Instrict I 1625 N. French Dr., Hobbs, NM 88240 District II 1301 W. Grand Avenue, Artesia, NM 88210 District III 1000 Rio Brazos Road, Aztec, NM 87410 District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico Energy Minerals and Natural Resources

Form C-101 May 27, 2004

Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505 RECEIVED mit to appropriate District Office

FEB 2 4 7005

☐ AMENDED REPORT

S OBSIGNATESIA

APP	LICAT	<u>IONFO</u>	R PERMIT	<u>f TO D</u>	RILL	<u>., RE-</u> J	<u>ENTER</u>	<u> </u>	CEPE	<u>N, PLUGB</u>	ACK	COR A	DD A ZONE	
APPLICATION FOR PERMIT TO DRILL, RE- Operator Name and Address								015445	² O	GRIDNum	iber			
MYCO INDUSTRIES, INC. P.O. BOX 840, ARTESIA, NM 88211-0840									»15-	API Number	472			
³ PropertyCode ⁵ Propertyl										6 V	Vell No.			
			THROC	KMORT	ГОN 32	STAT	E COM				·	#1		
CARLSBA	D MOR		ProposedPool 1							10 P	roposed	IPool 2		
					7 Sı	urface	Locatio	n					_	
UL or lot no.			om the		outh line TH	Feet from the 660'	1	ast/Westline AST	County EDDY					
⁸ Proposed Bottom Hole Location If Different From Surface														
UL or lot no.	Section	Township	Range	Lot I		Feet fro			outh line	Feet from the	Е	East/Westline	County	
		L		Λ.	dditior		ell Inform	matic					<u>, , , , , , , , , , , , , , , , , , , </u>	
11 Work	Type Code		12 Well Type Co		Juition	13 Cable		nan		Lease Type Code	;	15 G	round Level Elevation	
<u> </u>	1		G			R	-			P		3174'		
	lultiple		17 Proposed Dep	pth			mation			19 Contractor			20 Spud Date	
N		12	,500'		MOF	RROW			NABO	ABORS DRILLING 0		03/	03/15/2005	
Depth to Grou	ındwater	350-4	יחחי	Distanc	cefrom ne	arest fres	h water well	I MILI	C	Distance	from nea	rest surface	water > 1 MILE	
Pit: Liner:	Synthetic		nilsthick Clay	☐ Pit Vol	lume:	bbls			c ngMethod	<u>t:</u>			/ I MILL	
	d-Loop Sys		•				F	Fresh W	Vater 🔲	Brine Dies	el/Ol-ha	sed 🔲 Ga	sc/Air	
	u-200p 0,2		2	Propos	sed Ca	asing a	nd Cem			• • • • • • • • • • • • • • • • • • • •				
Hole S	ize	Са	sing Size		g weight/			Setting Depth Sacks of Cement		it	Estimated TOC			
17-1/2"		13-3/8"		48.0#			475' 500 CIRCU		RCULATE					
12-1/4"		9-5/8"		36.0#			2700'			1100		CII	RCULATE	
8-3/4"		5-1/2"		17.0#		12500'			2100		CIF	RCULATE		
							2-S	TAGE						
 Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary. *NOTE: WILL RUN FLUID CALIPER ON ALL STRINGS NOTE ATTACHED APPLICATION FOR DRILLING - PROCEDURE 														
of my knowledge and belief. I further certify that the drilling pit will be								SION						
constructed according to NMOCD guidelines , a general permit , or Approved by: an (attached) alternative OCD-approved plan .														
Printed name: A.N. MUNCY AMAINMAN FELS				Tim W. GUM Title: DISTRICT II SUPERVISOR										
Title: EXPLORATION/OPERATIONS MANAGER				λ	Approval	Da	EB 2	8 2005	Ехріга	ation Date:	FEB 2 8 2006			
E-mail Addres	E-mail Address: anmuncy@mycoinc.com													
Date: 02/23/2005 Phone: (505)748-4289				Condition	nsof Ap	proval A	ttached \square							

MYCO INDUSTRIES, INC. THROCKMORTON 32 STATE COM #1 1980' FNL & 660' FEL (UNIT H) N/2 OF SEC. 32-T21S-R28E EDDY COUNTY, NEW MEXICO

APPLICATION FOR DRILLING - PROCEDURE

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

Bell Canyon	2672'	Atoka	11,022'
Brushy Canyon	3402'	Morrow "A"	11,422'
Bone Spring LS	5522'	Morrow "B"	11,522'
Wolfcamp	9072'	Morrow "C"	11,772'
Strawn	10,422'	TD	12,500'

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

Water:

350' - 400'

Oil or Gas:

9700' - 11,950'

- 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.
 - 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)

Hole Size	Casing Size	Wt./Ft.	<u>Grade</u>	Thread	Coupling	Interval	<u>Length</u>
17 ½"	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	0-2700'	2700'
8 ¾'	5 1/2"	17.0#	K/N-80	8R	LT&C	0-12500'	12500'

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8

B. Cementing Program:

Surface Casing: 13 3/8" casing circulate cement 500 sacks.

Intermediate Casing: 9 5/8" casing circulate cement 1100 sacks.

Production Casing: 5 1/2" casing circulate cement 2100 sacks, (2-Stage)

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	Fluid Loss
Spud to 475'	FW	8.6 - 9.8	32-40	N/C
475' – 2700'	FW	10.0 - 10.3	28	N/C
2700' - 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: 2200' 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 spud this well approximately March 15, 2005. It should take approximately 40 days to drill the well with completion taking another 10-20 days.

State of New Mexico

DISTRICT I 1625 N. FRENCH DR., HOBBS, NM 68240

Energy, Minerals and Natural Resources Department

DISTRICT II

Dedicated Acres

Joint or Infill

Consolidation Code

1301 W. GRAND AVENUE, ARTESIA, NM 88210

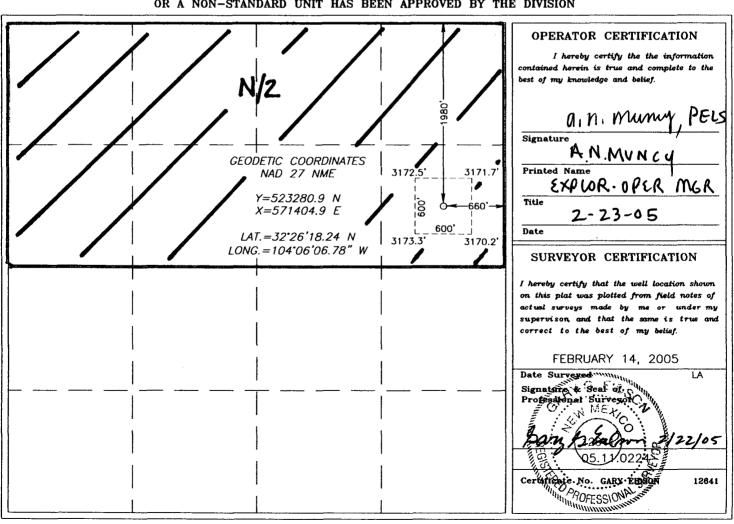
DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410 OIL CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DR. Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

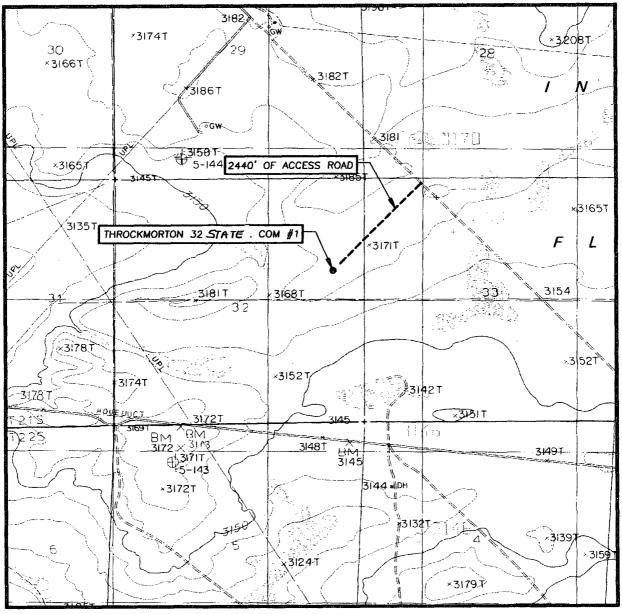
DISTRICT IV WELL LOCATION AND ACREAGE DEDICATION PLAT □ AMENDED REPORT 1220 S. ST. FRANCIS DR., SANTA PR, NM 87505 API Number Pool Code Pool Name Well Number Property Name Property Code COM THROCKMORTON 32 STATE 1 Operator Name OGRID No. Elevation MYCO INDUSTRIES, INC. 3174 Surface Location Township Feet from the North/South line East/West line III. or lot No. Section Range Lot Idn Feet from the County 1980 **EDDY** Н 32 21 - S28-E NORTH 660 **EAST** Bottom Hole Location If Different From Surface UL or lot No. Lot Idn Feet from the North/South line Feet from the East/West line County Section Township Range

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

Order No.



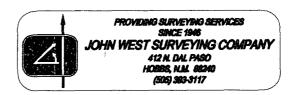
LOCATION VERIFICATION MAP



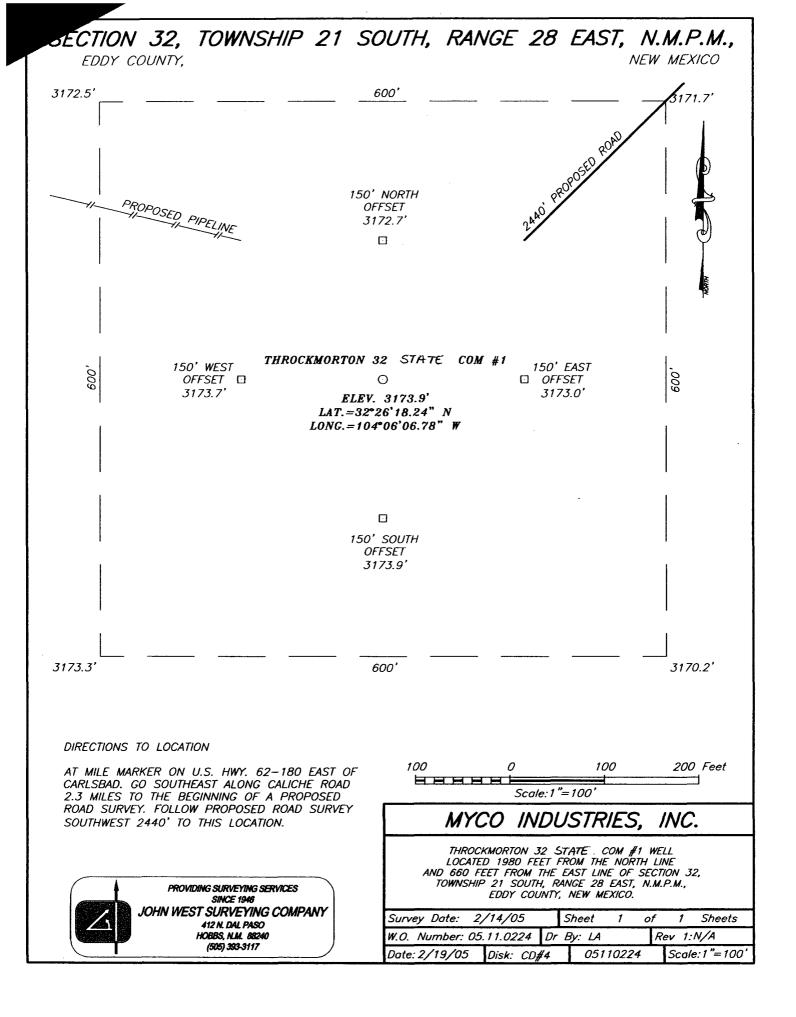
SCALE: 1'' = 2000'

CONTOUR INTERVAL: INDIAN FLATS, N.M. - 10'

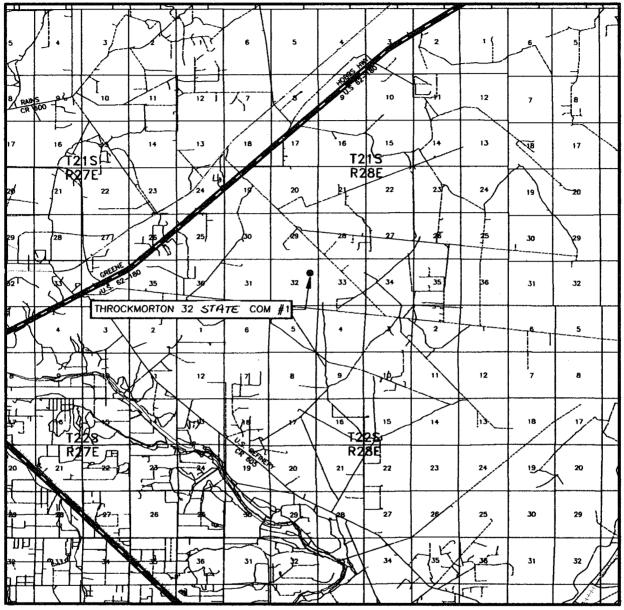
SEC. 32 TWP. 21-S RGE. 28-E
SURVEYN.M.P.M.
COUNTYEDDY
DESCRIPTION 1980' FNL & 660' FEL
ELEVATION 3174'
OPERATOR MYCO INDUSTIRES, INC.
LEASE THROCKMORTON 32 STATE COM
U.S.G.S. TOPOGRAPHIC MAP INDIAN FLATS, N.M.





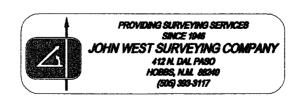


VICINITY MAP

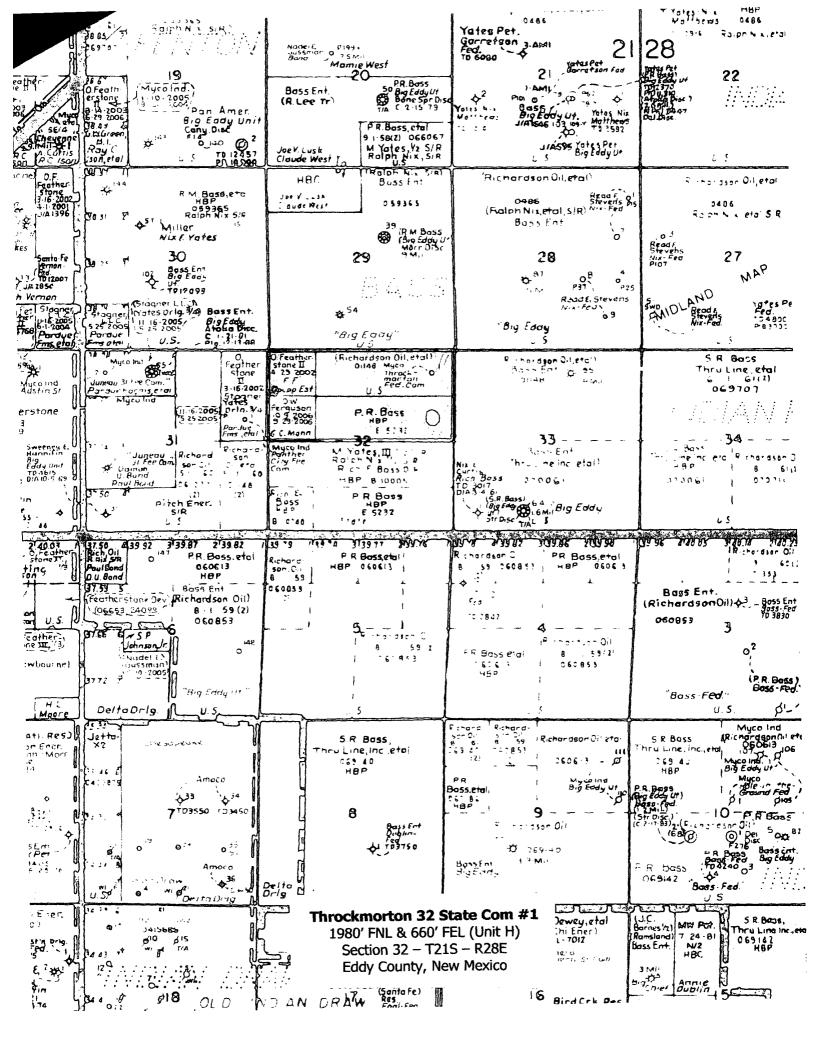


SCALE: 1" = 2 MILES

3EU. 32 IWP. 21-3 RUE. 20-E
SURVEY N.M.P.M.
COUNTYEDDY
DESCRIPTION 1980' FNL & 660' FEL
ELEVATION 3174'
OPERATOR MYCO INDUSTIRES, INC.
LEASE THROCKMORTON 32 STATE CO

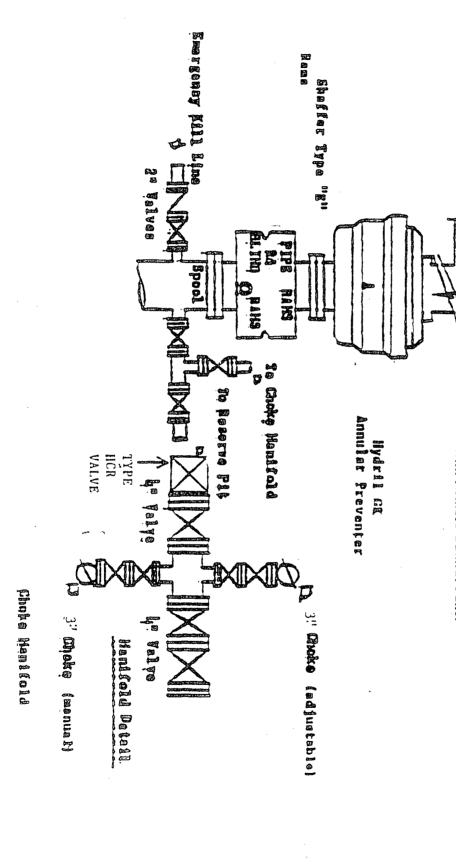






ckmorton 32 State Com #1

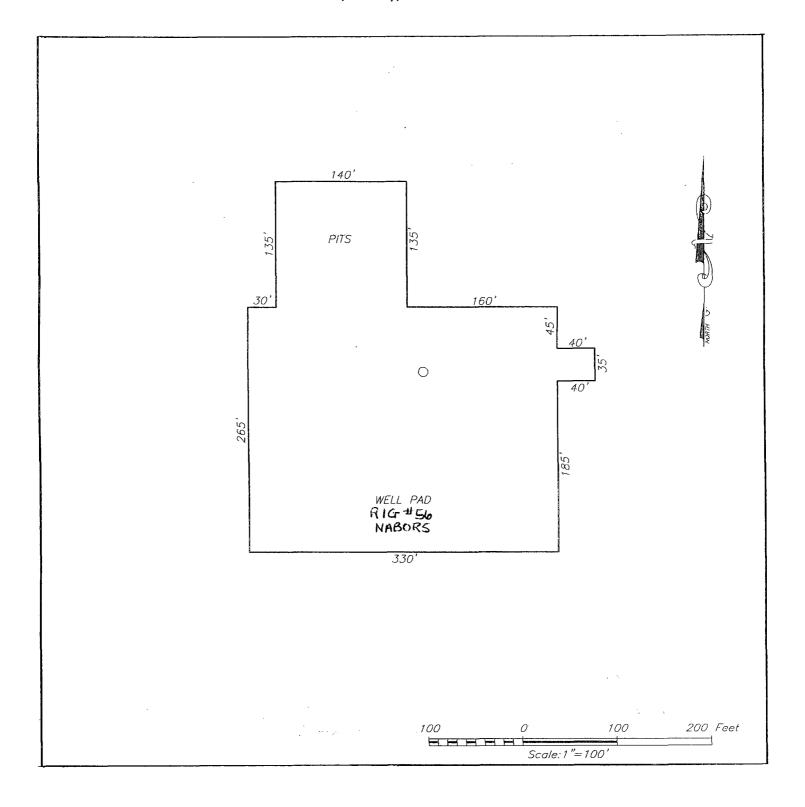
1980' FNL & 660' FEL (Unit H) Section 32 – T21S – R28E Eddy County, New Mexico



Shaffer 11" - 5,000 psi LWS Double Care, 5,000 psi Shaffer 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

Throckmorton 32 State Com #1

1980' FNL & 660' FEL (Unit H) Section 32 – T21S – R28E Eddy County, New Mexico





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

20 December 2004

Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

RE: General Plan

Dear Mr. Dolan:

The Artesia District of the Oil Conservation Division is in receipt of a General Plan (copy attached) submitted by Yates Petroleum Corporation dated 7 December, 2004. After review the Oil Conservation Division has accepted and approved the Plan. This plan shall be in effect as of 20 December, 2004 and will supersede the "General Plan" dated 14 April, 2004 submitted by Yates Petroleum Corporation.

Van Barton Field Rep. II MARTIN YATES, III 1912 - 1985 FRANK W. YATES 1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S, P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY

TREASURER

Mr. Tim Gum Oil Conservation Division State of New Mexico 1301 West Grand Ave. Artesia, NM 88210

December 7, 2004

Re: General Plan

Drilling, Workover, and Blowdown Pit design and closure.

Dear Tim,

Yates Petroleum Corp. (Yates) appreciates your meeting with us on December 1, 2004 to help clarify some issues in connection with *Rule 50* and the *November 1, 2004 Pit and Below Grade Tank Guidelines*.

As you know Yates submitted and received approval of a general plan for opening and closing of drilling and workover pits on April 15, 2004. In an effort to simplify the required paperwork, we would now like to modify that plan to include more detailed information.

For purpose of this plan Yates, et al (Yates) includes:

- 1. Yates Petroleum Corp.
- 2. Yates Drilling Company
- 3. Abo Petroleum Corp.
- 4. Myco Industries, Inc.

The modified plan is attached for your review and approval. Please contact me at 505-748-4181 if you have any questions or need further information.

Sincerely

Dán Dólan

Yates Petroleum Corp. et al

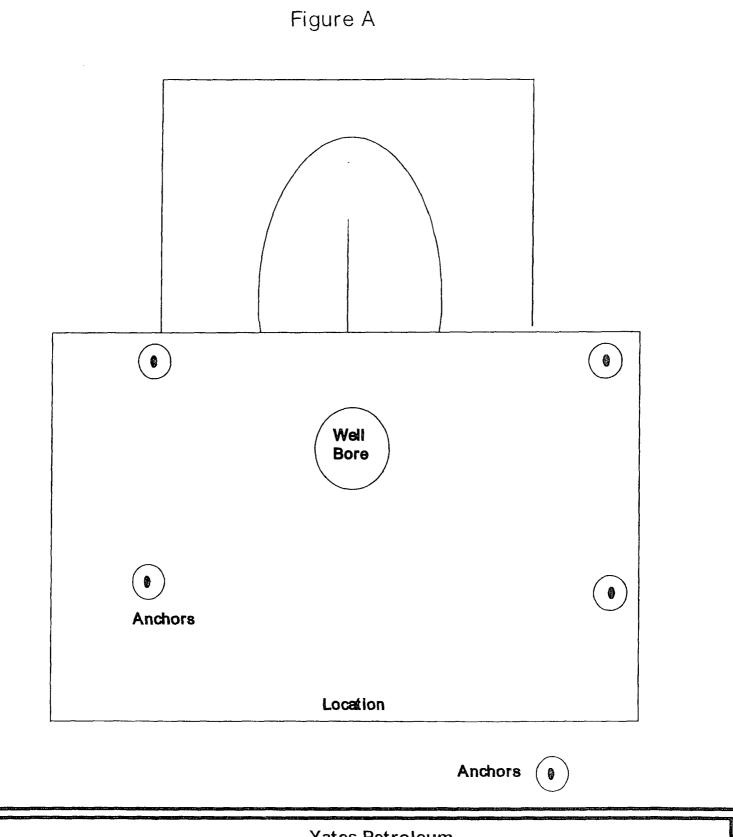
General Plan Pit Permitting, Construction and Closure December 7, 2004

1. Pit Permitting and Opening -

- a. Application for the pit permit shall be made on the Application for Permit to Drill (APD). The APD will include the following:
 - i. Site Ranking.
 - ii. Reference to this "General Plan" approved by NMOCD.
 - iii. Description of the proposed disposal method as outlined below.
 - When deep trench burial is proposed, approval of the APD will constitute a permit for both the drilling pit and the encapsulation pit(s). A separate Form C-144 will not be required.
- b. All pits will be designed and constructed pursuant to Part II of November 1, 2004 Pit and Below Grade Tank Guidelines (Guidelines). Pits shall be constructed as depicted in attached Figures A, B, C or D based on site specific requirements.
- 2. <u>Pit Closure</u>—Pits will be closed based on site specific conditions pursuant to Part IV of Guidelines by one of the following methods:
 - a. Excavation and removal. Wastes will be excavated and disposed of at an off-site OCD-approved facility or location.
 - b. <u>Below Grade Encapsulation</u>. Encapsulation will be pursuant to Part IV.B.2 of Guidelines.
 - c. <u>Capping and Encapsulation Insitu</u>. Capping and encapsulation will be pursuant to Part IV.B.3(a) of Guidelines.
 - d. <u>Deep Trench Burial and Capping</u>. Deep trench burial and capping will be pursuant to Part IV.B.3(b) of Guidelines. Attached *Figures E, F* and *G* depict standard types of encapsulation pits utilized by Yates. Each encapsulation trench type is designed to hold 2000 cubic yards of drill cuttings.
 - e. <u>Exemption</u>: Yates may request an exemption on a site specific basis as provided for in 19.15.2.50 NMAC (Rule 50).

The proposed method for pit closure will be indicated on the APD as one of the above methods. Approval of the APD will constitute approval of the closure plan. No other closure plan will be submitted. Yates will notify OCD 48-hours prior to closure of pit and submit a C-144 when pit is closed.

If, due to site specific conditions encountered during the course of operations, Yates proposes to change the method of closure, a request outlining the new plan will be submitted on a C-144 for OCD approval prior to closure.

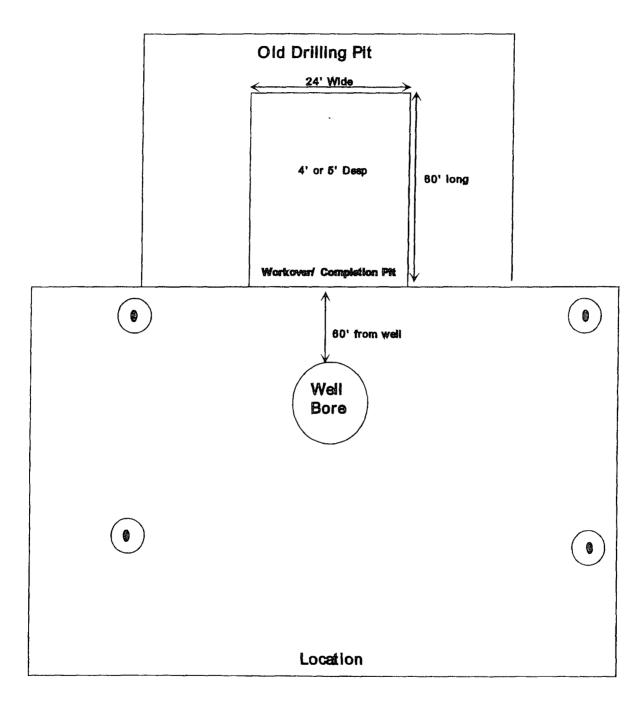


Yates Petroleum Standard Reserve Pit

All Reserve Pits are double horse shoe. Size varies with depth of well



Figure B



Anchors

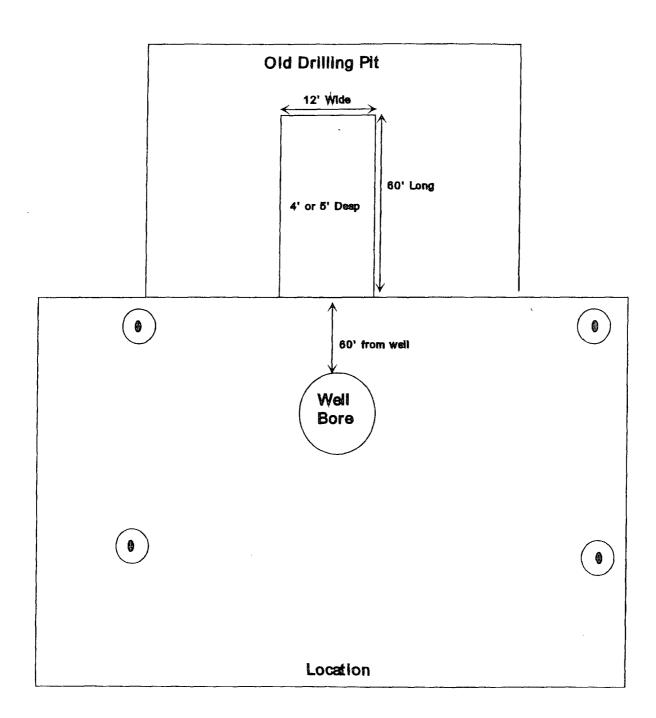


Yates Petroleum Workover/ Completion Pit Design

Built with Dozer



Figure C



Anchors

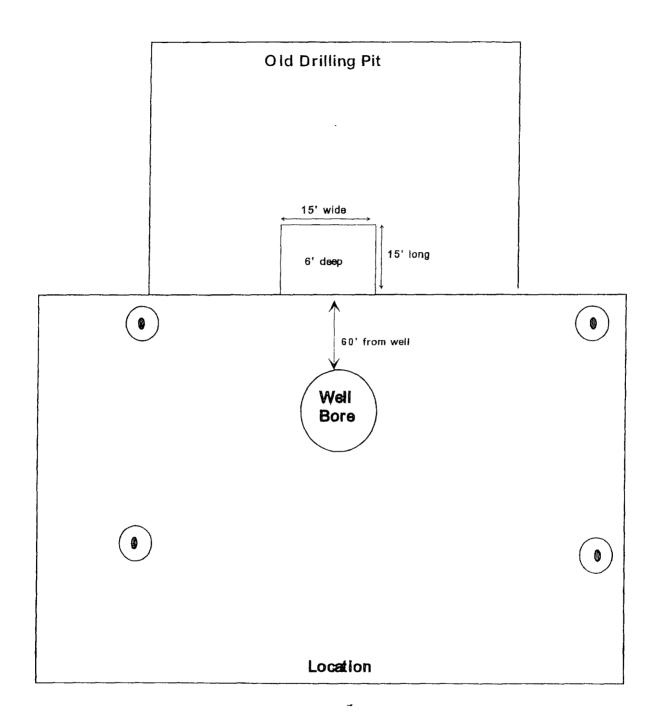


Yates Petroleum Workover/ Completion Pit Design

Built with Backhoe 12/8/04





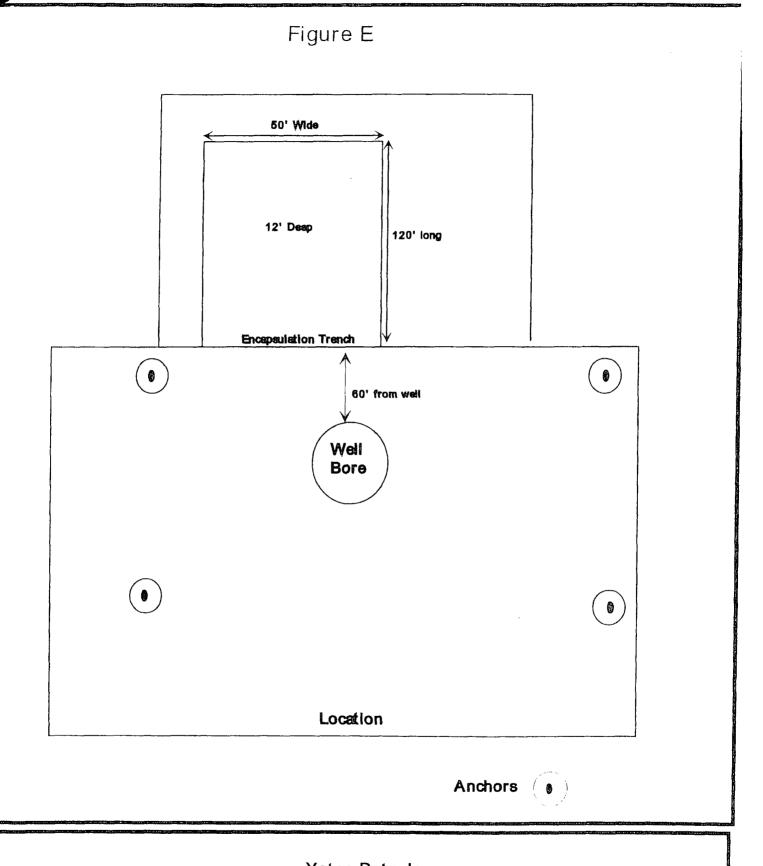


Anchors



Yates Petroleum Workover/ Completion Pit Design
Built with Backhoe

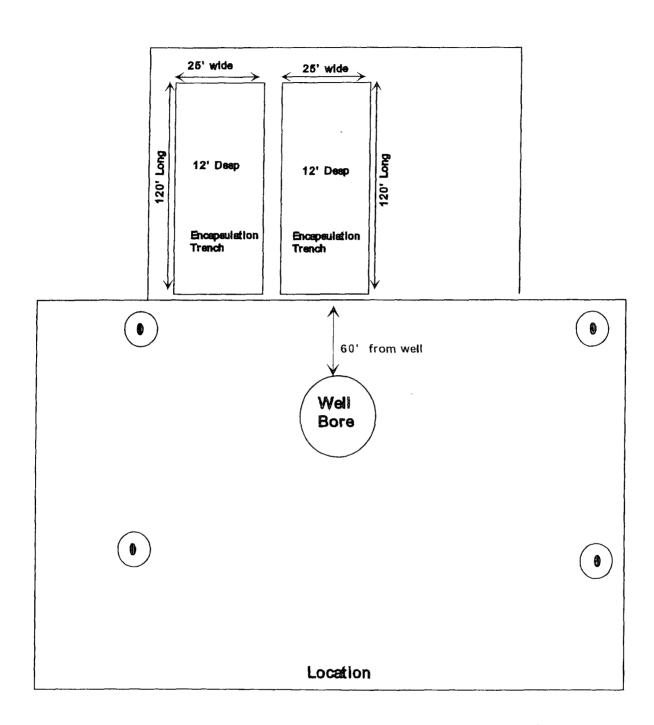




Yates Petroleum Deep Trench Encapsulation



Figure F



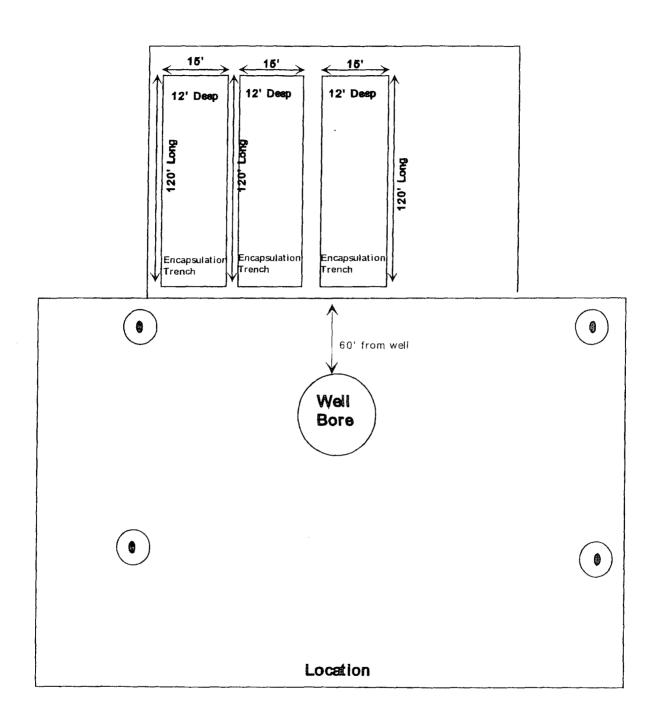
Anchors ()



Yates Petroleum Deep Trench Encapsulation
Built with Backhoe



Figure G



Anchors (



Yates Petroleum Deep Trench Encapsulation





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor

Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

4 January 2005

Mr. Dan Dolan Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210

RE: General Plan - John A. Yates Jr., Oil Producer

Dear Mr. Dolan:

The Artesia District of the Oil Conservation Division on 30 December, 2004 received a request for "John A. Yates Jr., Oil Producer" to be covered by the General Permit submitted by you on 20 December, 2004. This request is approved. John A. Yates Jr., Oil Producer will be added to the Yates Companies that are covered by the Plan.

Van Barton Field Rep. II MARTIN YATES, III 1912 - 1985 FRANK W. YATES 1936 - 1986



105 SOUTH FOURTH STREET ARTESIA, NEW MEXICO 88210-2118

S. P. YATES CHAIRMAN OF THE BOARD JOHN A. YATES PRESIDENT PEYTON YATES EXECUTIVE VICE PRESIDENT RANDY G. PATTERSON SECRETARY DENNIS G. KINSEY

TREASURER

TELEPHONE (505) 748-1471

Mr. Van Barton Oil Conservation Division State of New Mexico 1301 West Grand Ave. Artesia, NM 88210

RECEIVED

OEC 30 2004

RAPPER MARTER AND

December 30, 2004

Re: General Plan

Drilling, Workover, and Blowdown Pit Design and closure.

Dear Van,

As you know Yates submitted and received approval of a general plan for opening and closing of drilling and workover pits on December 20, 2004, this was an amended plan, submitted for clarification and simplification of the original plan, approved by you on April 15, 2004.

We are requesting the addition of "John A. Yates Jr., Oil Producer", to the Yates Companies on the approved plan.

Please contact me at 505-748-4181 if you have any questions or need further information.

Sincerety,

Daniel W. Dolan CWC

Environmental Regulatory Agent



MYCO INDUSTRIES, INC.

OIL PRODUCERS

POST OFFICE BOX 840 ARTESIA, NEW MEXICO 88211-0840 Phone (505) 748-1471

February 22, 2005

FEB 2.4 2005

New Mexico Oil Convervation Division Bryan Arant 1301 W. Grand Artesia, New Mexico 88210

Re: Myco Industries, Inc.

Throckmorton 32 State Com #1

H2S Contingency Plan

Dear Mr. Arrant:

Sources at Myco Industries, Inc. have relayed information to me that they believe there will not be enough H2S found from the surface through the Morrow Formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118.

Please note that I have enclosed our Contingency Plan for this well based on a remote chance that Rule 118 might become applicable.

Thank you,

MYCO INDUSTRIES, INC.

A.N. Muncy, PELS

Operations/Engineering Manager

ainimumy

ANM:hp Enclosure

Myco Industries, Inc.

423 W. Main Street Artesia, NM 88210

Hydrogen Sulfide (H₂S) Contingency Plan

For

Throckmorton 32 State Com #1

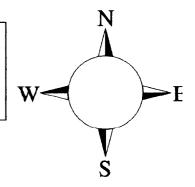
1980' FNL & 660' FEL Sec-32, T-21S, R-28E Eddy County NM

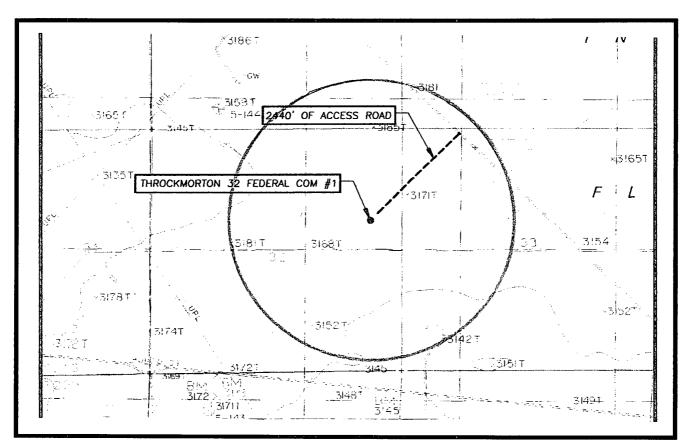
RECEIVEL
FEB 2 4 200F

DOD:ANTERIA

Throckmorton 32 State Com #1 Location

This is an open drilling site. H_2S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H_2S , including warning signs, wind indicators and H_2S monitor.





Assumed 100 ppm ROE = 3000° 100 ppm IDS concentration shall trigger activation of this plan.

Emergency Procedures

In the case of a release of gas containing H₂S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H₂S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H₂S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H₂S and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentr- ation
Hydrogen Sulfide	H ₂ S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

Myco personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. Myco Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Myco Industries, Inc. Phone Numbers

Myco Office Nelson Muncy/Operations Engineering Manager	(505) 748-4289 (505) 308-3502 (505) 622-7355 (505) 626-4292
Artesia	= 1 < 5 =05
State Police	
City Police	
Sheriff's Office	
Ambulance	
Fire Department	
LEPC (Local Emergency Planning Committee)	
NMOCD	/48-1283
Carlsbad	
State Police	885-3137
City Police	
Sheriff's Office	
Ambulance	
Fire Department	
LEPC (Local Emergency Planning Committee)	
US Bureau of Land Management.	
New Mexico Emergency Response Commission (Santa Fe) 24 HR	
New Mexico State Emergency Operations Center	
National Emergency Response Center (Washington, DC)	
Other	(****)
Boots & Coots IWC1-800-256-9688 or (281) 931-8884 Cudd Pressure Control(915) 699-0139 or (915) 563-3356 Halliburton(505) 746-2757 B. J. Services(505) 746-3569	
Flight For Life -4000 24th St, Lubbock, TX	806) 747-8923 505) 842-4433