

Myco Industries, Inc.

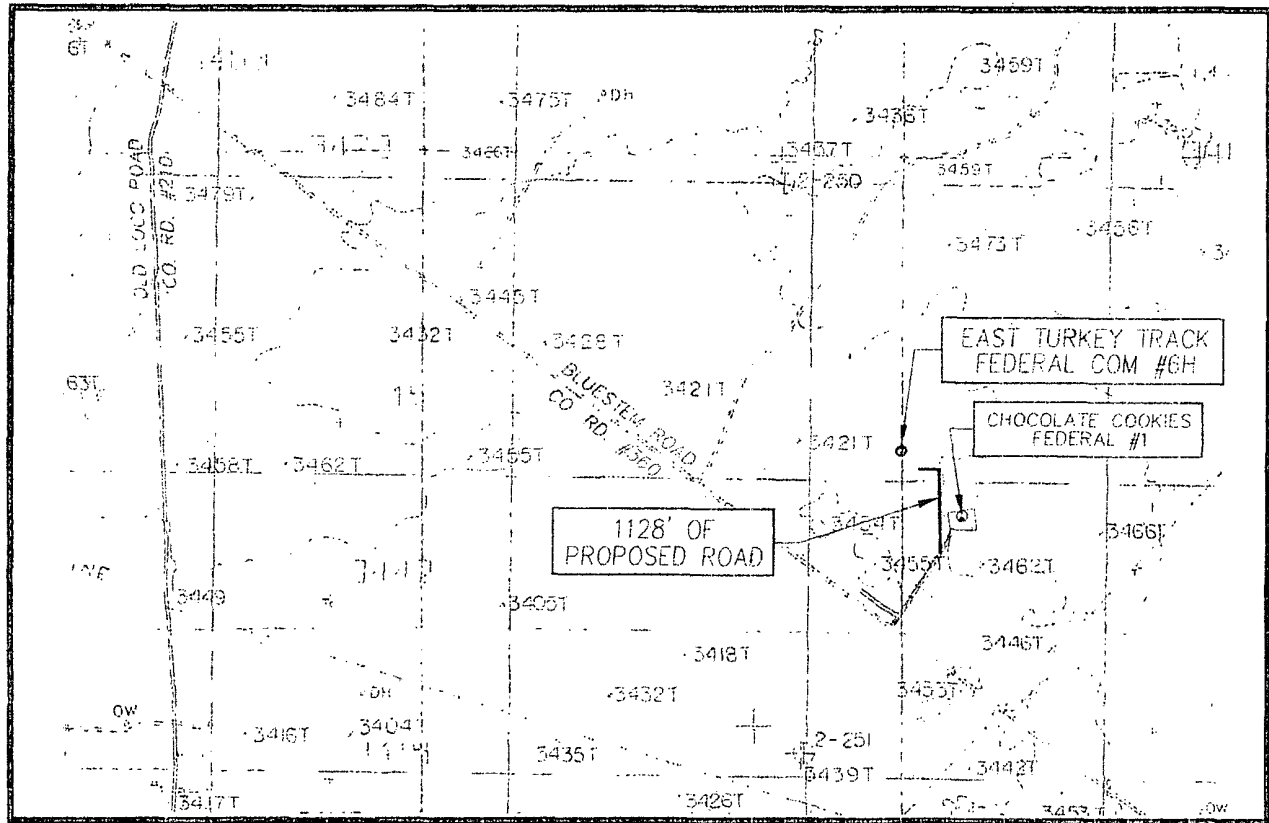
423 W. Main Street
Artesia, NM 88210

Hydrogen Sulfide (H₂S) Contingency Plan

For

**East Turkey Track Federal Com #6H
2030' FSL & 10' FEL
Sec-26, T-18S, R-29E
Eddy County NM**

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 3000'
100 ppm H2S 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 Concentration
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	(575) 748-4280
Nelson Muncy/Operations Engineering Manager	(575) 748-4289
.....	(575) 308-3502
Carlos Guerrero/Field Supervisor	(575) 746-7318
.....	(575) 513-2492
Artesia Answering Service	(575) 748-4302
(During non-office hours)	

Agency Call List

Eddy County (575)

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 IWC	1-800-256-9688 or (281) 931-8884
Cudd Pressure Control.....	(915) 699-0139 or (915) 563-3356
Halliburton	(575) 746-2757
B. J. Services.....	(575) 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

SURFACE USE PLAN OF OPERATIONS

Myco Industries, Inc.

East Turkey Track Federal Com

Well # 6H

Surface Location: 2030' FSL, 10' FEL

Section 26, T-18-S, R-29-E, NMPM, Eddy County, New Mexico

1. Existing Access Roads

- A. The well site survey and elevation plat for the proposed well is shown in Exhibit 4. It was staked by John West Surveying Company, Hobbs, NM.
- B. All existing roads to the location are shown in the topographic map (Exhibit 2). The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary.
- C. Directions to Location:
 - From the intersection of County Road 360 (Bluestem Road) and County Road 210 (Old Loco Road), go southeast on County Road 360 approximately 1.9 miles. Turn left and go northeast approximately 0.2 mile to a road survey. Follow proposed road survey stakes north 913 feet, then west 215 feet to location.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibits 2 and 4 show that 1,128 feet of new road will be required for this location. A portion of the new road will extend across Section 25, T-18-S, R-29-E., which adjoins Section 26 on the east. Myco is applying for a multi-use easement across the affected portion of Section 25 at the same time as the submittal of this APD. Any new roads will be constructed as follows:

- A. The maximum width of the driving surface will be 14'. The road will be crowned, ditched and constructed of 6" rolled and compacted caliche, with a 2% slope from the tip of the crown to the edge of the driving surface. Ditches will be at 3:1 slope and 1 foot deep. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and be consistent with local drainage patterns.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.

- E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM approved caliche pit or from a private source.
- F. The average grade of the entire road will be approximately 3%.
- G. Approximately 6 inches of topsoil (root zone) will be stripped from the proposed access road prior to any construction activity. The topsoil that is stripped will be spread along the edge of the road and within the ditch. The topsoil will be seeded with the proper seed mix approved by the BLM.

3. Locations of Existing Wells:

Exhibit 5 shows all existing wells within a one-mile radius of this well.

4. Location of Existing and/or Proposed Facilities:

If the well is productive, the tank battery on the East Turkey Track Federal Com #5H will be used for the production from this well, provided that ownership of these two wells remains the same. In any event, contemplated facilities will be as follows:

- A. If necessary, Myco will construct a tank battery on the well pad, as shown in Exhibit 6. Production will be sent to this battery via a flow line on the well pad as shown on said Exhibit 6.
- B. Facilities, including any piping, will be installed according to API specifications.
- C. It is contemplated that the tank battery, if one is constructed, will be located on the well pad. Any additional caliche for such tank battery, if required, will be obtained from a BLM-approved caliche pit or from a private source. Any additional construction materials will be purchased from contractors.
- D. If the tank battery at the East Turkey Track Federal Com #5H is used for production from this well, 2,128' of flow line will be constructed from this well to the #5H tank battery, located on the #5H well pad. The line will be laid alongside the access road from this well to the #5H tank battery. The flow line will be constructed of a 4" SDRIL poly line which will be laid on the surface. The proposed route is shown in red on Exhibit 2. The #5H well pad is denoted by a red circle on Exhibit 2.
- E. Power lines will be constructed alongside the access road, as denoted in red in Exhibit 2.
- F. Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained

from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access roads shown on Exhibit 2. If a commercial fresh water source is nearby, temporary "fast line" may be laid alongside access roads existing at the time the line is laid and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and proposed new access road (approximately 5,372 cubic yards) will be obtained from a BLM-approved caliche pit or from a private source.

7. Methods of Handling Waste:

- A. The well will be drilled utilizing a closed loop mud system. Drill cuttings will be held in rolloff style mud boxes and taken to an NMOCD-approved disposal site.
- B. Drilling fluids will be contained in steel mud pits.
- C. Water produced from the well during completion will be held temporarily in steel tanks and then taken to an NMOCD-approved commercial disposal facility.
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. No toxic waste or hazardous chemicals will be produced by this operation.
- E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. In the event of a dry hole, only a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

9. Well Site Layout:

- A. The drill pad layout, with elevations staked by John West Surveying Company, is shown in Exhibit 4. Dimensions of the pad, including the closed loop mud system, are shown on Exhibit 8. Topsoil, if available, will be stockpiled per BLM specifications. Because the pad is almost level, no major cuts will be required. All equipment and vehicles will be confined to the approved disturbed areas of this APD (i.e., access road, well pad and topsoil storage areas).
- B. Exhibit 8 shows the proposed orientation of the closed loop mud system, and Exhibits 4 and 6 show the proposed access road. No permanent living facilities are planned; however, a temporary foreman/toolpusher

trailer and crew quarters trailers will be on location during the drilling operations.

10. Plans for Restoration of the Surface:

A. General Provisions:

All interim and final reclamation operations shall be performed to BLM standards. Earthwork for interim and final reclamation will be completed, weather permitting, within 6 months of well completion or plugging unless a delay is approved in writing by the BLM authorized officer. The BLM will be notified at least 3 days prior to commencement of any reclamation operations. Re-seeding of reclaimed areas shall be performed to BLM standards.

B. Interim Reclamation:

All portions of the well pad not needed for daily production operations will be stripped of surfacing material before further reclamation begins. The portions of the cleared well site not needed for active operational and safety purposes will be recontoured to the original contour if feasible, or if not feasible, to an interim contour that blends with the surrounding topography as much as possible.

The well pad will be scraped of surfacing material such that the only portion of the pad remaining will be: (i) the area inside the anchors; (ii) an area outside the anchors 50 feet in width; and, if applicable, (iii) an area large enough for the proposed tank battery and production equipment, as shown on the attached Exhibit 6. If the tank battery at the East Turkey Track Federal #5H is used for production from this well, the pad will be scraped of surfacing material such that the only portion of the pad remaining will be the area outside the anchors, plus an additional area outside the anchors 50 feet in width, as shown on Exhibit 6A.

The crushed rock or gravel removed during the scraping operation will be stockpiled and either saved for use on future roads or pads, or returned to the pit from which it was originally removed. Topsoil stockpiled during the construction of the pad will be returned to the reclaimed area.

Roads and, where applicable, well production equipment such as tanks, treaters, separators, vents, electrical boxes and equipment associated with pipeline operations will be placed on location so as to permit maximum interim reclamation of disturbed areas. If equipment is found to interfere with the proper interim reclamation of disturbed areas, the equipment will be moved so proper recontouring and revegetation can occur.

C. Final Reclamation:

All surfacing material will be removed from the well pad and roads before further reclamation begins. All disturbed areas, including roads,

pipelines, pads, production facilities and interim reclaimed areas will be recontoured to the contour existing prior to initial construction or a contour that blends indistinguishably with the surrounding landscape. Salvaged topsoil in the interim reclaimed areas will be re-spread evenly over the entire disturbed site to insure successful revegetation. If necessary to insure timely revegetation, the pad will be fenced to the BLM's standards to exclude livestock grazing for the first two growing seasons or until seeded species become firmly established, whichever occurs later.

Final abandonment of pipelines and flow lines will involve flushing and properly disposing of any fluids in the lines. All surface lines and any lines that are buried close to the surface that may become exposed in the foreseeable future due to water or wind erosion, soil movement or anticipated subsequent use, must be removed. Deeply buried lines may remain in place unless otherwise directed by the authorized officer.

11. Surface Ownership:

- A. The surface at this location is owned by the Federal government. The minerals are owned by the Federal government and are administered by the Bureau of Land Management. The surface has multiple uses, which are primarily grazing of livestock and the production of oil and gas.
- B. The surface tenant for this site is:

Bogle Ltd. Feed Dealers
P.O. Box 460
Dexter, NM 88231-0460

12. Other Information:

- A. The area around the well site is grassland and the topsoil is sandy. The vegetation is moderately sparse with native prairie grasses, some mesquite and shinnery oak. No wildlife was observed but it is likely that mule deer, rabbits, coyotes and rodents traverse the area.
- B. There is no permanent or live water in the immediate area.
- C. There are no dwellings within two (2) miles of this location.
- D. This project is being administered by a MOA with the Carlsbad, New Mexico Bureau of Land Management office.

13. Bond Coverage:

Bond Coverage is Nationwide Bond # NMB 000376.

CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road proposed herein; that I am familiar with the conditions that presently exist; that I have full knowledge of State and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or Myco Industries, Inc., am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 13 day of SEPT, 2010.

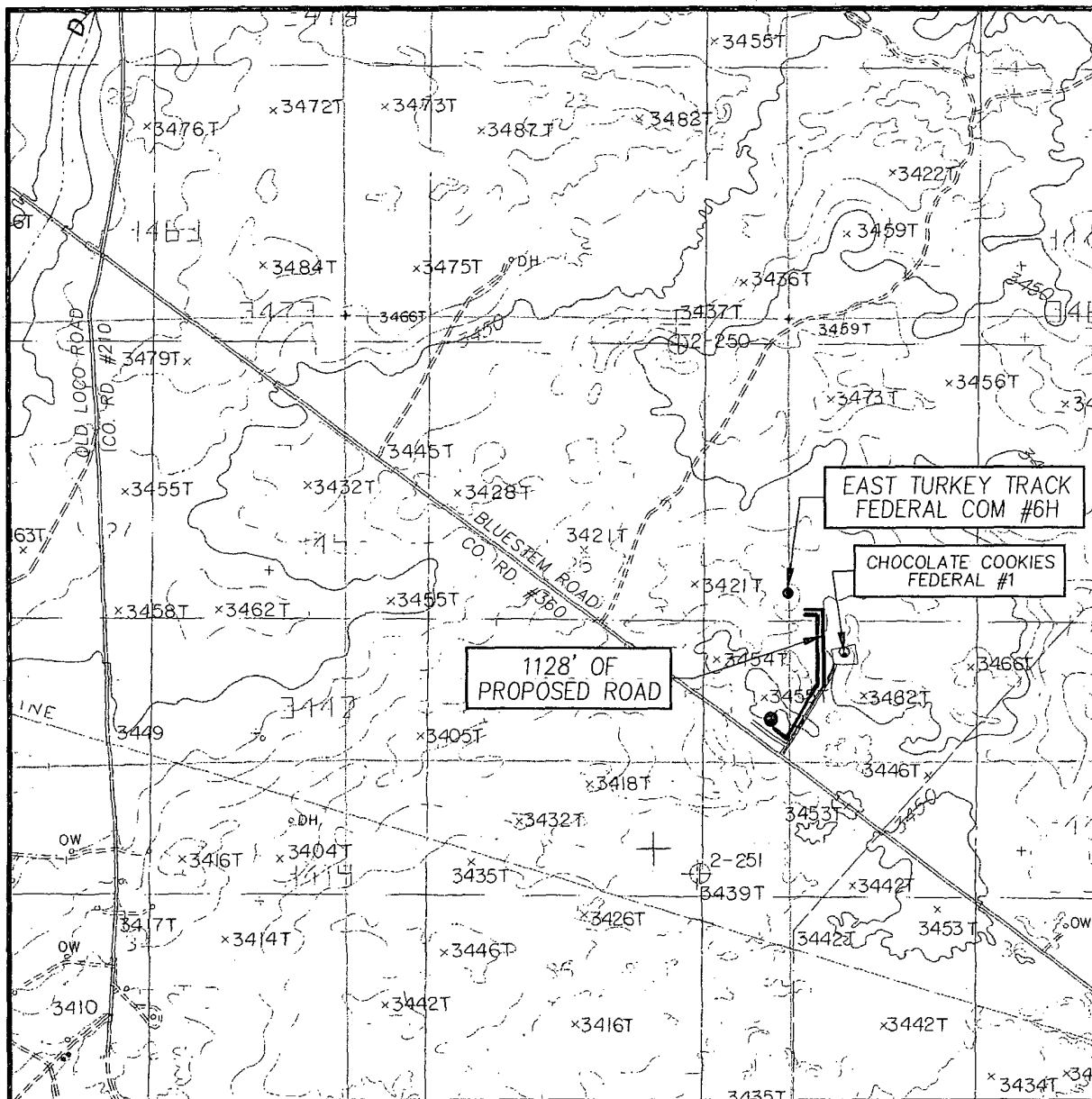
Signed: A.N. Muncy / PELS

Printed Name: A.N. Muncy
Position: Exploration/Operations Manager
Address: P.O. Box 840, Artesia, New Mexico 88211
Telephone: (575) 748-4280
Field Representative (if not above signatory):
E-mail: anmuncy@mycoinc.com

EXHIBITS AND ATTACHMENTS

Exhibit 1	Plat Page (Form C-102)
Exhibit 2	Topographic Map
Exhibit 3	Vicinity Map and Area Roads
Exhibit 4	Elevation Plat
Exhibit 5	Ownership Map with Well Location and Wells in 1-mile Radius
Exhibit 6	Production and Interim Reclamation Plat
Exhibit 7	Drilling Plan
Exhibit 8	Rig Layout
Exhibit 9	BOP, Choke Manifold and Closed Loop Schematics
Exhibit 10	C-144 CLEZ, Closed Loop System Permit Application
Exhibit 11	H2S Plan
Exhibit 12	Surface Use Plan of Operations and Operator Certification

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
ILLINOIS CAMP NE, N.M. - 10'

SEC. 26 TWP. 18-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 2030' FSL & 10' FEL

ELEVATION 3437'

OPERATOR MYCO INDUSTRIES, INC.

LEASE EAST TURKEY TRACK FEDERAL COM

U.S.G.S. TOPOGRAPHIC MAP

ILLINOIS CAMP NE, N.M.

⇒ Proposed pipeline
and electric line
route

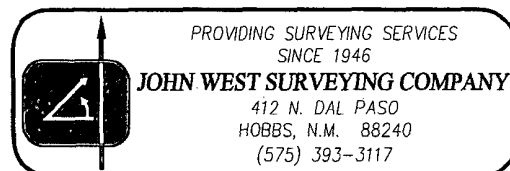
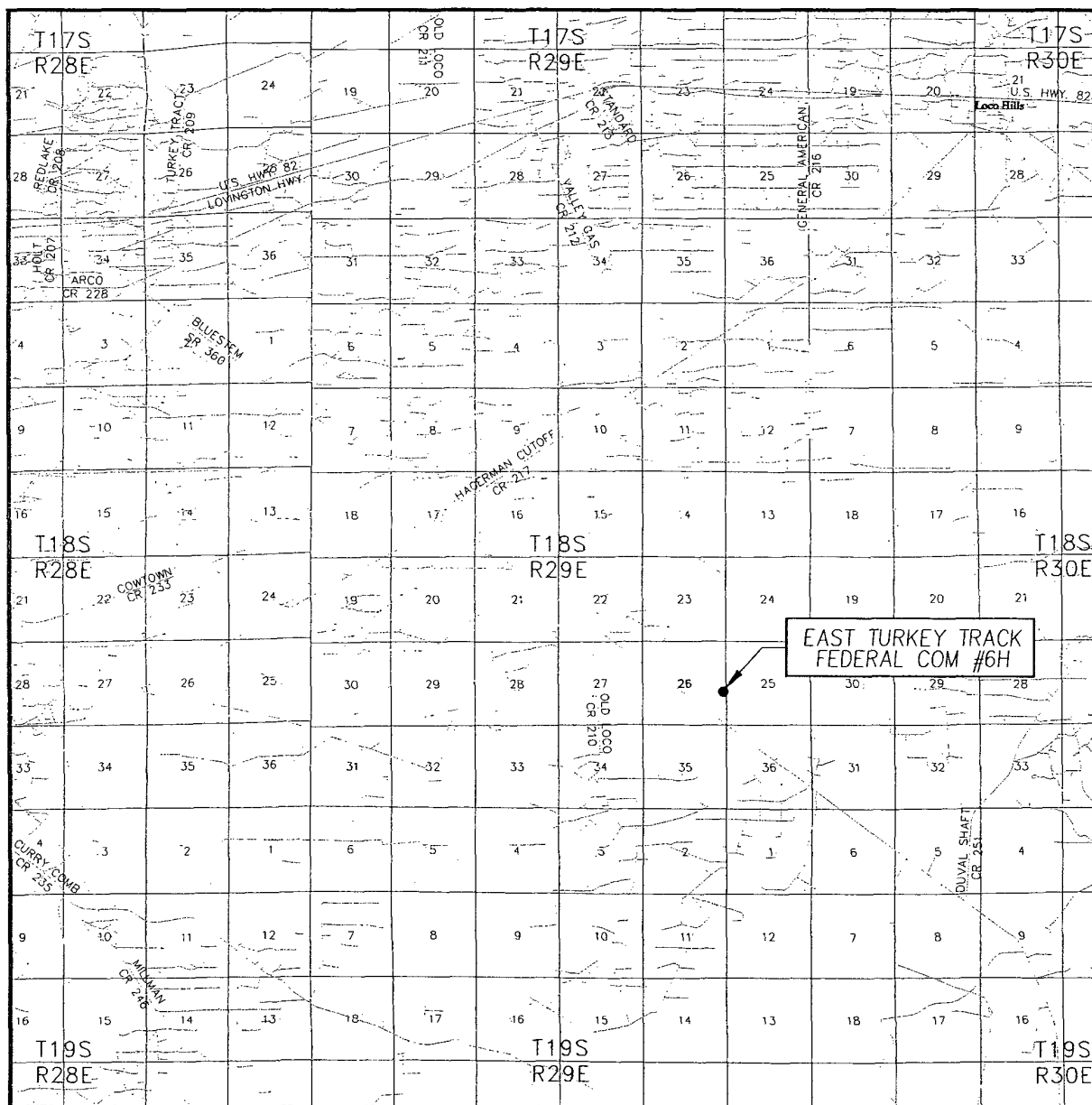


EXHIBIT 2

TEN
10/22/11

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 26 TWP. 18-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 2030' FSL & 10' FEL

ELEVATION 3437'

OPERATOR MYCO INDUSTRIES, INC.

LEASE EAST TURKEY TRACK FEDERAL COM

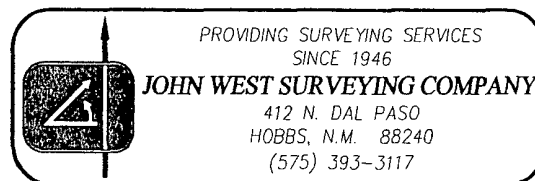
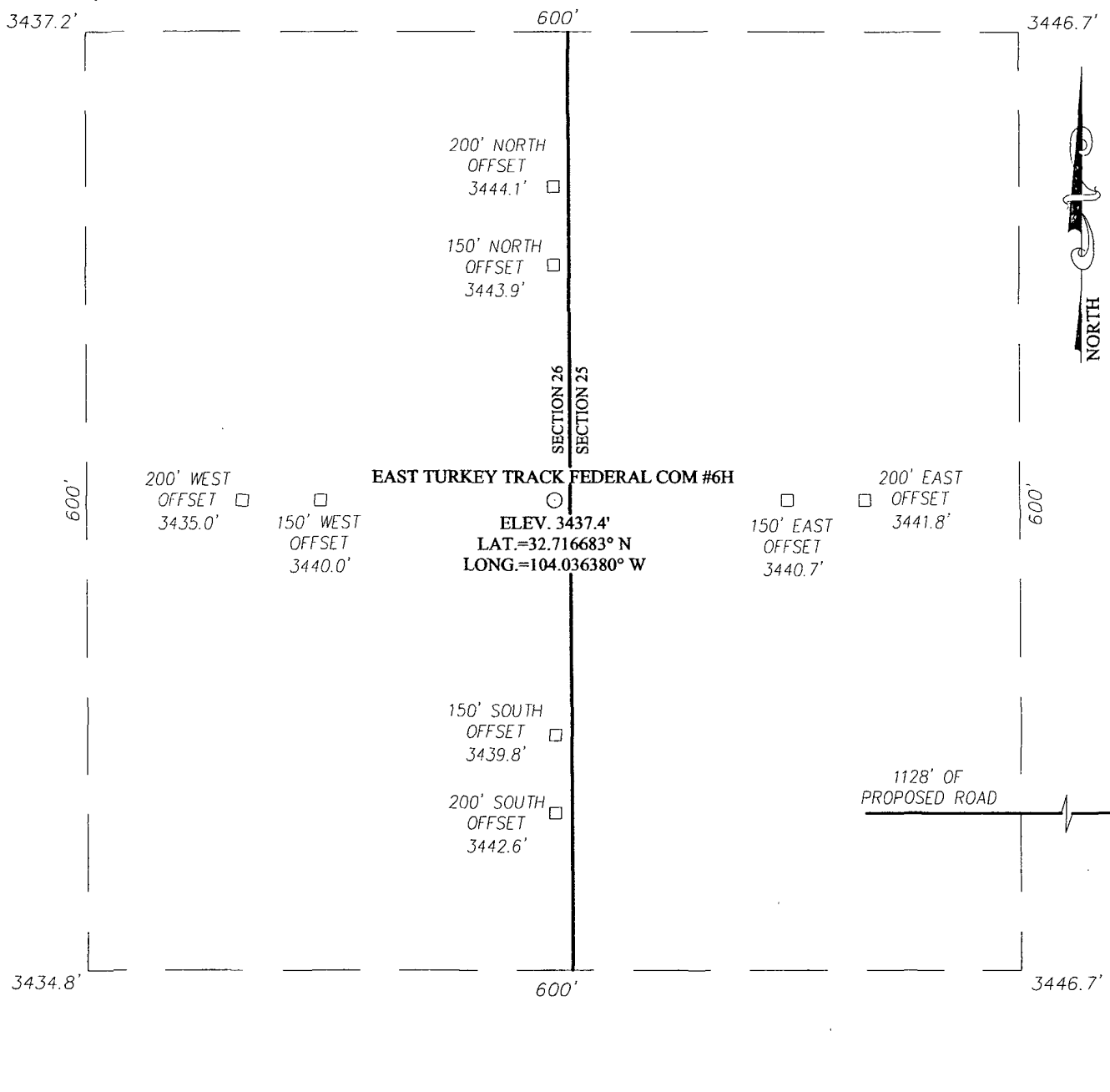
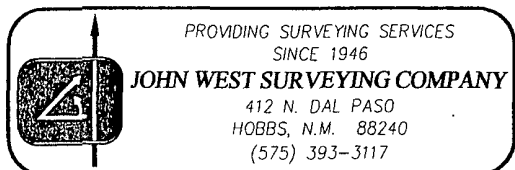
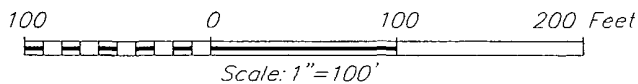


EXHIBIT 3



DIRECTIONS TO LOCATION
 FROM THE INTERSECTION OF CO. RD. 360 (BLUESTEM ROAD)
 AND CO. RD. 210 (OLD LOCO ROAD), GO SOUTHEAST ON CO.
 RD. 360 APPROX. 1.9 MILES. TURN LEFT AND GO NORTHEAST
 APPROX. 0.2 MILES TO A ROAD SURVEY. FOLLOW PROPOSED
 ROAD SURVEY STAKES NORTH 913 FEET, THEN WEST 215
 FEET TO THIS LOCATION.



MYCO INDUSTRIES, INC.

EAST TURKEY TRACK FEDERAL COM #6H WELL
 LOCATED 2030 FEET FROM THE SOUTH LINE
 AND 10 FEET FROM THE EAST LINE OF SECTION 26,
 TOWNSHIP 18 SOUTH, RANGE 29 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO

Survey Date: 7/8/10	Sheet 1 of 1 Sheets
W.O. Number: 10.11.0878	Dr. By: LA
Date: 7/14/10	Rel. W.O.: 10110878
	Scale: 1"=100'

EXHIBIT 4

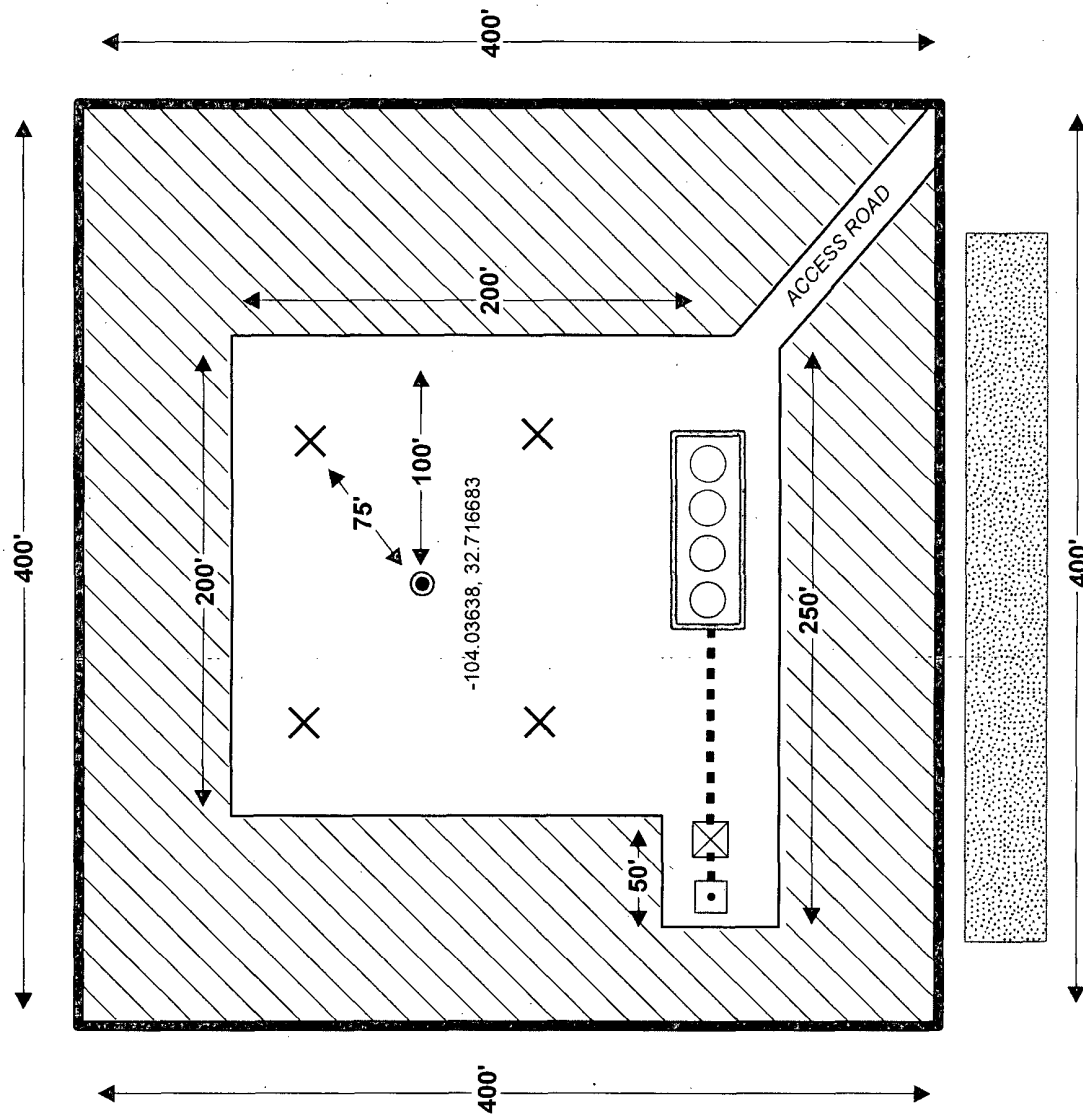


EXHIBIT 6

Explanation

- | | |
|-----------------------------|---------------------------|
| Well Location | Fire Wall (40' X 100') |
| Anchor | Heater Treater (6' X 20') |
| Soil Stockpile | Gas Sales Meter |
| Flowline | 500 BBL Oil |
| Area of Interim Reclamation | 500 BBL Water |



NOT TO SCALE

MYCO INDUSTRIES, INC.

East Turkey Track Fed Com #6H
Drilling & Production Pad Plat
Myco Industries, Inc.
Eddy County, New Mexico

PROJECT: 114-6400545

DATE: 9-27-2010

FILE: H:\GIS\114-6400545\perm16H



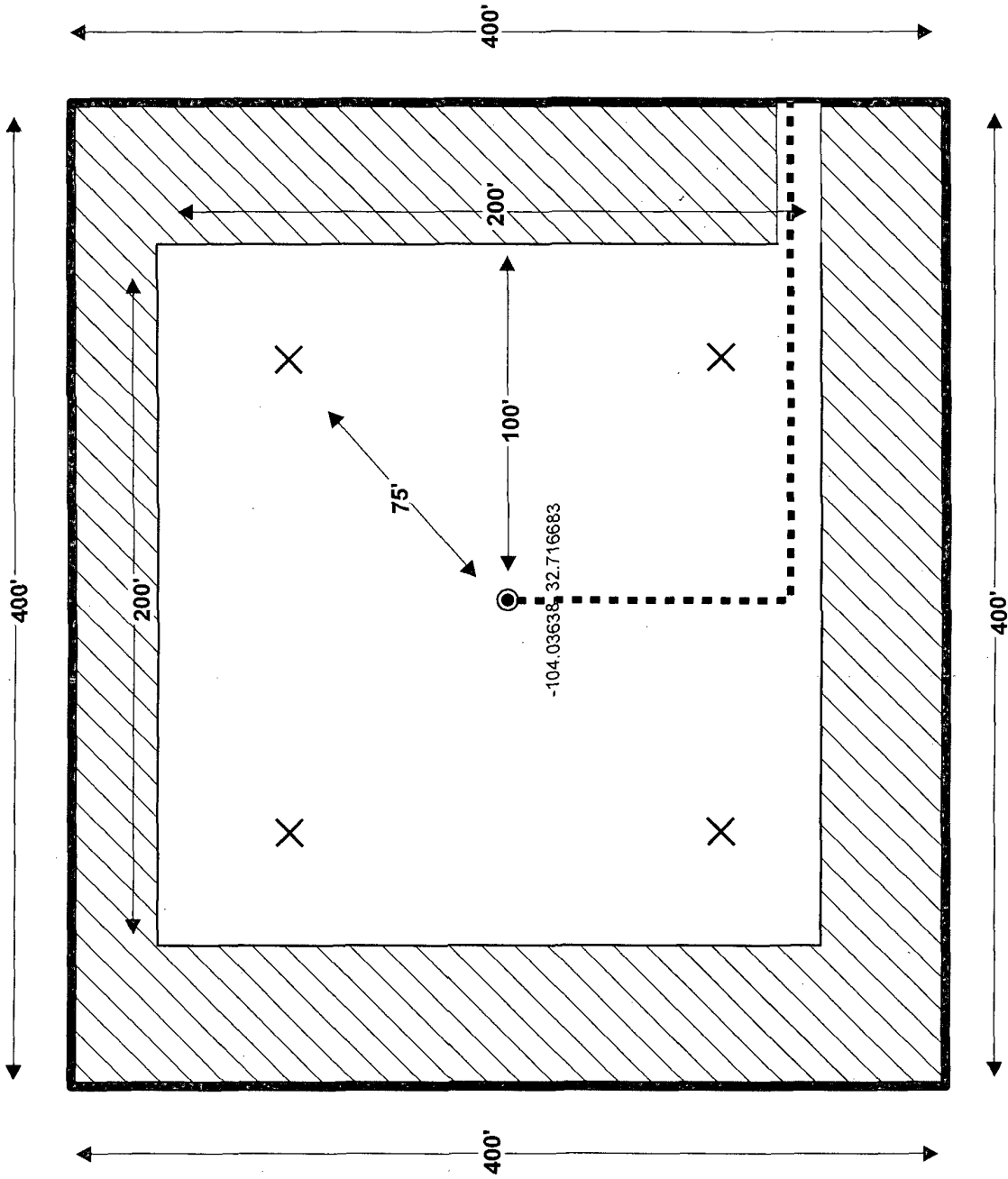
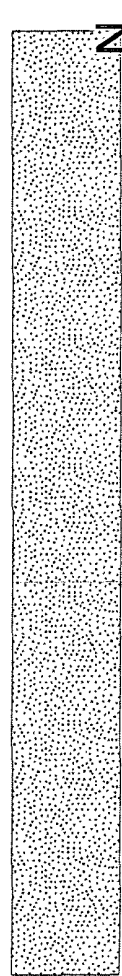


EXHIBIT 6A

Explanation

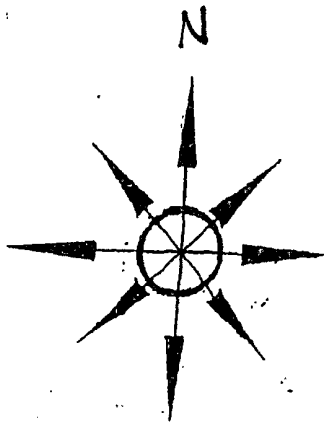
- Well Location
- × Anchors
- ▨ Soil Stockpile
- - - Flowline
- ▨ Area of Interim Reclamation



NOT TO SCALE

MYCO INDUSTRIES, INC.	
East Turkey Track Fed Com #6H	
Drilling & Production Pad Plat	
Myco Industries, Inc.	
Eddy County, New Mexico	
PROJECT: 114-6400545	
DATE: 9-27-2010	
FILE: H:\GIS\114-6400545\Permi6H	





MYCO INDUSTRIES, INC.
Location Layout for Permian Basin
EAST TURKEY TRACK
FEDERAL # 64

Closed Loop Design Plan

