

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF MYCO INDUSTRIES, INC., FOR
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 13448

2005 FEB 23 PM 4:38

APPLICATION

Myco Industries Inc. ("Myco"), through its undersigned attorneys, hereby makes application for an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Morrow formation underlying the N/2 of Section 32, Township 21 South, Range 28 East, NMPM, Eddy County, New Mexico, to form a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include but are not necessarily limited to the Undesignated East Carlsbad-Wolfcamp, Undesignated East Carlsbad-Strawn and the, Undesignated East Carlsbad-Morrow Gas Pools. In support of its application Myco states:

1. Myco is a working interest owner in the NW/4 of Section 32 and by virtue of certain contractual rights has the right to drill in the NE/4 of Section 32.
2. Myco proposes to dedicate the N/2 of Section 32 to its proposed Throckmorton 32 State Com Well No. 1, to be drilled at a standard location in the SE/4 NE/4 (Unit H) of said Section 32 at a point 1980 from the North line and 660 feet from the East line to a depth sufficient to test the Morrow formation.
3. Myco has attempted but has been unable to locate certain interest owners in the N/2 of Section 32 identified on Exhibit A to this application.
4. Approval of this application will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Myco the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interests should be pooled, and Myco should be designated operator of the proposed well.

WHEREFORE, Myco requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 17, 2005, and that after notice and hearing as required by law the Division enter its order:

- A. pooling all uncommitted mineral interests in the subject spacing and proration unit;
- B. designating Myco operator of the unit and the proposed well;
- C. authorizing Myco to recover its costs of drilling, equipping and completing this well;
- D. approving the actual operating charges and costs of supervision while drilling and after completion of this well, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. imposing the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in this project.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

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ATTORNEYS FOR MYCO INDUSTRIES, INC.

EXHIBIT A

**IN THE MATTER OF THE APPLICATION
OF MYCO INDUSTRIES, INC., FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.
(Throckmorton 32 State Com Well No. 1)**

Richard Michael Dome
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Simi Valley, California 93442

William Mann Vargas
1373 N. Gilbert
Fullerton, California 92633

CASE 13448.

In The Matter Of The Application Of Myco Industries, Inc. For Compulsory Pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in the N/2 of Section 32, Township 21 South, Range 28 East, NMPM, Eddy County, New Mexico, in order to form a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent, which presently include but are not necessarily limited to the Undesignated East Carlsbad-Wolfcamp, Undesignated East Carlsbad-Strawn, and the Undesignated East Carlsbad-Morrow Gas Pools. This spacing and proration unit is to be dedicated to the Throckmorton 32 State Com Well No. 1 to be drilled at a standard location 1980 feet from the North line and 660 feet from the East line of Section 32 in order to test the Morrow formation. Also to be considered will the cost of drilling and completion of said well and the allocation of the cost thereof, the actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 5 miles east of Carlsbad, New Mexico.