District I State of New Mexico Form C-101 Energy Minerals and Natural Resources 10112131475 May 27, 2004

Oil Conservation Division (12 de la propriete District Office 1625 N. French Dr., Hobbs, NM 88240 District II 1301 W. Grand Avenue, Artesia, NM 88210 District III Oil Conservation Division 1000 Rio Brazos Road, Aztec, NM 87410 1220 South St. Francis Dr. ☐ MENDED REPORT District IV Santa Fe, NM 87505 1220 S. St. Francis Dr., Santa Fe, NM 87505 DD A ZONE APPLICATIONFOR PERMIT TO DRILL, <u>RE-ENTER, DE</u>EP OperatorName and Address MYCO INDUSTRIES, INC. P.O. BOX 840, ARTESIA, NM 88211 ³ PropertyName 3 Property Code DANU 11 FEE COM #1H ProposedPool 1 10 ProposedPool 2 ild car: Wolfcam Surface Location East/Westline Feet from the North/South line County UL or lot no. Section Township Range Lot Idn Feet from the 660' **SOUTH** 660' **EAST EDDY** 23E P **18S** 11 8 Proposed Bottom Hole Location If Different From Surface Feet from the North/South line East/Westline UL or lot no. Section Township Feet from the Range 18**S** 23E 660' **SOUTH** 660' WEST **EDDY** М Additional Well Information 11 Work Type Code 12 Well Type Code 13 Cable/Rotary 14 Lease Type Code 15 Ground Level Elevation N 17 Proposed Depth 16 Multiple 18 Formation 19 Contractor 20 Spud Date 5200' WOLFCAMP 02/01/2007 Distance from nearest fresh water well Depth to Groundwater Distance from nearest surface water > 300'Liner: Synthetic X 12 milsthick Clay Pit Volume: 10100bbls DrillingMethod: Fresh Water X Brine Diesel/Ol-based Gas/Air Closed-Loop System ²¹ Proposed Casing and Cement Program Casing weight/foot Setting Depth Hole Size Casing Size Sacks of Cement Estimated TOC 12-1/4" 8-5/8" 32# / J-55 12001 **400 SXS CIRCULATE** 7-7/8" 17# / N-80 1200 SXS 5-1/2" 9250' CIRCULATE NOTE: SET 40' OF 20" CONDUCTOR PIPE & CIRCULATE | CEMENT ²² 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. NOTIFY NMOCD OF SPUD AND WITNESS CMT. SURFACE CASING. INSTALL 3000# DOUBLE-RAM B.O.P. AND TEST DAILY. DRILL PILOT HOLE TO 5200'. PLUG BACK AND DRILL A 3400' LATERAL DUE WEST PER NMOCD RULE #111. ATTACHED: PERMIT INFORMATION, C-102, GENERAL PIT PERMIT, H2S CONTINGENCY PLAN, C-144 (FRESH WATER FRAC PIT). *NOTE: DETAILED WELL SURVEY PROFILE TO FOLLOW. ²³ I hereby certify that the information given above is true and complete to the best OIL CONSERVATION DIVISION of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines , a general permit , or Approved by: an (attached) alternative OCD-approved plan **BRYAN G. ARRANT DISTRICT II GEOLOGIST** MMMM Printed name: A.N. MUNCY, PELS Expiration Date: OCT 1 6 2007 Approval Date: OCT 1 6 200R OPERATIONS/EXPLORATION MGR. Title: E-mail Address: anmuncy@mycoinc.com NOTIFY OCD OF SPUD & TIME Date: Phone: Conditions of Appro 10/13/2006 (505)748-4289 TO WITNESS CEMENTING OF

SURFACE CASING

State of New Mexico

DISTRICT I 1625 N. FRENCH DR., HORRS, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

Revised October 12, 2005 Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II 1301 V. CRAND AVENUE, ARTESIA, NIK 86216

DISTRICT III 1000 Rio Brazos Rd., Axtec, NM 87410

DISTRICT IV

OIL CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DR. Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

□ AMENDED REPORT

API Number	Pool Code 97 489	Pool Name	
Property Code	Property Name DANU 11 FEE COM		Well Number
OGRID No. 015445	Operator MYCO INDUST		Elevation 3894

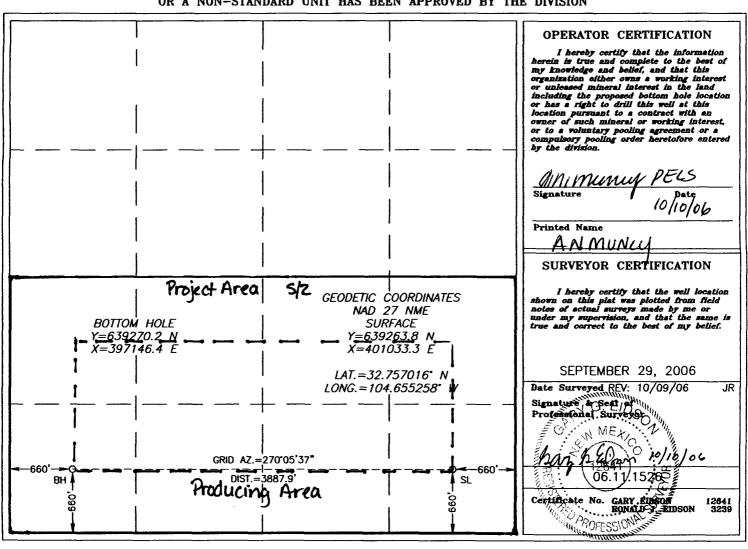
Surface Location

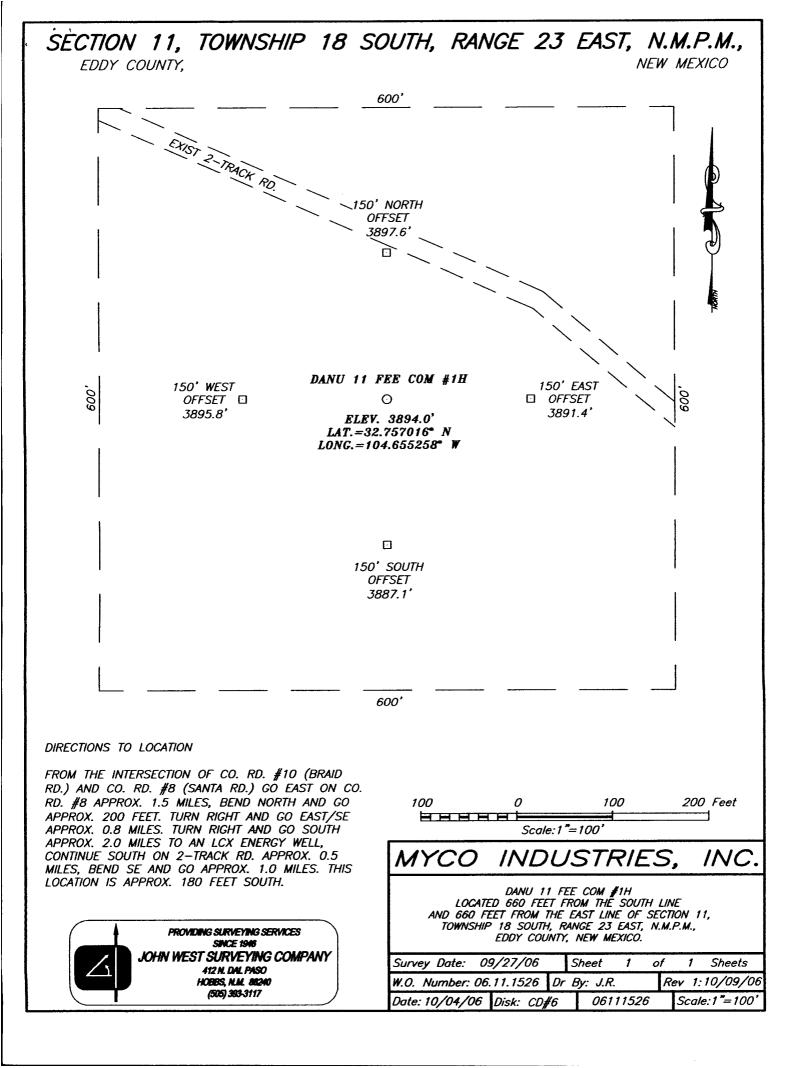
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Р	11	18-5	23-E		660	SOUTH	660	EAST	EDDY

Bottom Hole Location If Different From Surface

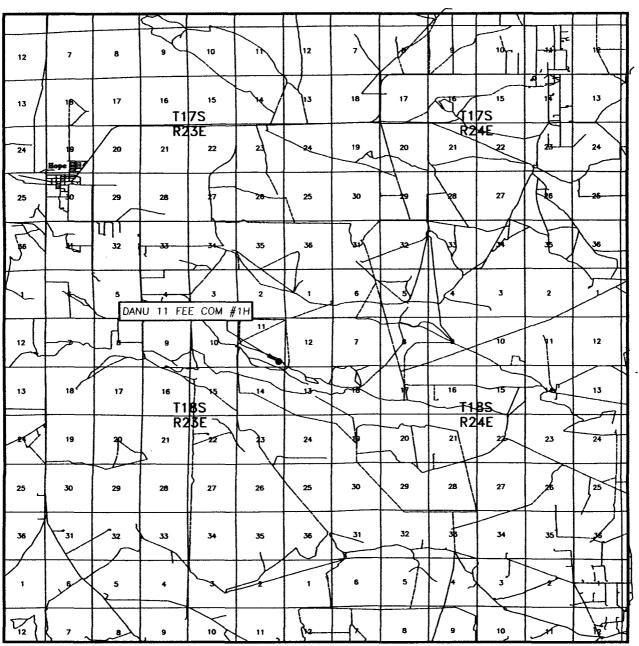
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
М	11	18-S	23-E		660	SOUTH	660	WEST	EDDY
Dedicated Acres		r Infill Co	nsolidation (Code Or	der No.				

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



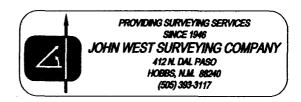


VICINITY MAP



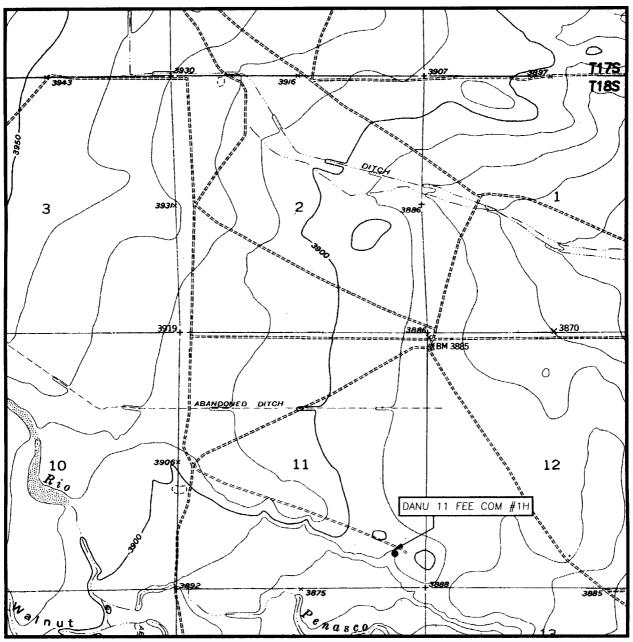
SCALE: 1" = 2 MILES

SEC. 11	TWP. <u>18-S</u> RGE. <u>23-E</u>
SURVEY	N.M.P.M.
COUNTY	EDDY STATE NEW MEXICO
DESCRIPTIO	N <u>660' FSL & 660' FEL</u>
ELEVATION_	3894'
OPERATOR_	MYCO INDUSTRIES, INC.
LEASE	DANU 11 FEE COM





LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

HOPE, N.M.

CONTOUR INTERVAL: HOPE, N.M. - 10'

SEC. 11 TWP. 18—S RGE. 23—E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

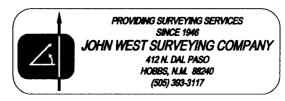
DESCRIPTION 660' FSL & 660' FEL

ELEVATION 3894'

OPERATOR MYCO INDUSTRIES, INC.

LEASE DANU 11 FEE COM

U.S.G.S. TOPOGRAPHIC MAP



MYCO INDUSTRIES, INC.

Well Name: Danu 11 Fee Com #1H

Location:

SL BHL 660' FSL & 660' FEL, Section 11, T-18-S, R-23-E, Eddy Co, NM

660' FSL & 660' FWL, Section 11, T-18-S, R-23-E, Eddy Co, NM

Casing Program:

Casing	Setting Depth	Hole Size	Casing Size	Casing Weight	Casing Grade	Desired TOC
Surface	1050'	12-1/4"	8-5/8"	32#	J-55	Surface
Production	9250'	7-7/8"	5-1/2"	17#	N-80	Surface

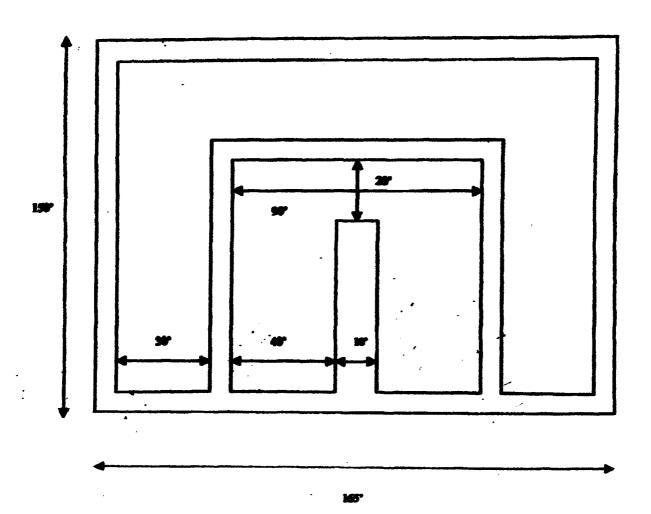
Cement Program:

Depth	No. Sacks	Slurries:
1050'	150	Lead: Premium Plus + 2% CaCl ₂ + 3% Econolite + ½ pps Flocele
	250	Tail: Premium Plus + 2% CaCl ₂ + ¼ pps Flocele
9250'	500	Lead: Interfill C + 1/4 pps Flocele
-	700	Tail: Premium Cement + 100% Acid Soluable Additive + 0.6%
		Halad®-344 + 0.8% Econolite + 0.2% HR-55

Mud Program:

Depth	Type	Weight (ppg)	Viscosity	Water Loss
0-1050'	Fresh-Gel	8.6-8.8	28-34	N/c
1050-4400'	Cut Brine	8.8-9.2	28-34	N/c
4400-5200'	Cut Brine	8.8-9.2	28-34	10-15
4468-9250'	Polymer (Lateral)	9.0-9.4	40-45	10-20

Double Horseshoe Reserve Pit Design



Aggeonimeto Iraido Reservo Volume: 4500 bbls Aggeonimeto Cutoldo Reservo Volume: 5000 bbls



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

CHAIRMAN OF THE BOARD
JOHN A. YATES
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SECRETARY
DENNIS G. KINSEY
TREASURER

5. P. YATES

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

Dan Dolar

Yates Petroleum Corp. et al

General Plan

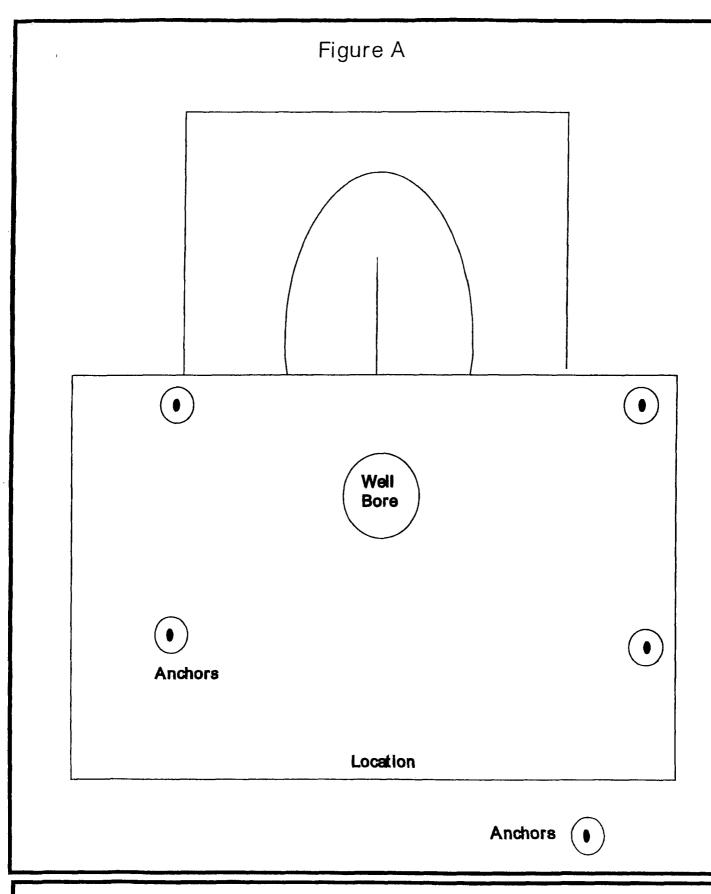
Pit Permitting, Construction and Closure December 7, 2004

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.
 - 1. 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. <u>Excavation and removal</u>. 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.

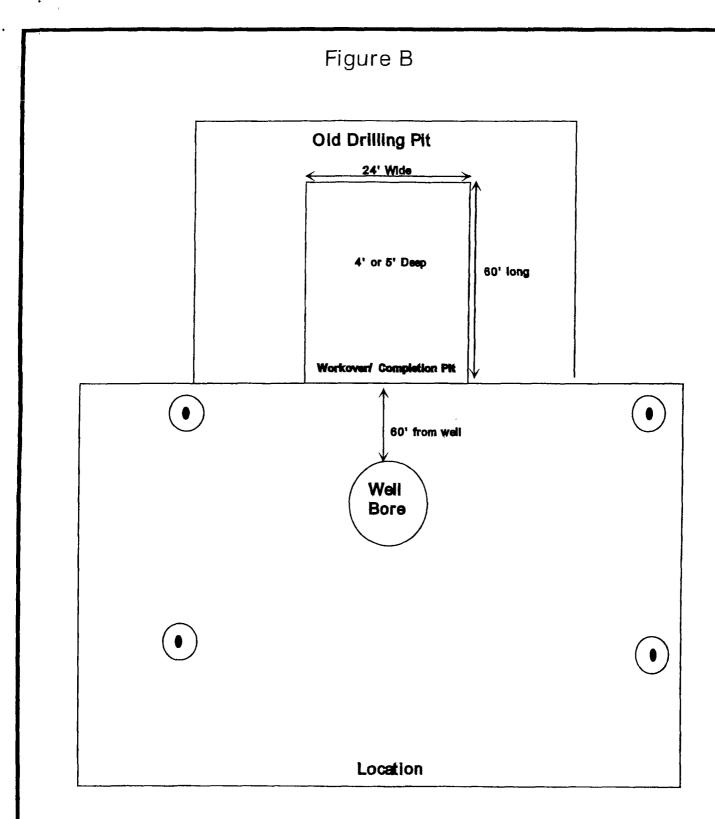
If, due to site specific conditions encountered during the course of operations, Yates proposes to change the method of closure, a request outlining the new plan will be submitted on a C-144 for OCD approval prior to closure.



Yates Petroleum Standard Reserve Pit

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

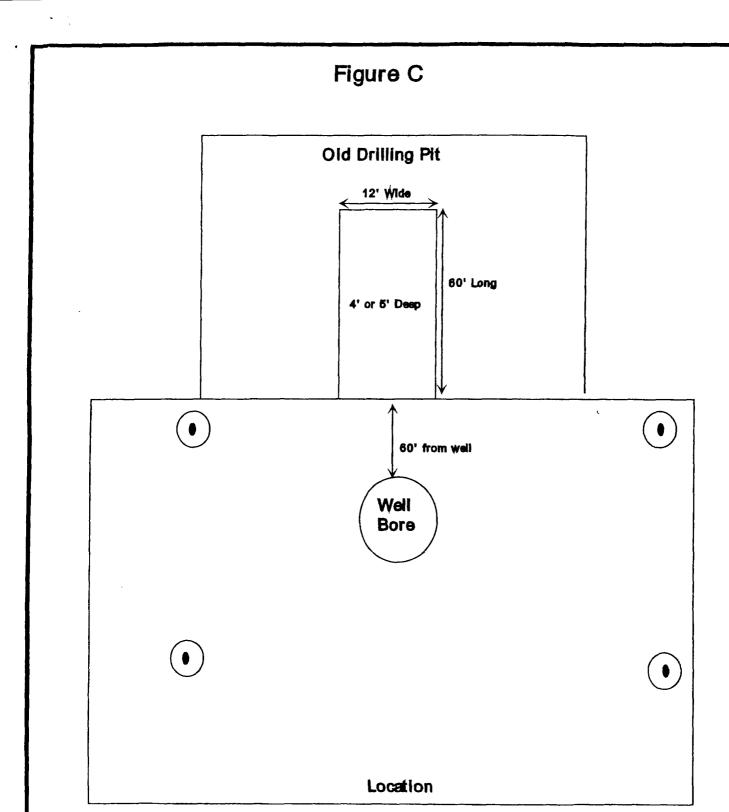




Yates Petroleum
Workover/ Completion Pit Design

Built with Dozer

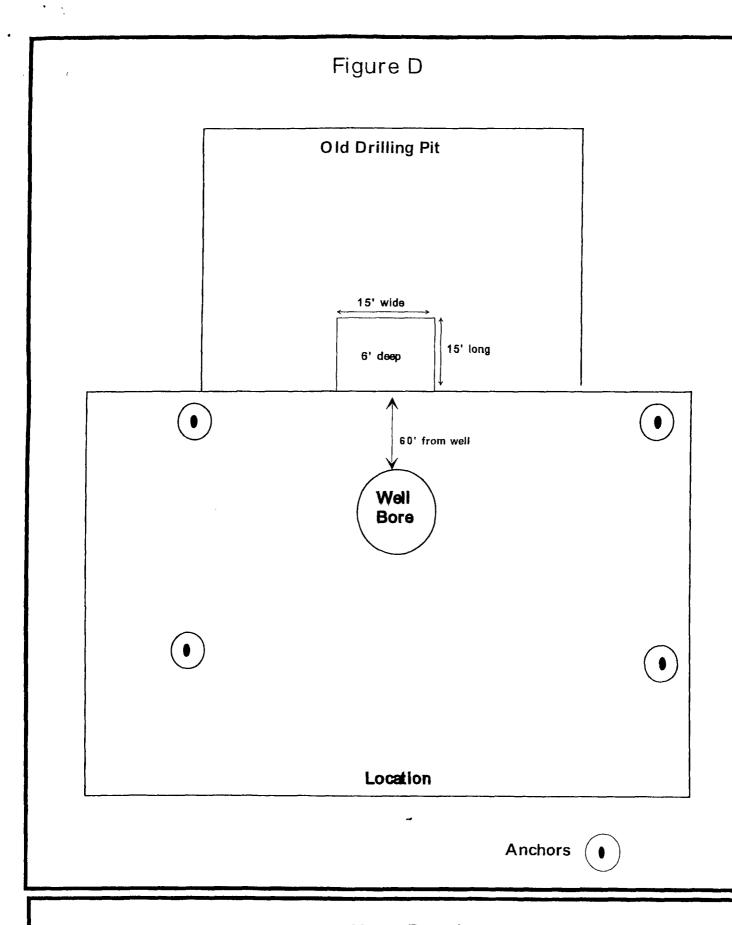




Yates Petroleum Workover/ Completion Pit Design

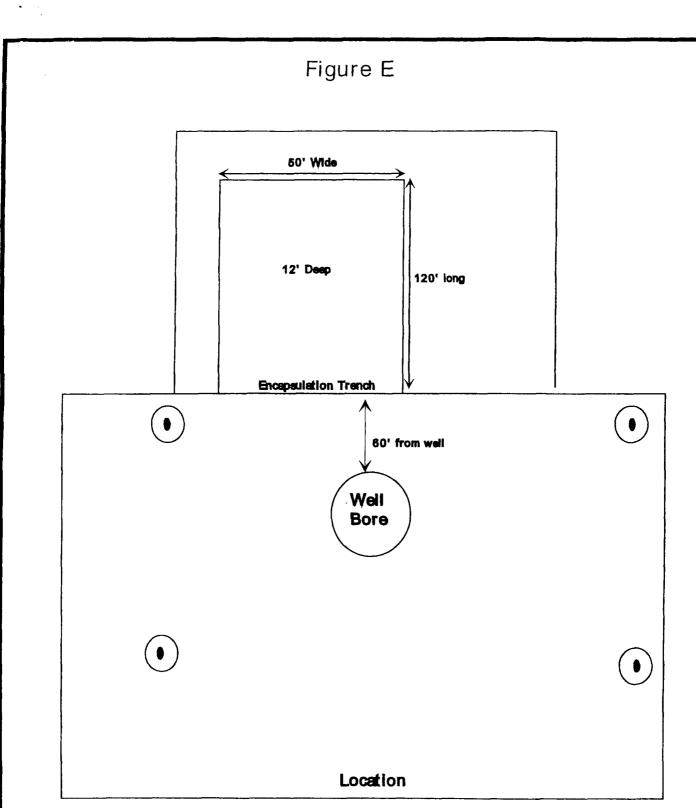
Built with Backhoe 12/8/04





Yates Petroleum Workover/ Completion Pit Design
Built with Backhoe

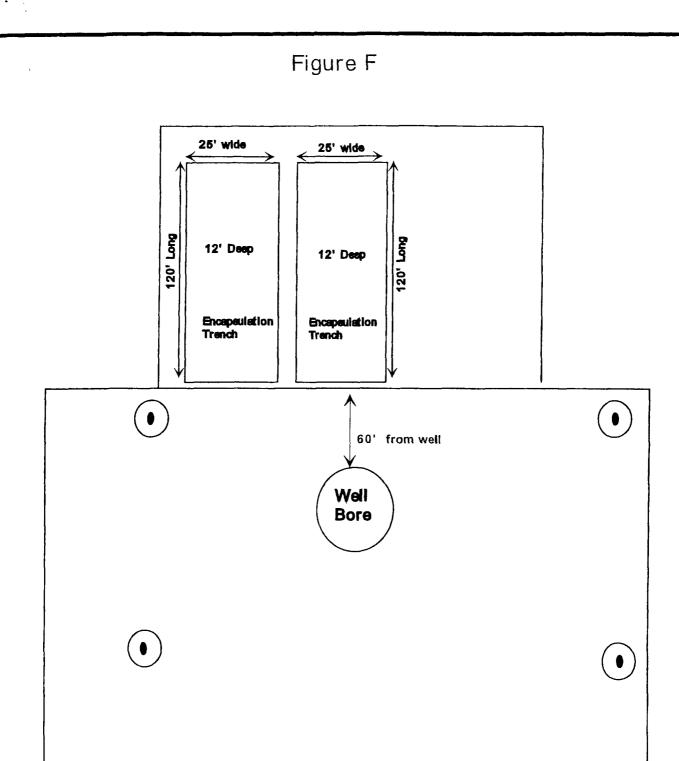






Yates Petroleum Deep Trench Encapsulation



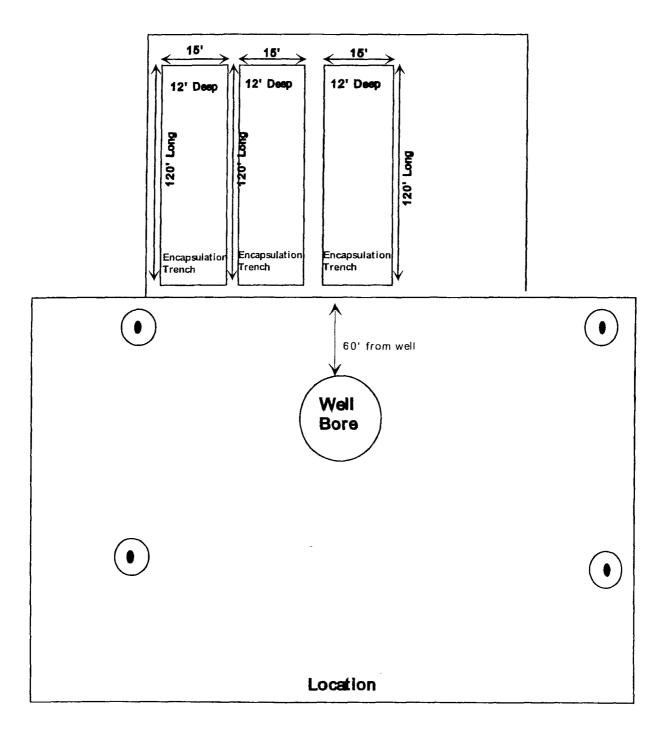


Yates Petroleum Deep Trench Encapsulation
Built with Backhoe

Location



Figure G





Yates Petroleum Deep Trench Encapsulation





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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

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

RECEIVED

DEC 30 2004

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

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.

Daniel W. Dolan CW

Sincerely.

Environmental Regulatory Agent



MYCO INDUSTRIES, INC.

OIL PRODUCERS

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

October 13, 2006

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

Re:

Myco Industries, Inc.

Danu 11 Fee Com #1H 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 Wolfcamp 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.

animum

A.N. Muncy, PELS

Operations/Engineering Manager

ANM:hp Enclosure

Myco Industries, Inc.

423 W. Main Street Artesia, NM 88210

Hydrogen Sulfide (H₂S) Contingency Plan

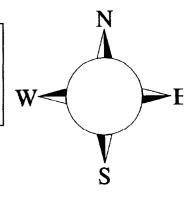
For

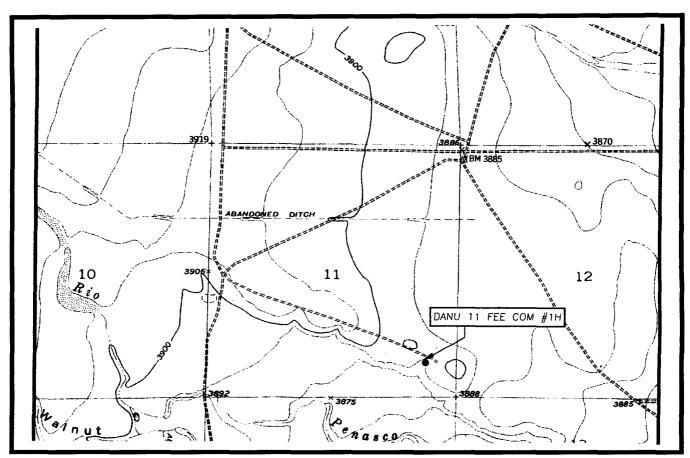
Danu 11 Fee Com #1H

660' FSL & 660' FEL (Surface) 660' FSL & 660' FWL (Bottom-Hole) Sec-11, T-18S, R-23E Eddy County NM

Danu 11 Fee Com #1H Location

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H₂S, including warning signs, wind indicators and H₂S monitor.





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
Carlos Guerrero/Field Supervisor	(505) 746-7318
Artesia Answering Service(During non-office hours)	(505) 748-4302
Agency Call List	
Eddy County (505)	
Artesia	746 0702
State Police	
City Police	
Sheriff's Office	746-9888
Ambulance	911
Fire Department	746-2701
LEPC (Local Emergency Planning Committee)	
NMOCD	
Carlsbad	
State Police	995 2127
City Police	
Sheriff's Office	
Ambulance	
Fire Department	
LEPC (Local Emergency Planning Committee)	887-3798
US Bureau of Land Management	
New Mexico Emergency Response Commission (Santa Fe)	(505)476-9600
24 HR	(505) 827-9126
New Mexico State Emergency Operations Center	(505) 476-9635
National Emergency Response Center (Washington, DC)	
Other	
Doots & Costs IWC 1 900 257 0790 (201) 021 9004	
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) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX	806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM(505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM(5	505) 842-4949
	000 j UT2-T3T3

District 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**

Oil Conservation Division 1220 South St. Francis Dr.

Form C-144 June 1, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office Santa Fe, NM 87505

Pit or Below-Grade Tank Registration or Closure
Is pit or below-grade tank covered by a "general plan"? Yes \(\square\) No \(\square\)
Type of action: Registration of a pit or below-grade tank \(\subseteq \) Closure of a pit or below-grade tank \(\subseteq \)

Appe of action. Acaponium of a par-							
Operator: Myco Industries, Inc. Telephon	ne: <u>505.748.4288</u> e-mail address: <u>h</u>	annah@mycoinc.com					
Address: P.O. Box 840, Artesia, New Mexico 88210	11/1 Ot-101-	C 11 T 100 D 22F					
Facility or well name: General Fresh Water Frac Pit API #:							
	Longitude	NAD: 1927 1983					
Surface Owner: Federal State Private Indian	Delaw and tool						
<u>Pit</u> <u>Type:</u> Drilling ⊠ Production ⊠ Disposal □	Below-grade tank Volume:bbl Type of fluid:						
Workover Emergency	Construction material:						
Lined \(\sum \) Unlined \(\sum \)	Double-walled, with leak detection? Yes If no	·					
Liner type: Synthetic \(\sum \) Thickness \(\sum \) mil Clay \(\sum \)							
Pit Volume 40,000 bbl							
TR Volume 40,000 001	Less than 50 feet	(20 points)					
Depth to ground water (vertical distance from bottom of pit to seasonal	50 feet or more, but less than 100 feet	(10 points)					
high water elevation of ground water.)							
	100 feet or more	(0 points)					
Wellhead protection area: (Less than 200 feet from a private domestic	Yes	(20 points)					
water source, or less than 1000 feet from all other water sources.)	<u>No</u>	(0 points)					
Distance to surface water (berigental distance to all water de player	Less than 200 feet	(20 points)					
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	200 feet or more, but less than 1000 feet	(10 points) (0 points)					
irrigation canais, ditches, and perennial and epitemeral watercourses.)	1000 feet or more						
FRESH WATER FRAC PIT	Ranking Score (Total Points)	0					
If this is a pit closure: (1) Attach a diagram of the facility showing the pit your are burying in place) onsite offsite If offsite, name of facility emediation start date and end date. (4) Groundwater encountered: No	Yes If yes, show depth below ground surface	description of remedial action taken including					
5) Attach soil sample results and a diagram of sample locations and excava	itions.						
Additional Comments:							
I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines \(\Bar{\Bar}\), a general permit \(\Bar{\Bar}\), or an (attached) alternative OCD-approved plan \(\Bar{\Bar}\).							
Date: 10-13-2006	Date: 10-13-2006						
Printed Name/Title Hannah Palomin/Engr-Land Technician	11 / 1						
Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.							
	Signature Service Should the content the operator of its responsibility for compliance with	s of the pit or tank contaminate ground water or any other federal, state, or local laws and/or					
	Signature Service Samuel Samuel Samuel Signature Service Servi	s of the pit or tank contaminate ground water or any other federal, state, or local laws and/or					