

F-06-19
3/10/06

OCD-ARTESIA

Form 3160-3
(April 2004)

0715

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

5. Lease Serial No.
NMLC-058181

6. If Indian, Allottee or Tribe Name

1a. Type of work: ☐ DRILL ☒ REENTER

1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.
Enron Federal #9

2. Name of Operator
SDX Resources, Inc. 20451

9. API Well No.
30-015 32036

3a. Address PO Box 5061
Midland, TX 79704

3b. Phone No. (include area code)
432-685-1761 51300

10. Field and Pool, or Exploratory
Red Lake, QN-GB-SA

4. Location of Well (Report location clearly and in accordance with any State requirements*)
At surface 330' FSL 1775' FEL
At proposed prod. zone Same

11. Sec., T. R. M. or Blk. and Survey or Area
Sec 25, T17S, R27E, O

14. Distance in miles and direction from nearest town or post office*
8.5 miles East of Artesia, NM Roswell Controlled Water Basin

12. County or Parish
Eddy

13. State
NM

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

16. No. of acres in lease
160

17. Spacing Unit dedicated to this well
40

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 671'

19. Proposed Depth
3500'

20. BLM/BIA Bond No. on file
NM2307

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3613' GL

22. Approximate date work will start*
04/01/2006

23. Estimated duration
30 days

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 officer.

25. Signature Bonnie Atwater Name (Printed/Typed) Bonnie Atwater Date 03/09/2006

Title Regulatory Tech

Approved by (Signature) /s/ Tony J. Herrell Name (Printed/Typed) /s/ Tony J. Herrell Date MAY 09 2006

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 page 2)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code 51300	3 Pool Name Red Lake, QN-GB-SA
4 Property Code	5 Property Name Enron Federal	6 Well Number 9
7 OGRID No. 020451	8 Operator Name SDX Resources, Inc.	9 Elevation 3613' GL

10 Surface Location

UL or lot no. 0	Section 25	Township 17S	Range 27E	Lot Idn	Feet from the 330	North/South line South	Feet from the 1775	East/West Line East	County Eddy
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11 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
12 Dedicated Acres 40	13 Joint or Infill	14 Consolidation Code	15 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

16					17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature <u>Chuck Morgan</u> Printed Name <u>Chuck Morgan</u> Title <u>Engineer</u> Date <u>3/9/06</u>
					18 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. Date of Survey Signature and Seal of Professional Surveyer: ORIGINAL ON FILE Certificate Number

0 ← 1775' →
330'

E. 1. 1. 1. # 2 0

SDX Resources, Inc.
Enron Federal
"Planned Access"
and ROW Map

Mack Entry
Enron Fed. #1

SDX Resources

Proposed location →

Enron Fed. #7

990° FSL 990° FNL

Sec. 25 "N" T17S R27E

Eddy Co., N.M.

CR 204

Proposed Access Rd

Proposed Flowline ROW

Existing Flowline

access Road

Enron #3 Battery

Existing Access Rd.
Proposed Flowline ROW

Proposed Re Entry →
Mack & Name Change
to SDX Enron Fed. #9
(Beech #3)

Existing access Road

330° FSW
1775° FEW
Sec. 25 T17S R27E

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

SDX Resources Inc.
PO Box 5061
Midland, TX 79704
432/685-1761

March 9, 2006

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.:	NMLC-058181
Lease Name:	Enron Federal #9
Legal Description of Land:	Unit O, 330' FSL 1775' FEL Sec. 25, T17S, R27E Eddy Co., NM
Formation (s):	Red Lake, QN-GB-SA
Bond Coverage:	Statewide Bond – State of New Mexico
BLM Bond File No.:	NM2307

Authorized Signature:



John Pool
Vice-President

SURFACE USE AND OPERATIONS PLAN SDX RESOURCES, INC.

Enron Fed. #9

330' FSL, 1775' FEL

Unit O, Sec. 25, T17S, R27E

Eddy Co., NM

1. Existing Roads:

- A. The well site and elevation plat for the proposed well is shown in Exhibit #2A. It was originally staked by John West Surveying of Hobbs, N.M. (Exhibit 2B)
- B. All roads to the location are shown in Exhibit #3A. No new roads are necessary.
- C. Directions to location: E. of Artesia on Hwy. 82 ~ 8 miles . Turn right on CR 204. Go .8 M and turn left. Go .4 M to location on the left.
- 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:

Exhibit #3A shows the existing roads .

3. Location of Existing Wells:

Exhibit #4 shows all existing wells within a one-mile radius of this well.

4. Location of Existing and/or Proposed Facilities and ROW's:

- A. If the well is productive:
 - 1. The well will be tested and a three inch poly flow line will laid along existing ROWs to SDX's Enron Fed. #3 Battery located ~660' NE of the proposed location. This ROW is shown in exhibit 3B. The battery is also shown in exhibit 3B.
 - 2. A Power line will be built to location by CVE.
- B. If the well is productive, rehabilitation plans are as follows:

Re-Entry will be done in steel pits. No pits will be necessary for this operation.
Location will be ripped and reseeded upon P&A of well as per BLM guide lines.

5. Location and Type of Water Supply:

The well will be re-entered and completed with a combination brine and fresh water obtained from commercial sources. No water well will be drilled on the location.

6. Source of Construction Materials:

No additional construction is necessary. All operations will be conducted on the existing drill pad.

7. Methods of Handling Water Disposal:

- A. Cement cuttings will be disposed of in an approved landfill.
- B. Fluids used during the re-entry will be hauled to an approved disposal facility.
- C. Water produced from the well during completion will be hauled to an approved disposal facility.
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash trailer by a contractor. No toxic waste or hazardous chemicals will be produced by this operations.
- E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned-up within 90 days. No adverse materials will be left on the location.

8. Ancillary Facilities:

None

9. Well Site Layout:

All work will be done on the existing drilling pad as shown in the original APD.

10. Plan for Restoration of the Surface:

- A. Upon completion of the proposed operation, if the well is to be abandoned, the Location will be ripped.

All trash and garbage will be hauled away in order to leave the location in an anesthetically pleasing condition.
- B. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.

11. Surface Ownership:

BLM
Grazing Leased to Bogle , LTD

Surface leasee has been notified.

12. Other Information:

- A. The area around the well site is grassland. The vegetation is native scrub grasses with abundant catclaw and mesquite.
- B. There is no permanent or live water in the immediate area.
- C. No additional archaeological survey work is necessary. Original survey On file.

13. Lessee's and Operator's Representative:

The SDX Resources Inc. representative for assuring compliance with the surface use plan is as follows:

Chuck Morgan
SDX Resources Inc.
PO Box 5061
Midland, TX 79704
915/685-1761 Office
915/685-0533 Fax

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 currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by SDX Resources Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions which it is approved.

SDX Resources Inc.



John Pool
Vice-President

DRILLING PROGRAM
SDX Resources Inc.
Enron Federal # 9
330' FSL, 1775' FEL
Unit O, Sec. 25, T17S, R27E
Eddy Co., NM

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Important Geologic Markers:

Top of Salt	450'	Grayburg	1386'
Base of Salt	480'	San Andres	1741'
Yates	510'		
7-Rivers	820'		
Queen	970'		

3. Estimated Depth of Anticipated Fresh Water, Oil or Gas:

Water Sand	150' - 200'	Fresh Water
Grayburg	1630'	Oil & Gas
San Andres	2300'	Oil & Gas

4. Casing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>OC Csg</u>	<u>Weight Grade Jt Cond Type</u>
12-1/4"	0 - 400	8-5/8"	32#, J55 (existing)
7-7/8"	0 - TD	5-1/2"	17#, J55 (existing)

Cement Program:

8-5/8" Surface Casing: Cemented to surface with 325 sx of Class C with 2% CaCl and 1/4#/sx Flocele.

5-1/2" Production Casing: Cemented as follows: 1st. stage: 700 sxs. 50/50, 2nd stg.: 1350 sxs. 35/65 Circl. 118 sxs. Exhibit 5.

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of a stripping head with a double ram type preventer (2000 psi WP). Unit will be manually operated. BOP will be nipped up on the 5-1/2" casing. BOP and accessory equipment will be tested to 1000 psi before drilling out any cement plugs.

6. Types and Characteristics of the Proposed Mud System:

NA

7. Auxiliary Well Control and Monitoring Equipment:

- A. A kelly cock will be kept in the drill string at all times.

8. Logging, Testing and Coring Program:

NA

9. Abnormal Conditions, Pressures, Temperatures, & Potential Hazards:

No abnormal pressure or temperatures are anticipated. The estimated bottom hole temperature (BHT) at TD is 94° and estimated maximum bottom-hole pressure (BHP) is 1200 psig. No abnormal concentrations of hydrogen sulfide or other hazardous gases or fluids have been encountered, reported or are known to exist at this depth in this area. All H2S operation precautions will be followed (see attached H2S drilling operations plans).

10. Anticipated Starting Date and Duration of Operations:

Work will not begin until approval has been received from the BLM. The anticipated spud date is April 1, 2006. Once commenced, the drilling operation should be finished in approximately 3 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN
SDX Resources Inc.
Enron Federal # 9
330' FSL, 1775' FEL
Sec. 25, T17S, R27E, Unit O
Eddy Co., NM

I. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H₂S).
2. The proper use and maintenance of personal protective equipment and life support system.
3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H₂S Drilling Operations Plan and the Public Protection Plan.

There will be an initial safety session just prior to commencing operations on the well. The initial session shall include a review of the site's specific H₂S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H₂S SAFETY EQUIPEMNT AND SYSTEMS

Note: All H₂S safety equipment and systems will be installed, tested, and operational when drilling begins.

1. Well Control Equipment:
 - A. Double Ram Manual Preventer .
2. Protective Equipment for Essential Personnel:
 - A. Mark II Surviveair 30-minute units located in the dog house.

3. H2S Detection and Monitoring Equipment:

- A. 1 – portable H2S monitor positioned on location for best coverage and response.

4. Visual Warning Systems:

- A. Guy lines will be flagged and a wind sock will be positioned on location.
- B. Caution/Danger signs shall be posted on roads providing direct access to location.

5. Mud Program:

NA

6. Metallurgy:

All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service as necessary.

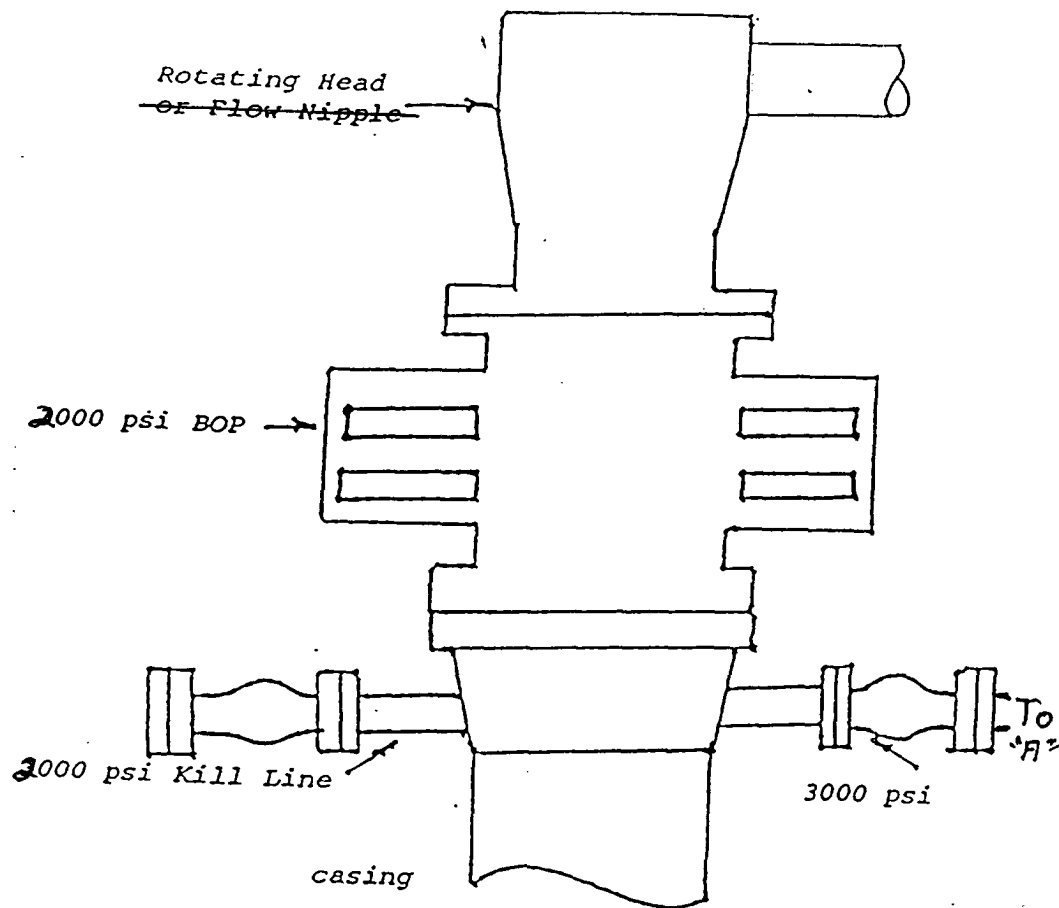
7. Communication:

Radio communications in company vehicles including cellular telephone and 2-way radio.

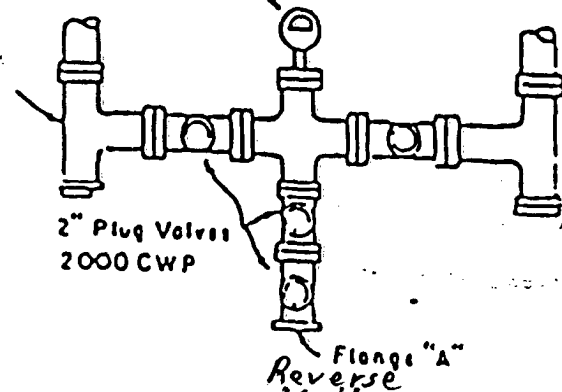
8. Well Testing:

NA

Blow Out Preventor Schematic



Flanged Cross with Pressure Gauge in Outside Opening



PLAN VIEW - CHOKER MANIFOLD

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: SDX Resources Incorporated

Well Name & No: Enron Federal No. 09

Location: Surface 330' FSL & 1775' FEL, Sec.25, T. 17 S. R. 27 E.

Lease: NMLC 058181

Eddy County, New Mexico

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I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Existing casing: 8 5/8 inch set at 400 ft and 5 1/2 inch set 3500 ft.

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan shall be in operations prior to drilling beginning.

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING: Existing in place. See above.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13 3/4 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2 M psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

-The test shall be done by an independent service company

-The results of the test shall be reported to the appropriate BLM office.

-Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures.

-Use of drilling mud for testing is not permitted since it can mask small leaks.

-Testing must be done in safe workman-like manner. Hard line connections shall be required.

-Both low pressure and high pressure testing of BOPE is required.

G. Gourley 3/22/06 RFO