



MYCO INDUSTRIES, INC.
OIL PRODUCERS
P.O. BOX 840 / 331 WEST MAIN, SUITE C
ARTESIA, NEW MEXICO 88211-0840
Phone (505) 748-1471

February 25, 1994

VIA FACSIMILE AND FIRST CLASS MAIL

Mr. Shannon Shaw
BLM
Carlsbad, New Mexico 88220

Re: MYCO Industries, Inc. MYD Fed. No. 1 Well
Section 34, Township 17 South, Range 25 East

Dear Shannon:

Pursuant to our earlier telephone conversations I have prepared a Sundry Notice for the above-referenced well setting forth our casing program with the conclusion that the setting of the blow-out preventer and associated equipment is not necessary until the intermediate casing is drilled out from. Along with the Sundry Notice we are attaching two maps of the Eagle Creek San Andres field. As you will note, there have been approximately two hundred wells drilled in the area of this field, and we are aware of not one single incident wherein the BLM required a blow-out preventer to be set on the surface or that any hydrocarbons or problems were encountered until intermediate casing was drilled out from.

In our conversation you indicated that your actions were being governed by Onshore Order 2-IIIA(1). We have reviewed this section of Onshore Order No. 2 with our counsel and conclude that the stated evidence which I have just given you would satisfy our election not to set the blow-out preventer until after the setting of the intermediate casing. I direct your attention to the following sentence contained in IIIA(1): "The BOPE shall be based on known or anticipated subsurface pressures, geologic conditions, accepted engineering practice, and surface environment." It is our interpretation of that sentence that the BLM should base any requirement for a blow-out preventer on the information we have just submitted to you. That information would indicate that a blow-out preventer is not necessary "to assure well control". Therefore, we think it improper for the BLM to require this action. Please be advised that such action is not only unnecessary, but it is costly to MYCO Industries, Inc., and it has been estimated that this requirement alone will entail a cost of an additional \$7,500.00 at a minimum.

Very truly yours,

Nelson Muncy

Nelson Muncy, PELS
Operations Manager

Encl.