



March 20, 2008

## **HAND-DELIVERED**

Mark E. Fesmire, P. E.
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 the Simultaneous Dedication of the S/2 of Section 32, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico to its proposed Alfalfa 23 Fee Well No. 2H and the existing Alfalfa 32 Fee Well No. 1H.

#### Dear Mr. Fesmire:

Myco Industries, Inc. ("Myco") is the operator of a standard 320-acre spacing unit comprised of the S/2 of Section 33, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico. This spacing unit is dedicated to Myco's Milo 33 Fee Well No. 1H which has been horizontally drilled and produces from the Wolfcamp formation.

Myco seeks administrative approval of the simultaneous dedication of this standard 320-acre gas spacing unit to the following two horizontal gas wells:

- A. the existing Alfalfa 32 Fee Well No. 1H (API No. 30-005-63850) horizontally drilled from a surface location 660 feet from the South and East lines to an end point or bottom hole location 660 feet from the South and West lines of said Section 32; and
- B. the proposed Alfalfa 32 Fee Well No. 2H (API No. 30-005-63909) to be horizontally drilled from a surface location 1930 feet from the South line and 256 feet from the East line of said Section 32 to a proposed end point or bottomhole location 1930 feet from the South line and 660 feet from the West line of said Section 32.

# HOLLAND&HART

Both the penetration point and the bottomhole location for the Alfalfa 32 Fee Well No. 1H are at a standard location in the Wolfcamp formation pursuant to Division Rules 104.C (2) (a) and 111.A (7). Myco now intends to horizontally drill and complete its proposed Alfalfa 32 Fee Well No. 2H to be drilled to the targeted subsurface end-point or bottomhole location 1930 feet from the South line and 660 feet from the West line (Unit L) of Section 32. Myco proposes to drill this well in compliance with the set-back requirements of Division Rules 104.C(2)(b) and 111.A(7) for deep gas wells in southeast New Mexico.

Attached hereto as **Exhibit A** is a copy of Division Form C-102 for this well that shows the proposed surface and bottomhole location of the well.

**Exhibit B** is a map of offset operators around the spacing unit in Section 33. **Exhibit C** is a list of affected parties as defined by Division Rules. Myco is also the working interest owner in the S/2 of Section 33 and ownership is common. As required by Rule 1210, a copy of this application (with attachments) has been sent to those affected parties in accordance with Rule 1207(A)(5) and they have been advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date this notice was sent.

The simultaneous dedication of the S/2 of said Section 32 to the Alfalfa 32 Fee Well Nos. 1H and 2H will afford Myco the opportunity to efficiently produce the Wolfcamp formation under this spacing unit. Myco's's proposed simultaneous dedication of these wells does not exceed the number of wells allowed by Division Rule for this spacing unit.

Your attention to this application is appreciated.

Sincerely

Ocean Munds-Dry

Attorney for Myco Industries, Inc.

Enclosures

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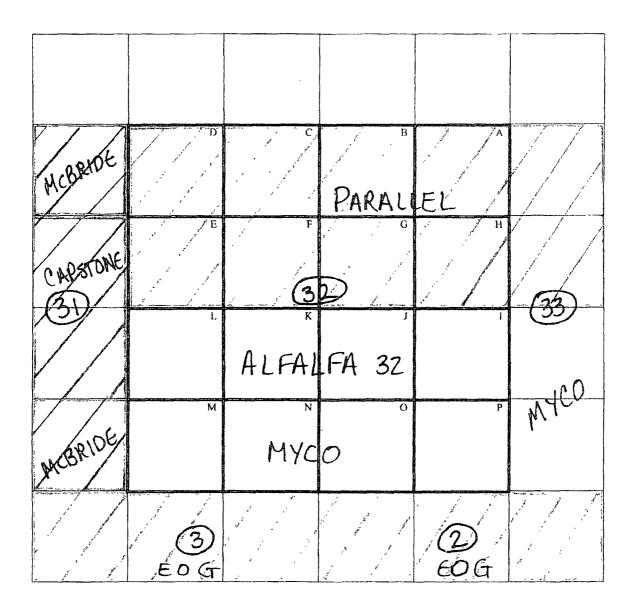
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# **OFFSETS IN SECTION 32**







March 20, 2008

# <u>CERTIFIED MAIL</u> <u>RETURN RECEIPT REQUESTED</u>

#### AFFECTED INTEREST OWNERS

Re: Application of Myco Industries, Inc., for simultaneous dedication, Chaves County, New Mexico.

#### Ladies and Gentlemen:

This letter is to advise you that Myco Industries, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the simultaneous dedication of the proposed Alfalfa 32 Fee Well No. 2H to be drilled from a surface location 1930 feet from the South line and 256 feet from the East line and a bottomhole location 1930 feet from the South line and 660 feet from the West line of Section 32, Township 15 South, Range 25 East and the existing Alfalfa 32 Fee Well No. 1H drilled from a surface location 660 feet from the South and East lines and 660 feet from the South and West lines of Section 32, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico. 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

Very truly yours,

Ocean Munds-Dry

Attorney for Myco Industries, inc.

Enclosures

# Exhibit C

# Application of Myco Industries, Inc. Simultaneous Dedication of S/2 of Section 32, Township 15 South, Range 25 East, NMPM Chaves County, New Mexico

EOG Resources, Inc. Post Office Box 2267 Midland, Texas 79702

Parallell Petroleum Corp. Post Office Box 10587 Midland, Texas 79702

Capstone Oil & Gas Company P.O. Box 10187 Midland, Texas 79702

McBride Oil & Gas Corp. P.O. Box 1515 Roswell, New Mexico 88202

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ABOVE THIS LINE FOR DIVISION USE ONLY

## **NEW MEXICO OIL CONSERVATION DIVISION**

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



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# ADMINISTRATIVE APPLICATION CHECKLIST THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE **Application Acronyms:** [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposal] [IPI-injection Pressure Increase] [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response] [1]TYPE OF APPLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication ☐ NSL ☐ NSP ☐ SD Check One Only for [B] or [C] Commingling - Storage - Measurement ☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery ☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR [D] Other: Specify [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply Working, Royalty or Overriding Royalty Interest Owners [A] Offset Operators, Leaseholders or Surface Owner [B] [C] Application is One Which Requires Published Legal Notice [D]Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office [E] For all of the above, Proof of Notification or Publication is Attached, and/or, [F] Waivers are Attached [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE. **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division. Note: Statement must be completed by an individual with managerial and/or supervisory capacity. Rea Much - by attorney 3-20-08 Title Date