

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
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Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



May 5, 2008

Myco Industries, Inc.
c/o Ms. Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

MAY 15 2008
OCD-ARTESIA

Administrative Order SD-200812

Re: Myco Industries, Inc.
Alfalfa 32 Fee Well No. 2H
API No. 30-005-63909
Unit I, Section 32, Twsp 15S, Range 25E
Chaves County

Dear Ms Munds-Dry:

Reference is made to the following:

- (a) your application (**administrative SD application reference No. pKVR08-08536341**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 20, 2008; on behalf of Myco Industries, Inc. (Myco); and
- (b) the Division's records pertinent to Myco's request.

Myco has requested to simultaneously dedicate the S/2 of Section 32, Township 15 South, Range 25 East, in Chaves County, New Mexico, in the Wolfcamp formation, to:

- (a) its proposed Alfalfa 32 Fee Well No. 2H (API No. 30-005-63909) (the proposed well), a horizontal gas well to be drilled to the Wolfcamp formation from an unorthodox surface location 1930 feet from the South line and 256 feet from the East line (Unit I) of Section 32 to a point of penetration of the Wolfcamp at a standard location, 1930 feet from the South line and 660 feet from the East line (Unit I); and thence to an orthodox terminus, or bottom-hole location, 1930 feet from the South line and 660 feet from the West line (Unit L) of said section; and

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(b) its existing Alfalfa Fee Well No. 1H (API No. 30-005-63850) (the existing well), a horizontal gas well drilled to the Wolfcamp formation from an orthodox surface location 660 feet from the South line and 660 feet from the East line (Unit P) of Section 32 to an orthodox terminus, or bottom-hole location, 660 feet from the South line and 660 feet from the West line (Unit M) of said section.

The S/2 of Section 32 is a standard 320-acre gas spacing unit in the Cottonwood Creek-Wolfcamp Gas Pool (75250). Well density in this pool is governed by statewide Rule 104.C(2), which, as applied to this unit, allows two wells to be completed in the unit, but requires that the wells be in different quarter sections. Because the proposed well will be completed within both quarter sections of this 320-acre unit, and the existing well is also completed in both quarter sections, division approval for simultaneous dedication is required.

Your application on behalf of Myco has been duly filed under the provisions of Division Rules 104.D(3) and 1210.A(2).

It is our understanding Myco has proposed the simultaneous dedication of this unit to the two wells described for geological reasons, in order to prevent waste and maximize production from this unit.

We further understand that all operators of offsetting units within the Wolfcamp formation have been duly notified of the filing of this application, and that, as to those offsetting units where Myco is the operator, working interest ownership is identical to the subject unit.

Pursuant to the authority granted by Rule 104.D(3), the above-described simultaneous dedication is hereby approved.

This approval is subject to your 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,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia