

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

K-24
N.M. Oil Cons. Division
1625 N. French Dr.
Hobbs, NM 88240

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

1a. Type of Work: ☒ DRILL ☐ REENTER

b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☒ Multiple Zone

2. Name of Operator
MYCO Industries, Inc.

3A. Address
P.O. Box 840, Artesia, NM 88210

3b. Phone No. (include area code)
505.748.4280

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface 1980' FSL & 1980' FWL (NE/SW-Unit K)

At proposed prod. Zone same as above

14. Distance in miles and direction from nearest town or post office*
39 miles west and north of Jal, New Mexico

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
330'

16. No. of Acres in lease
617.92

17. Spacing Unit dedicated to this well
40

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
1320' west

19. Proposed Depth
8700'

20. BLM/BIA Bond No. on file
On file

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3543' GR

22. Approximate date work will start*
ASAP

23. Estimated duration
30 Days

Carlsbad Controlled Water Basin

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office.

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized office.

25. Signature
Annuncy SAN

Name (Printed/Typed)
A.N. Muncy, PELS

Date
8/5/2003

Title:
Operations & Engineering Manager

Approved by (Signature)
/S/ JOE G. LARA

Name (Printed/Typed)
/S/ JOE G. LARA

Date
SEP 05 2003

Title
FIELD MANAGER

Office
CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on revers.)

OPER. OGRID NO. 15445
PROPERTY NO. 17341
POOL CODE 53817
EFF. DATE 9-10-03
API NO. 30-025-36405

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0718

DISTRICT III

1000 Rio Braxos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT IV

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-36405 35777	Pool Code 53817	Pool Name Sand Dunes, Delaware East
Property Code 17341	Property Name SHARBRO FEDERAL	Well Number 9
OGRID No. 15445	Operator Name MYCO INDUSTRIES, INC.	Elevation 3528

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	7	23 S	32 E		1980	SOUTH	1980	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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>LOT 1</p> <p>45.96 ACRES</p> <p>LOT 2</p> <p>45.98 ACRES</p> <p>LOT 3</p> <p>45.98 ACRES</p> <p>LOT 4</p> <p>46.00 ACRES</p>	<p style="text-align: center;"><u>SEE DETAIL</u></p> <div style="position: relative; height: 400px;"> <div style="position: absolute; left: 0; top: 50%; transform: translateY(-50%);">1980'</div> <div style="position: absolute; right: 0; top: 50%; transform: translateY(-50%);">1980'</div> <div style="position: absolute; left: 40%; top: 40%; width: 100px; height: 100px; border: 1px solid black; text-align: center; line-height: 100px;"> <p>3521.8' 3527.5'</p> <p>3529.2' 3530.6'</p> <p><u>DETAIL</u></p> </div> </div>	<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <p style="text-align: right;"><i>G. N. Muncy, PELS</i></p> <p style="text-align: right;">Signature</p> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <p style="text-align: right;">A. N. MUNCY</p> <p style="text-align: right;">Printed Name</p> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <p style="text-align: right;">OPER. MGR - MYCO</p> <p style="text-align: right;">Title</p> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <p style="text-align: right;">09/07/2000</p> <p style="text-align: right;">Date</p> </div> <p>SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p style="text-align: center;">AUGUST 23, 2000</p> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <p>Date Surveyed</p> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <p>Signature & Seal of Professional Surveyor</p> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <p style="text-align: right;"><i>Gary J. Eidson</i> 8/30/00</p> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <p style="text-align: center;">00-11-1024</p> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <p>Certificate No. RONALD J. EIDSON 3239</p> </div> <div style="border-bottom: 1px solid black; padding-bottom: 5px;"> <p style="text-align: right;">GARY EIDSON 12641</p> </div>
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MYCO INDUSTRIES, INC.
SHARBRO FEDERAL #9
1980' FSL & 1980' FWL (UNIT K)
S7-T23S-R32E NMPM
LEA COUNTY, NM
NM-62223

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

Rustler	1020'	Cherry Canyon	5650'	TD	8700'
Bottom of Salt	4420'	Brushy Draw	7500'		
Top of Delaware	4650'				

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

Water:	150-250'
Oil or Gas	6000' and 8600'

3. **PRESSURE CONTROL EQUIPMENT:** BOP will be installed on the 13 3/8" casing and rated for 3M BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. blowout preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

AUXILIARY EQUIPMENT:

- A. Auxiliary Equipment: Kelly cock, pit level indicators, and flow sensor equipment, and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. **THE PROPOSED CASING AND CEMENTING PROGRAM:**

- A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft.</u>	<u>Grade</u>	<u>Thread</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H-40	8R	ST&C	0-860'	860'
12 1/4"	8 5/8"	32#	J-55	8R	LT&C	0-4600	4600'
7 7/8"	5 1/2"	17#	K-55	8R	LT&C	0-8700'	8700'

Minimum Casing Design Factor: Collapse 1.3, Burst 1.5, Tensile Strength 2.0

- B. **CEMENTING PROGRAM:**

Surface casing : 300 sx. "C" w/ 4% Gel, 2% CaCl₂

(wt. 13.5 ppg. Yield 1.74 cu. ft) & 200 sx. Class "C" w/ 2% CaCl₂ (wt. 14.8 ppg. yield 1.34 cu. ft)
Circulate to surface.

Intermediate Casing: 1300 sx. 35/65 Poz "H" w/6% Gel 5% NaCl, 1/4# Flocele (12.8 ppg. 1.94 cu. ft.) + 200 sx. Class "H" (wt. 15.6 ppg. Yield 1.18 cu ft.) Circulate to surface.

Production Casing: Tie back to 8-5/8" with 500-sxs "C" lit (wt. 14.2 PPG yield 1.35 ft. 3) + 400-sxs "C" modified (wt. 14.8 ppg yield 1.35 ft.)

5. **MUD PROGRAM AND AUXILIARY EQUIPMENT:**

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-860	FWGel	8.4/8.9	32-36	N/C
860-4600	Brine	10.0	28	N/C
4600-TD	Cut Brine	8.9/9.3	28	<15cc

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: Every 10' from intermediate casing to TD
Logging: G/R from surface to TD; CNL/LTD & DLL/MSFL 4600' to TD.
Coring: None anticipated
DST's: 1 – Bone Springs

7. **Abnormal Conditions, Bottom hole pressure and anticipated BHP:**

From: 0 To: 860' Anticipated Max. BHP: 250 PSI
From: 860 To: 4600' Anticipated Max. BHP: 750 PSI
From: 4600 To: 8700' (TD) Anticipated Max. BHP: 2800 PSI

Anticipated Potential Hazards: None

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None – Based on the 5-Myco wells drilled in Sec. 7 (Blue Quail Fed. #1 & #2, Sharbro Fed #1, #6, #7 & Bitsy Fed. #1). REQUEST EXEMPTION FOR H2S DRILLING STIPS:

Maximum Bottom Hole Temperature: 165 Degrees F

8. **ANTICIPATED STARTING DATE:**

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 15 days to drill the well with completion taking another 20 days. This well lies in the CRMA prairie chicken area as defined by the 1996 NM GAP analysis study; NM State University. MYCO INDUSTRIES, INC. REQUESTS AN EXEMPTION FROM THE MARCH 15 - JUNE 15 PRAIRIE CHICKEN STIPS FOR THE DRILLING, COMPLETION & WORKOVER PHASES OF THIS WELL. Myco contends that there are no prairie chickens in this area. A field survey has been performed which has determined that there are no prairie chickens in the area and a copy of the field survey prepared by Dr. Troy L. Best of Auburn University is attached.

MULTI-POINT SURFACE USE AND OPERATION PLAN
MYCO INDUSTRIES, INC.
SHARBRO FEDERAL #9
1980' FSL & 1980' FWL (UNIT K)
S7-T23S-R32E NMPM
LEA COUNTY, NM
NM-62223

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 39 miles West and North of Jal, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS: 1320' due East of the Myco Blue Quail Federal #3 (proposed). (660' FSL & 1980' FWL/SEC. 7-T23S-R32E). See attached plat.

2. PLANNED ACCESS ROAD

- A. The proposed new access road will be approximately 1320' in length due North from the Myco Blue Quail Federal #3 as shown on the attached plat (Exhibit A).
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The New road will be bladed with drainage on one side. Two traffic turnouts will be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. The common tank battery for the Sharbro Federal #1, #6, #7, Bitsy Federal #1 & Blue Quail Federal #1, #2 will be used for this well. The common tank battery is located in the SE/4 SE/4 (Unit P) of Section 7. Produced water will be disposed in the Yates Petroleum Corp. Kiwi "Akx" #8, NMOCD SWD-510, S16-T23-R32E (Unit H). (See Exhibit A for details).

5. **LOCATION AND TYPE OF WATER SUPPLY:**

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. **SOURCE OF CONSTRUCTION MATERIALS:**

- A. It will be the responsibility of the dirt contractor to obtain caliche from a source of their choice. A likely source would be in the SE/4 NE/4 of Section 2-T23S-R31E.

7. **METHODS OF HANDLING WASTE DISPOSAL:**

- A. Drill cuttings will be disposed of in the reserve pits.
B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
C. Water produced during operations will be collected in tanks until hauled to an approval disposal system, or separate disposal application will be submitted.
D. Oil produced during operations will be stored in tanks until sold.
E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
F. All trash, junk and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary land fill. Burial on site is not approved.

8. **ANCILLARY FACILITIES: NONE**

9. **WELLSITE LAYOUT:**

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
B. The reserve pits will be plastic lined.
C. A 400' x 400' area has been staked and flagged and is detailed on NMOCD Form C-102 (Attached).

10. **PLANS FOR RESTORATION**

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and debris to leave the wellsite in as aesthetically pleasing a condition as possible.
B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

11. **SURFACE OWNERSHIP:** Federal surface administered by BLM.

12. **OTHER INFORMATION:**

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
B. The primary surface use is for grazing.

13. **OPERATOR'S REPRESENTATIVE**

Nelson Muncy, PELS
Operations Manager
Myco Industries, Inc.
P.O. Box 840
Artesia, New Mexico 88211-0840
Phone (505) 748-4274

14. **CERTIFICATION:**

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Myco Industries, Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

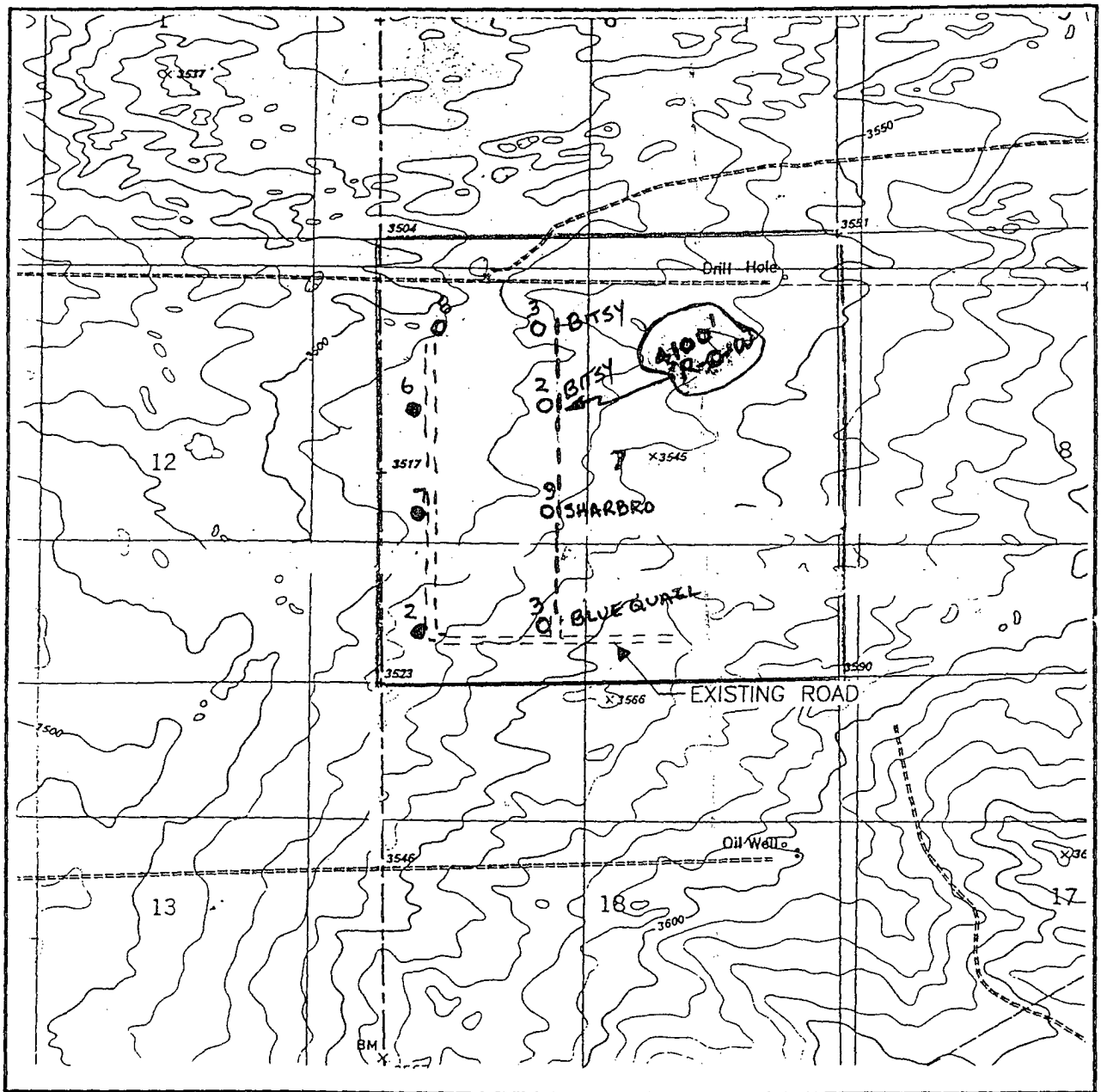
Altimumy, PELS

OPERATIONS MANAGER

9/02/2000 Date

LOCATION VERIFICATION MAP

Exhibit A



SCALE: 1" = 2000'

CONTOUR INTERVAL:
BOOTLEG RIDGE, N.M. - 10'

SEC. 7 TWP. 23-S RGE. 32-E

SURVEY N.M.P.M. LEA, NM

DESCRIPTION: R-O-W ROAD, POWER
(4100') CORRIDOR & FLOW LINE

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

OPERATOR: MYCO INDUSTRIES, INC.

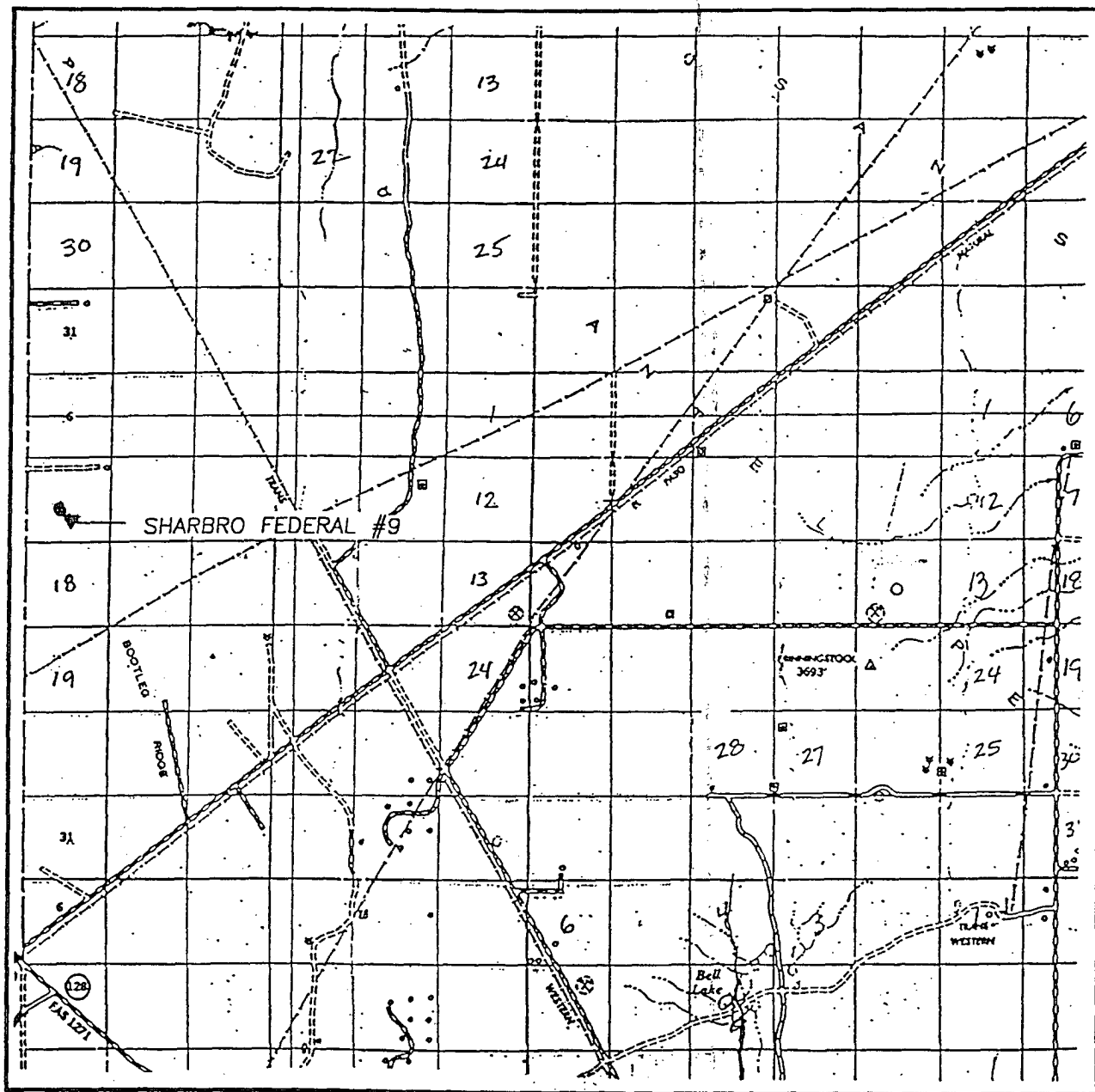
LEASE: SHARBRO FEDERAL (NM 62223)

U.S.G.S. TOPOGRAPHIC MAP
BOOTLEG RIDGE, N.M.

BITSY FED. (NM 86923)
BLUE QUAIL FED. (NM 86151)

(POOLED ALL DEPTHS)
SEC. 7 (663.92-ACRES)

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 7 TWP. 23-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 1980' FSL & 1980' FWL

ELEVATION 3528

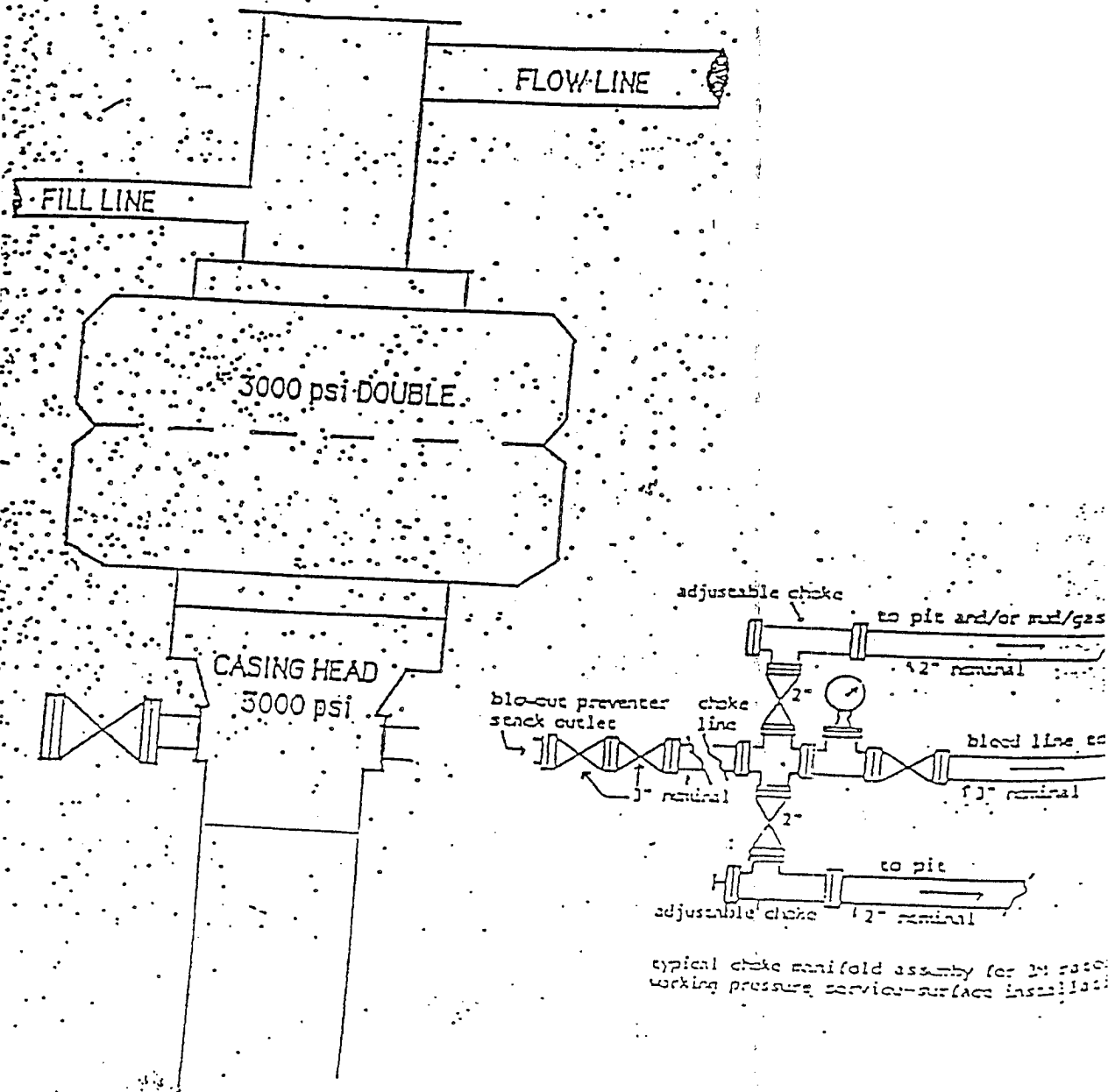
OPERATOR MYCO INDUSTRIES, INC.

LEASE SHARBRO FEDERAL

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

MYCO INDUSTRIES, INC.
SHARBRO FEDERAL #9
1980' FSL & 1980' FWL (NE/SW) - UNIT K
SECTION 7, T23S, R32E, NMPM
LEA COUNTY, NEW MEXICO
NM-62223

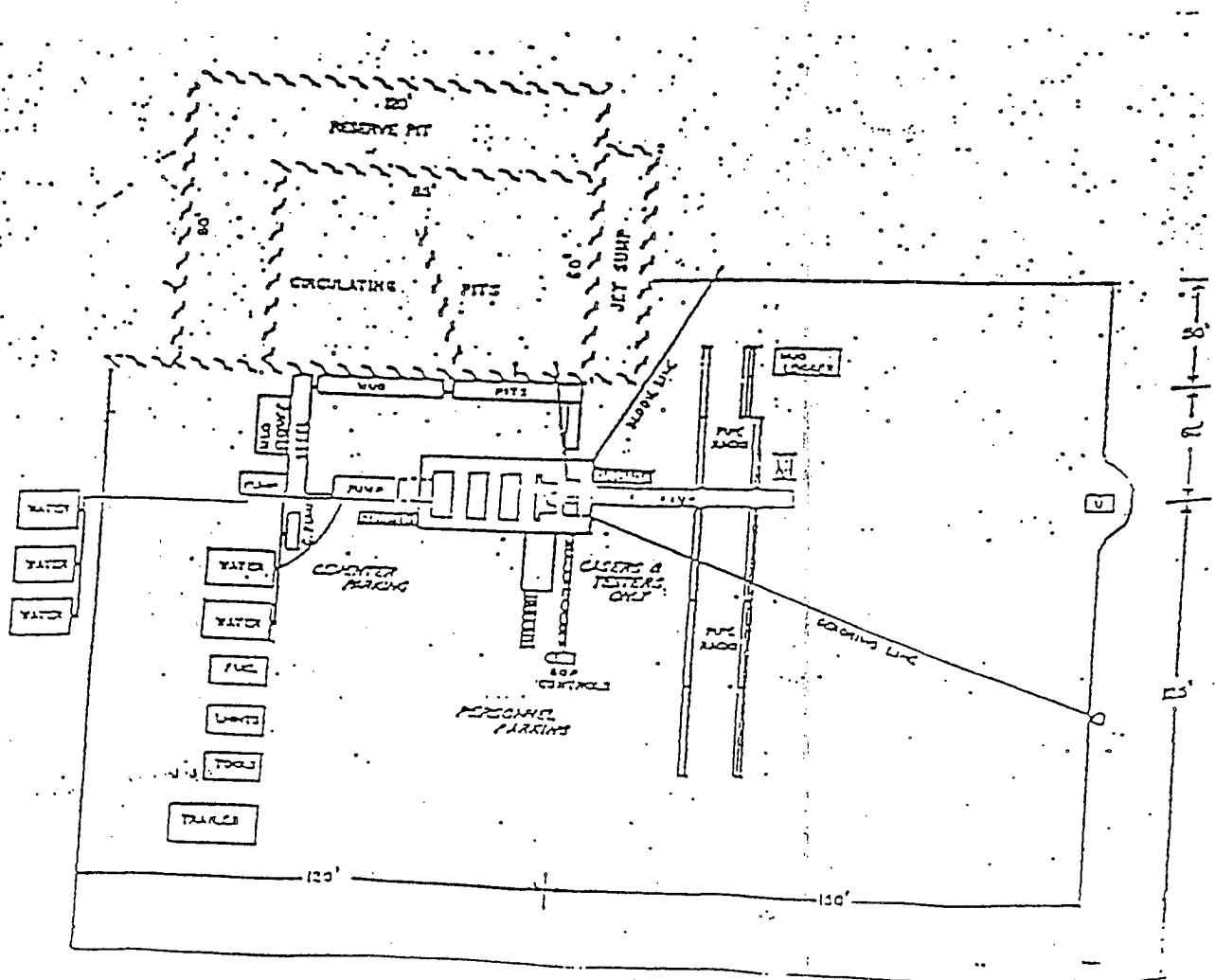
EXHIBIT "B"



BLOWOUT PREVENTER
3M SYSTEM

MYCO INDUSTRIES, INC.
SHARBRO FEDERAL #9
1980' FSL & 1980' FWL (NE/SW) - UNIT K
SECTION 7, T23S, R32E, NMPM
LEA COUNTY, NEW MEXICO
NM-62223

EXHIBIT "C"



T
23
S

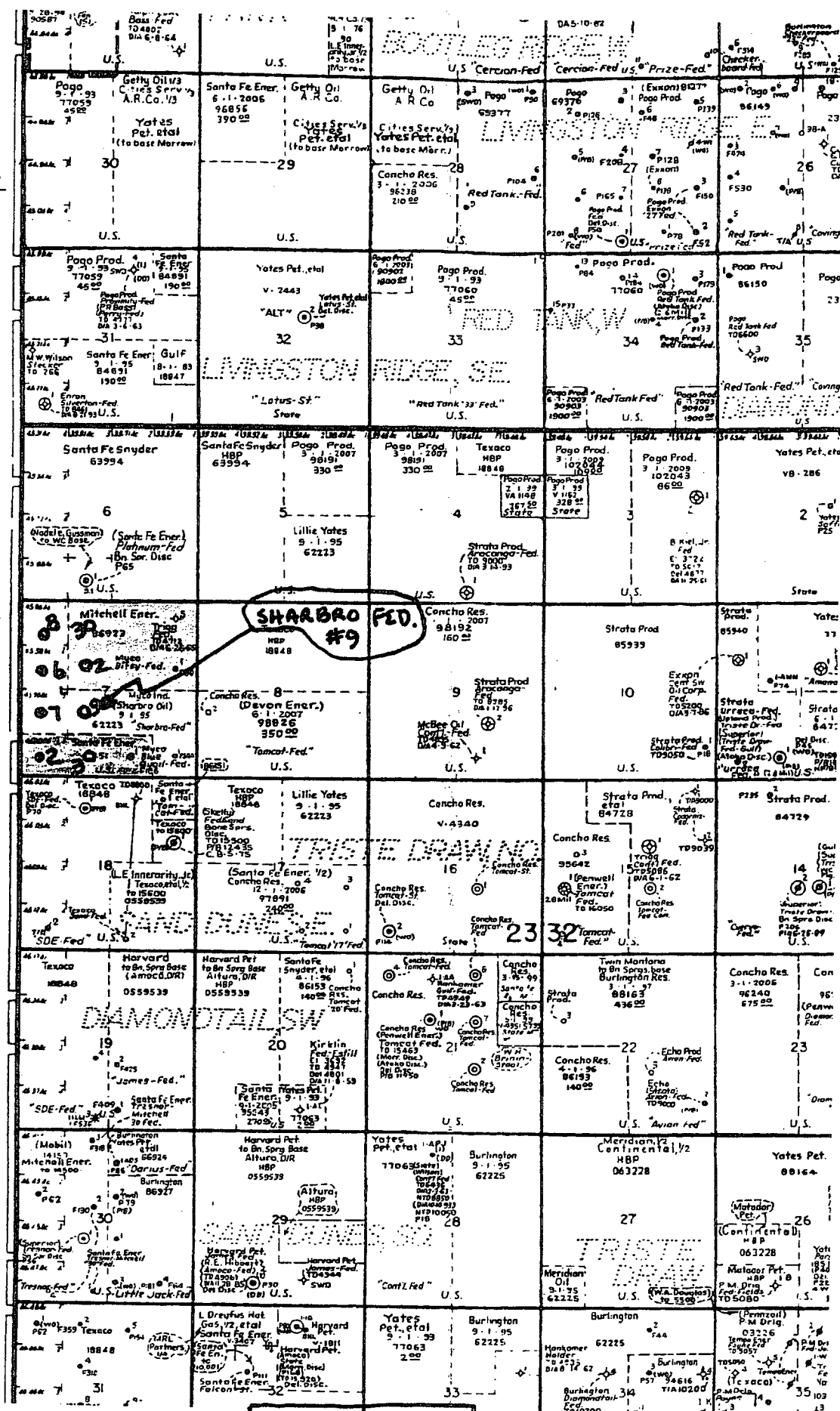
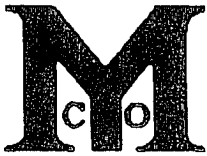


EXHIBIT D



MYCO INDUSTRIES, INC.
OIL PRODUCERS
POST OFFICE BOX 840
ARTESIA, NEW MEXICO 88211-0840
Phone (505) 748-1471

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

LEASE NUMBER: NM-62223

BOND COVERAGE: Individually Bonded

LEGAL DESCRIPTION OF LAND:

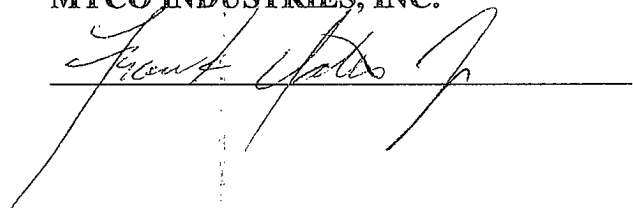
BLM BOND FILE NUMBER: 58 59 71

T23S, R32E, N.M.P.M. Section 7: NE/SW
Lea County, New Mexico

Formation(s): N/A

MYCO INDUSTRIES, INC.

Date: August 3, 2003



MYCO's reference (well name): Sharbro Federal #9