

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

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Reese Fullerton

Deputy Cabinet Secretary

Mark Fesmire

Division Director

Oil Conservation Division



Administrative Order IPI-294

April 11, 2008

SDX Resources, Inc.

P.O. Box 5061

Midland, TX 79704

Attention: Chuck Morgan

RE: Injection Pressure Increase Request

NW State Well No. 5 (API No. 30-015-30781) SWD-1100, Unit K

Section 32, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico

SWD; San Andres Pool Perforations: 2464 feet to 2856 feet

Reference is made to your request received March 20, 2008, to increase the surface injection pressure limit on the above named disposal well.

Administrative Order No SWD-1100 approved on October 3, 2007, permitted the NW State Well No. 5 for injection into the San Andres formation at 2464 to 2856 feet and allowed a maximum surface injection pressure of 492 psi. It is our understanding that this well will not take a sufficient volume of water at this pressure and a higher pressure limit is needed to enable increased water disposal from SDX Resources' operations.

The basis for granting this pressure increase is an injection test run by SDX on this well in March of 2008. SDX measured both surface and bottomhole pressures during this test.

You are hereby authorized to utilize up to 810 psi as the maximum surface injection pressure on this well provided the tubing, size, type, and setting depth does not change.

The Division Director may rescind this injection pressure increase if it becomes apparent that the injected fluid is not being confined to the injection zone or is endangering any fresh water aquifers.

Sincerely,

Mark E. Fesmire, P.E.

Director

cc: Oil Conservation Division – Artesia
SWD-1100

