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NSL (SD) 11/11/99

SDX RESOURCES, INC.

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

Sept. 9, 1999

NMOCD
2040 South Pacheco Street
Santa Fe, NM 87505

OCT 12 1999

CONSERVATION DIVISION

Attention: Mr. Mike Stogner

RE: EJ Wells Fed. #25
Sec. 5, T25S, R37E
2180' FSL, 1980 FWL
Lea County, New Mexico

(NSL)

Dear Mr. Stogner,

SDX Resources, Inc. is the operator of the EJ Wells Fed. #13 and #16 wells located in unit L of sec. 5 T25S R37E of Lea Co., N.M.. These wells are dedicated to a 120 acre non-standard gas proration unit created by NSL #1823 (6/22/84) and consisting of units K,L,& M of sec. 5. SDX is planning to drill the EJ Wells Fed. #25 well on the same 120 acre proration unit at the above-mentioned location. This will be a non-standard location as the location has been moved due to the wells proximity to a pipeline and an existing 7-Rivers oil well.. SDX request that this letter serve as application to simultaneously dedicate this 120 acre non-standard proration unit to the EJ Wells Fed. #13, # 16, and the #25 wells, and as application for administrative approval of the non-standard location. BLM form 3160 and OCD form C-102 for the #25 well, an outlined lease map, and other pertinent information is attached to this application. All offset operators have been notified and proof of notification is attached. Your assistance on this is appreciated.

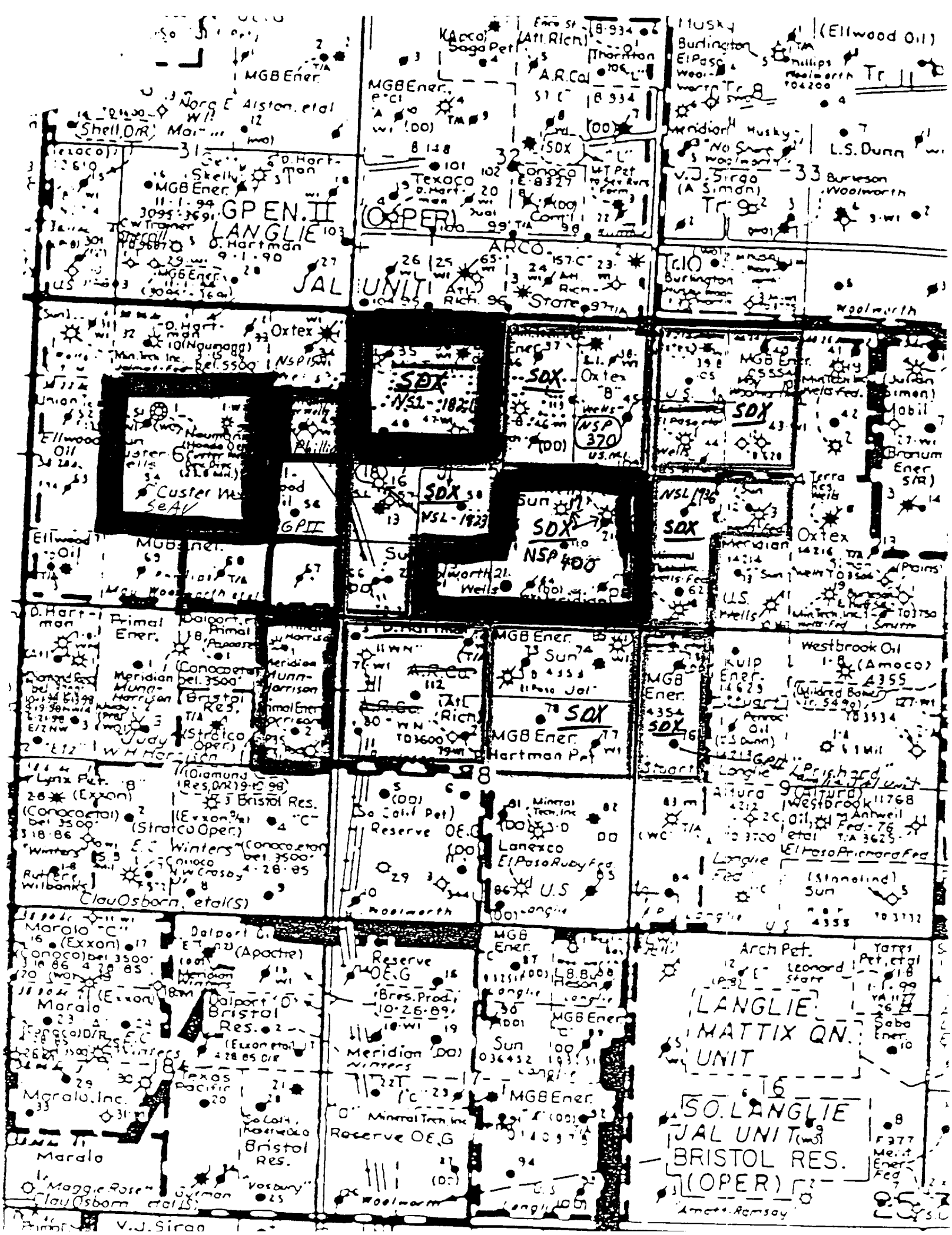
Sincerely,



Chuck Morgan

Enclosures

Exhibit D



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTSUBMIT 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 LC-055546 | |
| b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input checked="" 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 | | | 8. FARM OR LEASE NAME, WELL NO. EJ Wells Federal #25 | |
| 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements *) At surface 2180' FSL, 1980' FWL, Unit K At proposed prod. zone Same | | | 9. AFI WELL NO | |
| 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 2.5 miles NE of Jal, NM | | | 10. FIELD AND POOL, OR WILDCAT Jalmat Gas | |
| 15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drg. unit line, if any) 660 | | | 11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 5, T25S, R37E | |
| 16. NO. OF ACRES IN LEASE 918 | | | 12. COUNTY OR PARISH 13. STATE Lea NM | |
| 17. NO. OF ACRES ASSIGNED TO THIS WELL 120 | | | | |
| 18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 3200 | | | 20. ROTARY OR CASE TOOLS Rotary | |
| 21. ELEVATIONS (Show whether OF, RT, GR, etc.) 3217 | | | 22. APPROX. DATE WORK WILL START* 01/15/99 | |

| 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" | 24# | 600' | 350 sx |
| 7-7/8" | 4-1/2 - 5-1/2" | 9.5 - 17# | 3200' | 400 sx Lite + 200 sx C |

Plan to drill 12-1/4" hole to appx 600'. Set 8-5/8" surface csg. Circ Class C cmt. Drill 7-7/8" hole to 3200' Set 4-1/2" or 5-1/2" csg & circ cmt. Perf Yates gas zone & stimulate as necessary for optimum production

Specific Program

- Exhibit #1: BOP Diagram
Exhibit #2: Survey Plat
Exhibit #3: Existing & Proposed Road Map
Exhibit #4: Producing Well Area Map
Exhibit #5: Drill Site 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



TITLE Regulatory Tech.

DATE 09/23/99

(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.

OFFSET OPERATORS

EJ WELLS FEDERAL #25

Seay Exploration Co.
407 N. Big Spring #200
Midland, TX 79701

Gruy Petroleum
ATTN: Zeno Ferris
PO Box 140907
Irving, TX 75014-0907

Doyle Hartman
PO Box 10426
Midland, TX 79702

Permian Resources
PO Box 590
Midland, TX 79702

GP II
731 W. Wadley
Midland, TX 79705

Phillips
4001 Penbrook
Odessa, TX 79762