



MYCO INDUSTRIES, INC.
OIL PRODUCERS

P.O. BOX 840 / 331 WEST MAIN, SUITE C
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 No.: NM-86923

Bond Coverage: Individually Bonded

Legal Description of Land:
Township 23 South, Range 32 East
Section 7: SE/4NE/4
Lea County, New Mexico

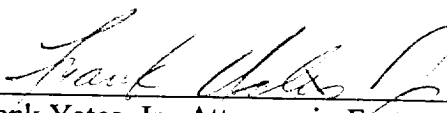
BLM Bond File No.: 58 59 71

Formation (s) (if applicable):

N/A

MYCO INDUSTRIES, INC.

Date: 3-20-96



Frank Yates, Jr., Attorney-in-Fact

MYCO INDUSTRIES, INC.			
Bitsy Federal #1			
1980' FNL and 660' FEL			
Sec. 7	T23S	R32E	
County	Lea	State	NM

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

Rustler	1020'
Bottom of Salt	4420'
Top of Delaware	4660'
Cherry Canyon	5670'
Brushy Draw	7450'
Bone Spring	8600'
TD	9400'

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

Water:	150-250'
Oil or Gas:	7450' and 8600'

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" casing and rated for 3M. BOPE 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	0-870	870'
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	0-9400	9400'

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

B. CEMENTING PROGRAM:

Surface casing: 350 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) Cement calculated to 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.) Cement calculated to circulate to surface.

Production Casing: 1st stage: 900sx. 50/50 Poz "H" w/2% Gel, 5% NaCl, 1/4# Flocele (wt. 14.2 ppg Yield 1.35 cu. ft.) DV Tool; set at approx. 6400 ft.

2nd Stage: 750 sacks 35/65 Poz "H" w/6% Gel, 5% NaCl, 1/4# Flocele (12.8ppg 1.94 cu. ft.) + 200 sacks "H" (wt. 15.6 ppg Yield 1.18 ft³) Cement calculated to tie back to intermediate csng. 100'

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-870	FW/Gel	8-4 8-9	32-36	N/C
870-4600	Brine	10-0	28	N/C
4600-TD	SW/Gel, Starch	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 to 2 in Bone Springs (Upper).
1 to 3 in Delaware Sands.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:

Anticipated BHP:

From: 0	TO: 870	Anticipated Max. BHP: 250	PSI
From: 870	TO: 4600	Anticipated Max. BHP: 750	PSI
From: 4600	TO: 9400	Anticipated Max. BHP: 3000	PSI

Abnormal Pressures Anticipated: None

Lost Circulation zones anticipated: None

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 165° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 16 days to drill the well with completion taking another 7 days.