

PC N/R

SDX RESOURCES, INC.

P.O. BOX 5061

MIDLAND, TEXAS 79704

(915) 685-1761

July 19, 1995

N.M. Energy Minerals &
Natural Resources Dept.
Oil Conservation Division
State Land Office Division
P.O. Box 2088
Santa Fe, N.M. 87504-2088

Attn: Mr. William Lemay

Re: Application for exception to commingling rules

Mr. Lemay,

SDX Resources, Inc. respectfully requests administrative approval to commingle production from 6 wells drilled on its BN State lease into a common storage facility. The BN State Wells #1,3,4,5, are marginal wells producing from the East Millman Qn.,Gb.,Sa. pool. The BN #7 is currently producing from the E. Millman 7-Rivers pool and is commingled into a common battery (Order #). The BN #6 was tested in the East Millman Qn.,Gb.,Sa. pool and was non commercial. It has been re-completed in the East Millman 7-Rivers pool and marginal production is anticipated. It is proposed to commingle production from all wells on the BN State lease into its existing battery located in the center of the lease.

This exception to commingling rules is requested to reduce

operating cost for the BN #6 well. 7-Rivers production history for this area is normally marginal with low total reserves. Construction cost of an additional battery and the operating cost to maintain it would greatly shorten the economic life of this well. There will be no difference in the value of product as oil from the two pools concerned is of a similar gravity and both are sour. All royalty and working interests are identical for both pools on the BN lease as well as for the E. Millman Unit. As production from all wells concerned will be marginal, it is proposed to periodically test each well at the well head with a conventional port-a-check unit. The following diagrams, lease maps, & well production data are submitted for your information:

Attachment IA-IB: Field & Lease Maps

Attachment II: BN St. May C-115 reports

Attachment III: BN St. production history
(wells 1,3,& 4 E. Millman
Qn.,Gb.,Sa. pool)

Attachment IV: well plat: BN St. #6

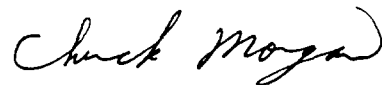
Attachment V: Oil Gravity Analysis

Attachment VI: Workover Procedure: BN St.#6

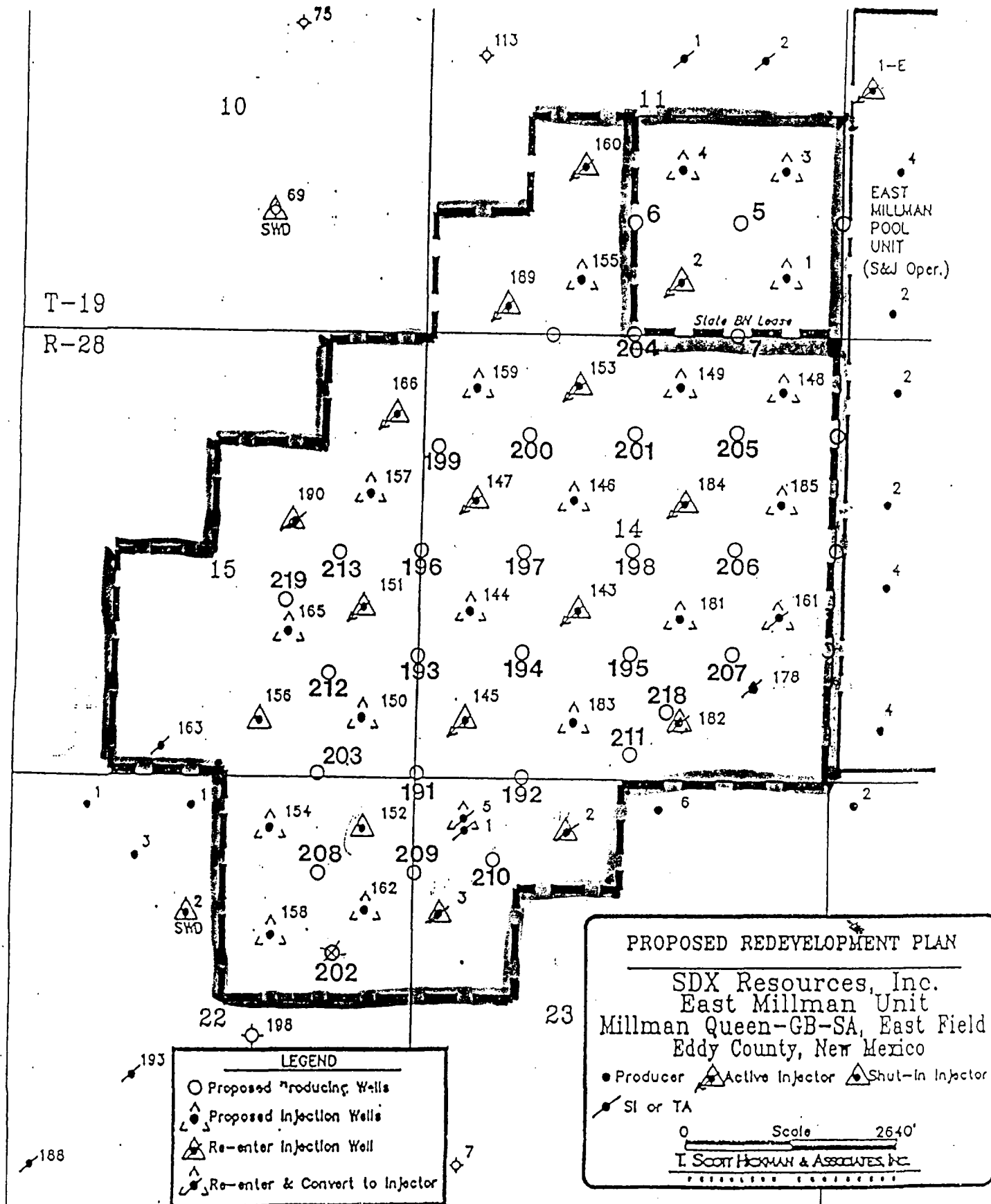
Attachment VII: Battery & Tester Diagram

Your cooperation on this matter is appreciated. Should you need any additional information please contact me at 748-9724.

Sincerely,

A handwritten signature in cursive script that reads "Chuck Morgan".

Chuck Morgan, P.E.



[illegible]

Operator's Monthly Report (Continuation)

SDX RESOURCES, INC.

OGRID

020451

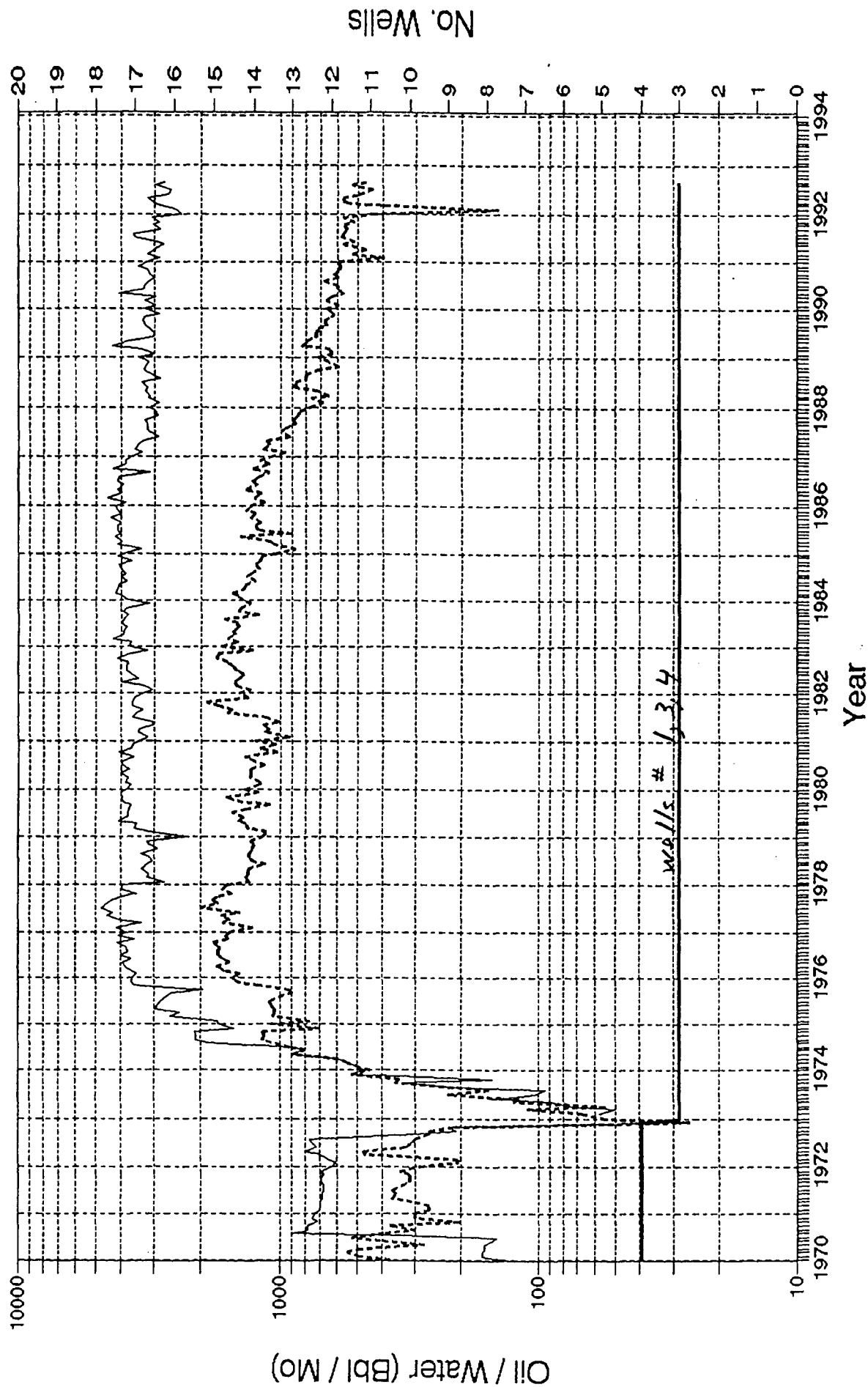
MONTH/YEAR

05/95

PAGE 33 OF

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SDX Resources, Inc. - State BN Lease East Millman (Queen Grayburg San Andres) Eddy Co., N.M.



Appropriate
Office
Lease - 4 copies
Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

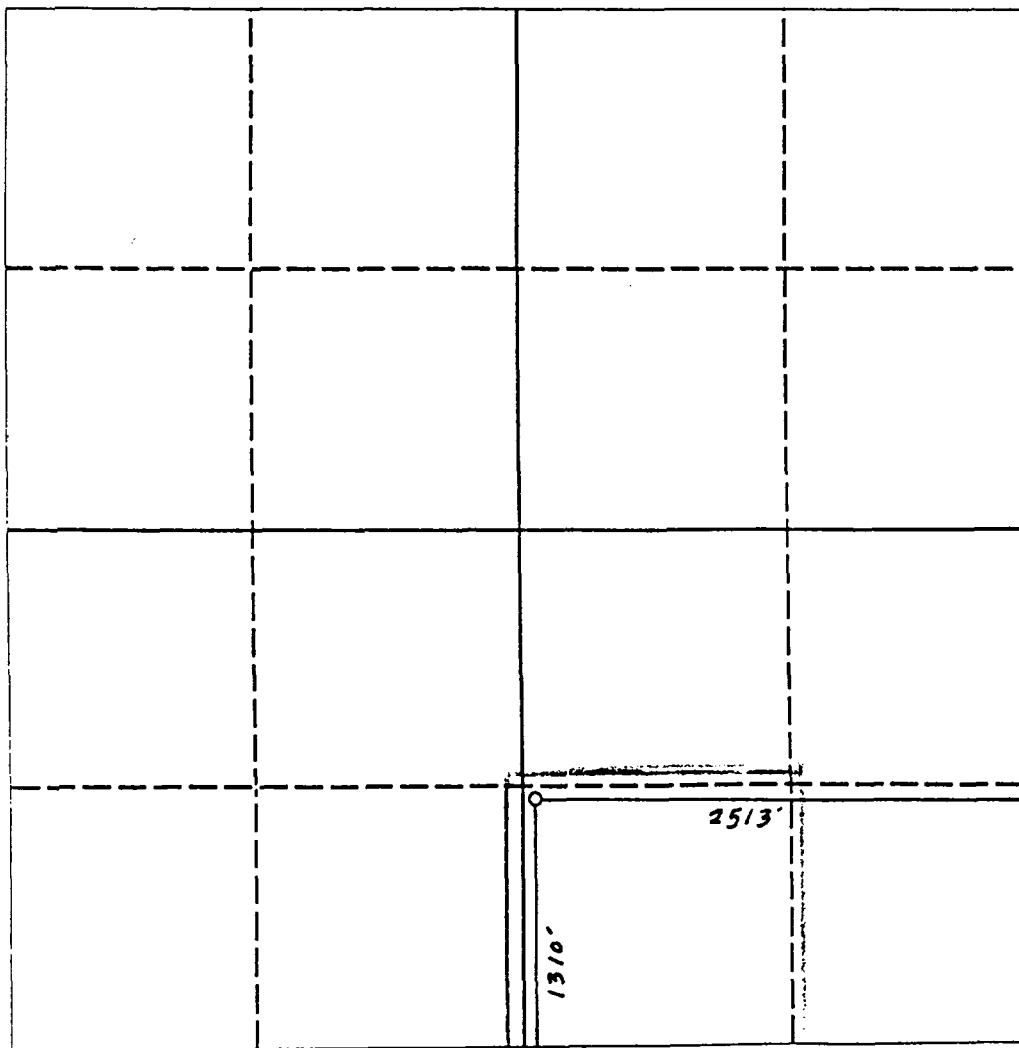
DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator SDX RESOURCES, INC.		Lease STATE BN		Well No. 6
Unit Letter 0	Section 11	Township 19 SOUTH	Range 28 EAST	County EDDY COUNTY, NM
Actual Footage Location of Well: 1310 feet from the South line and 2513 feet from the East line				
Ground level Elev. 3433	Producing Formation Q-Gb.	Pool East Millman Q-G-SA.	Dedicated Acreage: 40 Acres	
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? <input type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation _____ If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____</p> <p>No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p>				



OPERATOR CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Signature <i>Chuck Morgan</i>	
Printed Name Chuck Morgan	
Position Engr.	
Company SDX Resources	
Date 1/29/93	
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 knowledge and belief.	
Date Surveyed JANUARY 29, 1993	
Signature & Seal of Professional Surveyor <i>[Signature]</i>	

Oil Sample Review:

Sample #	Field	Source	API Gravity 60' F.	Type
#1	E. Millman Qn.,Gb.,Sa.	BN St. #4	39	Sour
#2	E. Millman 7-Rivers	E. Millman 7-Rivers Well	38.5	Sour

Attachment: V

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

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

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL API NO. 3001527309
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. E-1051
7. Lease Name or Unit Agreement Name State BN
8. Well No. 6
9. Pool name or Wildcat East Millman QN-GR-SA

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER	
2. Name of Operator SDX RESOURCES, INC.	
3. Address of Operator P. O. BOX 506 MIDLAND, TX 79704	
4. Well Location Unit Letter 0 : 2513 Feet From The East Line and 1310 Feet From The South Line Section 11 Township 19S Range 28E NMPM Eddy County	
10. Elevation (Show whether DF, RKB, RT, GR, etc.) GR 3433'	

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐
OTHER: Adding additional perforations ☒
(7-RIVERS ZONE)

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND CEMENT JOB ☐
OTHER: ☐

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Plans are to hot water tubing & produce well to clean up rods and tubing. RU unit & TOH with rods & pump. NU BOP & TOH with tubing. RU wireline & set CIBP at approximately 1705'. Test casing and plugs. Perforate additional perfs 1061-1164'). Break down perfs and acidize. After swab testing test zone, well will be fraced. Flow back with modified forced closure technique. Circulate to CIBP. Pump back load and put well on production test. Estimated start date June 26-30, 1995.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE  TITLE VICE PRESIDENT

DATE 7/16/95

TYPE OR PRINT NAME JOHN POOL

TELEPHONE NO (915) 685-176

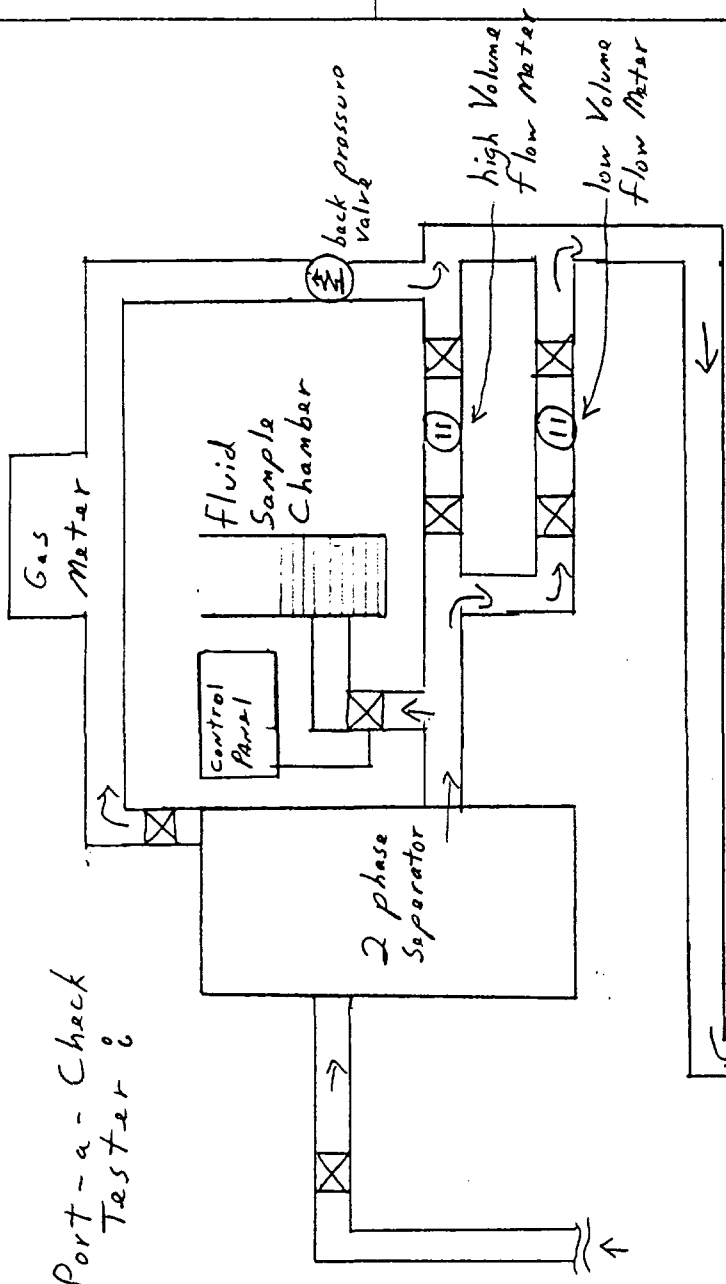
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APPROVED BY _____ TITLE _____

DATE _____

CONDITIONS OF APPROVAL, IF ANY

Port-a-Check
Tester 6



Tester Inlet

BN State
Standard Well Head

flow line to battery

Attachment VII-A

BN State Battery

