

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

March 8, 2000

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2030 South Pacheco
Santa Fe, New Mexico 87505

CL OCS-11-10-1 DM
GO FRR - 8 PM 3:03

Re: NMOCD Cases 12301 and 12302--Applications of SDX Resources, Inc. for unorthodox infill gas well locations, Jalmat Gas Pool, Lea County, New Mexico.

Re: NMOCD Cases 12361 and 12362 Objections of Doyle Hartman to Division Administrative Orders SD 99-14 and SD-99-15 (SDX Resources, Inc.)

Dear Ms. Wrotenbery:

The reference cases now pending hearing before the Division involve various applications by SDX Resources, Inc. for the following five (5) proposed wells in the Jalmat Gas Pool:

(a) OCD Case 12361: SDX's State A-32 Well No. 6, to be drilled at a standard location in Unit E, Section 32, T24S, R37E which was approved by the Division on November 8, 1999 by Administrative Order SD-99-14;

(b) OCD Case 12362: SDX's Wells Federal Well No. 22 and Well No. 23, both to be drilled at standard locations in Unit C and E, respectively, Section 5, T25S, R37E which were approved by the Division on November 8, 1999 by Administrative Order SD-99-15;

(c) OCD Case 12301: SDX's E. J. Wells No 25, in Unit K of Section 5, T25S, R37E to be drilled at an unorthodox location but not encroaching towards Hartman's GPU; and

Ms. Lori Wrotenbery, Director
March 8, 2000
-Page 2-

(d) OCD Case 12302: SDX's Jalmat Federal Com Well No. 2, in Unit L of Section 31, T25S, R37E to be drilled at an unorthodox location encroaching some 62 feet towards Hartman's GPU.

On behalf of SDX Resources, Inc. I wish to inform you that SDX Resources, Inc. does not intend to pursue the drilling of these wells at this time. Accordingly, please vacate Administrative Orders SD-99-14 and 99-15 and dismiss cases 12301 and 12302.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized flourish at the end.

W. Thomas Kellahin

cc: David R. Catanach,
Division Examiner
Lyn Hebert, Esq.
Attorney for the Division
J. E. Gallegos, Esq.
Attorney for Doyle Hartman
William F. Carr, Esq.
Attorney for Raptor Resources Inc.
SDX Resources Inc.
Attn: Steve Sell

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

IN THE MATTER OF THE APPLICATIONS
OF SDX RESOURCES, INC.
FOR AN UNORTHODOX WELL LOCATION,
AND SIMULTANEOUS DEDICATION,
LEA COUNTY, NEW MEXICO

CASE NOS. 12301, 12302

SUBPOENA DUCES TECUM

TO: SDX Resources, Inc.
c/o Prentiss Hall Corporation System
121 E. Palace Avenue
Santa Fe, New Mexico 87501

Pursuant to Section 70-2-8, NMSA (1978), and Rule 1211 of the New Mexico Oil Conservation Division's Rules of Procedure, you are hereby ORDERED to appear at 9:00 a.m., on Friday, March 10, 2000, at the offices of the Oil Conservation Division, 2040 South Pacheco, Santa Fe, New Mexico 87505 and to produce the documents and items specified in attached Exhibit A and to make available to Doyle Hartman, Oil Operator and its attorneys, J.E. Gallegos and Michael J. Condon, for copying, all of said documents.

This subpoena is issued on behalf of Doyle Hartman, Oil Operator through its attorneys the Gallegos Law Firm, P.C., 460 St. Michael's Drive, Bldg. 300, Santa Fe, New Mexico 87505.

Dated this 6th day of March, 2000.

NEW MEXICO OIL CONSERVATION DIVISION

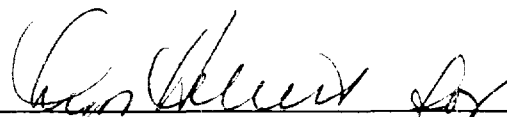
By 
Lori Wrotenbery, Director

EXHIBIT A

DEFINITIONS AND INSTRUCTIONS

The following definitions and instructions apply to this Subpoena Duces Tecum:

- A. "Hartman" means Doyle Hartman, Oil Operator.
- B. "SDX", "You" or "yours" refers to SDX Resources, Inc. and to SDX Natural Gas Partners, LLC, St. Anselm 99-A Partners, LLP and to Williams Montgomery, Jr. and any of them and any of its agents, employees or representatives.
- C. "Document" refers to any original, written, recorded or graphic matter whatsoever and all non-identical copies thereof and includes computer printouts, data processing program library, data processing input and output, microfilm, all records kept by electronic, photographic or mechanical means, any notes or drafts relating to any of the foregoing, and any other documents within the scope of Rule 1-034 NMRA. In all cases where original or non-identical copies are available, "document" also means identical copies of an original document and non-identical copies thereof.
- D. "Jalmat Gas Pool" refers to the gas pool established by the New Mexico Oil Conservation Commission in September, 1994, and recognized by NMOCD Order R-8170, and which comprises all or parts of the following described area in Lea County, New Mexico.

Township 21 South, Ranges 35-36 East

Township 22 South, Ranges 35-37 East

Township 23 South, Ranges 35-37 East

Township 24 South, Ranges 36-37 East

Township 25 South, Ranges 36-37 East

Township 26 South, Ranges 36-37 East

E. "Jalmat Infill Drilling Project" means the activities initiated by SDX for the drilling, reworking, or development of infill gas wells in the Jalmat Gas Pool in Lea County, New Mexico.

F. "NMOCD" means the New Mexico Oil Conservation Division and the New Mexico Oil Conservation Commission.

G. "Subject Wells" includes all existing or proposed gas wells in Lea County operated by or to be developed by SDX Resources, Inc. in the Jalmat Gas pool.

H. If you do not respond to any request or subpart thereof, on the basis of any privilege, or claim of privilege, state the privilege asserted, and the facts upon which you rely to support the claim of privilege.

This Subpoena Duces Tecum seek all information available to you or in your possession, custody or control from any source, wherever situated, including but not limited to information from any files, records, documents, employees, former employees, counsel and former counsel.

Reference to the singular shall include the plural and references to the plural shall include singular. References to the masculine gender include the feminine and neuter genders.

DOCUMENTS TO BE PRODUCED

1. For each of the Subject Wells, all of the following materials, documents or data:
 - A. The complete well file;
 - B. All notices provided to the New Mexico Oil Conservation Division or the United States Bureau of Land Management;

- C. Documents describing the drilling program for the subject wells, including approvals, schedules, timetables, contracts for drilling, correspondence, etc.
 - D. Documents constituting or referring to engineering or geological evaluation concerning existing wells or the developing of additional wells.
2. All reserve, drainage area, deliverability, volumetric or other such studies and documents relating to or supporting infill drilling programs you have adopted, recommended or implemented for gas wells in the Jalmat Gas Pool.
 3. All documents, whether generated by you or an independent consulting engineering firm, that relate in any way to the comprehensive evaluation of your Jalmat drilling project referenced in your letter of November 16, 1999 to Doyle Hartman.
 4. All documents, including but not limited to reserve projections, corresponding pressure data, geological studies, and production data which you contend support your request for unorthodox location and/or simultaneous dedication for the Subject Wells whereby more than one well occupies a gas proration unit in the Jalmat Gas Pool.
 5. Any exhibits you intend to introduce at the hearing called by the NMOCD in this matter.
 6. All documents which relate to, or support in any way the materials prepared by Eram Ali on behalf of SDX which was handed out at the operators' meeting in Midland, Texas on February 8, 2000 ("Ali Handout"). Included in this request are documents which would identify the locations of the twenty wells used by Mr. Ali

in his study, documents which would identify the log analysis perimeters, i.e., segmentation exponent (m), formation water resistivity (Rw), saturation exponent (m), and documents which would identify how porosity was calculated.

7. Sidewall Core Data for the Langlie Jal Fed. No. 2 well, including documents which would describe the well mineralogy, porosity, permeability, grain density, and fluid saturations, as well as wire line logs on this well.
8. A copy of each completion report sent to the NMOCD for the subject wells.
9. Documents which would identify the daily production rates, flowing pressures, and line pressures for the SDX subject wells.
10. With respect to the subject wells, please produce documents which would identify the economic perimeters used by SDX in its analysis, including documents which would show:
 - A. well cost;
 - B. working interest and corresponding net revenue interest;
 - C. taxes;
 - D. operating costs;
 - E. production decline rate;
 - F. estimated ultimate recovery of gas;
 - G. estimated life or reserves; and
 - H. documents which describe how the \$600 per month per well economic limit on page 5 of the Ali handout was calculated.
11. Please produce all documents and data which reflect how the twenty well composite in the Ali Handout was prepared, including documents which describe

the basis for estimating 70 psi for the twenty well composite, documents which form the basis of the production decline rate utilized for the twenty well composite, and documents which describe the net pay feet utilized for the composite.