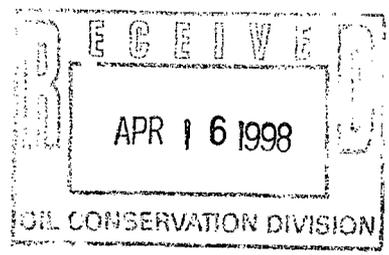


NSL 5/6/98

SDX RESOURCES, INC.
P.O. BOX 5061
MIDLAND, TEXAS 79704
(915) 685-1761

April 14, 1998



N.M.O.C.D.
P.O. Box 2088
Santa Fe, N.M. 87504-2088
Attn. Mr. Stogner

Mr. Stogner,

This letter is intended to serve as an application for administrative approval of an unorthodox drilling location on our Culwin 35 Federal lease. The location requested will be the Culwin 35 Federal #4. Survey plats and BLM 3160 forms accompany this letter. A map detailing the lease is also enclosed. The location was moved 50' north at the BLM's direction due to it's proximity to an existing pipeline. The new location will be 280' south of an internal proration unit line. Ownership in both of the affected 40 acre proration units is identical and no other operator will be affected by the proposed location. Thanks for your prompt attention on this matter.

Sincerely,

Chuck Morgan, P.E.

NSL-DL.N36

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>			5. LEASE DESIGNATION AND SERIAL NO. NM-56542	
b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR SDX Resources, Inc.			7. UNIT AGREEMENT NAME	
3. ADDRESS AND TELEPHONE NO. PO Box 5061, Midland, TX 79704 915/685-1761			8. FARM OR LEASE NAME, WELL NO. Culwin 35 Federal #4	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 1040' FSL 330' FEL At proposed prod. zone Same			9. API WELL NO.	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 12 miles SE of Loco Hills, NM			10. FIELD AND POOL, OR WILDCAT Shugart (Y, SR, QN-GB)	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drg. unit line, if any) 330' 280'		16. NO. OF ACRES IN LEASE 80	17. NO. OF ACRES ASSIGNED TO THIS WELL 40	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 870'		19. PROPOSED DEPTH 4000'	20. ROTARY OR CABLE TOOLS Rotary	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3509' GR			22. APPROX. DATE WORK WILL START* 06/01/98	

23. **PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8" J-55	24#	500'	400 sx Class C
7-7/8"	5-1/2" J-55 or	9.5# - 17#	4000'	350 sx 50/50 POZ
	4-1/2" J-55			400 sx 35/65 POZ

Plan to drill a 12-1/4" hole to appx 500'. Set 8-5/8" surface csg & circ C cmt to surface. Drill 7-7/8" hole to TD. Run open hole logs (LDT-CNL-GR & DLL). Run 4-1/2" or 5-1/2" csg & circ cmt to surface. Will perf & stimulate as necessary for optimum production.

Specific programs as per Onshore Oil & Gas Order #1 are outlined in the following attachments:

- Drilling Program
- Surface Use & Operating Plan
- H2S Plan
- Exhibit 1: BOP
 - 2: Plat
 - 3: Planned ROW's (access roads & flowlines & high lines)
 - 4: One Mile Radius Map
 - 5: Drilling Rig Layout

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Bonnie Osterwater TITLE Regulatory Tech. DATE 04/13/98

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

APPROVED BY _____ TITLE _____ DATE _____

***See Instructions On Reverse Side**

Title 18 U.S.C. Section 1001, makes 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.

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

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

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

State of New Mexico
Energy, Minerals and Natural Resources Department

APR 13 1998

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	56439	Shugart (Y, SR, QN, GB)
Property Code	Property Name	Well Number
019238	Culwin 35 Federal	4
OGRID No.	Operator Name	Elevation
020451	SDX RESOURCES INC.	3509

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	35	18 S	30 E		1040	SOUTH	330	EAST	EDDY

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

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>NM - 06245</p>	<p>NM - 025503</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Bonnie Atwater</i> Signature</p> <p>Bonnie Atwater Printed Name</p> <p>Regulatory Tech. Title</p> <p>April 13, 1998 Date</p>	
		<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>APRIL 8, 1998</p> <p>Date Surveyed</p> <p>Professional Seal Professional Surveyor NEW MEXICO 3239 98-11-0542 REGISTERED PROFESSIONAL SURVEYOR</p> <p>DMCC</p>	
<p>NM - 56542</p>	<p>3509.9' — 3513.3'</p> <p>3504.0' — 3512.9'</p> <p>DETAIL</p>	<p>SEE DETAIL</p> <p>330'</p> <p>1040'</p>	
		<p>to No. JOHN W. WEST 676 Certified by RONALD E. EIDSON 3239 EIDSON 12641</p>	



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

April 21, 1998

SDX Resources, Inc.
P. O. Box 5061
Midland, Texas 79704

Attention: Chuck Morgan

*Re: Application for administrative approval to drill the
Culwin "35" Federal Well No.4 at an unorthodox
oil well location within the Shugart-Yates-Seven
Rivers-Queen-Grayburg Pool 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.*

Dear Mr. Morgan:

Please supplement the subject application with the appropriate information to justify the drilling of this well at an unorthodox oil well location within the subject 40-acre tract. Please refer to Division Rule 104.F(3) and submit a detailed explanation and show on attached plats why all other possible standard locations are not available to SDX Resources, Inc. for a drilling location.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner".

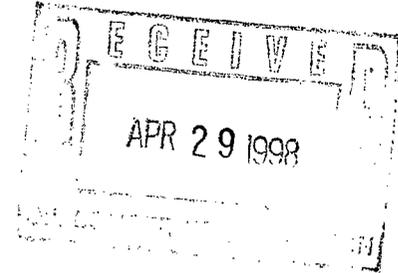
Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia

SDX RESOURCES, INC.

P.O. BOX 5061
MIDLAND, TEXAS 79704
(915) 685-1761

April 27, 1998



Mr. Michael Stogner
2040 S Pacheco
Santa Fe, NM 87505

Re: Administrative Approval
Culwin 35 Federal #4
Eddy Co., NM

Mr. Stogner:

Enclosed is a topographical map detailing the area around SDX's proposed Culwin 35 Federal #4 location.

Drainage patterns and Cave Kart areas raise BLM concerns and make their approval of any locations in the entire S/2 of unit P doubtful at best. Relief concerns eliminate the entire W/2 of the unit. This leaves only the NE/4 of unit P for the location of a well pad that will conform to BLM requirements. The standard location would have been 990' FSL & 330' FEL, but this fell 50' north of an existing pipeline. Moving the location 150' south was not possible due to the large amount of relief, so we moved the location 50' north (100' north of the pipeline) giving us an unorthodox location of 1040' FSL & 330' FEL.

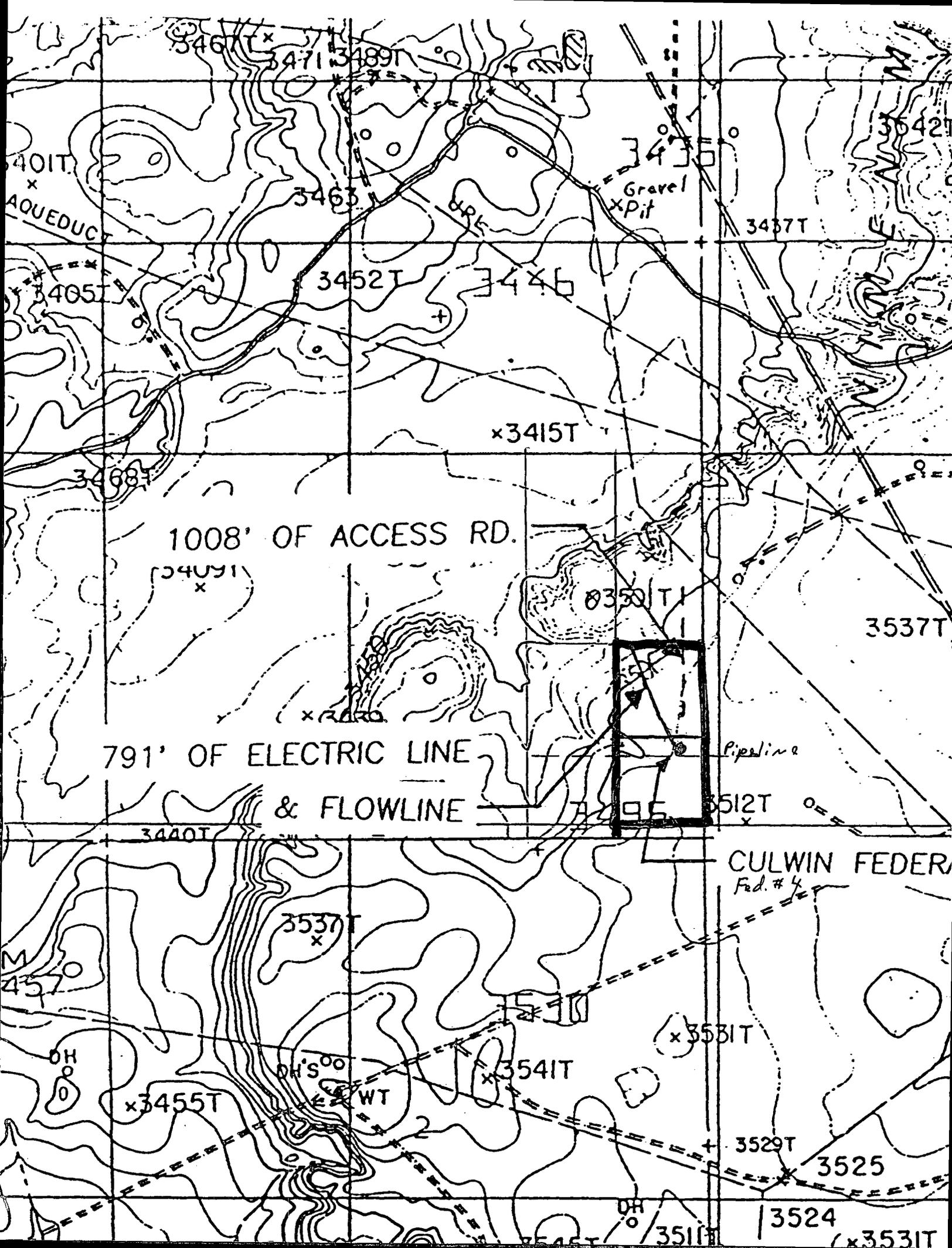
Due to these constraints we respectfully request the OCD's approval of this location as stated in our original application. Thanks for your consideration on this matter.

Sincerely,

Chuck Morgan
Engineer

CM:bj

enclosures



3467T x 3471 3489T

3642T

40IT x

3435

AQUEDUCT

Gravel Pit

3437T

3463

3452T

3446

3405T

x3415T

3468T

1008' OF ACCESS RD.

3409T x

3350T

3537T

x3300

791' OF ELECTRIC LINE & FLOWLINE

Pipeline

3512T

3440T

CULWIN FEDER Fed. #4

3537T x

457

3530T

x3531T

OH

OH'S

x3541T

x3455T

WT

3529T

3525

OH

3524

3511T

x3531T

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HACKBERRY LAKE - 10'

SEC. 35 TWP. 18-S RGE. 30-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1040' FSL & 330' FEL

ELEVATION 3509

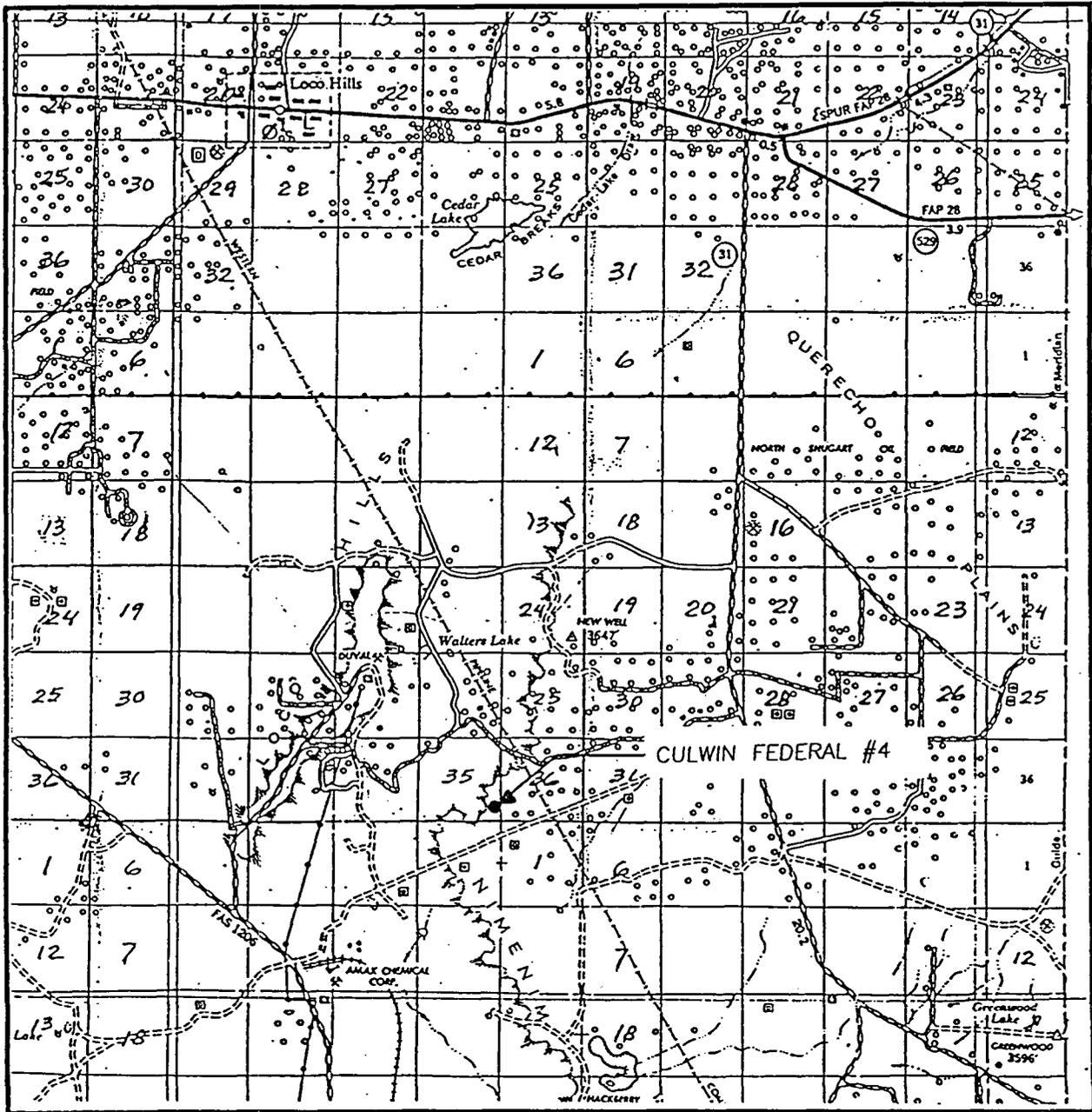
OPERATOR SDX RESOURCES INC.

LEASE CULWIN FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
HACKBERRY LAKE, N.M.

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

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 35 TWP. 18-S RGE. 30-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1040' FSL & 330' FEL

ELEVATION 3509

OPERATOR SDX RESOURCES INC.

LEASE CULWIN FEDERAL

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