



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

April 28, 1998

SDX Resources, Inc.  
P. O. Box 5061  
Midland, Texas 79704  
Attention: Chuck Morgan

*Administrative Order NSL-4019*

Dear Mr. Morgan:

Reference is made to: (i) your application dated April 14, 1998; (ii) the New Mexico Oil Conservation Division's ("Division") initial response to said application by letter from Mr. Michael E. Stogner dated April 21, 1998 requesting additional supporting data; (iii) your telephone conversation with Mr. Michael E. Stogner, Engineer with the Division in Santa Fe on April 24, 1998; (iv) your letter dated April 27, 1998 supplementing this application; and, (v) the records of the Division in Santa Fe: all of which refer to SDX Resources, Inc.'s request for an unorthodox oil well location in the Shugart-Yates-Seven Rivers-Queen-Grayburg Pool for the proposed Culwin "35" Federal Well No. 4 to be drilled 1040 feet from the South line and 330 feet from the East line (Unit P) of Section 35, Township 18 South, Range 30 East, NMPM, Eddy County, New Mexico. The SE/4 SE/4 of said Section 35 is to be dedicated to said well in order to form a standard 40-acre oil spacing and proration unit for said pool.

The subject application has been duly filed under the provisions of Division General Rule 104.F.

Further, the 80 acres comprising the E/2 SE/4 of said Section 35 is a single Federal lease (U. S. Government Lease No. NM-56542) in which SDX Resources, Inc. ("SDX") is the operator; technically there are no affected offsets to the subject 40-acre tract other than SDX.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox oil well location is hereby approved.

Sincerely,

A handwritten signature in cursive script that reads "Lori Wrottenberg".

Lori Wrottenberg  
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad