

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF SDX RESOURCES, INC. CASE NO. 11746
TO ABOLISH BOTH THE EAST MILLMAN-SEVEN
RIVERS POOL AND THE PALMILLO-SEVEN RIVERS
POOL AND TO EXTEND THE VERTICAL AND HORIZONTAL
LIMITS OF THE REDESIGNATED EAST MILLMAN QUEEN-
GRAYBURG-YATES-SEVEN RIVERS POOL,
LEA COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by SDX RESOURCES, INC., as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

SDX Resources, Inc.
P. O. Box 5061
Midland, Texas 79704
(915) 685-1761
attn: Steve Sell

ATTORNEY

W. Thomas Kellahin
KELLAHIN & KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASE

SDX Resources seeks to abolish the East Millman Seven Rivers Pool and the Palmillo Seven Rivers Pool and the Extension of the Vertical and Horizontal Limits of the East Millman Queen-Grayburg-San Andres Pool to be Redesignated the East Millman-Queen-Grayburg-San Andres-Yates-Seven Rivers Pool, Eddy County, New Mexico for the following reasons:

- (a) the East Millman Seven Rivers Pool and the Palmillo Seven Rivers Pool are currently marginally productive reservoirs at or nearing their economic limit as evidenced by the fact that the majority of the producing wells in these pools have been plugged and abandoned;
- (b) there is potential for the recovery of additional oil and gas reserves from these two pools through secondary recovery operations;
- (c) there is potential for the recovery of additional oil and gas from the East Millman Queen-Grayburg-San Andres Pool through the re-institution of secondary recover operations;
- (d) the applicant has determined that conducting separate secondary recovery operations within each of these three pools would necessarily require the drilling of numerous uneconomic wells;
- (e) the abolishment of the East Millman Seven Rivers Pool and the Palmillo Seven Rivers Pool and the concomitant extension of the Vertical and Horizontal Limits of the East Millman Queen-Grayburg-San Andres Pool will allow the applicant the opportunity to institute a single secondary recovery project in order to economically recover oil and gas reserves from all of these reservoirs.

In order to prevent the drilling of unnecessary wells, to protect correlative rights and provide for the orderly development of these reservoirs and to provide the opportunity to economically recover additional oil and gas reserves from the Queen, Grayburg, San Andres, Yates and Seven Rivers formation, all these formations would be consolidated and managed as one pool.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES

EST. TIME

EXHIBITS

Chuck Morgan (petroleum engineer)

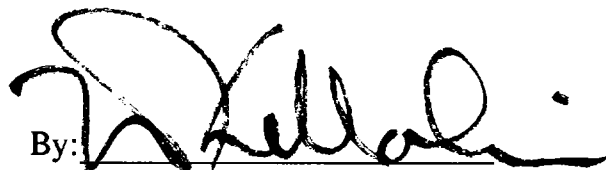
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PROCEDURAL MATTERS

None anticipated at this time.

KELLAHIN AND KELLAHIN

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

By:

W. Thomas Kellahin

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