, but less than 1000 feet	(10 points)
	1000 feet or more	(0 points)
Ranking Score (Total Points)		0

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility ☐ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface ☐ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines <input type="checkbox"/> , a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input checked="" type="checkbox"/> .	
Date: 10-12-04	Signature: <i>Hannah Palomin</i>
Printed Name/Title: Hannah Palomin, Engr/Land Technician	
Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.	
Approval: <i>[Signature]</i>	
Date: DEC 7 2004	Signature: <i>[Signature]</i>
Printed Name/Title: David Lopez	

**MYCO INDUSTRIES, INC.
BOISE FEDERAL #1
1877' FNL & 1312' FEL (UNIT H)
N/2 OF SEC. 35-T21S-R27E
EDDY COUNTY, NEW MEXICO
NM-14768-A**

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. See Exhibit "B".

- 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:

WITNESS 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 900 sacks, (Est. TOC @ 8100').

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 this well as soon as possible after receiving approval. It should take approximately 40 days to drill the well with completion taking another 10-20 days.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN
MYCO INDUSTRIES, INC.
BOISE FEDERAL #1
1877' FNL & 1312' FEL (UNIT H)
N/2 OF SEC. 35 – T21S – R27E
EDDY COUNTY, NEW MEXICO
NM-14768-A**

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 2.5 miles east of Carlsbad, New Mexico.

DIRECTIONS: From Carlsbad, NM head east on Highway 62-180 to mile marker 42.5, turn at Myco Industries, Inc. sign pointing southeast. Go southeast along caliche road 0.3 miles to a road intersection. Turn southwest and go approximately 2 miles. The caliche road changes directions due west for approximately 0.75 miles then turns to NNW direction. Continue for approximately 0.75 miles. At that point an existing road for the location goes approximately 562' south to location.

2. PLANNED ACCESS ROADS:

No new access roads are planned. All roads exist and there may be some minor improvements such as laying caliche.

3. LOCATION OF EXISTING WELL:

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are no production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit "A".

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate nearest pit and obtain any permits and materials needed for construction.

7. MEHTODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits. (NMOCD C-144 Attached)
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary land fill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined (NMOCD C-144 Attached)
- C. A 400' x 400' area has been staked and flagged.

10. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.

11. SURFACE OWNERSHIP: Fee

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

A. Nelson Muncy, PELS
Exploration/Operations Manager
Myco Industries, Inc.
P.O. Box 840
Artesia, New Mexico 88210
Phone: 505.748.4289 / 505.748.4288 / 505.308.3502

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist, that the statements made in this plan are to the best of my knowledge, true and correct, and that the work associated with the operations proposed herein will be performed by Myco Industries, Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

A.N. Muncy, PELS

A.N. Muncy, PELS
Exploration/Operations Mgr.

DISTRICT I
P.O. Box 1880, Hobbs, NM 88241-1880

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, N.M. 87504-2088

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name BOISE FEDERAL	Well Number 1
OGRID No.	Operator Name MYCO INDUSTRIES, INC.	Elevation 3102'

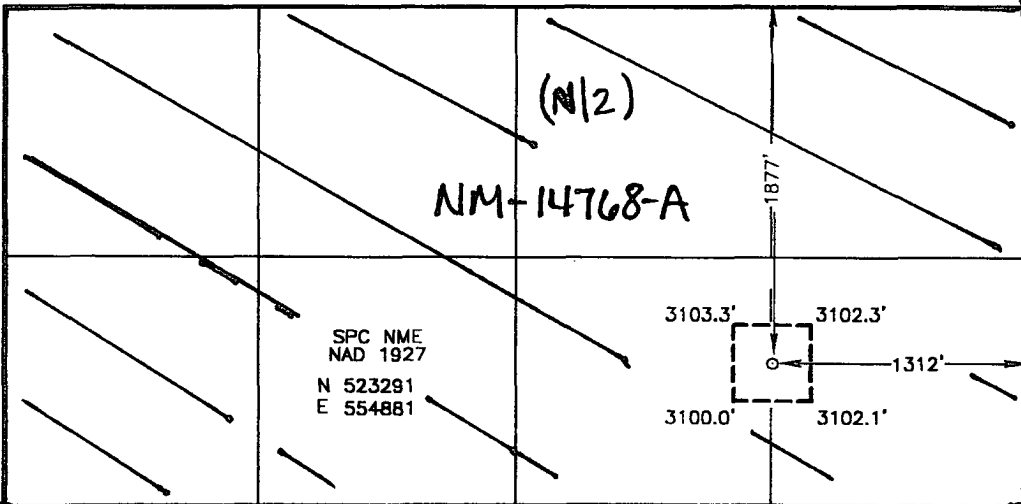
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	35	21-S	27-E		1877	NORTH	1312	EAST	EDDY

Bottom Hole Location If Different From Surface

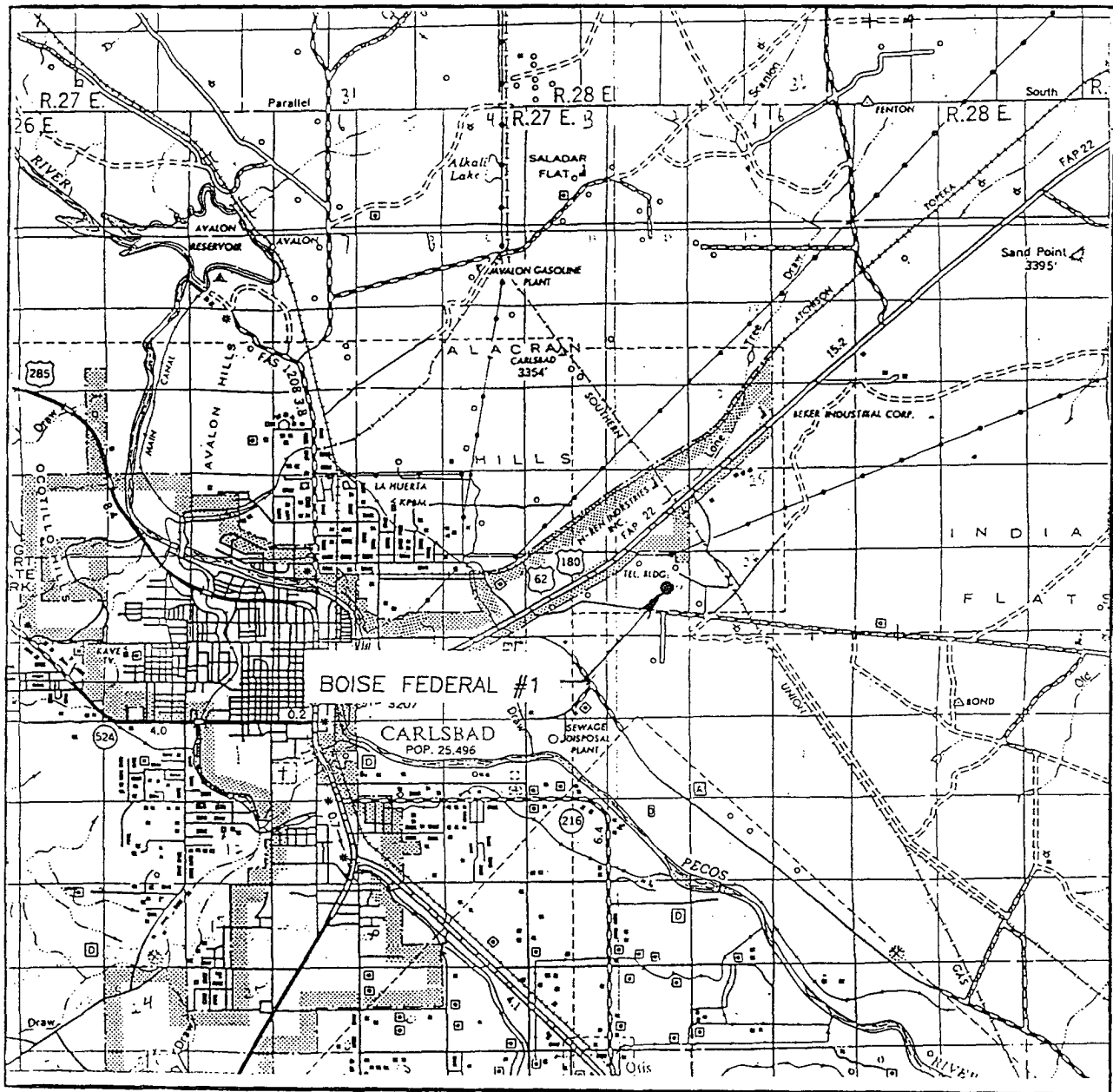
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

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

	<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><u>A. N. Munchy, PECS</u> Signature</p> <p><u>A. N. Munchy</u> Printed Name</p> <p><u>OPER-EXPLOR. MGR</u> Title</p> <p><u>10-12-2004</u> 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>JANUARY 30, 2001</p> <p>Date Surveyed _____ AWB</p> <p>Signature & Seal of Professional Surveyor <u>Ronald J. Edson</u> 01/31/01 01-11-0001</p> <p>Certificate No. <u>RONALD J. EDSON</u> 3239 <u>GARY EDSON</u> 12641</p>

VICINITY MAP

EXHIBIT A



SCALE: 1" = 2 MILES

SEC. 35 TWP. 21S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1877'FNL & 1312'FEL

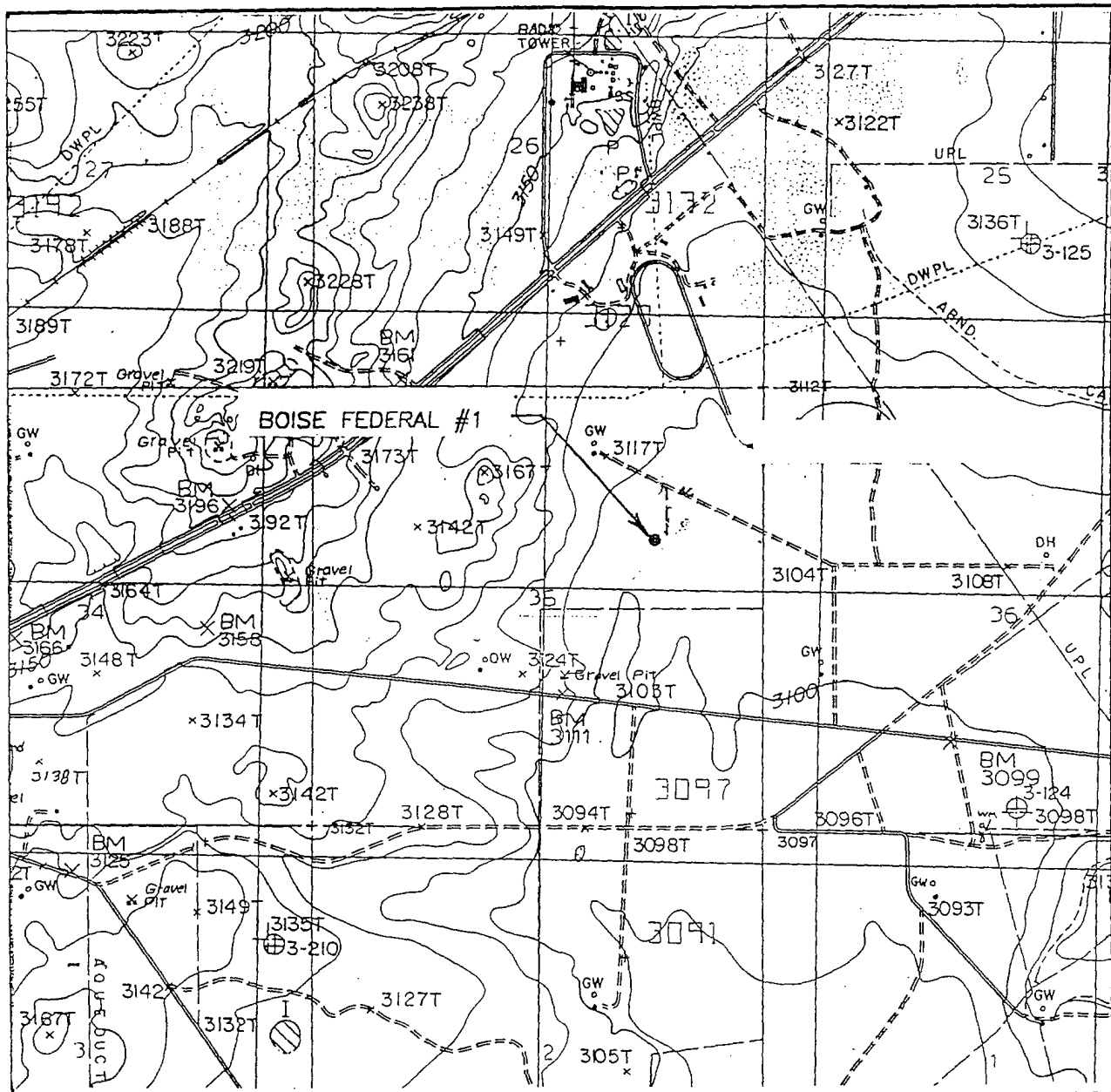
ELEVATION 3102'

OPERATOR MYCO INDUSTRIES, INC.

LEASE BOISE FEDERAL

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

EXHIBIT A-1



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
CARLSBAD EAST N.M.

SEC. 35 TWP. 21S RGE. 27-E

SURVEY N.M.P.M.

COUNTY _____ EDDY

DESCRIPTION 1877'FNL & 1312'FEL

ELEVATION 3102'

OPERATOR MYCO INDUSTRIES, INC.

LEASE BOISE FEDERAL

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

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

BLINDRIG PREVENTOR SCHEMATIC

Shafter 11" - 5,000 psi LWS Double Gate, 5,000 psi Shafter Annular with 4" x 3" - 5,000 psi Oilmaster Choke Manifold and Koomsey 6 Station Closing Unit, and 120 gallon Accumulator with Remote Control Panel

Hydril GK
Annular Preventer

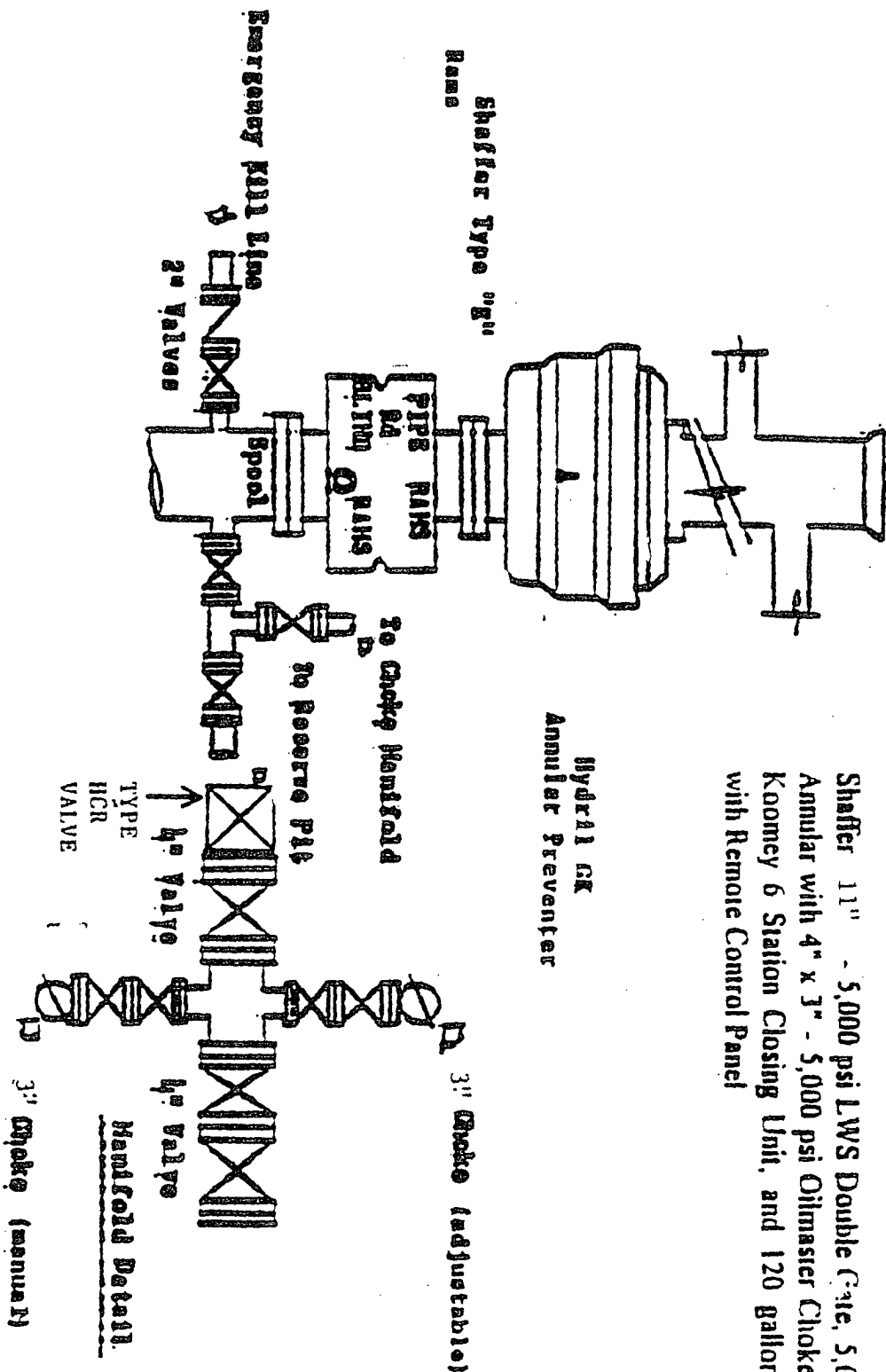


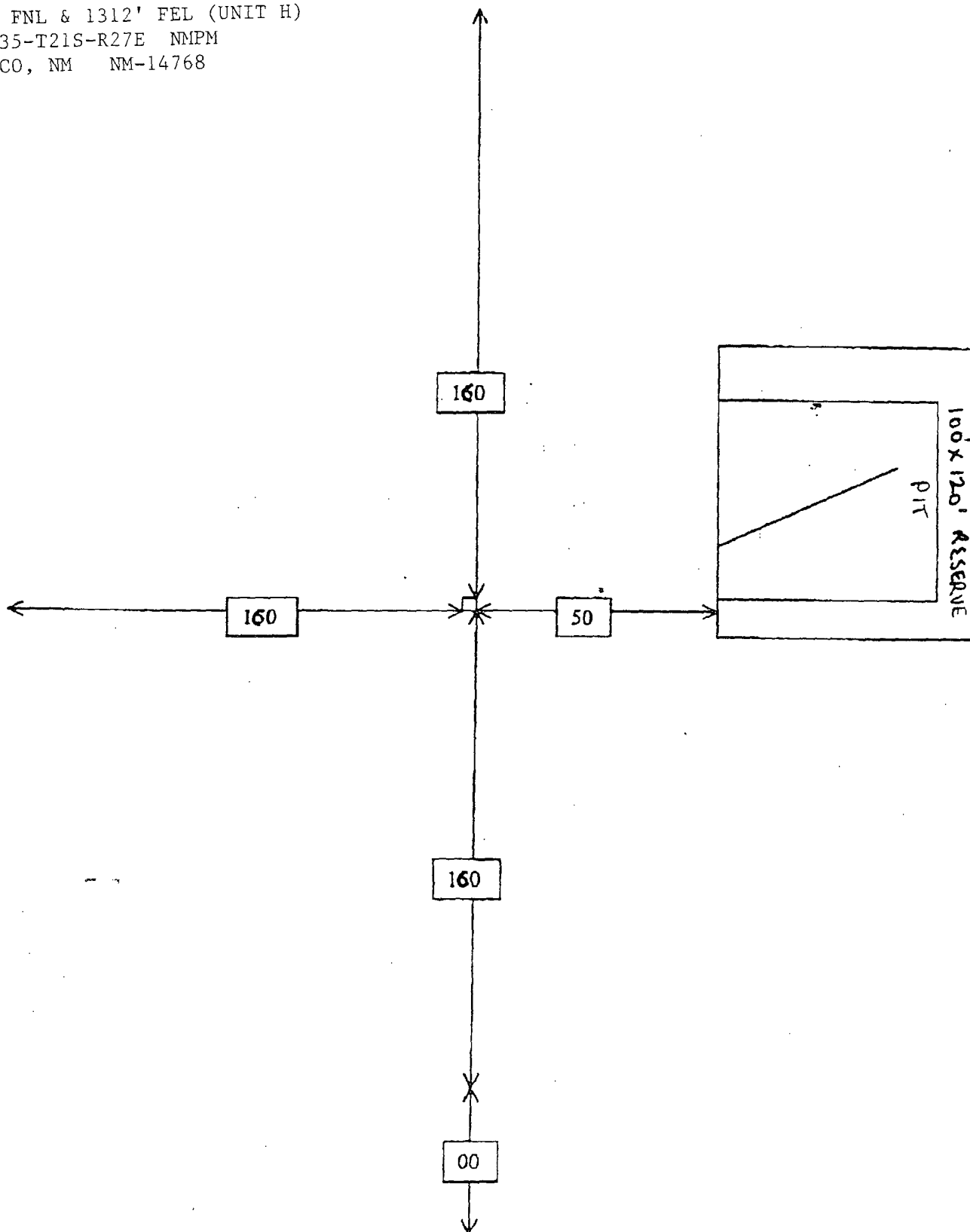
EXHIBIT B

YCO INDUSTRIES, INC.
OISE' FEDERAL #1
877' FNL & 1312' FEL (UNIT H)
EC. 35-T21S-R27E NMPM
DDY CO, NM NM-14768

Choke Manifold

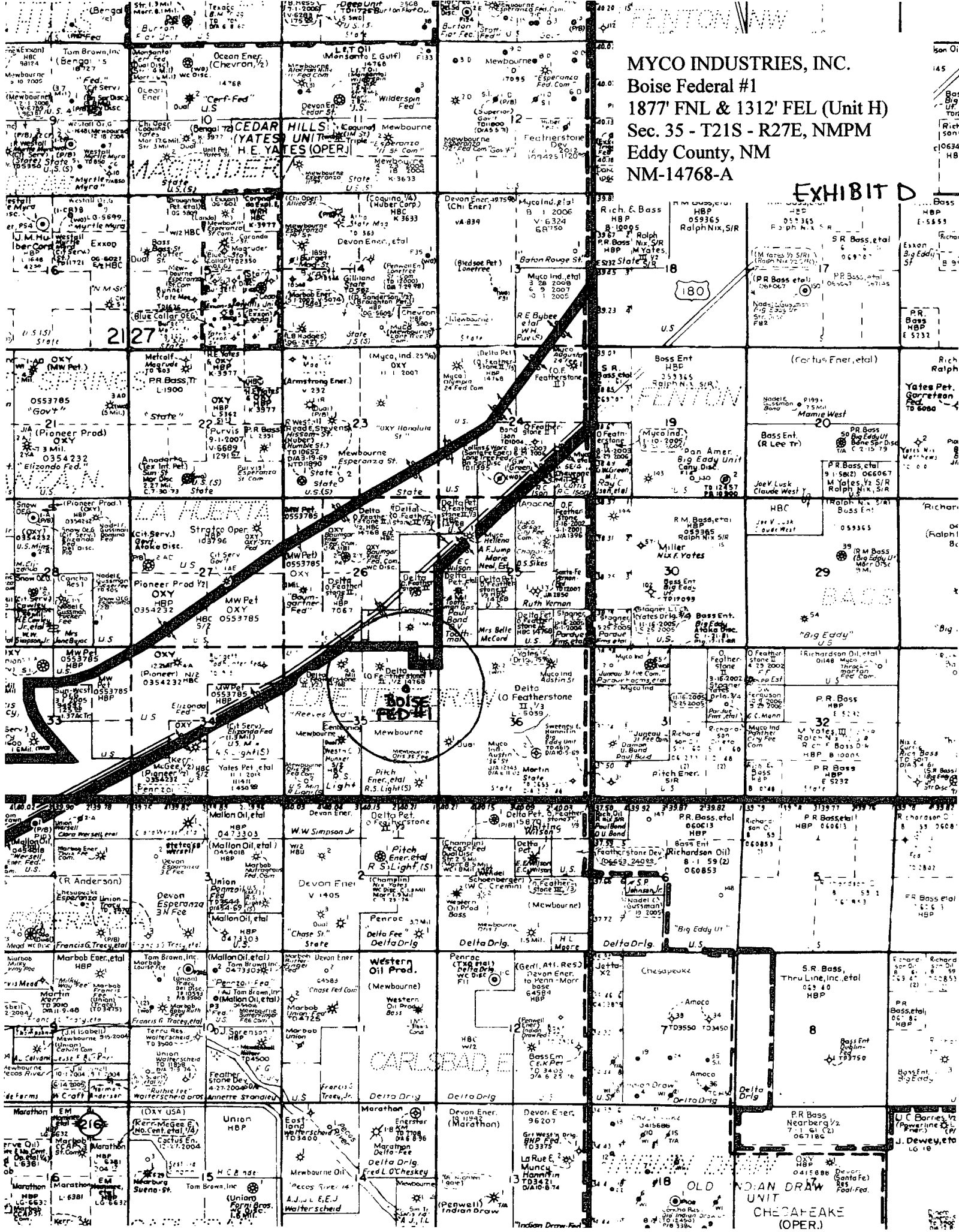
MYCO INDUSTRIES, INC.
BOISE FEDERAL #1
1877' FNL & 1312' FEL (UNIT H)
SEC. 35-T21S-R27E NMPM
EDDY CO, NM NM-14768

EXHIBIT C



MYCO INDUSTRIES, INC.
Boise Federal #1
1877' FNL & 1312' FEL (Unit H)
Sec. 35 - T21S - R27E, NMPM
Eddy County, NM
NM-14768-A

EXHIBIT D





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

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described below.

LEASE NUMBER: NM-14768-A

BOND COVERAGE: STATEWIDE BONDED

LEGAL DESCRIPTION OF LAND:

Township 21 South, Range 27 East, NMPM
Section 35: N/2
Eddy County, New Mexico

BLM BOND FILE NUMBER: 58 59 71

Formation (s) (if applicable)

N/A

DATE: 10.12.04

MYCO INDUSTRIES, INC.

Myco's Reference (well name): Boise Federal #1

**TITLE PAGE/ABSTRACT/
NEGATIVE SITE REPORT
CARLSBAD FIELD OFFICE**

BLM/CFO

1. BLM Report No.:	2. (ACCEPTED) (REJECTED)	3. NMCRIS No.: 73439
4. Title of Report (Project Title): Archaeological Survey for the Boise Federal No. 1 Well Pad and Access Road.		5. Project Date(s): February 5, 2001
7. Consultant Name & Address Direct Charge: Sean Simpson Name: Mesa Field Services Address: P.O. Box 3072 Carlsbad, NM 88221-3072 Author's Name: Theresa Straight Field Personnel Names: Theresa Straight Phone: (505) 628-8885		6. Report Date: February 6, 2001
		8. Permit No.: 153-2920-00-F
10. Sponsor Name and Address Individual Responsible: Mike Brown Name: MYCO Industries, Inc. Address: PO Box 840 Artesia, NM 88211-0840 Phone: (505) 748-1471		9. Consultant Report No.: MFS – 171
		11. For BLM use only
12. Acreage Total acres surveyed: 4.96 Per Surface Ownership Federal: 4.96 State: 0 Private: 0		
13. Location & Area (maps attached if negative survey) a. State: New Mexico b. County: Eddy c. BLM Field Office: Carlsbad d. Nearest City or town: Carlsbad, New Mexico e. Location: T 21S, R 27E, Section 35, SW¼ NE¼ NE¼; NW¼ SE¼ NE¼; SW¼ SE¼ NE¼; NE¼ SW¼ NE¼; SE¼ SW¼ NE¼ Well Pad Footages: 1,877 ft from the north line, 1,312 ft from the east line f. 7.5' Map Name(s) and Code Number(s): Carlsbad East, NM Provisional Edition 1985 (32104-D2) g. Area Block: Impact: 400 ft x 400 ft Surveyed: 400 ft x 400 ft Linear: Impact: 562 ft x 30 ft Surveyed: 562 ft x 100 ft		
14. a. Records Search Location: Carlsbad Field Office and ARMS, via modem Date: February 2 by Theresa Straight List by LA # all sites within .25 miles of the project (those sites within 500' are to be shown on the project map): No previously recorded sites are located within ¼ mile of the project area.		

b. Description of Undertaking (client's activities): MYCO Industries, Inc. plans to build the Boise Federal No. 1 well pad with an access road extending from the northeast side of the well pad north to an existing caliche-capped road.

c. Environmental Setting (NRCS soil designation, vegetative community, etc.): The proposed well pad and access road are located northeast of Carlsbad on a flat plain. The local vegetation consists of typical Chihuahuan Desert scrub, including mesquite, creosote, yucca, and bunch grasses. Soils are of the Reeves-Gypsum land-Cottonwood and Reagan Upton associations, consisting of light brown loamy sand with caliche. The project area elevation averages 3,105 ft above mean sea level.

d. Field Methods

Transect Intervals: 15 m

Crew Size: 1

Time in Field: 2 hours

Collections: None

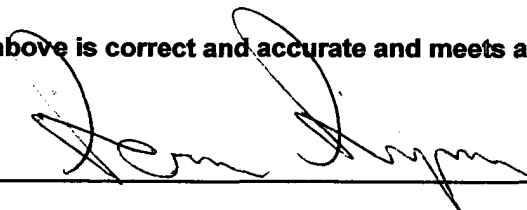
15. Cultural Resource Findings: One isolated manifestation (IM) was located within the project area.

Identification and Description (location shown on project map): IM 1 consists of one gray chert core-reduction flake with a multifaceted platform. It is 4 cm long. (Zone 13: 579414 E/ 3589124 N)

Management Summary (recommendations): Because no significant cultural material was encountered, archaeological clearance for the project is recommended as presently staked. If any additional cultural material is observed during construction, a qualified archaeologist from the BLM-CFO and Historic Preservation Division should be notified.

I certify that the information provided above is correct and accurate and meets all appreciable BLM standards.

Responsible Archaeologist: Signature



Date

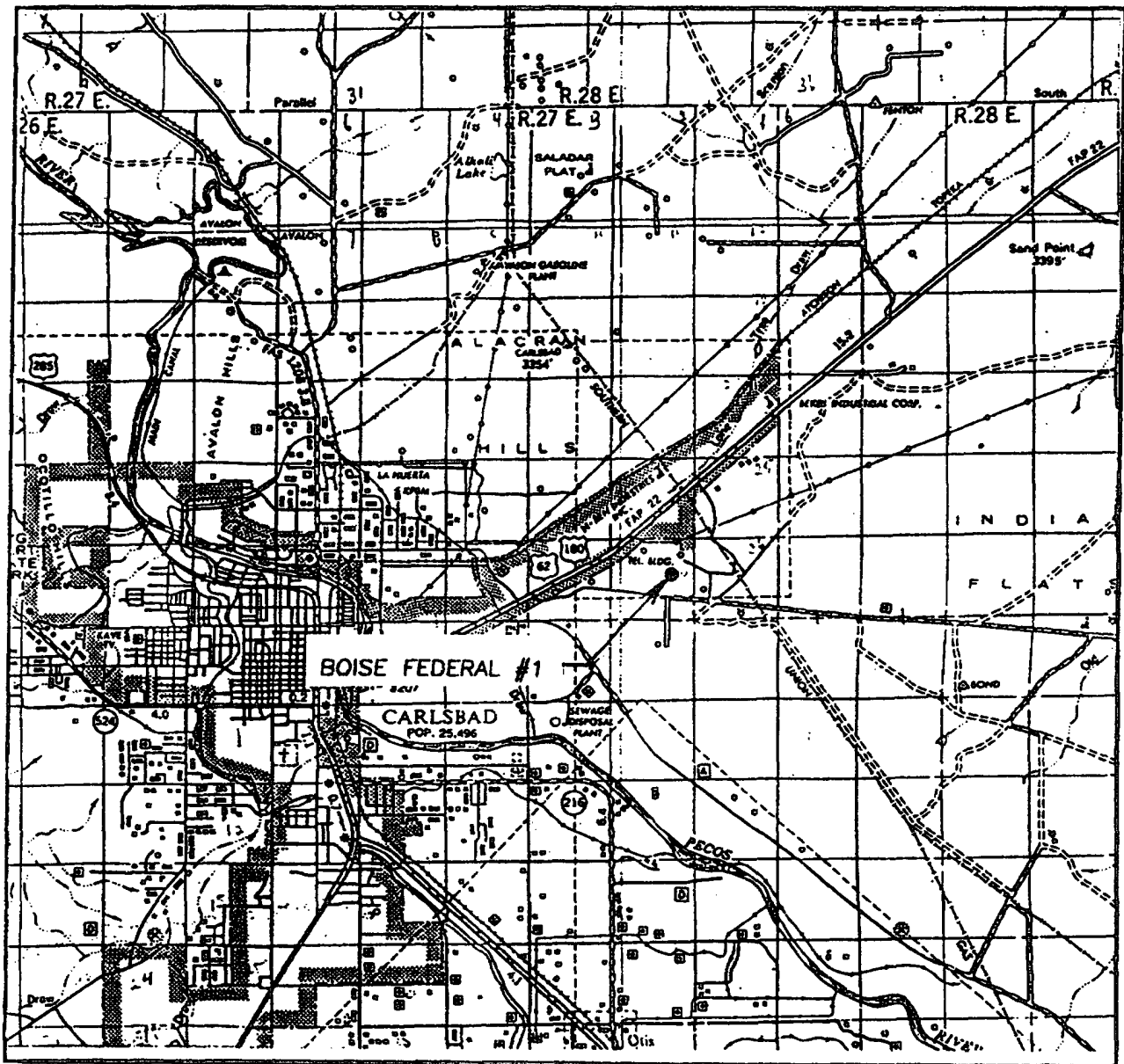
02/07/01

THE ABOVE COMPLETES A NEGATIVE REPORT. IF ELIGIBLE OR POTENTIALLY ELIGIBLE PROPERTIES ARE INVOLVED, THEN THE ABOVE WILL BE THE TITLE PAGE AND ABSTRACT FOR A COMPLETE REPORT.

[illegible]

Mesa Field Services

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 35 TWP. 21S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1877'FNL & 1312'FEL

ELEVATION 3102'

OPERATOR MYCO INDUSTRIES, INC.

LEASE BOISE FEDERAL

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

Revised February 10, 1984

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer 880, Artesia, NM 86811-0710

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT III
1000 Rio Brasen Rd., Antec, NM 87410

DISTRICT IV
P.O. BOX 8882, SANTA FE, N.M. 87504-2882

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ **AMENDED REPORT**

API Number		Pool Code	Pool Name
Property Code	Property Name BOISE FEDERAL		Well Number 1
OGRIID No.	Operator Name MYCO INDUSTRIES, INC.		Elevation 3102'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	35	21-S	27-E		1877	NORTH	1312	EAST	EDDY

Bottom Hole Location If Different From Surface

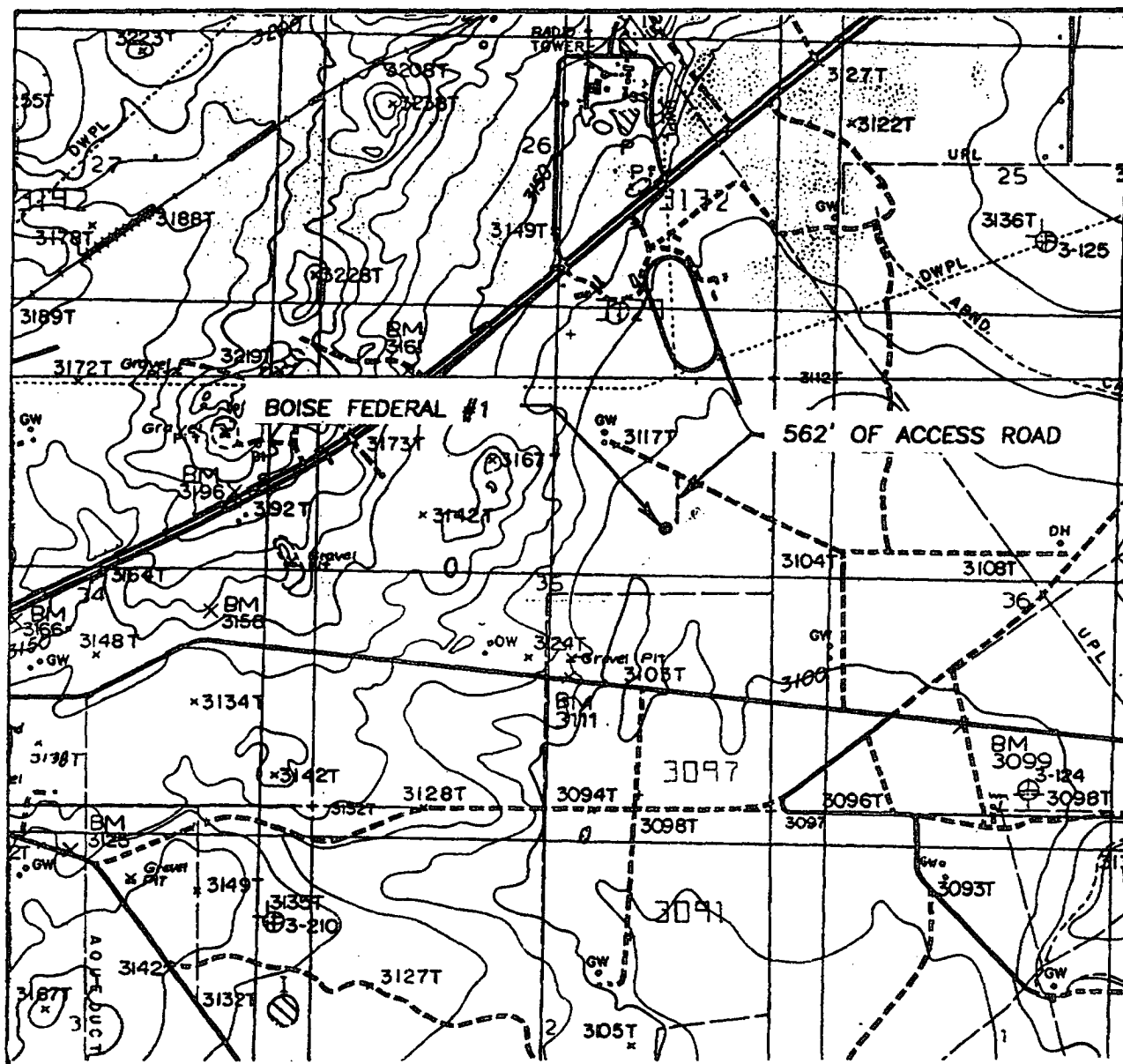
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
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**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

[illegible]

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
CARLSBAD EAST N.M.

SEC. 35 TWP. 21S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1877'FNL & 1312'FEL

ELEVATION 3102'

OPERATOR MYCO INDUSTRIES, INC.

LEASE BOISE FEDERAL

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

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

C. Mark Maloney
Independent Landman
P.O. Box 2627
Roswell, NM 88202-2627

(505) 622-9907 Voice
(505) 622-8340 Fax

February 13, 2001

MYCO Industries, Inc.
P.O. Box 840
Artesia, NM 88211-0840

Attn: Mr. A.N. (Nelson) Muncy
Operations Manager

Re: Surface Damage Settlement
Paul Bond et al
MYCO Capitol Prospect
MYCO Industries, Inc. Boise Federal No. 1
N1/2 Sec. 35, T-21-S, R-27-E, NMPM
Eddy County, New Mexico

Dear Mr. Muncie:

Per our previous agreement with the Bonds on surface damage settlement for MYCO's Austin State No. 1 located in Section 36 of T-21-S- R-27-E, NMPM, this is to confirm receipt of your check No. 19325 in the amount of \$ 2,500.00, tendered as surface damage payment for MYCO's Boise Federal No. 1, the location of which is also on the Bonds' lands in NE1/4 of Section 35, T-21-S, R-27-E, NMPM.

Thank you very much for your attention in this and all related matters and please feel free to call should you require anything further.

Very truly yours,



C. Mark Maloney, Agent

cmm/wp2
encs.



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.

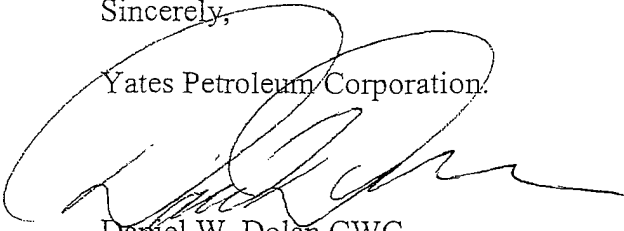
During operations, all pits will be fenced as required to maintain safety for livestock and wildlife.

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.

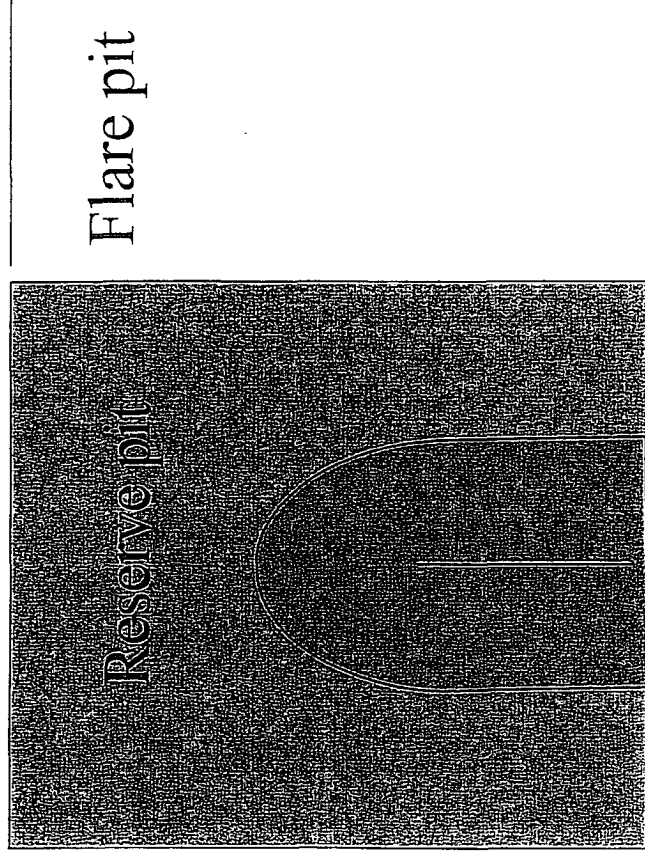
If we can be further assistance, please feel free to call (505) 748-4181.

Sincerely,

Yates Petroleum Corporation.



Daniel W. Dolan CWC
Environmental Field Tech.



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

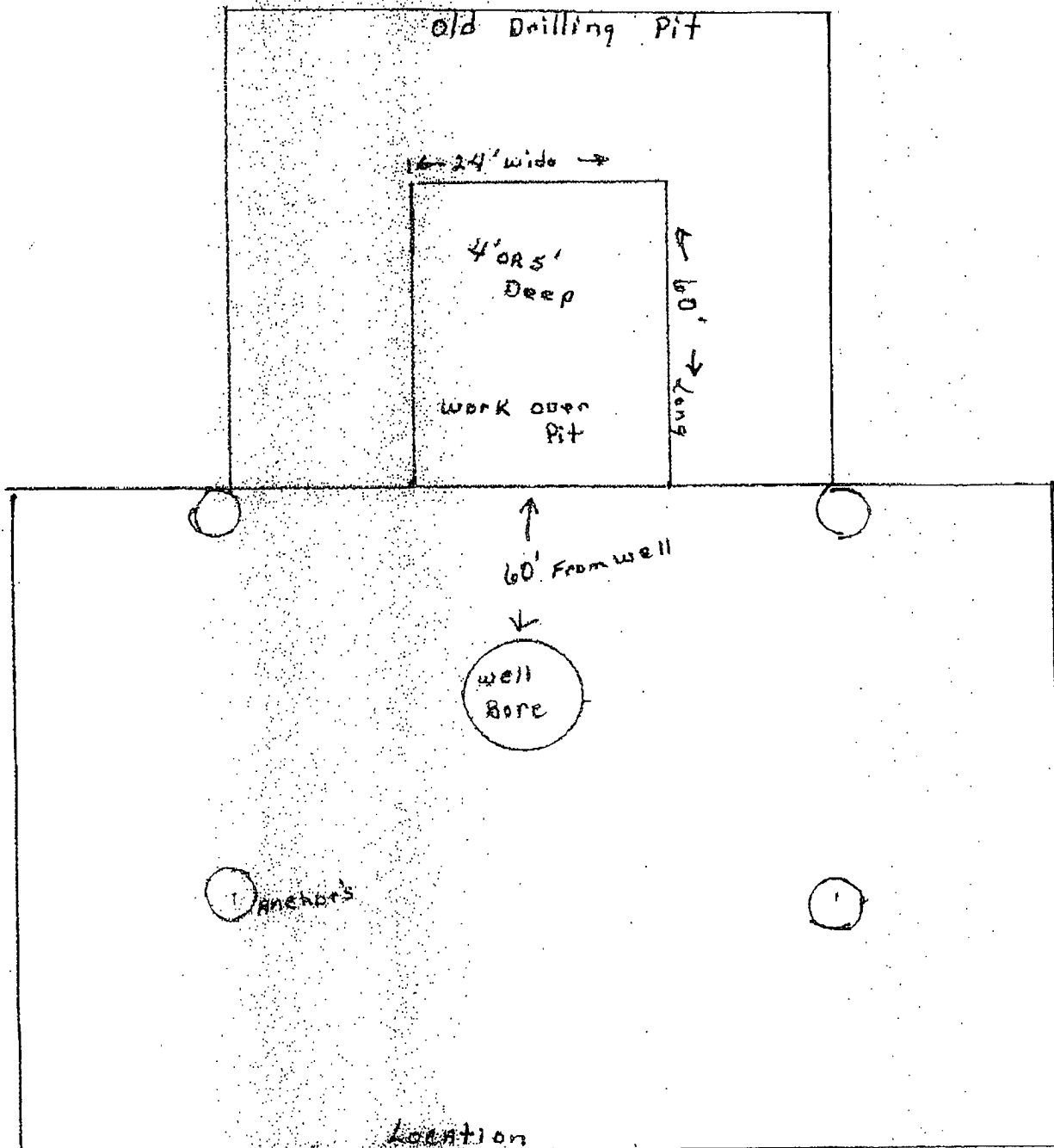


Figure "B"

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

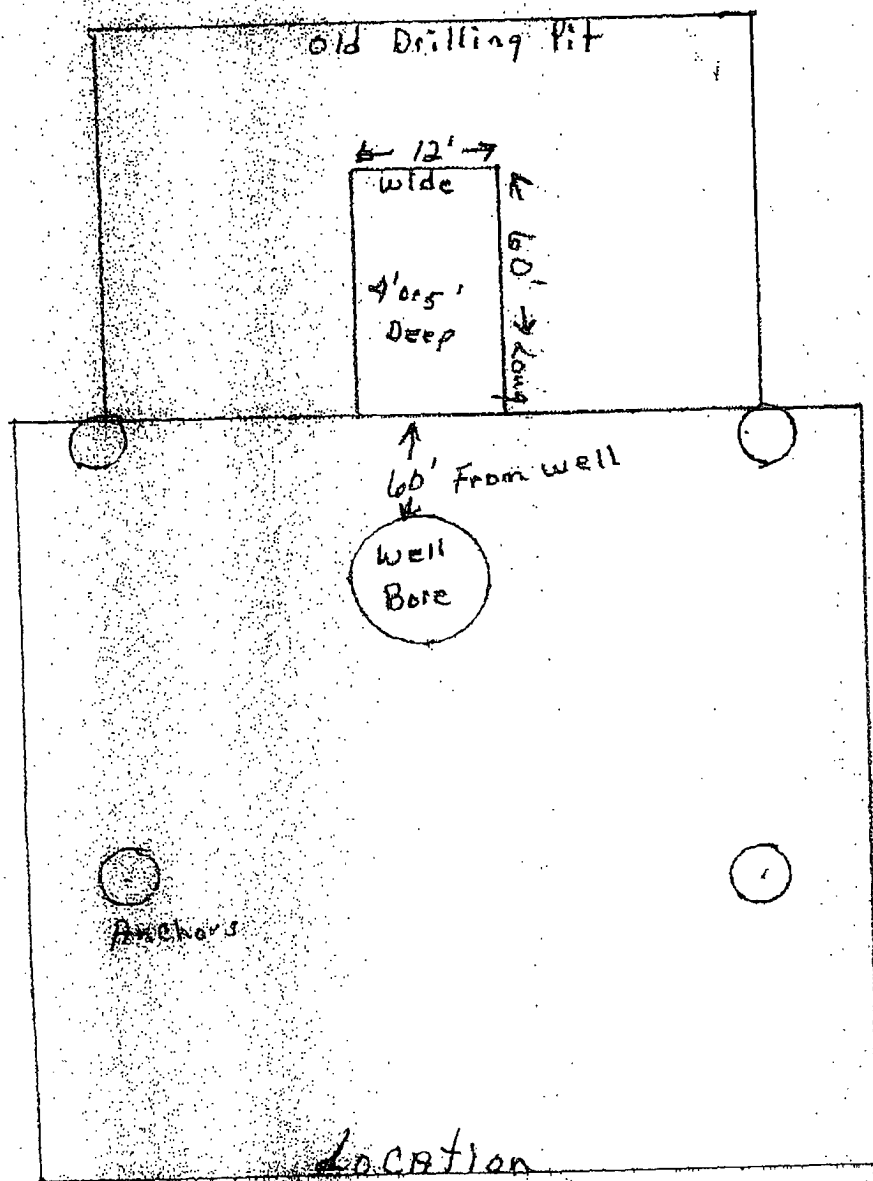
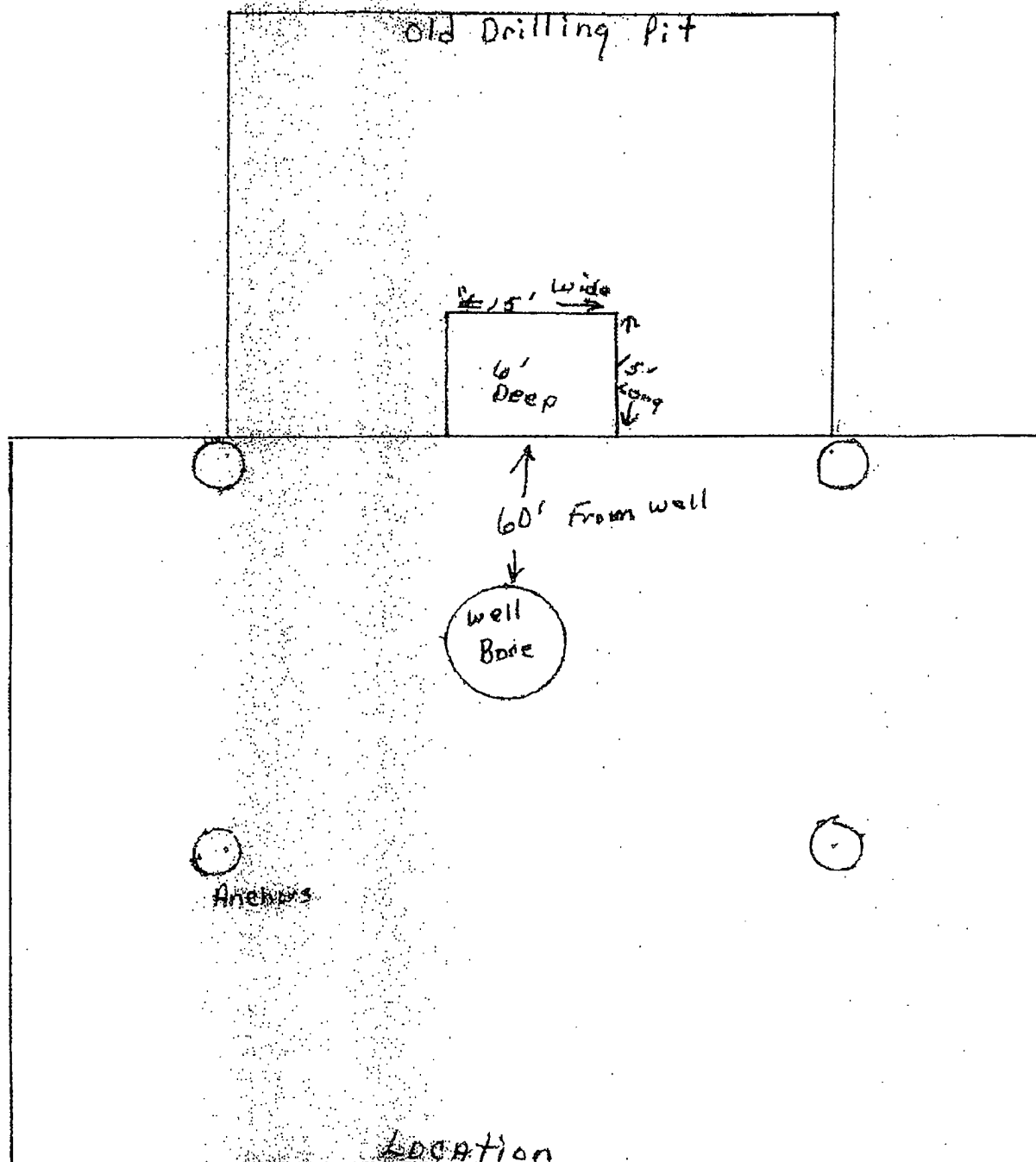


Figure "C"

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



SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name MYCO Industries Inc Well Name & No. Boise Federal #1
Location 1877 FN L & 1312 FEL Sec. 35, T. 21, R. 27.
Lease No. NM-14768A County Eddy State New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- () Lesser Prairie Chicken (stips attached) () Floodplain (stips attached)
() San Simon Swale (stips attached) () Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

() The BLM will monitor construction of this drill site. Notify the () Carlsbad Field Office at (505) 234-5972 () Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

☒ Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche.

() All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

☒ Other. Road Stipulation

III. WELL COMPLETION REQUIREMENTS

() A communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

☒ Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at a depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre.

- | | |
|---|---|
| <input checked="" type="checkbox"/> A. Seed Mixture 1 (Loamy Sites) | () B. Seed Mixture 2 (Sandy Sites) |
| Side Oats Grama (<i>Bouteloua curtipendula</i>) 5.0 | Sand Dropseed (<i>Sporobolus cryptandrus</i>) 1.0 |
| Sand Dropseed (<i>Sporobolus cryptandrus</i>) 1.0 | Sand Lovegrass (<i>Eragrostis trichodes</i>) 1.0 |
| | Plains Bristlegrass (<i>Setaria magrostachya</i>) 2.0 |
| () C. Seed Mixture 3 (Shallow Sites) | () D. Seed Mixture 4 (Gypsum Sites) |
| Sideoats Grama (<i>Boute curtipendula</i>) 1.0 | Alkali Sacaton (<i>Sporobolus airoides</i>) 1.0 |
| | Four-Wing Saltbush (<i>Atriplex canescens</i>) 5.0 |

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

() Other.

RESERVE PIT CONSTRUCTION STANDARDS

The reserve pit shall be constructed entirely in cut material and lined with 6 mil plastic.

Mineral material extracted during construction of the reserve pit may be used for development of the pad and access road as needed. Removal of any additional material on location must be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- (1) Lined as specified above and
- (2) A borrow/caliche/gravel pit can be constructed immediately adjacent to the reserve pit and it capable of containing all reserve pit contents. The mineral material removed in the process can be used for pad and access road construction. However, a material sales contract must be purchased from the BLM prior to removal of the material.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to proceed by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: MYCO INDUSTRIES, INC.

Well No. 1 - Boise Federal

Location: 1877' FNL & 1312' FEL Sec. 35, T. 21 S., R. 27 E

Lease: NMNM-14768-A

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 887-6544 in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13³/₈ inch 9⁵/₈ inch 5¹/₂ inch

C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

II. CASING:

1. 13-3/8 inch surface casing should be set at 475 feet and circulate cement to the surface. If cement does not circulate to the surface this BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. 9-5/8 inch intermediate casing should be set above the top of the Delaware Mountain Group at approximately 2200 feet with the intermediate section of hole drilled with fresh water. Minimum required fill of cement behind the 9-5/8 inch intermediate casing is to circulate to the surface.

3. Minimum required fill of cement behind the 5-1/2 inch production casing is extend cement upward a minimum of 500 feet above the uppermost perforation.

CONTROL III. PRESSURE

1. Before drilling below the 9-5/8 inch casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer and Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

2. The working pressure of the blowout preventer and related equipment (BOPE) shall be 5000 psi.

(ORIG. SGD.) LES BABYAK

3. The BOPE's shall be tested as described in Onshore Order No.2. Any equipment failing to test satisfactorily shall be repaired or replaced. The results of the test will be reported to the BLM Carlsbad Field Office, 620 East Greene St., Carlsbad, New Mexico 88220-6292, (505) 234-5972 (Daytime Phone) or (505) 369-2814 (After Hours Phone).

EXHIBIT A

BLM ^{Lease} Serial Number: NM 14768A

Company Reference: Boise Federal #1
Myco Industries Inc.

STANDARD STIPULATIONS FOR PERMANENT RESOURCE ROADS

The holder/grantee/permittee shall hereafter be identified as the holder in these stipulations. The Authorized Officer is the person who approves the Application for Permit to Drill (APD) and/or Right-of-Way (ROW).

GENERAL REQUIREMENTS

The holder shall minimize disturbance to existing fences and other improvements on public domain surface. The holder is required to promptly repair improvements to at least their former state. Functional use of these improvements will be maintained at all times. The holder will make a documented good-faith effort to contact the owner of any improvements prior to disturbing them. When necessary to pass through a fence line, the fence shall be braced on both sides of the passageway prior to cutting of the fence.

Holder agrees to comply with the following stipulations:

1. ROAD WIDTH AND GRADE

The road will have a driving surface of 14 feet (all roads shall have a minimum driving surface of 12 feet, unless local conditions dictate a different width). The maximum grade is 10 percent unless the box below is checked. Maximum width of surface disturbance from construction will be 30 feet.

☐ Those segments of road where grade is in excess of 10% for more than 300 feet shall be designed by a professional engineer.

2. CROWNING AND DITCHING

Crowning with materials on site and ditching on one side of the road on the uphill side will be required. The road cross-section will conform to the cross section diagrams in Figure 1. If conditions dictate, ditching may be required for both sides of the road; if local conditions permit, a flat-bladed road may be considered (if these conditions exist, check the appropriate box below). The crown shall have a grade of approximately 2% (i.e., 1" crown on a 12' wide road).

☐ Ditching will be required on both sides of the roadway as shown on the attached map or as staked in the field.

☐ Flat-blading is authorized on segment(s) delineated on the attached map.

3. DRAINAGE

Drainage control shall be ensured over the entire road through the use of borrow ditches, outsloping, insloping, natural rolling topography, lead-off (turnout) ditches, culverts, and/or drainage dips.

A. All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval for lead-off ditches shall be determined according to the following table, but may be amended depending upon existing soil types and centerline road slope (in %):

SPACING INTERVAL FOR TURNOUT DITCHES	
Percent slope	Spacing interval
0% - 4%	400' - 150'
4% - 6%	250' - 125'
6% - 8%	200' - 100'
8% - 10%	150' - 75'

A typical lead-off ditch has a minimum depth of 1 foot below and a berm 6 inches above natural ground level. The berm will be on the down-slope side of the lead-off ditch. The ditch end will tie into vegetation whenever possible.

For this road the spacing interval for lead-off ditches shall be at

☐ 400 foot intervals.

☐ _____ foot intervals.

☐ locations staked in the field as per spacing intervals above.

☐ locations delineated on the attached map.

B. Culvert pipes shall be used for cross drains where drainage dips or low-water crossings are not feasible. The minimum culvert diameter must be 18 inches. Any culvert pipe installed shall be of sufficient diameter to pass the anticipated flow of water. Culvert location and required diameter are shown on the attached map (Further details can be obtained from the Roswell District Office or the appropriate Resource Area Office).

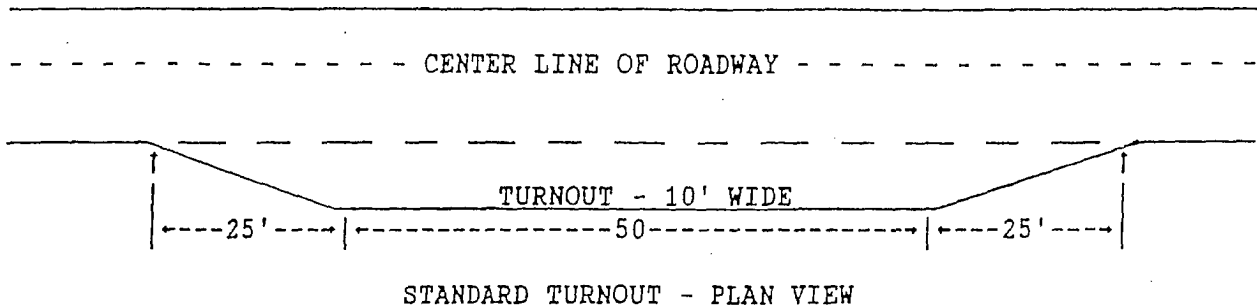
C. On road slopes exceeding 2%, drainage dips shall drain water into an adjacent lead-off ditch. Drainage dip location and spacing shall be determined by the formula:

$$\text{spacing interval} = \frac{400'}{\text{road slope in \%}} + 100'$$

Example: 4% slope: spacing interval = $\frac{400}{4} + 100 = 200$ feet

4. TURNOUTS

Unless otherwise approved by the Authorized Officer, vehicle turnouts will be required. Turnouts will be located at 2000-foot intervals, or the turnouts will be intervisible, whichever is less. Turnouts will conform to the following diagram:



5. SURFACING

Surfacing of the road or those portions identified on the attached map may, at the direction of the Authorized Officer, be required, if necessary, to maintain traffic within the right-of-way with caliche, gravel, or other surfacing material which shall be approved by the Authorized Officer. When surfacing is required, surfacing materials will be compacted to a minimum thickness of six inches with caliche material. The width of surfacing shall be no less than the driving surface. Prior to using any mineral materials from an existing or proposed Federal source, authorization must be obtained from the Authorized Officer.

6. CATTLEGUARDS

Where used, all cattleguard grids and foundation designs and construction shall meet the American Association of State Highway and Transportation Officials (AASHTO) Load Rating H-20, although AASHTO U-80 rated grids shall be required where heavy loads (exceeding H-20 loading), are anticipated (See BLM standard drawings for cattleguards). Cattleguard grid length shall not be less than 8 feet and width of not less than 14 feet. A wire gate (16-foot minimum width) will be provided on one side of the cattleguard unless requested otherwise by the surface user.

7. MAINTENANCE

The holder shall maintain the road in a safe, usable condition. A maintenance program shall include, but not be limited to blading, ditching, culvert installation, culvert cleaning, drainage installation, cattleguard maintenance, and surfacing.

8. PUBLIC ACCESS

Public access along this road will not be restricted by the holder without specific written approval being granted by the Authorized Officer. Gates or cattleguards on public lands will not be locked or closed to public use unless closure is specifically determined to be necessary and is authorized in writing by the Authorized Officer.

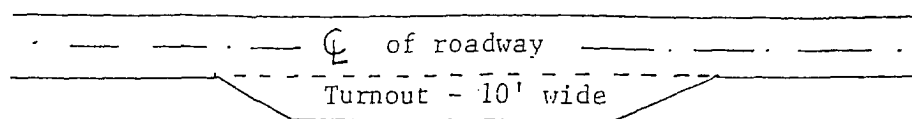
9. CULTURAL RESOURCES

Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the holder, or any person working on the holder's behalf, on public or Federal land shall be immediately reported to the authorized officer. The holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to the proper mitigation measures will be made by the authorized officer after consulting with the holder.

10. SPECIAL STIPULATIONS:

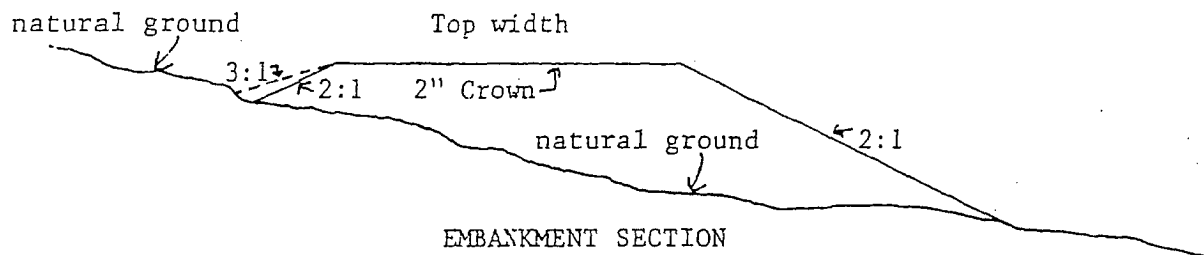
FIGURE 1. CROSS SECTIONS AND PLANS FOR TYPICAL ROAD CONSTRUCTION
 REPRESENTATIVE OF BLM RESOURCE, AND HIGHER CLASS, ROADS.

(Travel way, top width, driving surface, and travel surface are synonymous.)

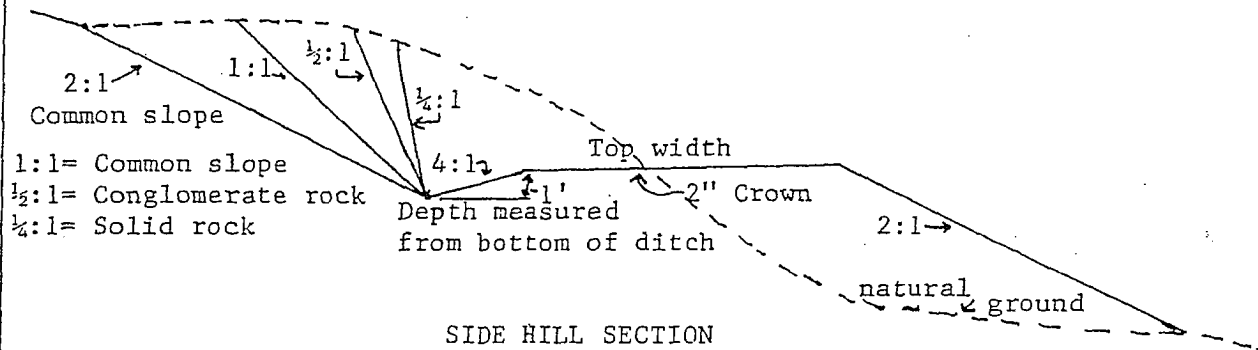


20' 50' 20'

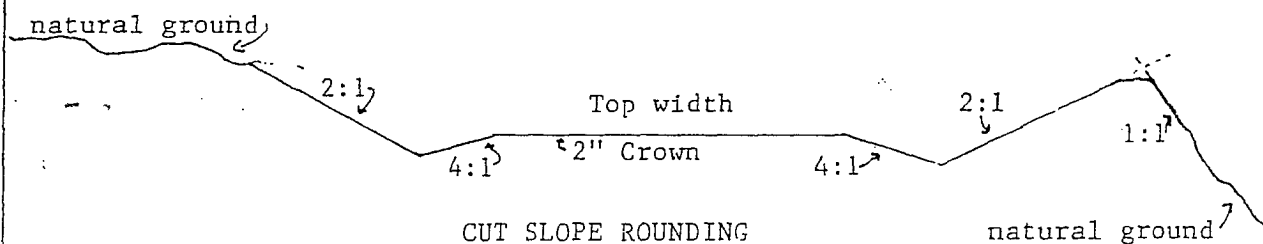
TYPICAL TURNOUT PLAN



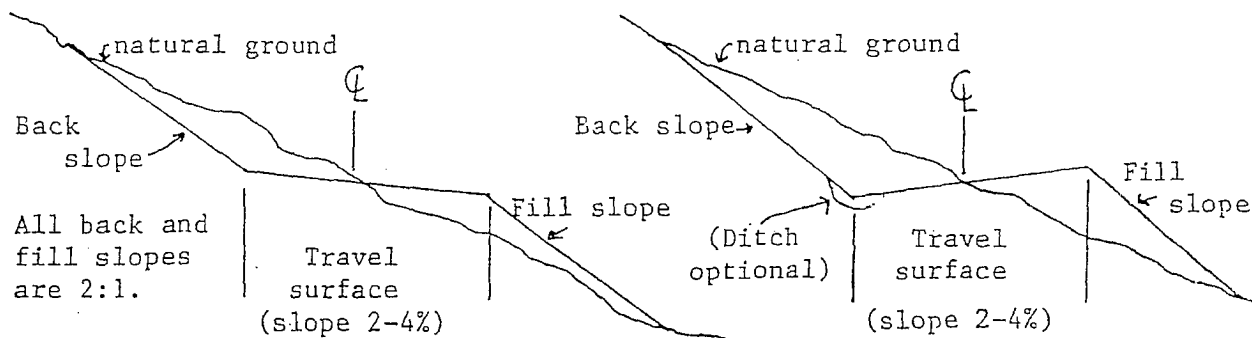
EMBANKMENT SECTION



SIDE HILL SECTION



CUT SLOPE ROUNDING



TYPICAL OUTSLOPED SECTION

TYPICAL INSLOPED SECTION