

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

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FEB 03 2005
OCCUPANCY

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-111411
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. SKOR 34 FEDERAL COM #1
3b. Phone No. (include area code) (505)748-4280		9. API Well No. 30-015-33925
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FSL & 1800' FEL At proposed prod. zone		10. Field and Pool, or Exploratory CARLSBAD MORROW, EAST
14. Distance in miles and direction from nearest town or post office* APPROXIMATELY 5 MILES EAST CARLSBAD P.O.		11. Sec., T., R., M., or Blk, and Survey or Area SEC. 34-T21S-R27E
15. Distance from proposed* location to nearest property or lease line, ft. 660' (Also to nearest drig. unit line, if any)	16. No. of Acres in lease 80.00	17. Spacing Unit dedicated to this well S/2 (320.00)
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. APP. 2650'	19. Proposed Depth 11,900'	20. BLM/BIA Bond No. on file BLM 585971
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3134'	22. Approximate date work will start* 03/01/2005	23. Estimated duration 35-40 DAYS
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, PECS</i>	Name (Printed/Typed) A.N. MUNCY	Date 01/14/2005
Title EXPLORATION/OPERATIONS MANAGER		
Approved by (Signature) /s/ Tony J. Herrell	Name (Printed/Typed) /s/ Tony J. Herrell	Date FEB - 1 2005
Title 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

**MYCO INDUSTRIES, INC.
SKOR 34 FEDERAL COM #1
660' FSL & 1800' FEL (UNIT O)
S/2 OF SEC. 34-T21S-R27E
EDDY COUNTY, NEW MEXICO
NM-111411**

1. The estimated tops of geologic markers are as follows:

Bell Canyon	2600'	Atoka	10,950'
Brushy Canyon	3930'	Morrow "A"	11,350'
Bone Spring LS	5450'	Morrow "B"	11,450'
Wolfcamp	9000'	Morrow "C"	11,700'
Strawn	10,350'	TD	11,850'

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water:	350' – 400'
Oil or Gas:	9700' – 11,900'

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 "D".

- 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	0-2900'	2900'
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 1200 sacks.

Production Casing: 5 1/2" casing cement 900 sacks (Stage I, Stage II-Circulate), (Est. DV Tool @ 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' – 2900'	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: 2900' 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 in approximately 30 days. It should take approximately 35-40 days to drill the well with completion taking another 10-20 days.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN
MYCO INDUSTRIES, INC.
SKOR 34 FEDERAL COM #1
660' FSL & 1800' FEL (UNIT O)
S/2 OF SEC. 34 – T21S – R27E
EDDY COUNTY, NEW MEXICO
NM-111411**

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-1 is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is outside the Carlsbad, New Mexico city limits.

DIRECTIONS: From Carlsbad, NM head east on Highway 62-180 to almost half way between mile marker 42 and 43, turn right onto road marked with a Myco Industries, Inc. sign pointing southeast. Continue southeast along a caliche road 0.3 miles to a road intersection. Turn to the right and go in a southwardly direction approximately 2.8 miles to another intersection. Turn right (west) and go approximately .1 mile to another intersection. Turn right (north) and go approximately .3 miles to a "T" in the road. Turn left (west) for approximately 1.5 miles and then Southeast 612' to location.

2. PLANNED ACCESS ROADS: A 612' new access road is proposed from an existing lease road to the location. See Exhibit A-1

3. LOCATION OF EXISTING WELL:

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit B 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-1".

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 – Access Road, Pad and Pipeline, *Note attached agreement with fee surface owner

12. OTHER INFORMATION:

- A. Topography: See attached positive 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, PEELS
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, PEELS

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

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised March 17, 1999

Instruction on back

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

Sbha, NM 88240

II

South First, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name SKOR "34" FEDERAL COM.	Well Number 1
OGRID No. 025575	Operator Name MYCO INDUSTRIES INC.	Elevation 3134

Surface Location

UL or lot No. 0	Section 34	Township 21S	Range 27E	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 1800	East/West line EAST	County EDDY
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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 320	Joint or Infill	Consolidation Code	Order No.
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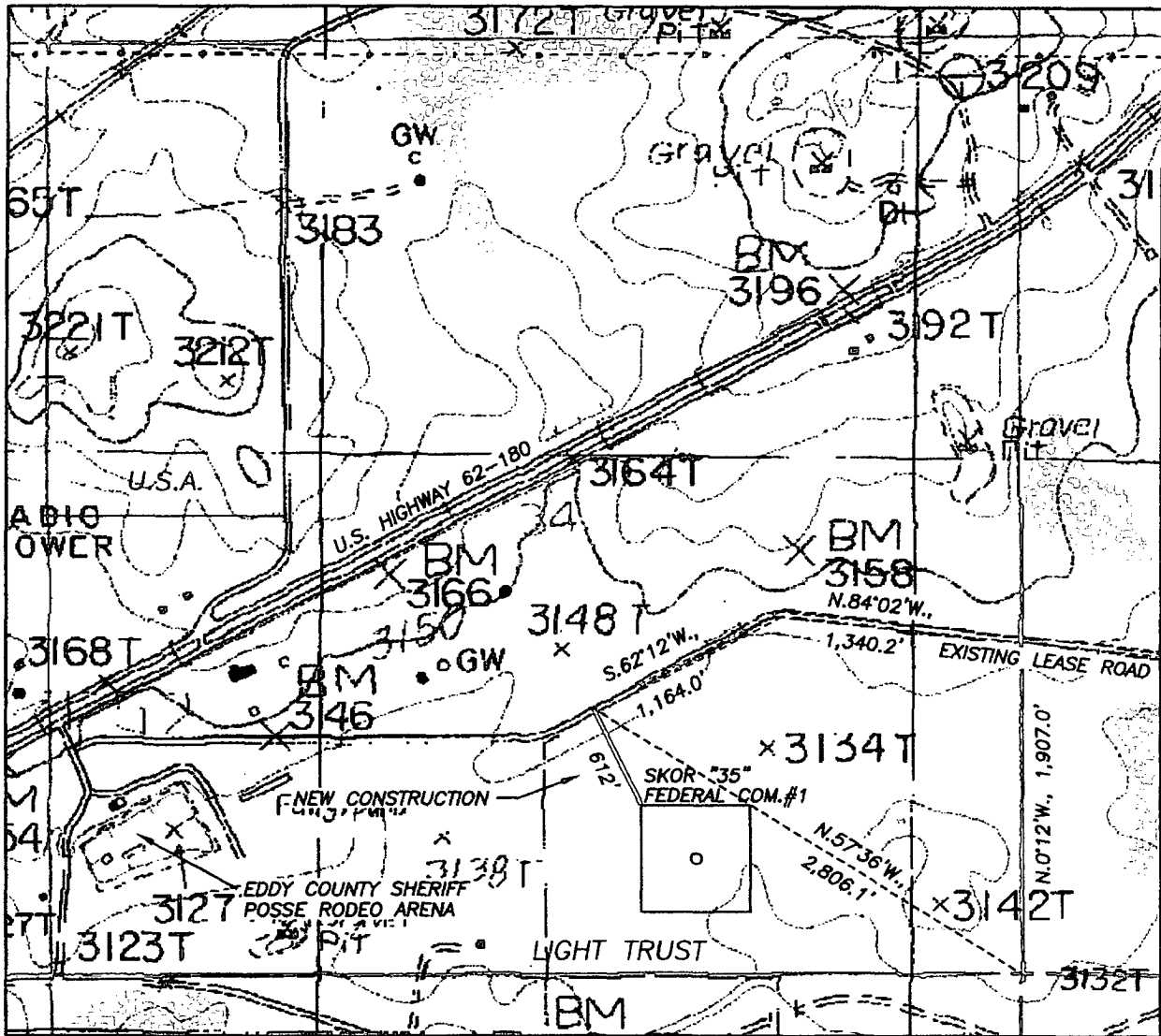
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <i>A. N. Munch</i> Signature A. N. MUNCH Printed Name EXPLOR. OPER. MGR. Title JAN. 6, 2005 Date
	SURVEYOR CERTIFICATION 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. 10/20/2004 Date Surveyed <i>Herschel L. Jones</i> Signature & Seal PROFESSIONAL SURVEYOR NEW MEXICO 3640 Certificate No. Herschel Jones RLS 3640 PROFESSIONAL LAND SURVEYOR GENERAL SURVEYING COMPANY

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

EXHIBIT "A"

SECTION 34, TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



DESCRIPTION:

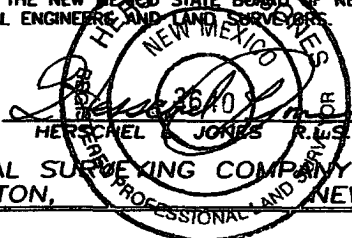
A LEASE ROAD RIGHT OF WAY 30 FEET WIDE, BEING 15 FEET TO THE LEFT AND RIGHT OF AN EXISTING LEASE ROAD AS DESCRIBED AS FOLLOWS AND SHOWN IN RED ON THIS PLAT.

BEGINNING AT A POINT LOCATED N.0°12'W., 1,907.0 FEET DISTANT FROM THE SOUTHEAST CORNER OF SECTION 34, TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM, EDDY COUNTY, NEW MEXICO; THENCE N.84°02'W., 1,340.2 FEET; THENCE S.62°12'W., 1,164.0 FEET TO A POINT LOCATED N.57°36'W., 2,806.1 FEET DISTANT FROM THE SOUTHEAST CORNER OF SAID SECTION 34.

2,504.2 FEET = 151.7697 RODS, MORE OR LESS.

1000' 0 1000' 2000'
Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.



GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

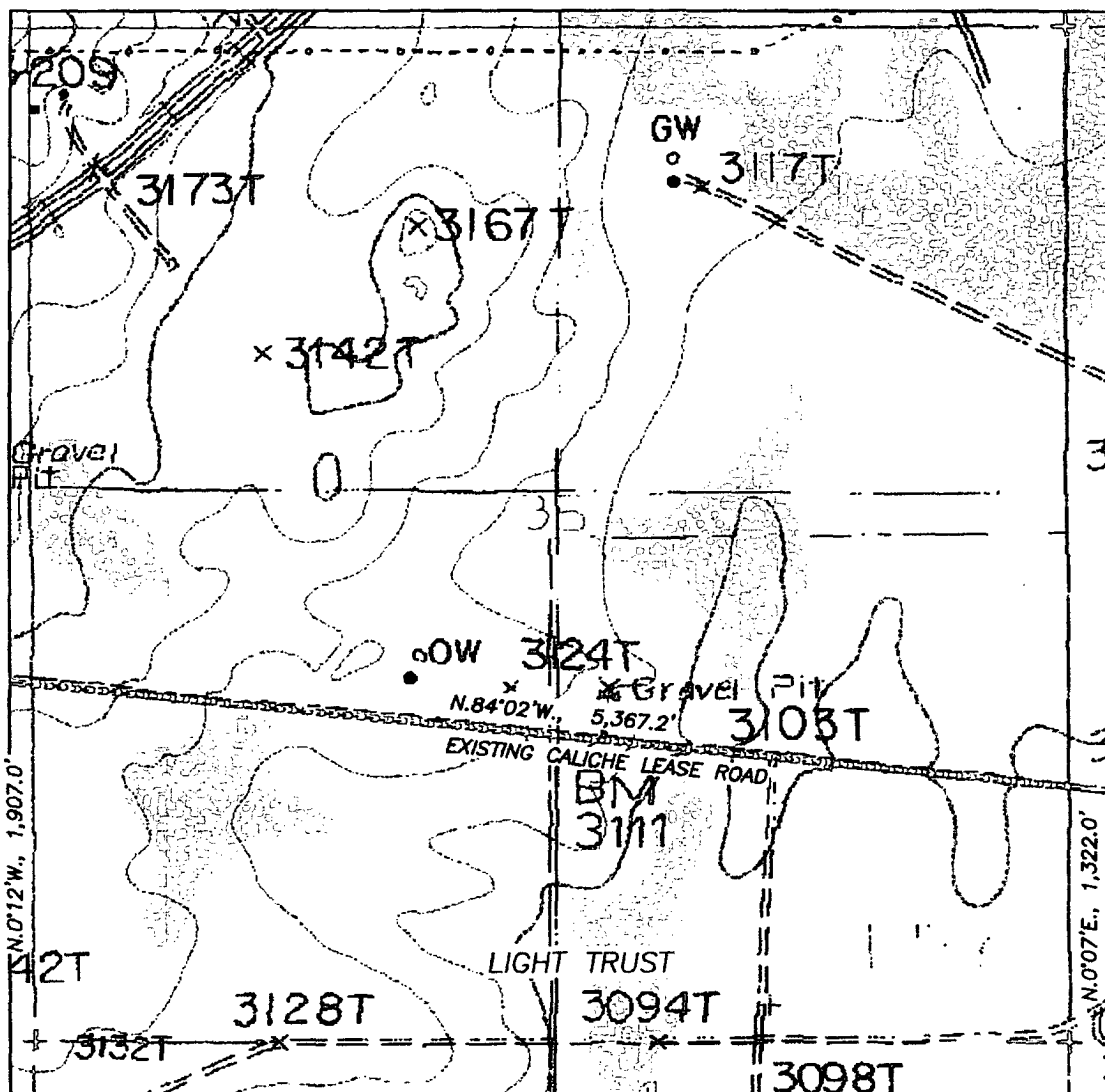
MYCO INDUSTRIES INC.

LEASE ROAD TO ACCESS THE MYCO SKOR "35" FEDERAL COM. #1 WELL, LOCATED IN SECTION 34, TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 11/17/2004	Sheet 3 of 3 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 11/20/04	Scale 1" = 1000' SKOR 1

EXHIBIT "A-1"

SECTION 35, TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



DESCRIPTION:

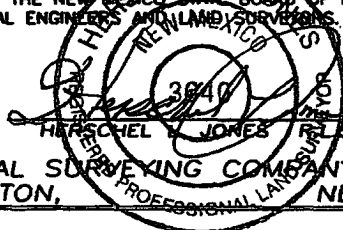
A LEASE ROAD RIGHT OF WAY 30 FEET WIDE, BEING 15 FEET TO THE LEFT AND RIGHT OF AN EXISTING LEASE ROAD AS DESCRIBED AS FOLLOWS AND SHOWN IN RED ON THIS PLAT.

BEGINNING AT A POINT LOCATED N.0°07'E., 1,322.0 FEET DISTANT FROM THE SOUTHEAST CORNER OF SECTION 35, TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM, EDDY COUNTY, NEW MEXICO; THENCE N.84°02'W., 5,367.2 FEET TO A POINT LOCATED N.0°12'W., 1,907.0 FEET DISTANT FROM THE SOUTHWEST CORNER OF SAID SECTION 35.

5,367.2 FEET = 325.2848 RODS, MORE OR LESS.

1000' 0 1000' 2000'
Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.



GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

MYCO INDUSTRIES INC.

LEASE ROAD TO ACCESS THE MYCO SKOR "35" FEDERAL COM. #1 WELL, LOCATED IN SECTION 34, TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 11/17/2004	Sheet 2 of 3 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 11/20/04	Scale 1" = 1000' SKOR 1

3112T

3109T

3104T

EXISTING LEASE ROAD

GW

3108T

3114T

CANAL

UPL

3116

3096T

3097

BM 3099

3-124

GEORGE BOND

3098T

N.84°02'W., 836.0'

N.34°02'E., 1,490.4'

N.0°07'E., 1,322.0'

312

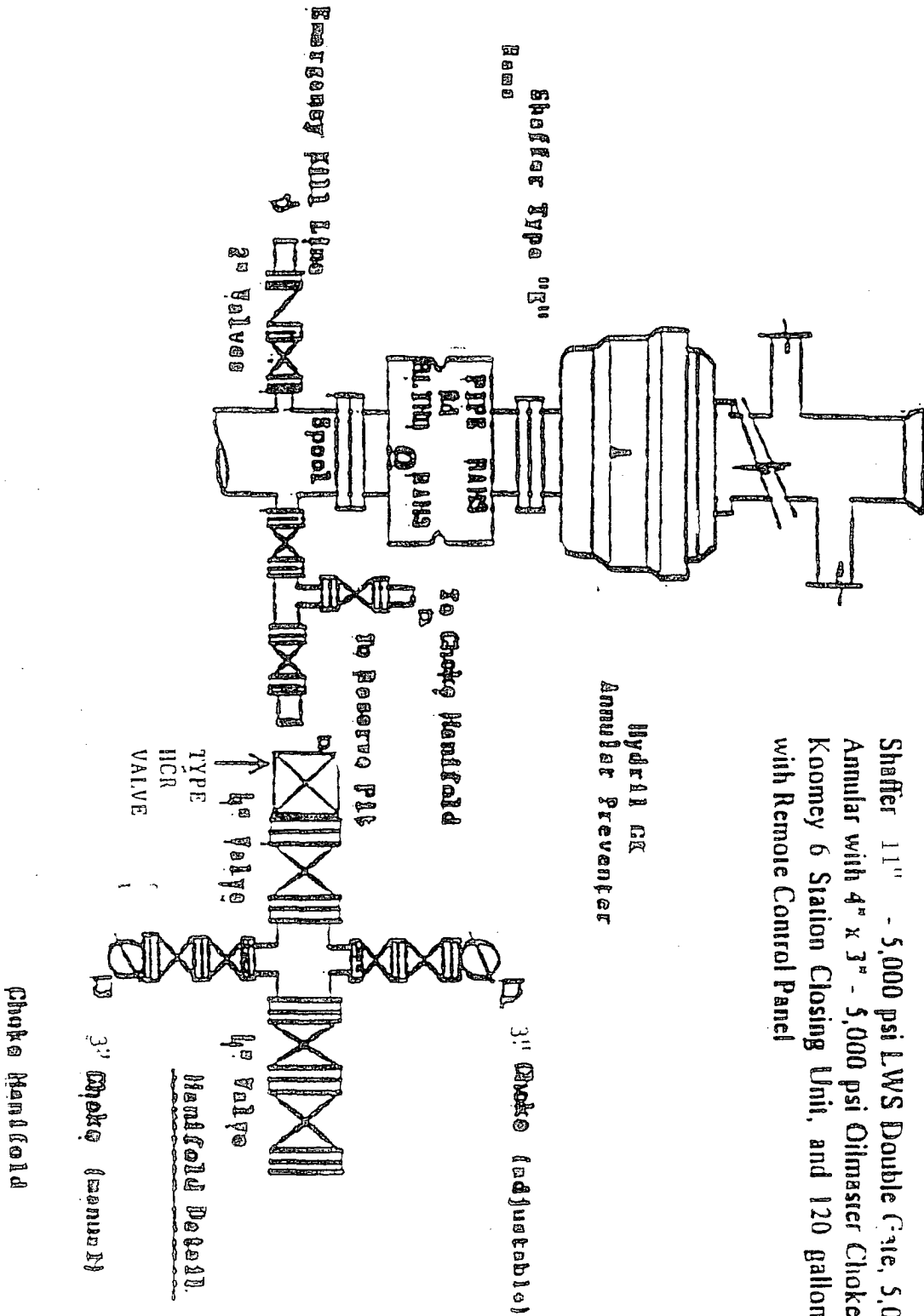
312

312

312

Survey Date: 11/17/2004	Sheet 1 of 3 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 11/20/04	Scale 1" = 1000' SKOR 1

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





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-111411

BOND COVERAGE: STATEWIDE BONDED

LEGAL DESCRIPTION OF LAND:

BLM BOND FILE NUMBER: 58 59 71

Township 21 South, Range 27 East, NMPM
Section 34: S/2
Eddy County, New Mexico

Formation (s) (if applicable)

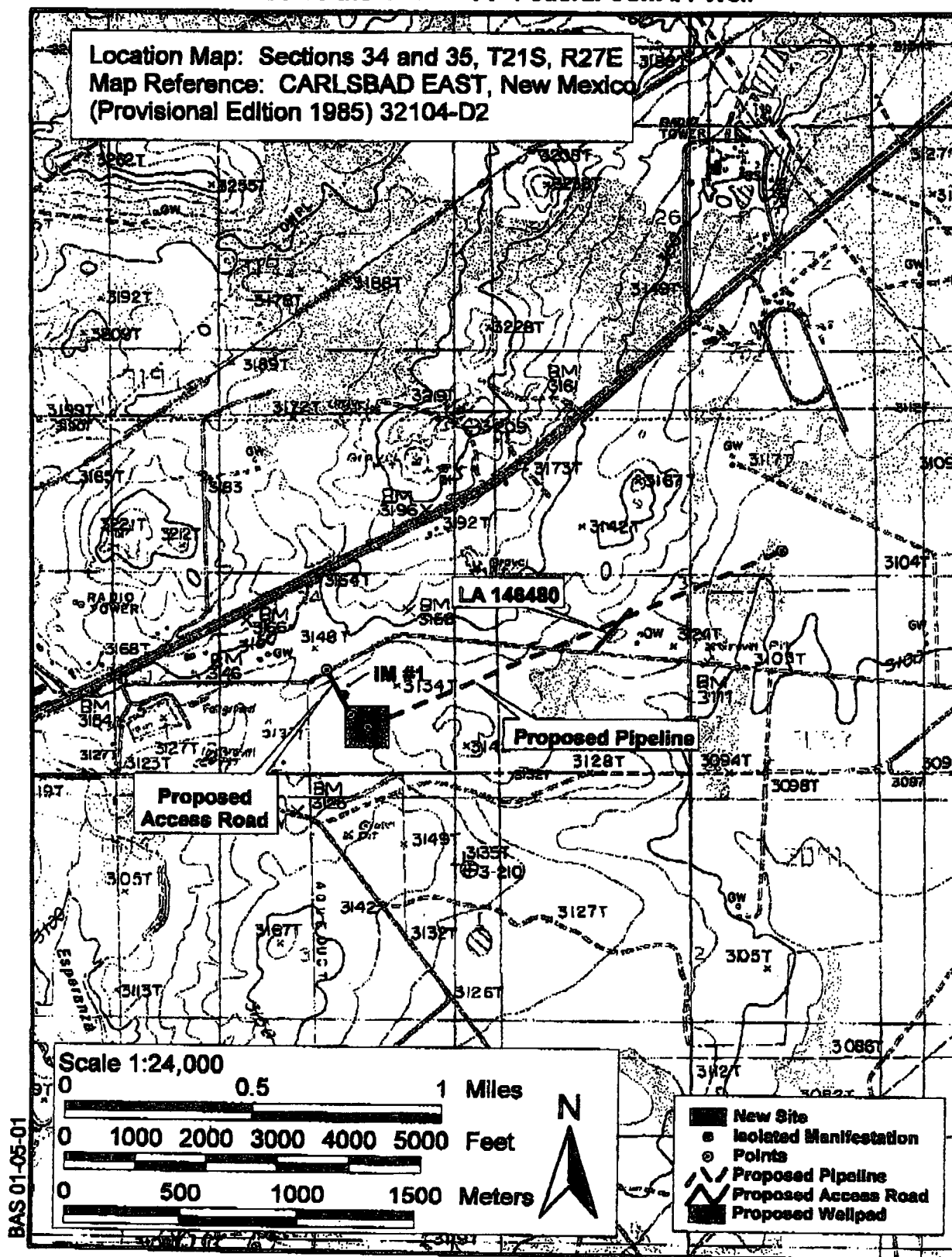
N/A

DATE: 11.12.2004

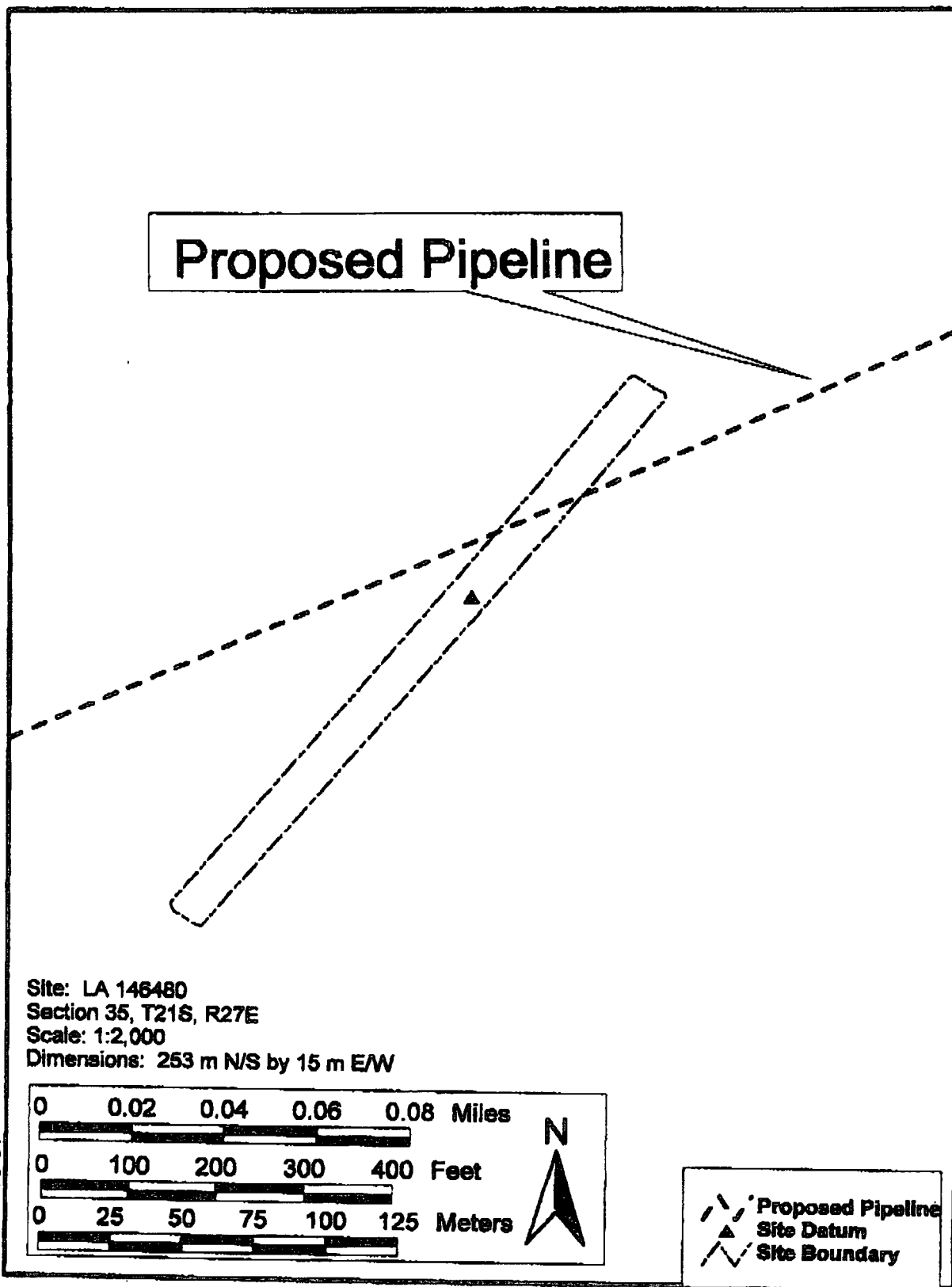
MYCO INDUSTRIES, INC.

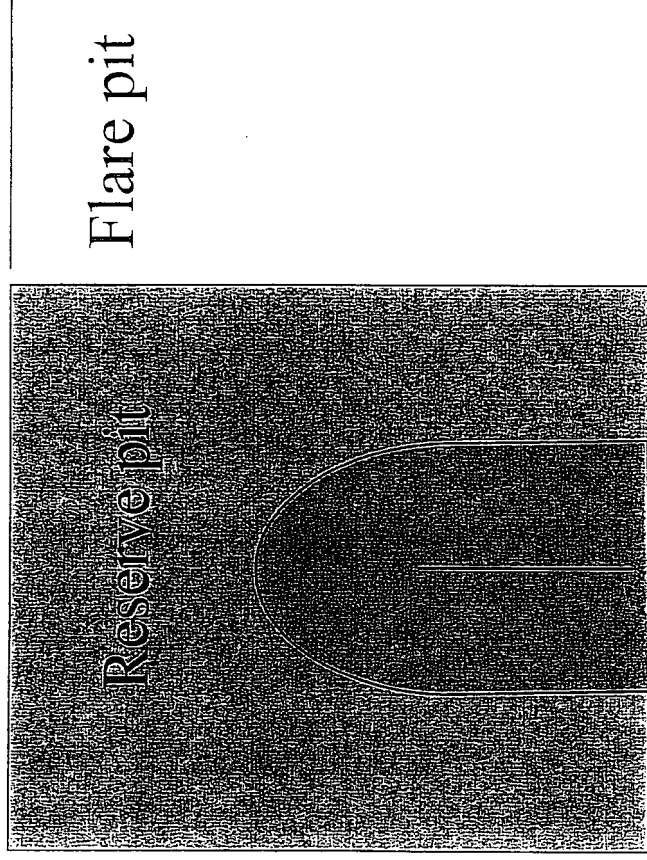
Mycos Reference (well name): SKOR 34 Federal Com #1

**Location Map: Sections 34 and 35, T21S, R27E
Map Reference: CARLSBAD EAST, New Mexico
(Provisional Edition 1985) 32104-D2**



**Survey for Proposed Access Road, Pipeline, and Well Pad
to Serve the SKOR "34" Federal Com No. 1 Well**





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

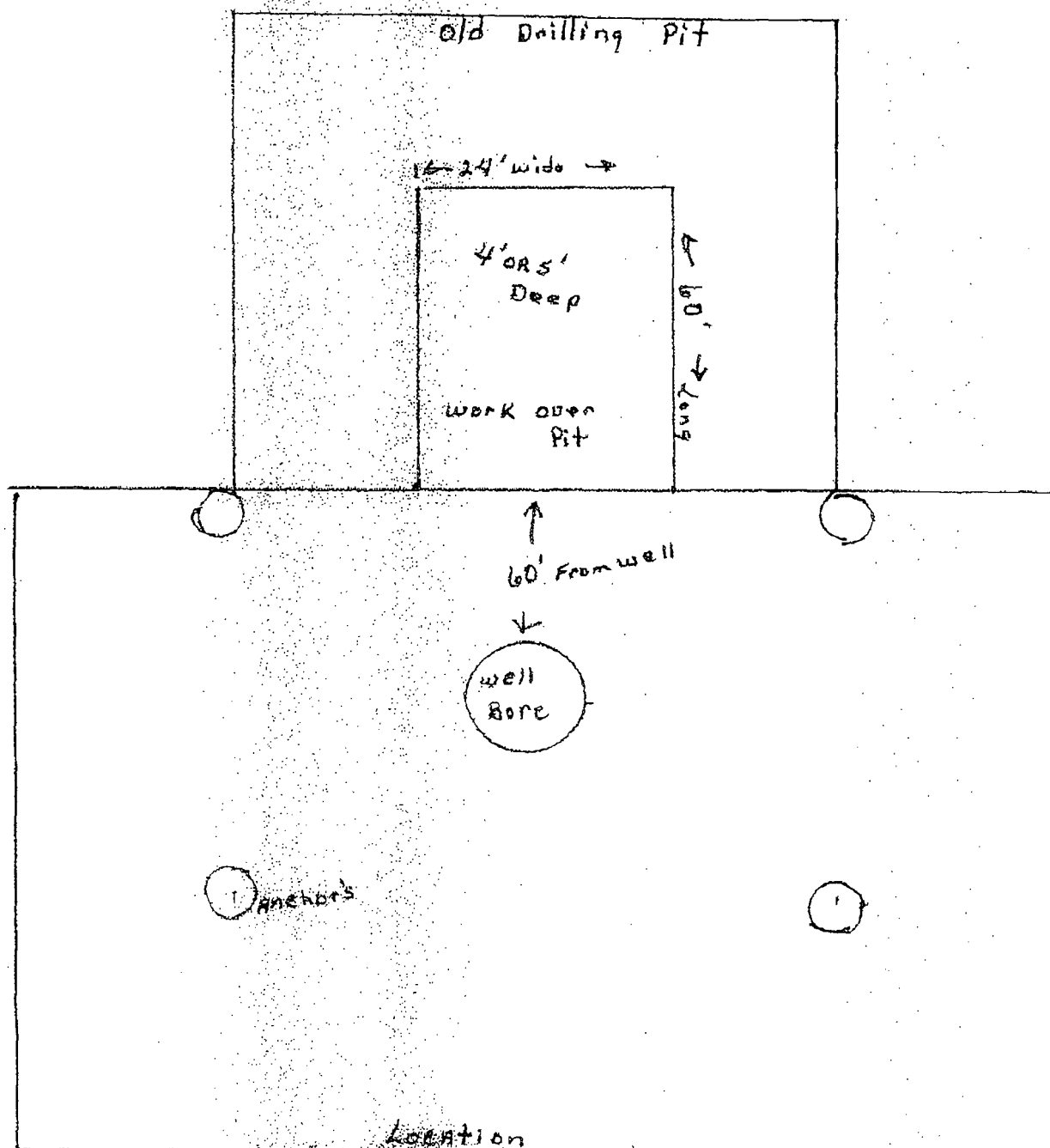


Figure "B"

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

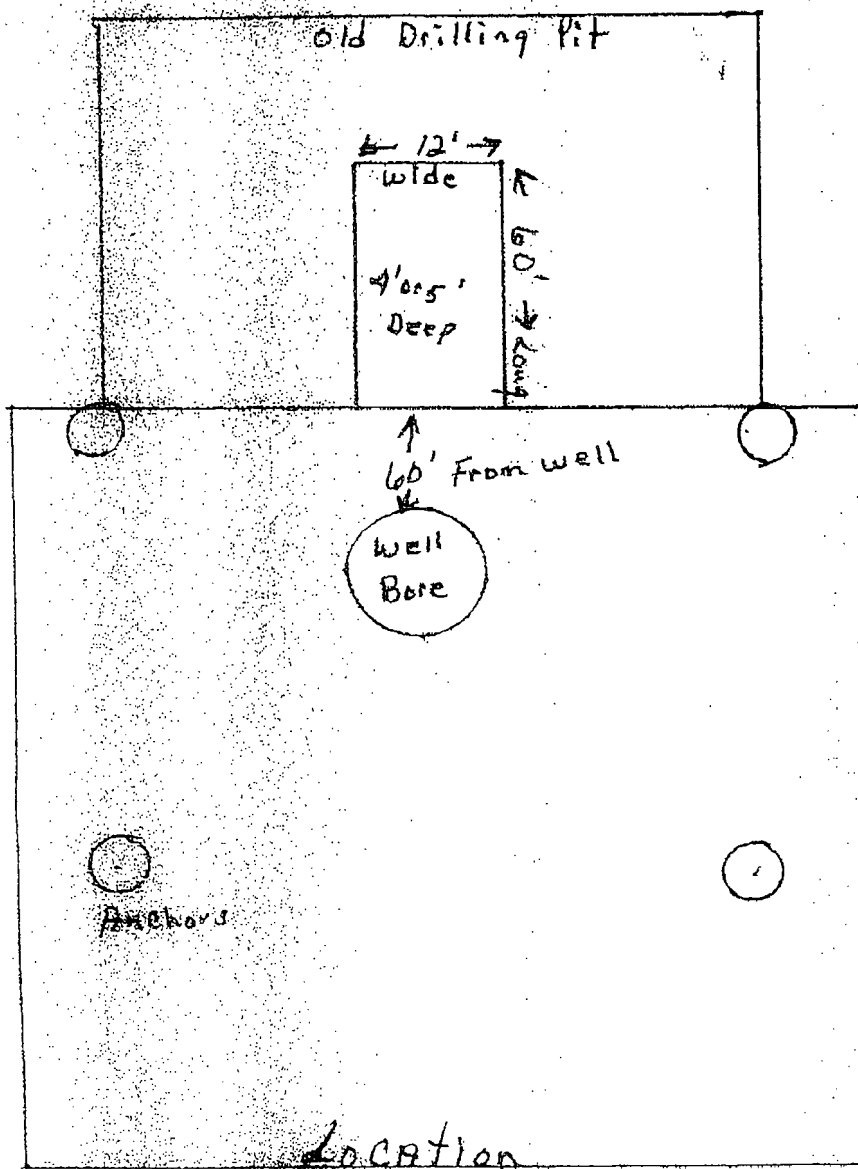


Figure "C"

Built with backhoe
15' X 15' X 6'
Long - wide - Deep

