

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 ResourcesOil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-101

May 27, 2004

Submit to appropriate District Office

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address MYCO INDUSTRIES, INC. P.O. BOX 840, ARTESIA, NM 88211-0840		² OGRID Number 015445
³ Property Code 35996	⁴ Property Name MILO 33 FEE	⁵ API Number 30 - 005 - 63849
⁹ Proposed Pool 1 Wildcat; Wolfcamp		⁶ Well No. #1
¹⁰ Proposed Pool 2		

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/Westline	County
P	33	15S	25E		247'	SOUTH	345'	EAST	CHAVES

⁸ Proposed 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/Westline	County
M	33	15S	25E		660'	SOUTH	660'	WEST	CHAVES

Additional Well Information

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code P	¹⁵ Ground Level Elevation 3430'
¹⁶ Multiple NO	¹⁷ Proposed Depth 5200'	¹⁸ Formation WOLFCAMP	¹⁹ Contractor	²⁰ Spud Date 12/31/2006
Depth to Groundwater 100'		Distance from nearest fresh water well > 1000'		Distance from nearest surface water > 1000'
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 mil thick Clay <input type="checkbox"/>		Pit Volume: 10100 bbls		
Closed-Loop System <input type="checkbox"/>		Drilling Method: Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>		

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12-1/4"	8-5/8"	32# / J-55	960' @ 1050'	400 SXS	CIRCULATE
7-7/8"	5-1/2"	17# / N-80	9250' @ 960'	1200 SXS	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 NMOC D 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 INTERCEPTING THE BASE OF THE WOLFCAMP AT 660' FSL & 660' FEL PER NMOC D RULE #111.

ATTACHED: PERMIT INFORMATION, C-102, GENERAL PIT PERMIT, WAIVER REQUEST H2S CONTINGENCY PLAN, C-144 (FRESH WATER FRAC PIT).

*NOTE: DETAILED WELL SURVEY PROFILE TO FOLLOW.

NOTIFY OCD OF SPUD & TIME TO WITNESS CEMENTING OF SURFACE CASING

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOC D guidelines ☐ a general permit ☒, or an (attached) alternative OCD-approved plan ☐.

OIL CONSERVATION DIVISION

Approved by:

BRYAN G. ARRANT

DISTRICT II GEOLOGIST

Printed name: A.N. MUNCY, PELS

Title:

Title: OPERATIONS/EXPLORATION MGR.

Approval Date:

SEP 07 2006

Expiration Date:

SEP 07 2007

E-mail Address: anmuncy@mycoinc.com

Date: 09/05/2006

Phone: (505)748-4289

Conditions of Approval Attached ☐

DISTRICT I

1625 N. FRERCE DR., HOBERG, NM 88240

DISTRICT II

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1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DRIVE
Santa Fe, New Mexico 87505Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 96086	Pool Name Wildcat
Property Code	Property Name MILO 33 FEE	Well Number 1
OGED No.	Operator Name MYCO INDUSTRIES, INC.	Elevation 3430'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	33	15-S	25-E		247	SOUTH	345	EAST	CHAVES

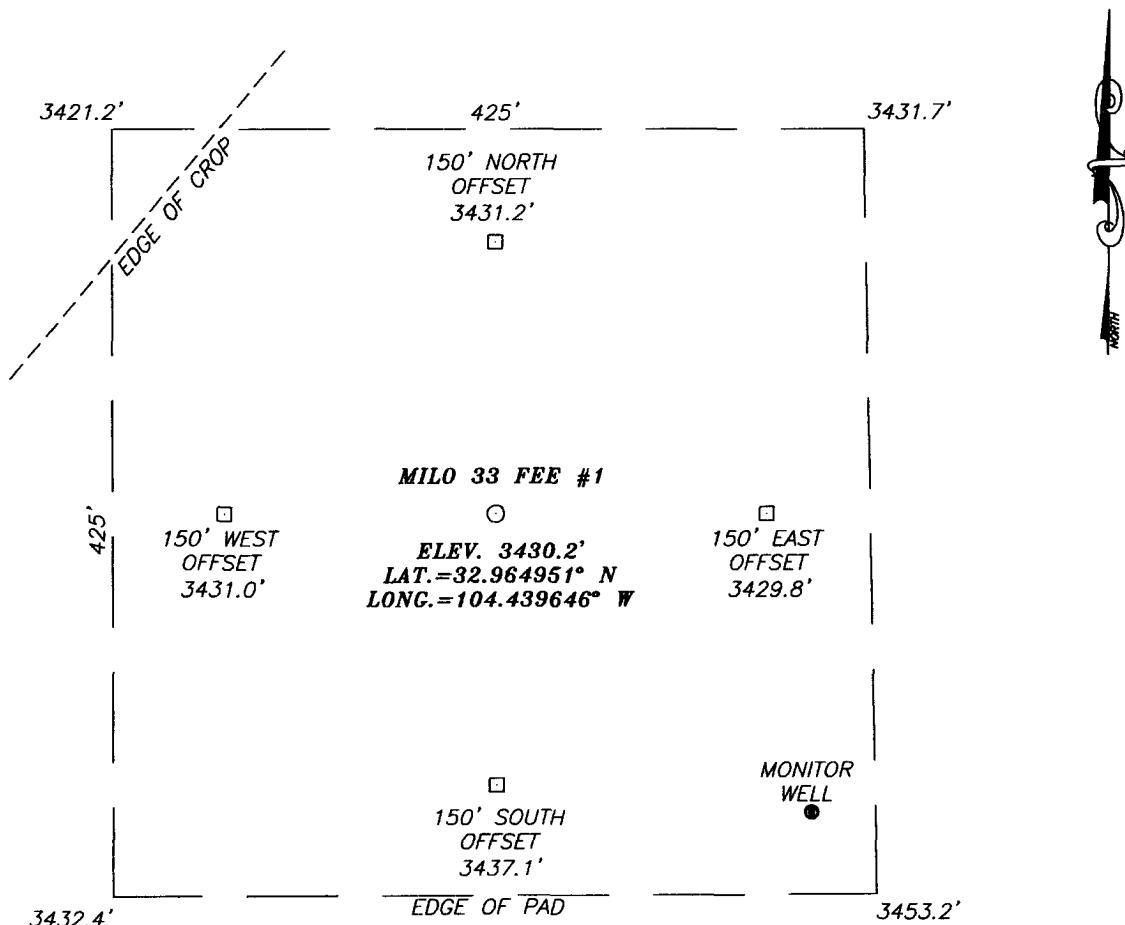
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	33	15-S	25-E		660	SOUTH	660	WEST	CHAVES
Dedicated Acres 320		Joint or Infill		Consolidation Code		Order 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

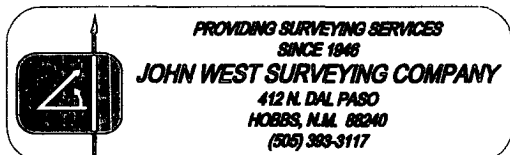
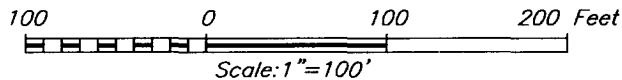
<p>BOTTOM HOLE LOCATION Y=715178.6 N X=463106.3 E LAT.=32.966039° N LONG.=104.453625° W</p>		<p>PENETRATION POINT Y=715188.8 N X=467078.2 E LAT.=32.966079° N LONG.=104.440675° W</p>		<p>GEODETIC COORDINATES NAD 27 NME SURFACE HOLE LOCATION Y=714778.0 N X=467393.3 E LAT.=32.964951° N LONG.=104.439646° W</p>		<p>OPERATOR CERTIFICATION I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: <u>AN MUNCY</u> Date: <u>8.6.06</u> Printed Name: <u>AN MUNCY</u></p>	
<p>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. AUGUST 24, 2006 Date Surveyed: <u>LA</u> REV: 9/6/06 Signature & Seal of Professional Surveyor: <u>GARY E. EDSON 9/6/06</u> 06.11.1365 Certificate No. GARY-EDSON 12841</p>							

SECTION 33, TOWNSHIP 15 SOUTH, RANGE 25 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF U.S. HWY. #285 AND PEARSON ROAD (COUNTY LINE). THIS LOCATION IS APPROX. 933 FEET NORTHWEST.

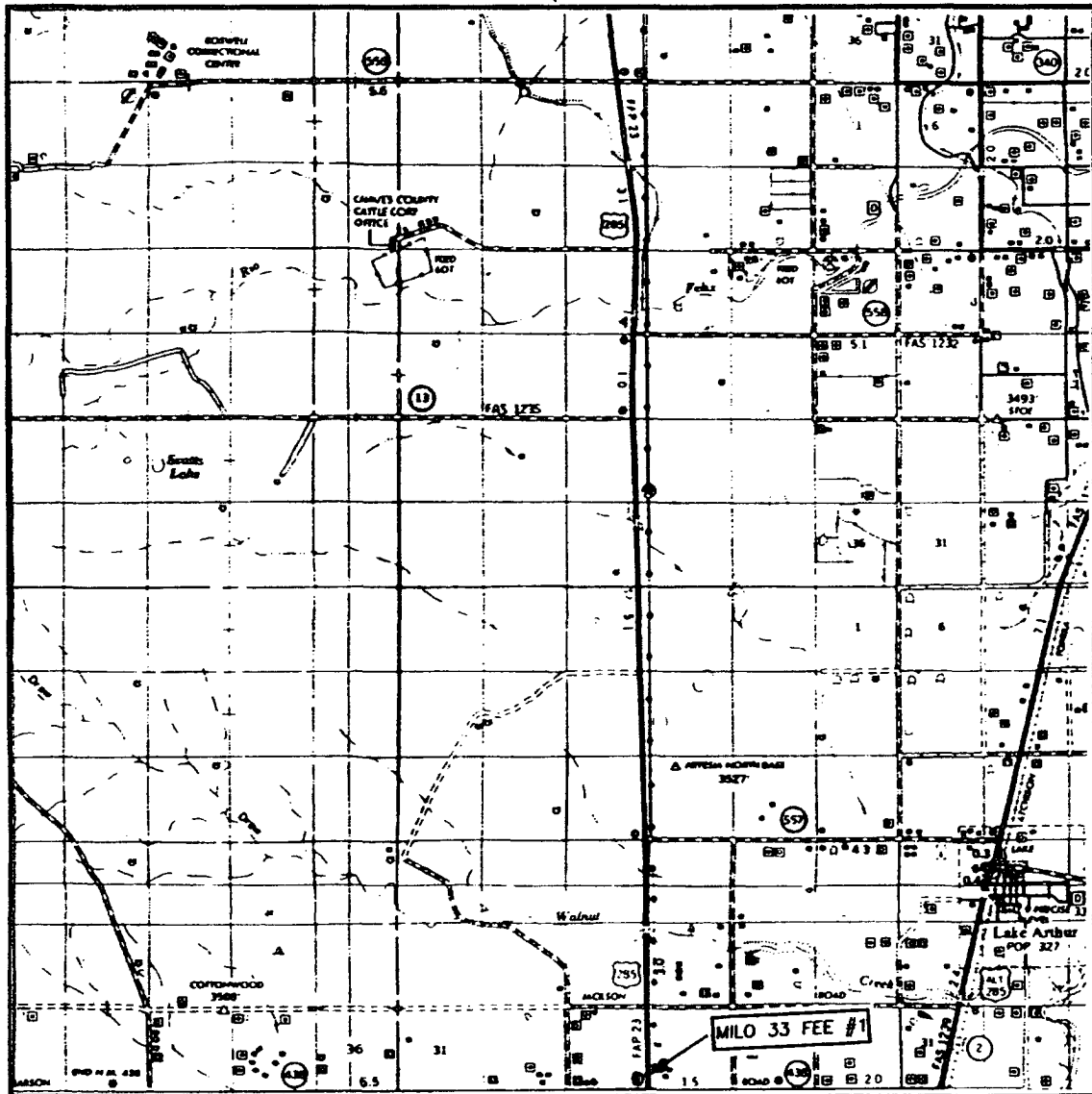


MYCO INDUSTRIES, INC.

MILO 33 FEE #1 WELL
 LOCATED 247 FEET FROM THE SOUTH LINE
 AND 345 FEET FROM THE EAST LINE OF SECTION 33,
 TOWNSHIP 15 SOUTH, RANGE 25 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO.

Survey Date: 8/24/06	Sheet 1 of 1 Sheets
W.O. Number: 06.11.1365	Dr By: LA
Date: 8/28/06	Rev 1: N/A
Disk: CD#5	06111365
	Scale: 1"=100'

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 33 TWP. 15-S RGE. 25-E

SURVEY N.M.P.M.

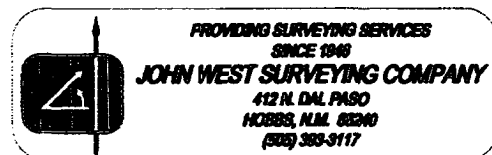
COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 247' FSL & 345' FEL

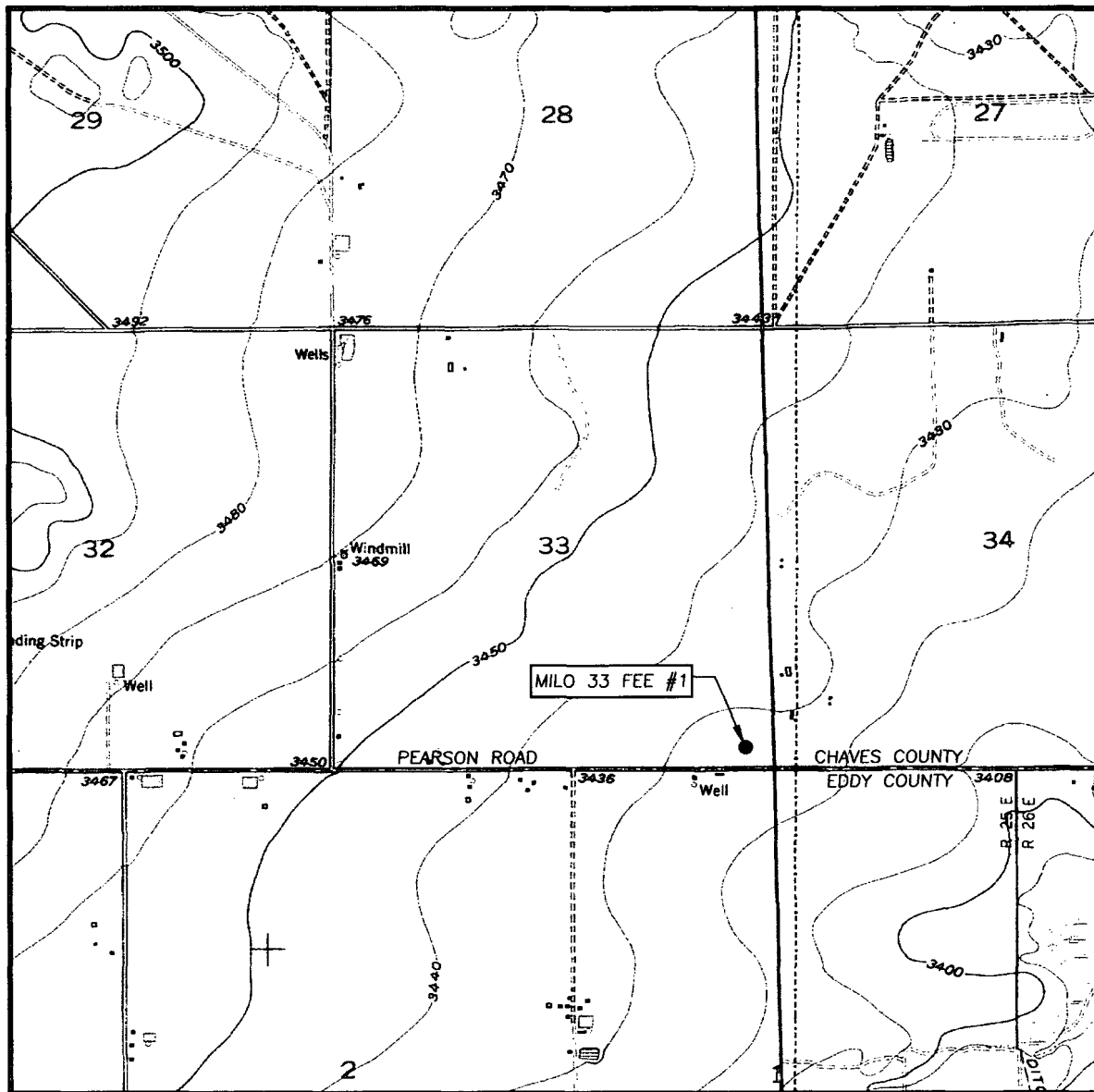
ELEVATION 3430'

OPERATOR MYCO INDUSTRIES, INC.

LEASE MILO 33 FEE



LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 33 TWP. 15-S RGE. 25-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

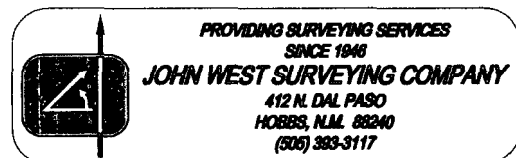
DESCRIPTION 247' FSL & 345' FEL

ELEVATION 3430'

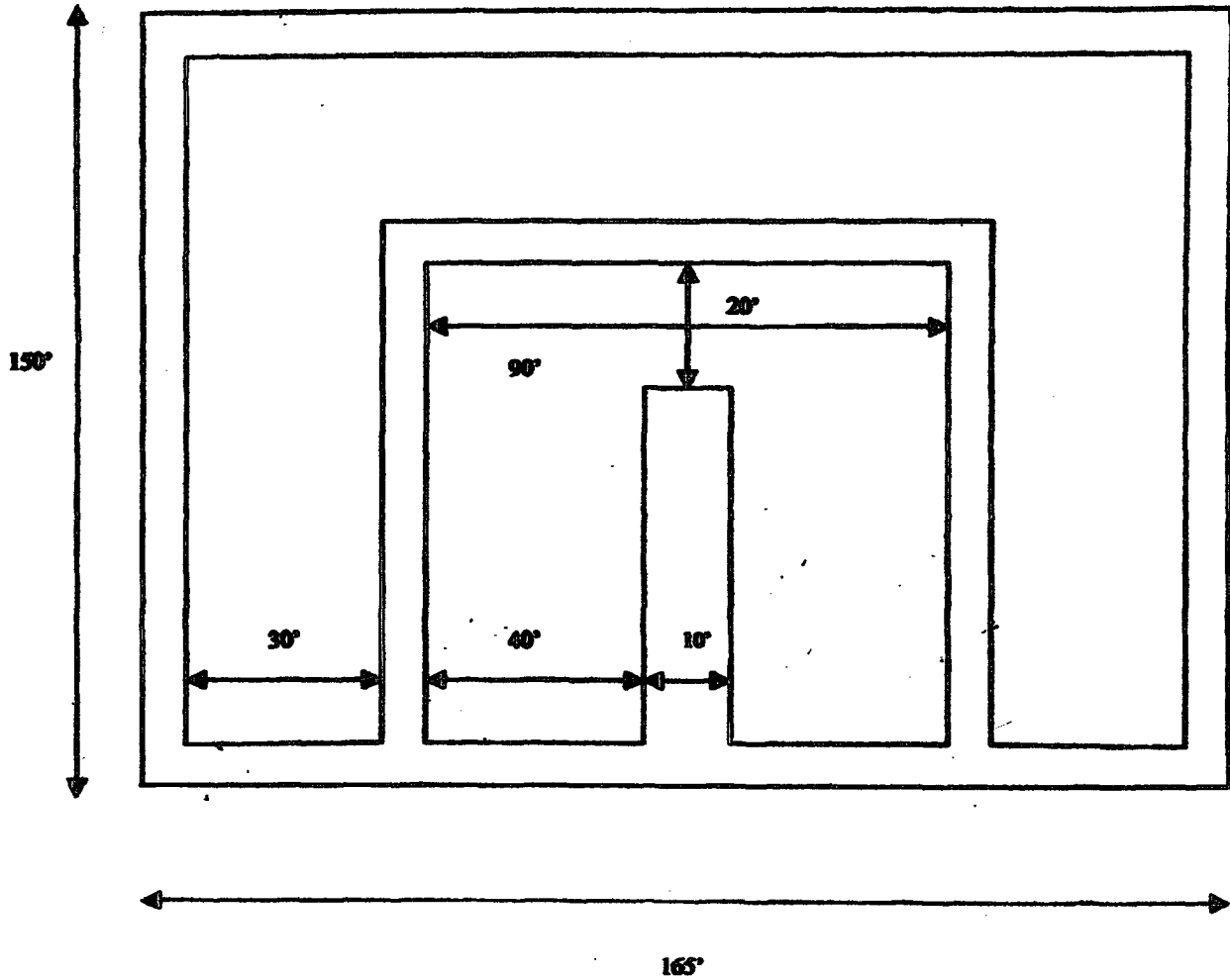
OPERATOR MYCO INDUSTRIES, INC.

LEASE MILO 33 FEE

U.S.G.S. TOPOGRAPHIC MAP
ESPUELA, N.M.



Double Horseshoe Reserve Pit Design



Approximate Inside Reserve Volume: 4500 bbls
Approximate Outside Reserve Volume: 5800 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

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*.

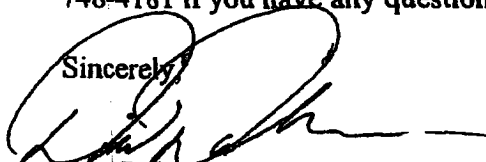
As you know Yates submitted and received approval of a general plan for opening and closing of drilling and workover pits on April 15, 2004. In an effort to simplify the required paperwork, we would now like to modify that plan to include more detailed information.

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,



Dan Dolan

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 NMOCDC.
 - 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.

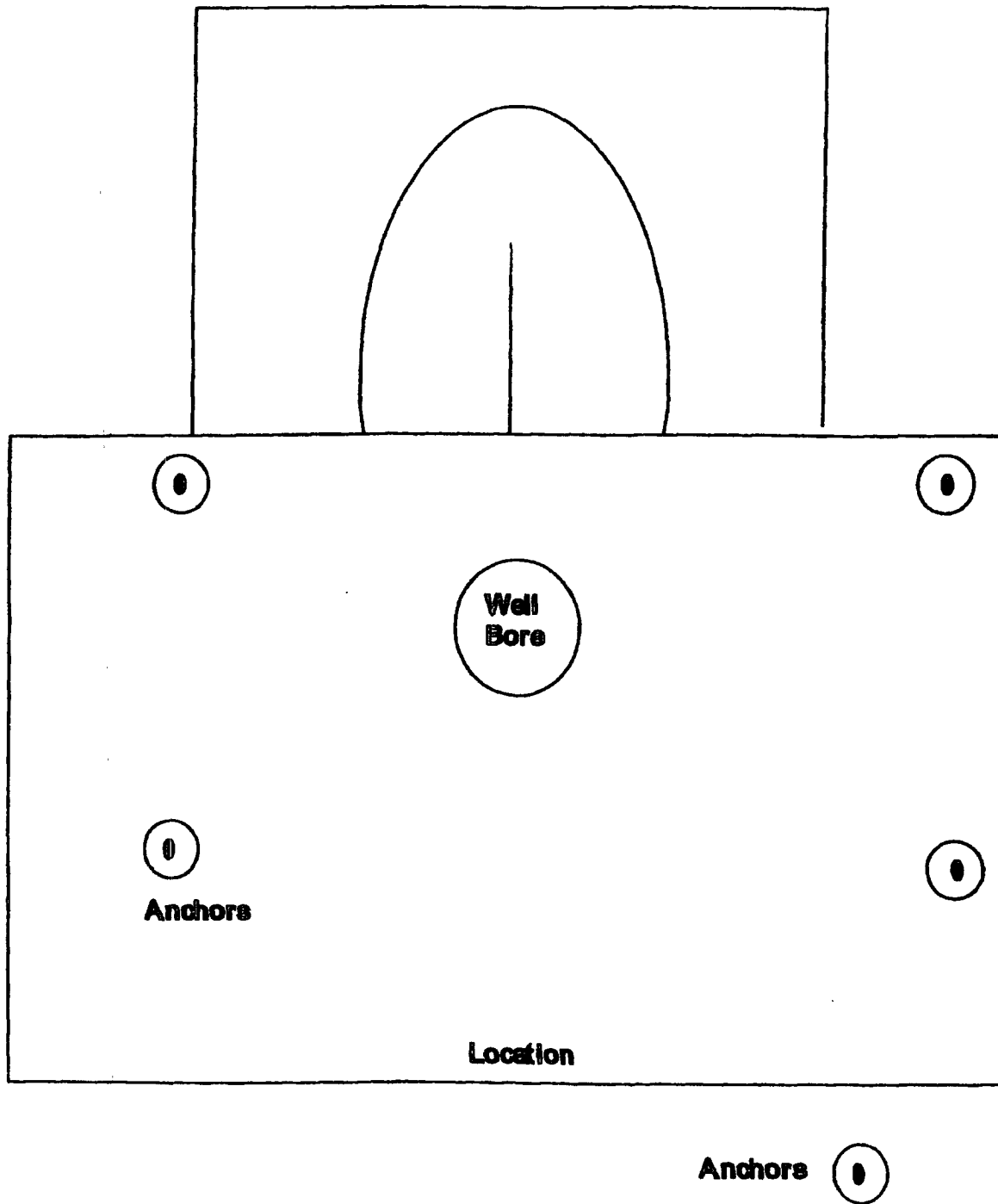
2. Pit Closure – Pits will be closed based on site specific conditions pursuant to Part IV of Guidelines by one of the following methods:

- a. Excavation and removal. Wastes will be excavated and disposed of at an off-site OCD-approved facility or location.
- b. Below Grade Encapsulation. Encapsulation will be pursuant to Part IV.B.2 of Guidelines.
- c. Capping and Encapsulation Insitu. Capping and encapsulation will be pursuant to Part IV.B.3(a) of Guidelines.
- d. Deep Trench Burial and Capping. 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. Exemption: 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.

Figure A



**Yates Petroleum
Standard Reserve Pit**

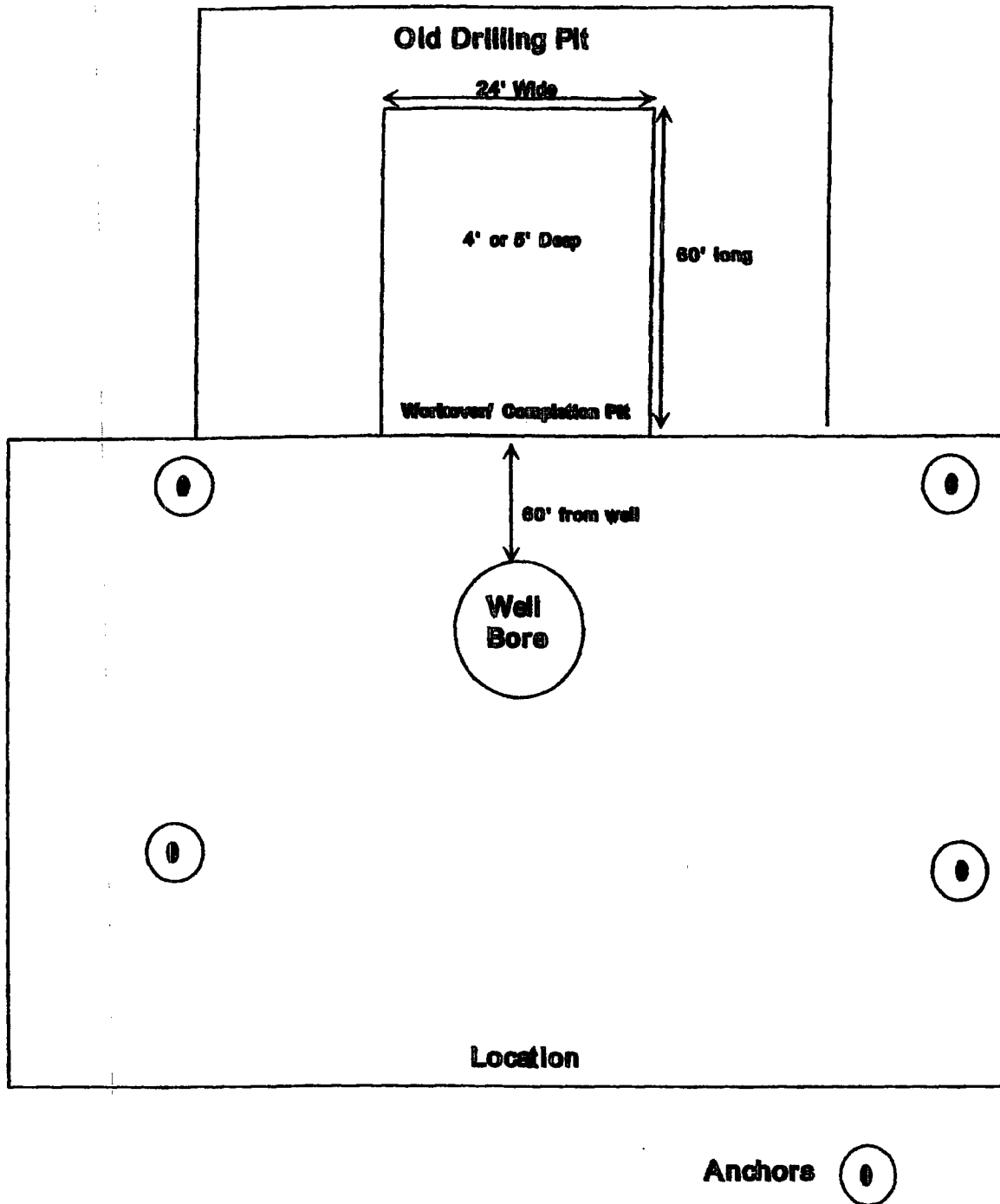
All Reserve Pits are double horse shoe.
Size varies with depth of well

12/8/04

(Not to Scale)



Figure B



**Yates Petroleum
Workover/ Completion Pit Design**

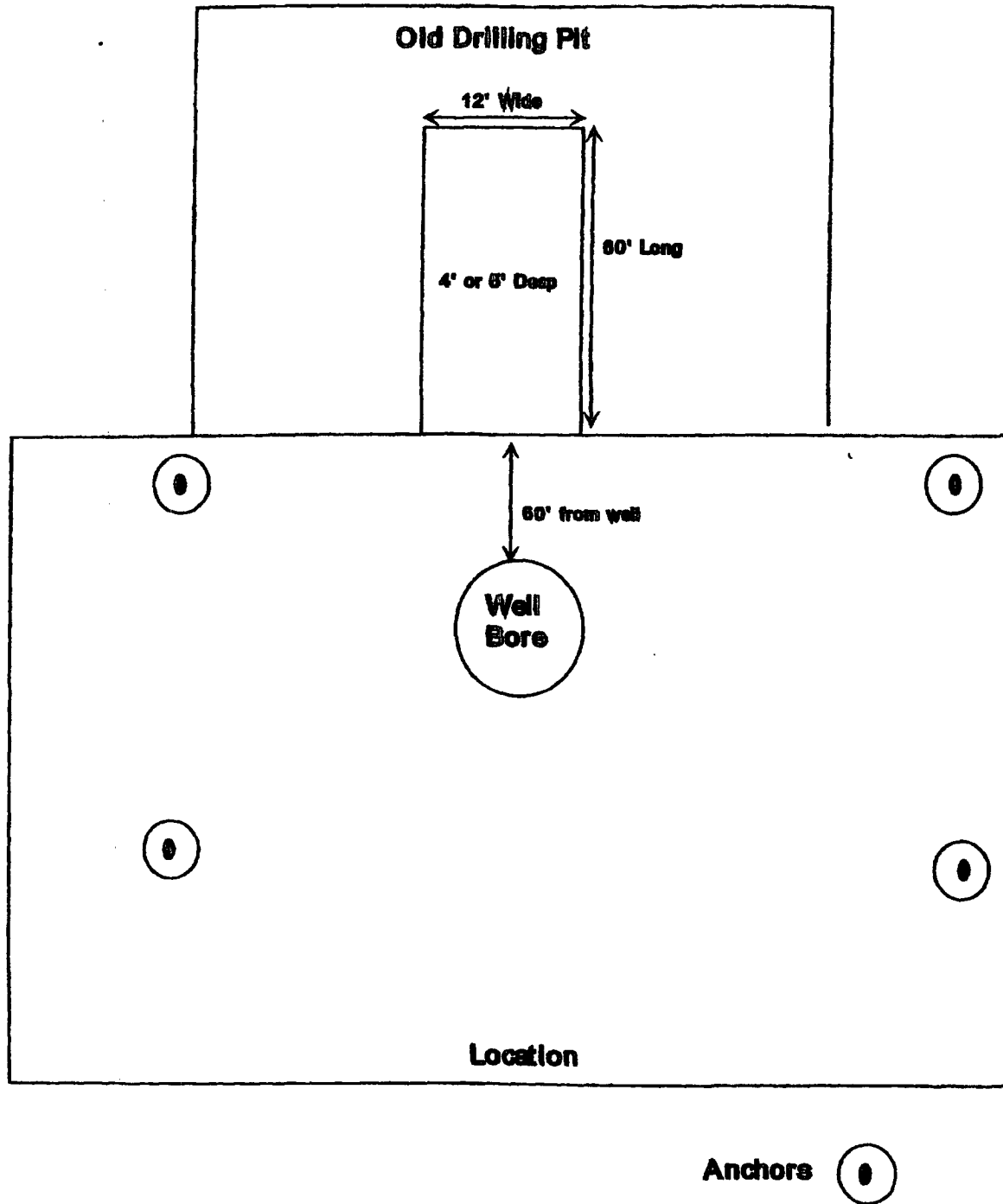
Built with Dozer

12/8/04



(Not to Scale)

Figure C



**Yates Petroleum
Workover/ Completion Pit Design**

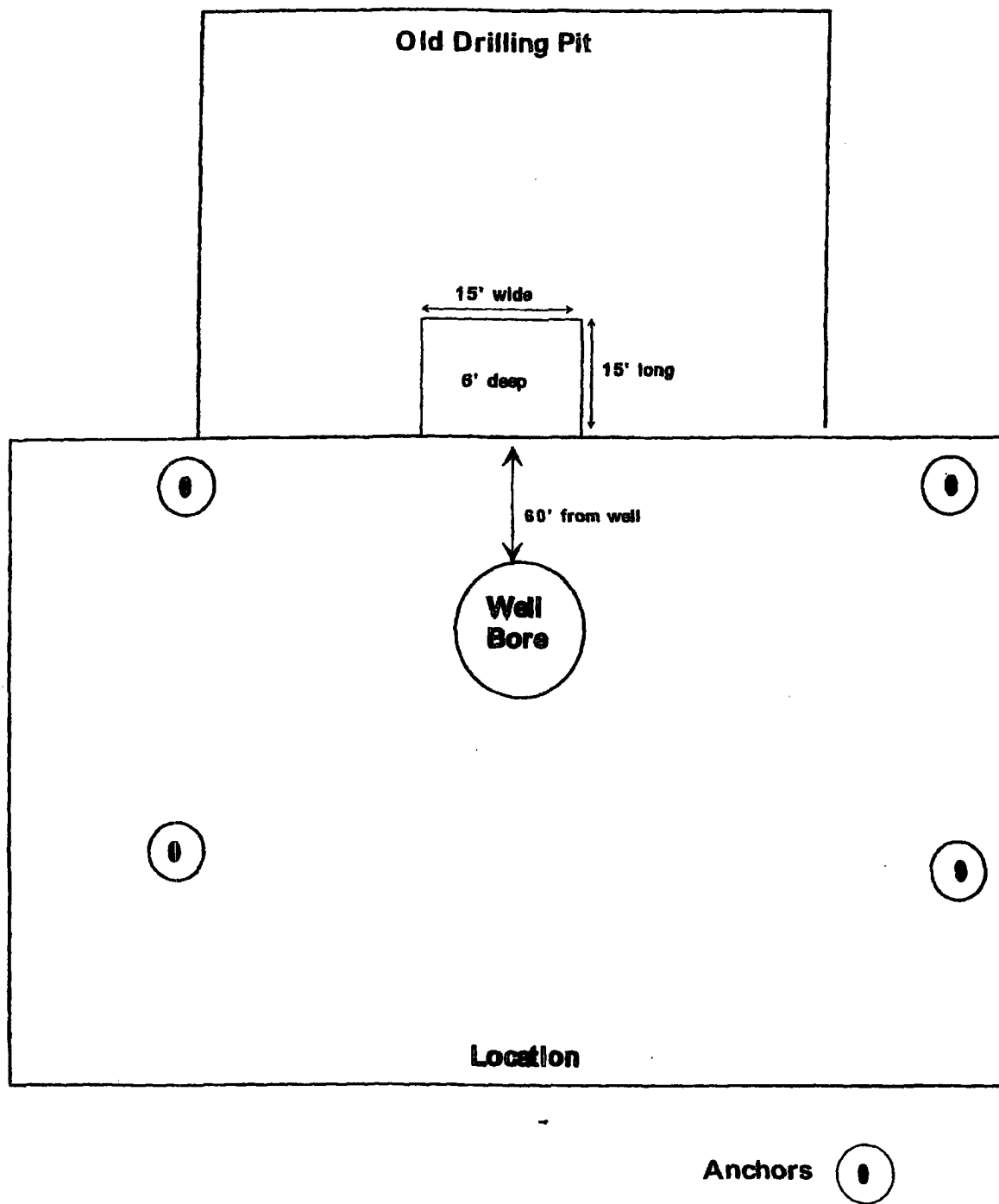
Built with Backhoe

12/8/04

(Not to Scale)



Figure D



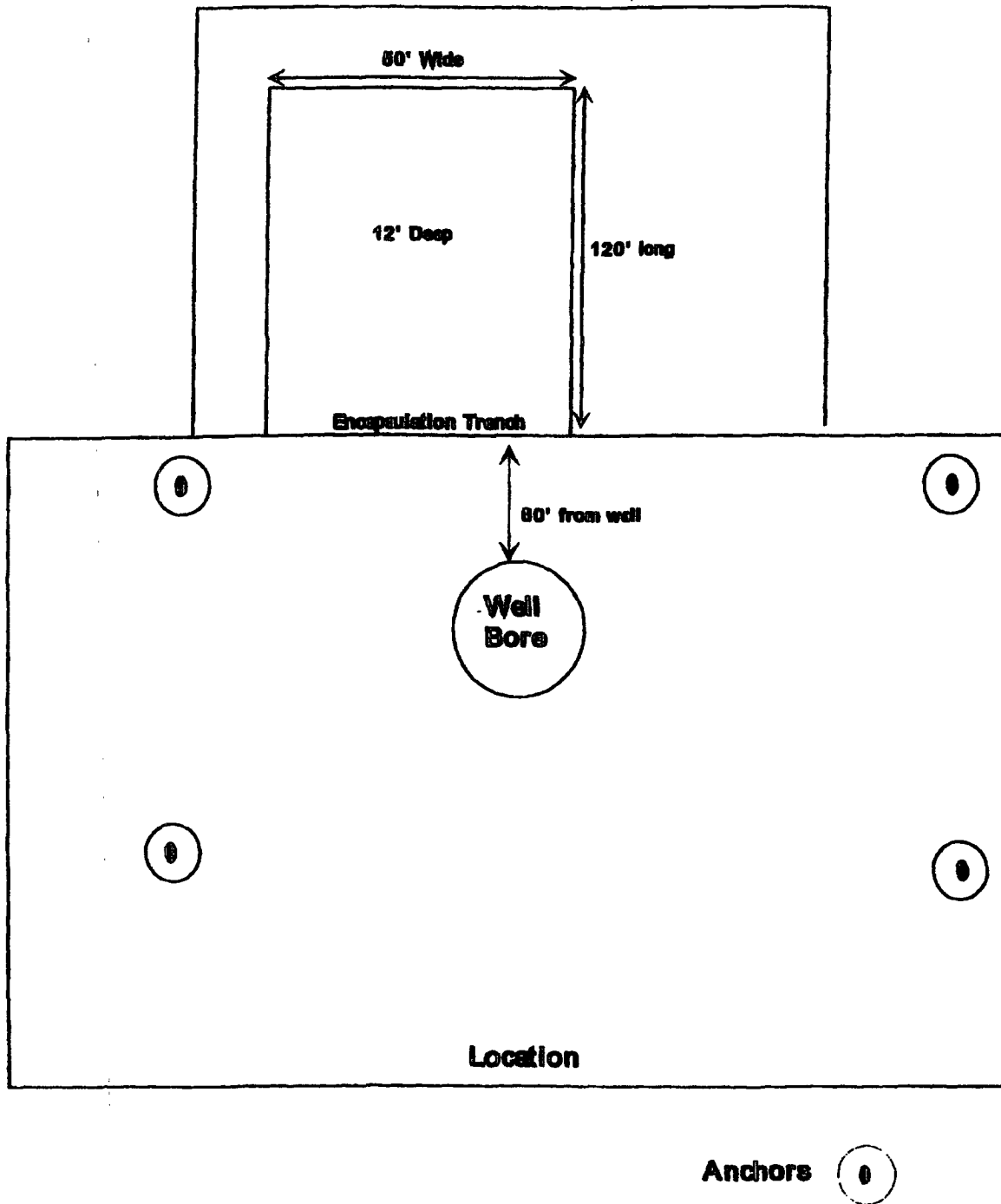
Yates Petroleum
Workover/ Completion Pit Design
Built with Backhoe

12/8/04

(Not to Scale)



Figure E



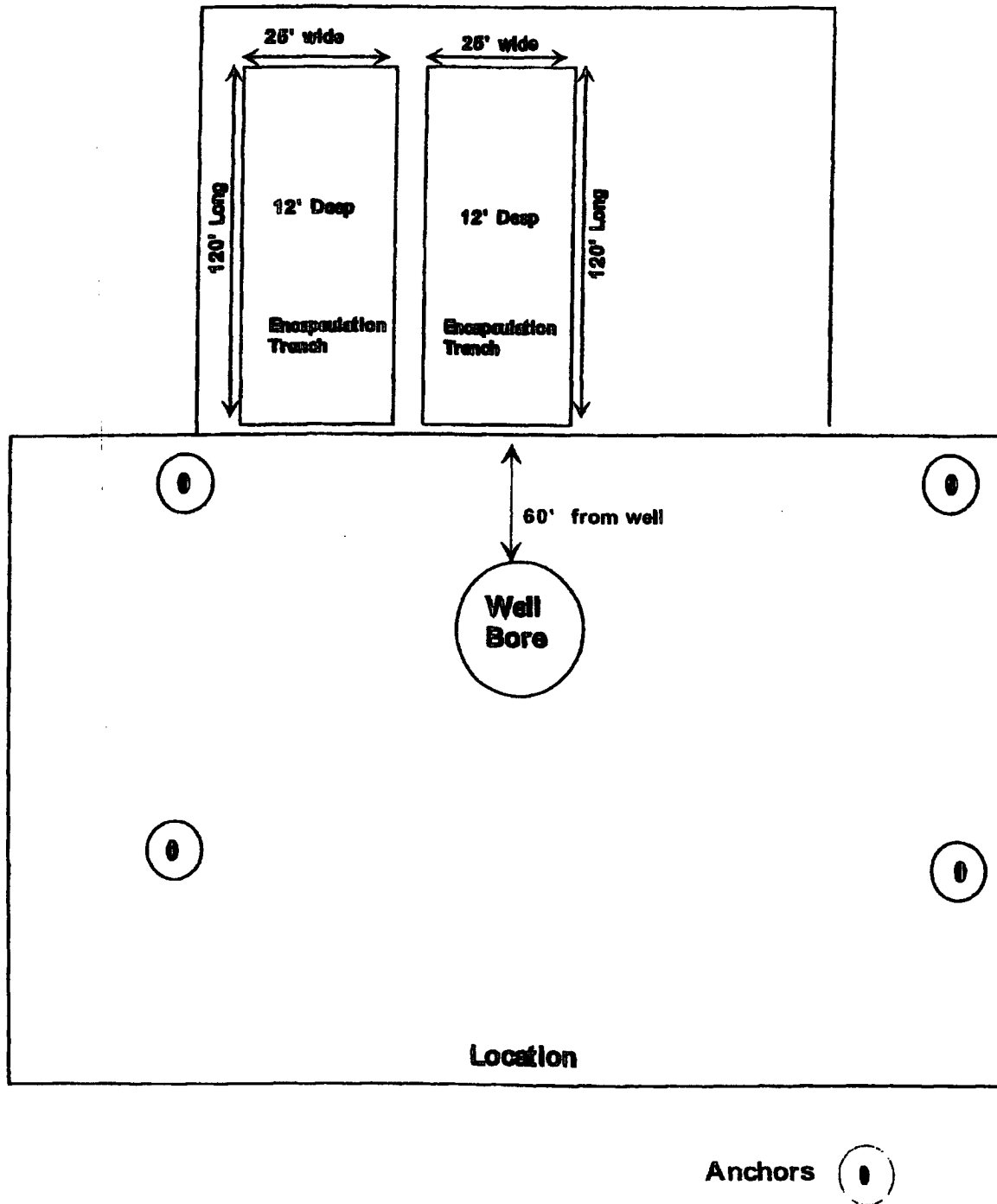
**Yates Petroleum
Deep Trench Encapsulation**

12/8/04

(Not to Scale)



Figure F



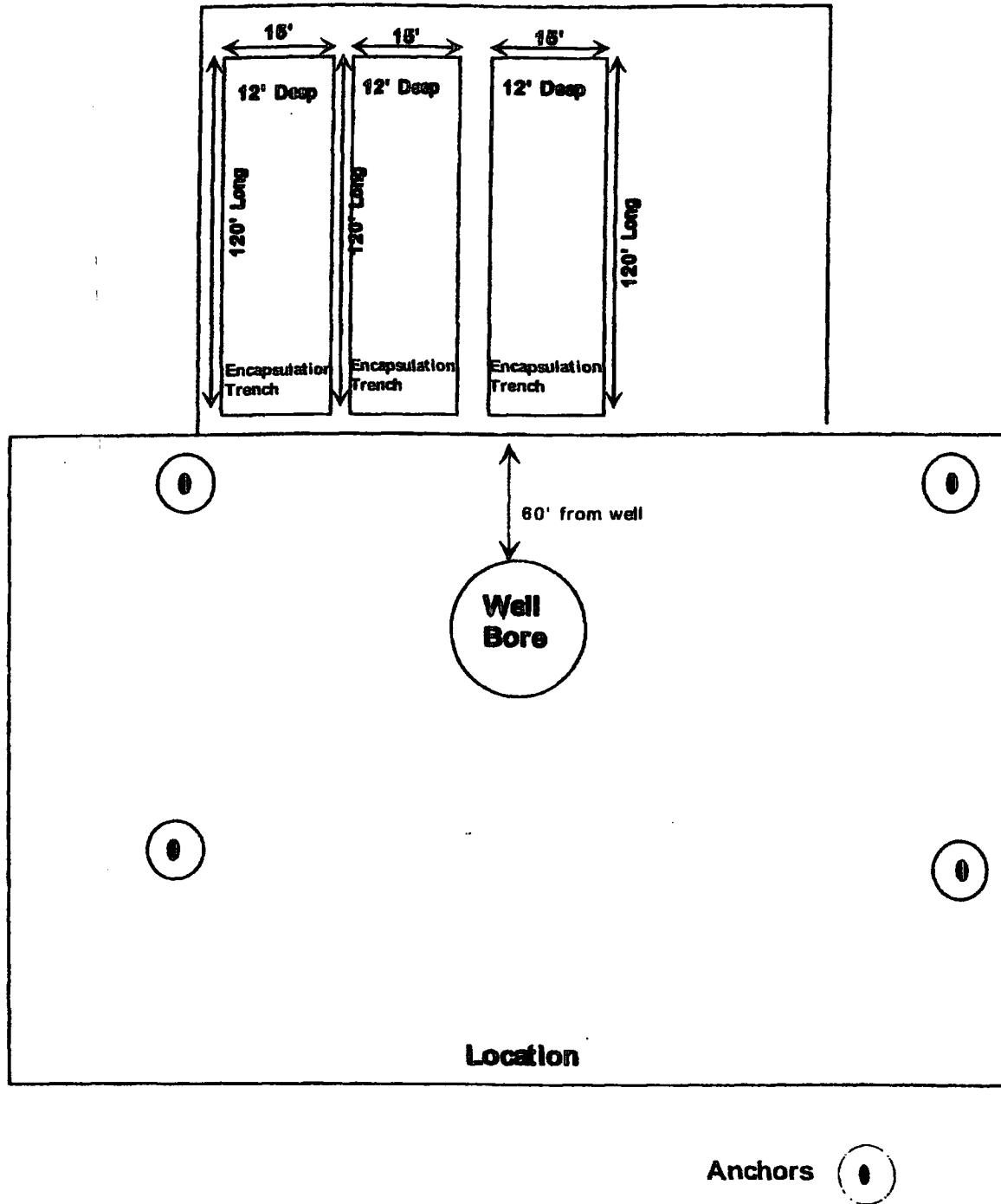
Yates Petroleum
Deep Trench Encapsulation
Built with Backhoe

12/8/04

(Not to Scale)



Figure G



Yates Petroleum
Deep Trench Encapsulation

12/8/04

(Not to Scale)





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.

A handwritten signature in dark ink, appearing to be "VB" or similar initials, written over a horizontal line.

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

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RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

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

RECEIVED
DEC 30 2004
FBI-ARTESIA

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.

Sincerely,



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

September 5, 2006

State of New Mexico Energy, Minerals and Natural Resources
Oil Conservation Division
1301 W. Grand Avenue
Artesia, NM 88210

To Whom It May Concern:

I am writing to request a waiver for the inclusion of an H₂S Contingency Plan for the Milo 33 Fee #1. The current plan is to complete this well in the Wolfcamp, which is sweet, and I do not anticipate encountering any H₂S bearing formations during drilling operations.

Sincerely,

MYCO INDUSTRIES, INC.

James Schlueter
Geologist

JS/hp

MYCO INDUSTRIES, INC.

Well Name: Milo 33 Fee #1

Location:

SL 247' FSL & 345' FEL, Section 33, T-15-S, R-25-E, Chaves Co, NM

BHL 660' FSL & 660' FWL, Section 33, T-15-S, R-25-E, Chaves Co, NM

Casing Program:

Casing	Setting Depth	Hole Size	Casing Size	Casing Weight	Casing Grade	Desired TOC
Surface	950'	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:
950'	150	Lead: Premium Plus + 2% CaCl ₂ + 3% Econolite + ¼ pps Flocele
	250	Tail: Premium Plus + 2% CaCl ₂ + ¼ pps Flocele
9250'	500	Lead: Interfill C + ¼ 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
0-950'	Fresh-Gel	8.6-8.8	28-34	N/c
950-4400'	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

Myco Industries, Inc.

**423 W. Main Street
Artesia, NM 88210**

Hydrogen Sulfide (H₂S) Contingency Plan

For

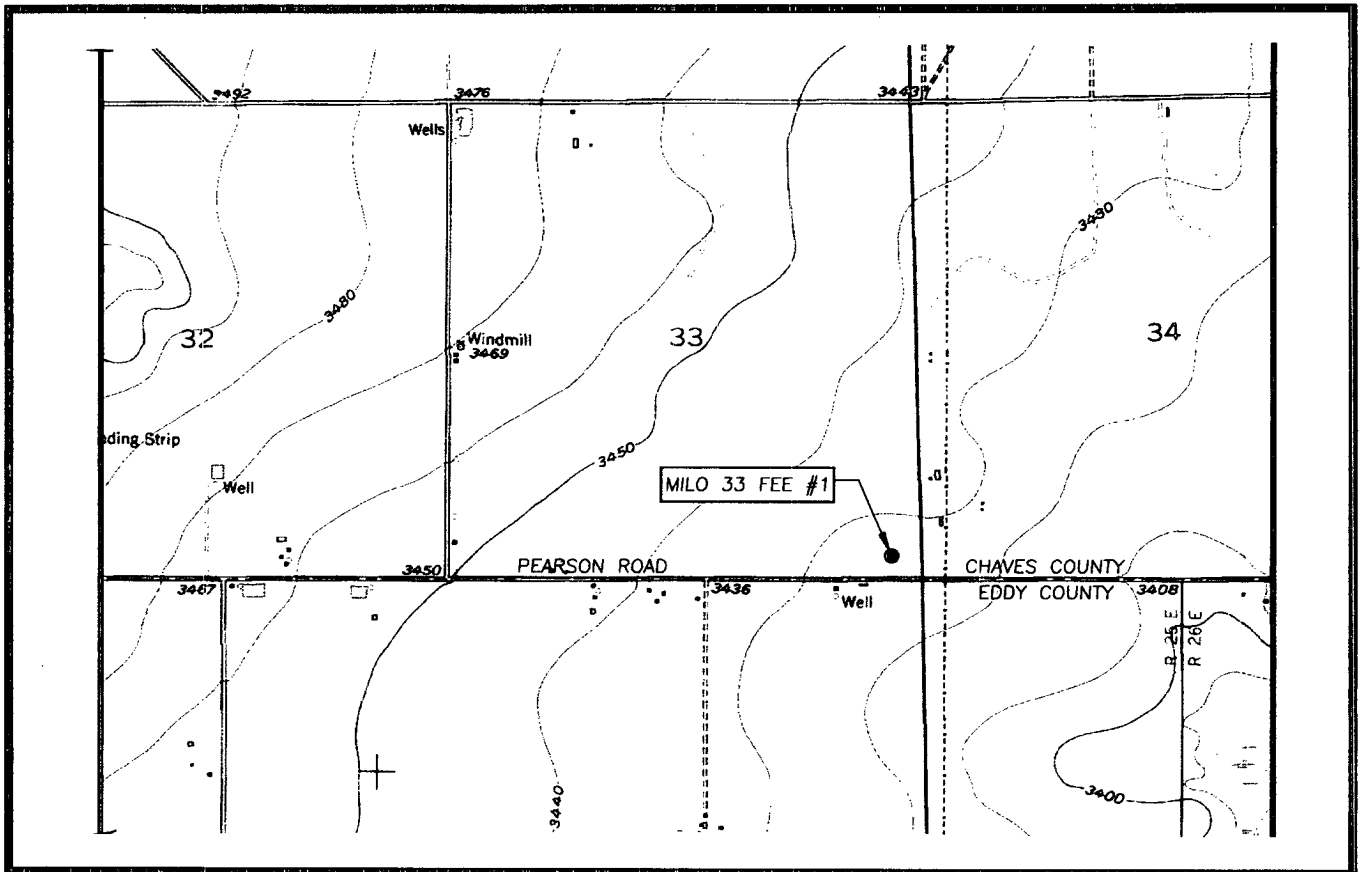
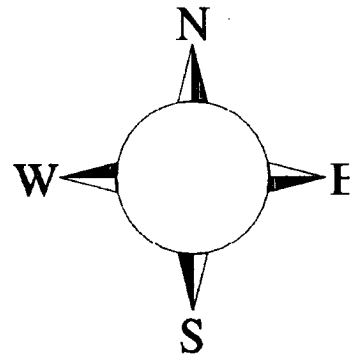
Milo 33 Fee #1

**247' FSL & 345' FEL (Surface)
660' FSL & 660' FWL (Bottom-Hole)
Sec-33, T-15S, R-25E
Chaves County NM**



Milo 33 Fee #1 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.



Assumed 100 ppm ROE = 3000'
100 ppm H₂S concentration shall trigger activation of this plan.

Emergency Procedures

In the case of a release of gas containing H_2S , 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 H_2S , measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H_2S 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 (SO_2). 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 H_2S and SO_2

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H_2S	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(505) 748-4280
Nelson Muncy/Operations Engineering Manager.....(505) 748-4289
.....(505) 308-3502
Carlos Guerrero/Field Supervisor(505) 746-7318
.....(505) 513.2492
Artesia Answering Service(505) 748-4302
(During non-office hours)

Agency Call List

Eddy County (505)

Artesia

State Police..... 746-2703
City Police..... 746-2703
Sheriff's Office 746-9888
Ambulance 911
Fire Department 746-2701
LEPC (Local Emergency Planning Committee) 746-2122
NMOCD..... 748-1283

Carlsbad

State Police..... 885-3137
City Police..... 885-2111
Sheriff's Office 887-7551
Ambulance 911
Fire Department 885-2111
LEPC (Local Emergency Planning Committee)..... 887-3798
US Bureau of Land Management.....887-6544

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) ...(800) 424-8802

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) 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(505) 842-4949