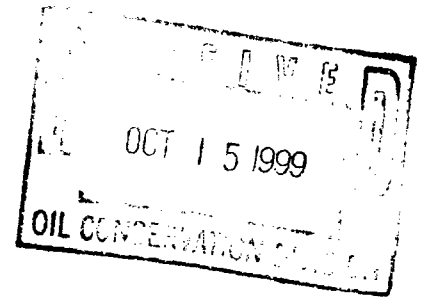


DOYLE HARTMAN

Oil Operator

500 NORTH MAIN
P.O. BOX 10426
MIDLAND, TEXAS 79702

(915) 684-4011
(915) 682-7616 FAX



Via FedEx and Facsimile (505) 827-8177

~~October 15, 1999~~

Lori Wrotenbery, Director
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Re: SDX's Package of Four Applications for Simultaneous Dedication and for
Unorthodox Well Locations, Where Applicable
Langlie Jal Unit Area
Jalmat Gas Pool
T-24-S and T-25-S, R-37-E
Lea County, New Mexico

Dear Ms. Wrotenbery:

Reference is made to SDX Resources Inc.'s (SDX's) single package containing four Jalmat gas pool infill drilling applications dated September 8, 1999, September 9, 1999, September 16, 1999, and September 17, 1999, covering five wells, which was received by us, by certified mail, on October 12, 1999. The five new Jalmat wells being proposed by SDX, in its four applications, offset the five following Hartman-operated Jalmat Gas Pool leases situated within the boundaries of the 3748.06-acre Langlie Jal Unit (LJU), T-24-S and T-25-S, R-37-E, Lea County, New Mexico.

Martin "B" No. 1
F-31-24S-37E
NW/4 Section 31, T-24-S, R-37-E
Lea County, New Mexico
160-acres

J.W. Sherrell No. 9
J-31-24S-R-37-E
SE/4 Section 31, T-24-S, R-37-E
Lea County, New Mexico
160-acres

Skelly M State No. 4
L-32-24S-37-E
SW/4 Section 32, T-24-S, R-37-E
Lea County, New Mexico
160-acres

J.W. Sherrell No. 10
C-6-25S-37E
E/2SW/4 Section 31, T-24-S, R-37-E
NW/4NE/4 and NE/4NW/4 Section 6
T-25-S, R-37-E
Lea County, New Mexico
160-acres

F.M. Burleson No. 2
F-8-25S-37E
NW/4 Section 8, T-25-S, R-37-E
160-acres

SDX is apparently justifying the drilling of its five newly proposed wells on the grounds that the wells are necessary in order to adequately drain its Jalmat acreage. These wells are as follows:

E.J. Well No. 25
K-5-25S-37E

~~Well Federal No. 22~~
C-5-25S-37E

~~Well Federal No. 23~~
E-5-25S-37E

Jalmat Federal Com. No. 2
L-31-24S-37E

State "A-32" No. 6
E-32-25S-37E

In addition to the above-listed newly proposed wells, SDX recently drilled and completed the six following Jalmat wells, also situated within the 3748.06-acre unitized area for the Langlie Jal Unit, around and near the same above-described Hartman leases:

Enco State No. 1
A-32-24S-37E

State "A-32" No. 5
D-32-24S-37E

El Paso Wells Federal No. 2
C-04-25S-37E

Wells Federal No. 21
O-05-25S-37E

Langlie Jal Federal No. 2
G-08-25S-37E

Langlie "A" Federal No. 2
O-17-25S-37E

In regard to SDX's inferred inability to adequately drain its acreage, without dense infill drilling, please find enclosed recent pressure build-up plots for the Hartman-operated J.W. Sherrell No. 10 (C-6-25S-37E) and Skelly M State No. 4 (L-32-24S-37E). In recognition of the fact that the 1927 Jalmat Pool discovery pressure was 1400 psi (Rhodes "A" Federal No. 1 well, in C-22-26S-37E), and notwithstanding the level of depletion presently found in our Skelly M State No. 4 and J.W. Sherrell No. 10 wells, we find it alarming, that SDX, in the later stages of the producing life of the Jalmat pool, has uniquely concluded that there is such poor inter-well pressure communication between Jalmat wells, that one well per 40 acres is necessary in order to adequately drain its Jalmat acreage.

Consequently, please be advised that Doyle Hartman is opposed to any SDX applications that will result in the placement of multiple recent and/or newly proposed wells on a previously existing non-standard Jalmat Gas Proration Unit, since SDX has not established that such concentrated new drilling is necessary in order to efficiently and effectively drain its existing LJU-area Jalmat acreage. Based on our Jalmat Pool experience, the concentrated level of infill drilling being proposed by SDX amounts to unnecessary economic waste and places offset operators in the impossible position of either having to forfeit their correlative rights or, conversely, having to drill a group of defensive wells, that in the aggregate, have no reasonable chance of resulting in an adequate financial return.

As to our Skelly M State No. 4 and J.W. Sherrell No. 10 Jalmat Gas Pool wells, after recently performing CO₂ foam-frac stimulation treatments, we are still in the process of cleaning up both wells in order to meet the more-stringent CO₂ standards that have been imposed by Sid Richardson Carbon and Gasoline Co., for wells near the inlet to its Jal Plant No. 3 (Units E and L, T-24-S, R-37-E), and have not yet been allowed by Sid Richardson to turn our two wells back into Sid Richardson's pipeline. The frac job for our Skelly M State No. 4 was performed on September 20, 1999, and the frac job for our J.W. Sherrell No. 10 was performed on September 30, 1999, at substantial expense and after considerable soul searching, because of the extremely low Jalmat reservoir pressure in the LJU area.

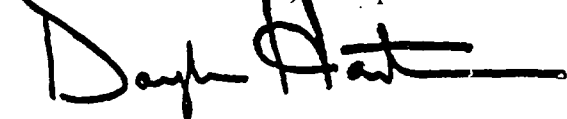
Moreover, we are also puzzled as to how SDX plans, in a timely manner, to get its newly proposed wells into Sid Richardson's LJU area gathering system near Jal Plant No. 3, when our long-time Jalmat producers (Skelly M State No. 4 and J.W. Sherrell No. 10) are still being denied access back into the pipeline because of Sid Richardson's more-stringent CO₂ requirements for wells situated in the LJU area. In addition, we also do not want our leases being affected by SDX, while SDX cleans up any unnecessarily-drilled wells, to the CO₂ levels that have been imposed by Sid Richardson near the inlet to its Jal Plant No. 3.

Therefore, we hereby request that SDX be required to come forward, at a hearing, and (1) provide its estimate of the reserves that it projects will be recovered from each of its five proposed high-density Jalmat infill wells, (2) provide and/or substantiate the reserve parameters (porosity - feet of pay, pressure, drainage area, P/Z data, etc.) that it has relied upon in computing the reserve values for its newly proposed wells within the 3748.06-acre LJU area, (3) provide the economic evaluations and recovery projections that it has performed for internal purposes, promotional packages, investors, bankers, Securities Exchange Commission, etc., and (4) show why one Jalmat well cannot drain significantly more than 40 acres.

Finally, as to SDX's proposed State "A-32" No. 6 well depth of 3500', we are also concerned that SDX may not be aware of NMOCD Order R-4929, dated December 3, 1974 (copy enclosed), that contracted the vertical limits of the Jalmat Gas Pool interval, within the LJU Unitized Area, and that SDX, with its proposed 3500' well depth, may presently have plans to complete its State "A-32" No. 6 well within the vertical limits of the Seven-Rivers formation (now Langlie Mattix Pool), which could potentially result in large volumes of LJU Seven-Rivers injection water cross-flowing into the very low pressure Yates formation, thus further negatively impacting our offset Jalmat gas rights and causing further waste.

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

enclosures

New Mexico Oil Conservation Division
October 13, 1999
Page 5

cc: Michael Stogner, Chief Hearing Officer
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Commissioner of Public Lands
State of New Mexico
P.O. Box 1148
Santa Fe, NM 87504

Chuck Morgan, Petroleum Engineer
SDX Resources, Inc.
511 W. Ohio Ave, Suite 601 (79701)
P.O. Box 5061
Midland, Texas 79704

ARCO Permian
P.O. Box 1610
Midland, TX 79702-1610
Attn: T.L. Holland, VP Land
Lee M. Scarborough, Senior Landman

ARCO
P.O. Box 1089
Eunice, NM 88231-1089

Zeno Ferris
Gruy Petroleum Management Company
600 E. Las Colinas Blvd., Suite 1200 (75039)
P.O. Box 140907
Irving, TX 75014-0907

Richard R. Frazier, President & Chief Operating Officer
Gruy Petroleum Management Company
600 E. Las Colinas Blvd., Suite 1200 (75039)
P.O. Box 140907
Irving, TX 75014-0907

New Mexico Oil Conservation Division
October 13, 1999
Page 6

Steve Burleson
Lewis B. Burleson, Inc.
200 N. Loraine (79701)
P.O. Box 2479
Midland, TX 79702

Saga Petroleum Ltd. Liability Co.
415 W. Wall, Suite 835
Midland, TX 79701

Permian Resources
P.O. Box 590
Midland, TX 79702

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

Phillips Petroleum Company
4001 Penbrook
Odessa, TX 79762

Charles Drimal, Jr., President, COO and CEO
Prime Energy Corporation
One Landmark Sq., Suite 1100
Stamford, CT 06901-2601

Midland Operating
3300 N. A St., Bldg. 2, Suite 104
Midland, TX 79705

Bruce Williams, Manager of Gas Contracts
Sid Richardson Carbon & Gasoline Co.
201 Main Street
Ft. Worth, TX 76102-3131

New Mexico Oil Conservation Division

October 13, 1999

Page 7

Randall Dunn, Field Manager
Sid Richardson Carbon & Gasoline Co.
Lea County Gathering System
610 S. Commerce
P.O. Box 1226
Jal, NM 88252

James A. Davidson
214 W. Texas, Suite 710
Midland, TX 79701

Gallegos Law Firm
460 St. Michaels Dr., Bldg. 300
Santa Fe, NM 87505
Attn: J.E. Gallegos
Michael J. Condon

DOYLE HARTMAN, Oil Operator (Dallas)

DOYLE HARTMAN, Oil Operator (Jal Field Office)
Harold Swain

DOYLE HARTMAN, Oil Operator (Midland)
Linda Land
Don Mashburn
Steve Hartman
Sheila Potts

OWNERSHIP PLAT
T-24 & 25-S, R-37-E
LEA CO., NEW MEXICO
SCALE: "1 = 2000"

DOYLE HARTMAN
MARTIN "B" NO. 1

F-31-24S-37E

SDX RESOURCES, INC.
STATE "A-32" NO. 6
E-32-24S-37E
(PROPOSED) WELL

SDX RESOURCES, INC.

STATE "A-32" NO. 5
D-32-24S-37E
(NEW WELL)

SDX RESOURCES, INC.
ENCO STATE NO. 1
A-32-24S-37E
(NEW WELL)

DOYLE HARTMAN
SKELLY "M" NO. 4
L-32-24S-37E

DOYLE HARTMAN
SHERRELL NO. 9
J-31-24S-37E

SDX RESOURCES, INC.
WELLS FEDERAL NO. 15
D-05-25S-37E
(ORIGINAL WELL)
WELLS FEDERAL NO. 23
E-05-25S-37E
(PROPOSED) WELL

SDX RESOURCES, INC.
E. J. WELLS NO. 16
L-05-25S-37E
E. J. WELLS NO. 13
L-05-25S-37E
(ORIGINAL WELL)

SDX RESOURCES, INC.
WELLS FEDERAL NO. 21
O-05-25S-37E
(NEW WELL)

DOYLE HARTMAN
BURLESON NO. 3
D-05-25S-37E

DOYLE HARTMAN
BURLESON NO. 2
F-05-25S-37E

SDX RESOURCES, INC.
WELLS FEDERAL NO. 22
C-05-25S-37E
(PROPOSED) WELL

SDX RESOURCES, INC.
WELLS FEDERAL NO. 4
F-05-25S-37E
(ORIGINAL WELL)

SDX RESOURCES, INC.
E. J. WELLS NO. 25
K-05-25S-37E
(PROPOSED) WELL

SDX RESOURCES, INC.
WELLS FEDERAL NO. 1
I-05-25S-37E
(ORIGINAL WELL)

SDX RESOURCES, INC.
WELLS FEDERAL NO. 17
J-05-25S-37E
(ORIGINAL WELL)

SDX RESOURCES, INC.
LANGLIE JAL FED. NO. 1
A-08-25S-37E
(ORIGINAL WELL)

SDX RESOURCES, INC.
LANGLIE JAL FED. NO. 2
G-08-25S-37E
(NEW WELL)

SDX RESOURCES, INC.
JALMAT FED. COM NO. 2
L-31-24S-37E
(PROPOSED WELL)

SDX RESOURCES, INC.
JALMAT FED. COM NO. 1
D-06-25S-37E
(ORIGINAL WELL)

DOYLE HARTMAN
SHERRELL NO. 10
C-06-25S-37E

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

OIL CONSERVATION DIVISION

2040 Pacheco St.
Santa Fe, NM 87505

WELL API NO. 30-025-26704
Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
State Oil & Gas Lease No.

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.)	
Type of Well: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>	Lease Name or Unit Agreement Name J.W. Sherrell
Name of Operator Doyle Hartman	
Address of Operator 500 N. Main Street, Midland, Texas 79701	Well No. 10
Well Location Unit Letter <u>C</u> : <u>660</u> Feet From The <u>North</u> Line and <u>2000</u> Feet From The <u>West</u> Line Section <u>6</u> Township <u>25-S</u> Range <u>37-E</u> NMPM <u>Lea</u> County	Pool name or Wildcat Jalmat
Elevation (Show whether DF, RKB, RT, GR, etc.) 3236 G.L. (3247' RKB)	

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: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☒ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ANBANDONMENT ☐
CASING TEST AND CEMENT JOB ☐
OTHER: Perform CO2 foam frac. ☒

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.

On 9-23-99, tested well as follows: Gas = 19 MCFPD
Fluid = 2 BWPD
CP = 7 psig
SIWHP = 18 psig (9-15-99)

Rigged up Halliburton. Fraced well with 167,325 gal of gelled water and 359 tons (6184 MCF) of CO2. Presently cleaning up well waiting for gas stream to reach MORE STRINGENT CO2 level imposed by Sid Richardson Gasoline company for its gathering system in the LJU area near the inlet for its Jal Plant No. 3.

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

SIGNATURE Ann O'Brien TITLE Executive Assistant DATE 10-12-99

TYPE OR PRINT NAME Ann O'Brien

TELEPHONE NO. 915/684-4011

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

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

OIL CONSERVATION DIVISION

2040 Pacheco St.
Santa Fe, NM 87505

WELL API NO. 30-025-25974
Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
State Oil & Gas Lease No. B-1327

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.)	
Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER	Lease Name or Unit Agreement Name Skelly M State
Name of Operator Doyle Hartman	
Address of Operator 500 N. Main Street, Midland, Texas 79701	Well No. 4
Well Location Unit Letter <u>L</u> : <u>1650</u> Feet From The <u>South</u> Line and <u>660</u> Feet From The <u>West</u> Line Section <u>32</u> Township <u>24-S</u> Range <u>37-E</u> NMPM <u>Lea</u> County	Pool name or Wildcat Jalmat
Elevation (Show whether DF, RKB, RT, GR, etc.) 3239 G.L. (3249' RKB)	

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: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☒ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ANBANDONMENT ☐
CASING TEST AND CEMENT JOB ☐
OTHER: Perform CO2 foam frac. ☒

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.

On September 10, 1999, gas rate = 15 MCFPD. Shut in well and performed pressure buildup. SIP = 16 psig (9-12-99).

On September 20, 1999, rigged up Halliburton and fraced well with 166,000 gal of gelled water and 348 tons (5964 MCF) of CO2. Recovered an estimated 200 bbls of load water. Presently cycling well between flaring and shutting in until CO2 level reaches MORE STRINGENT CO2 limits imposed by Sid Richardson Gasoline Company for its gathering system in the LJU area near the inlet for its Jal Plant No. 3.

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

SIGNATURE Ann O'Brien TITLE Executive Assistant DATE 10-12-99

TYPE OR PRINT NAME Ann O'Brien TELEPHONE NO. 915/684-4011

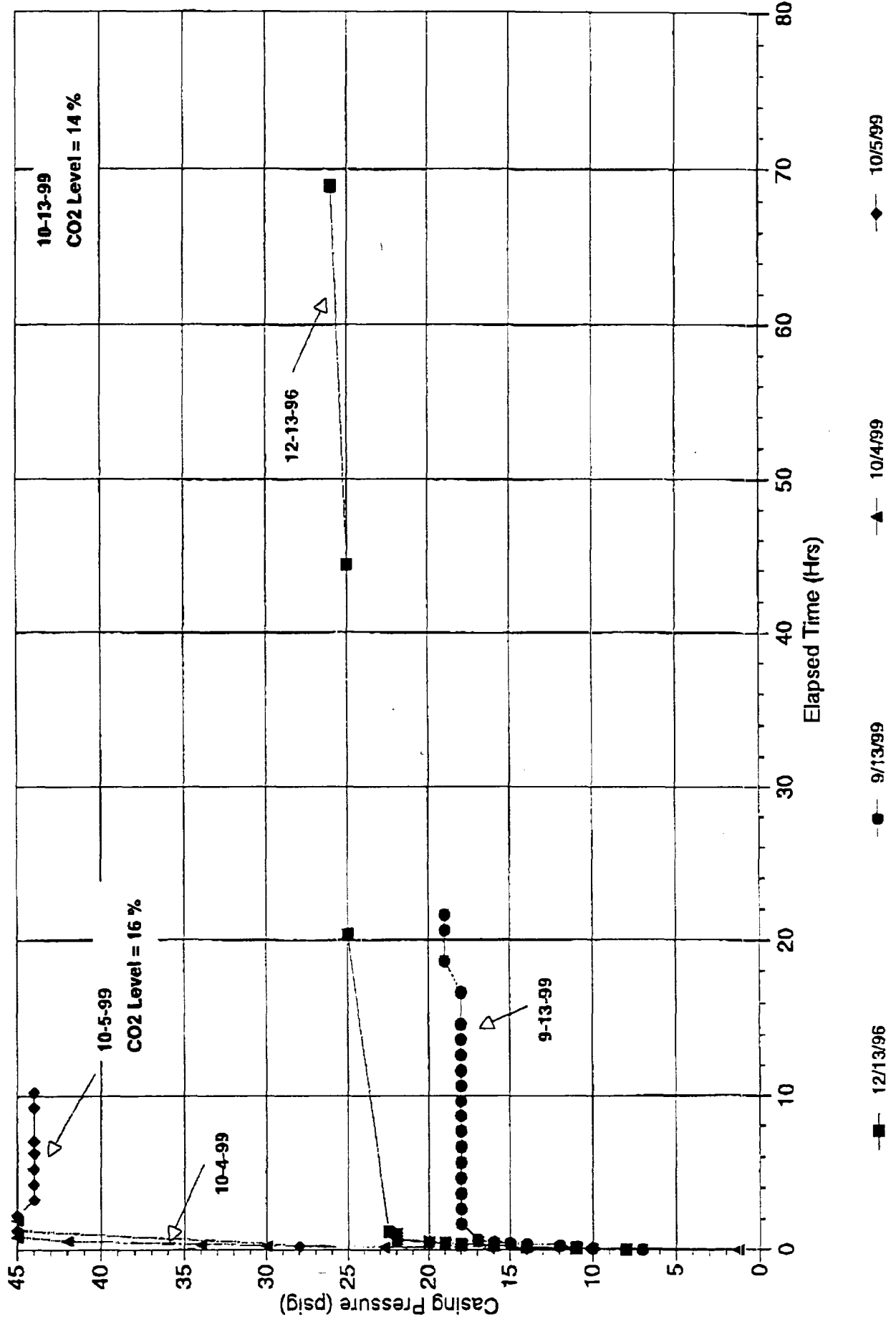
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APPROVED BY _____ TITLE _____ DATE _____

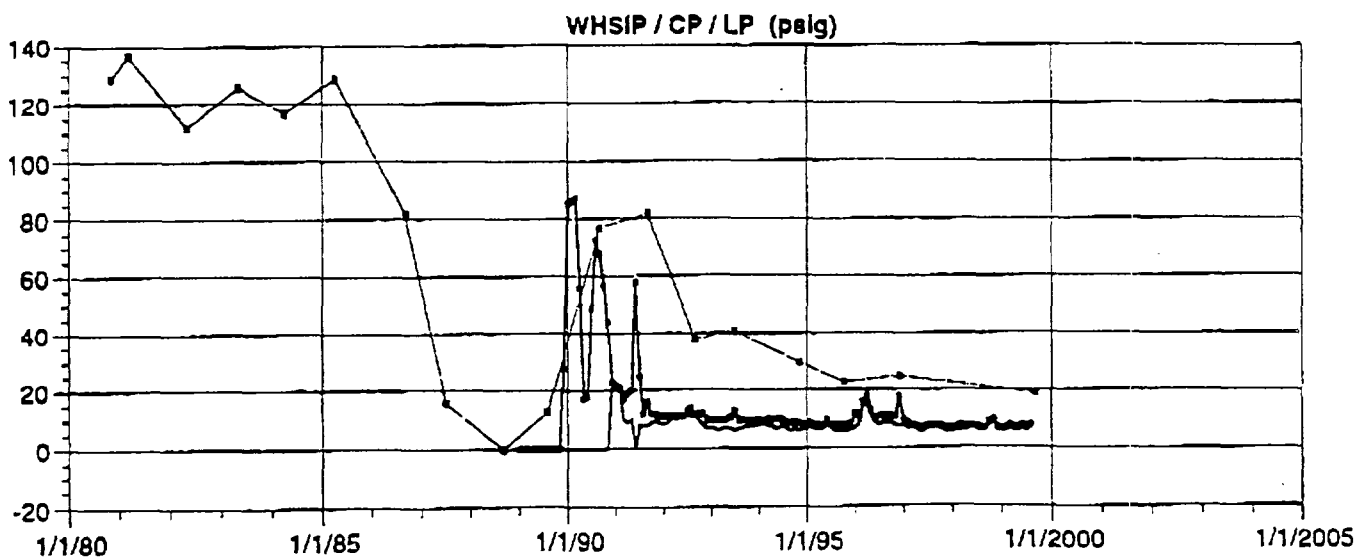
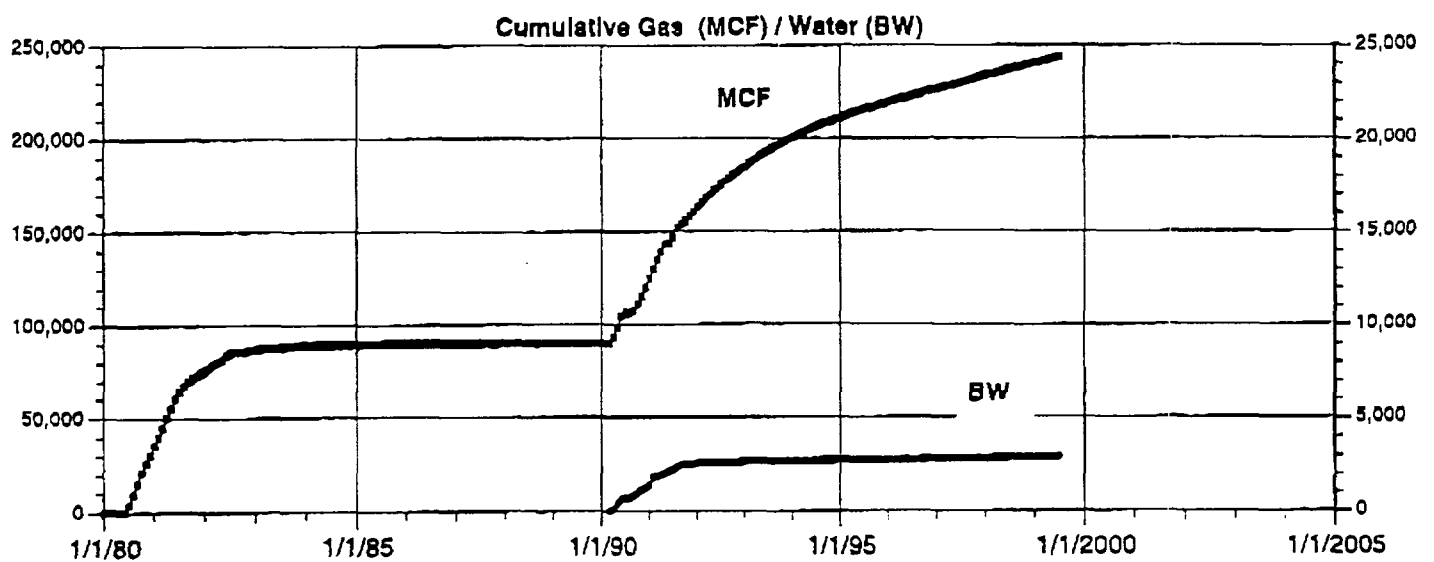
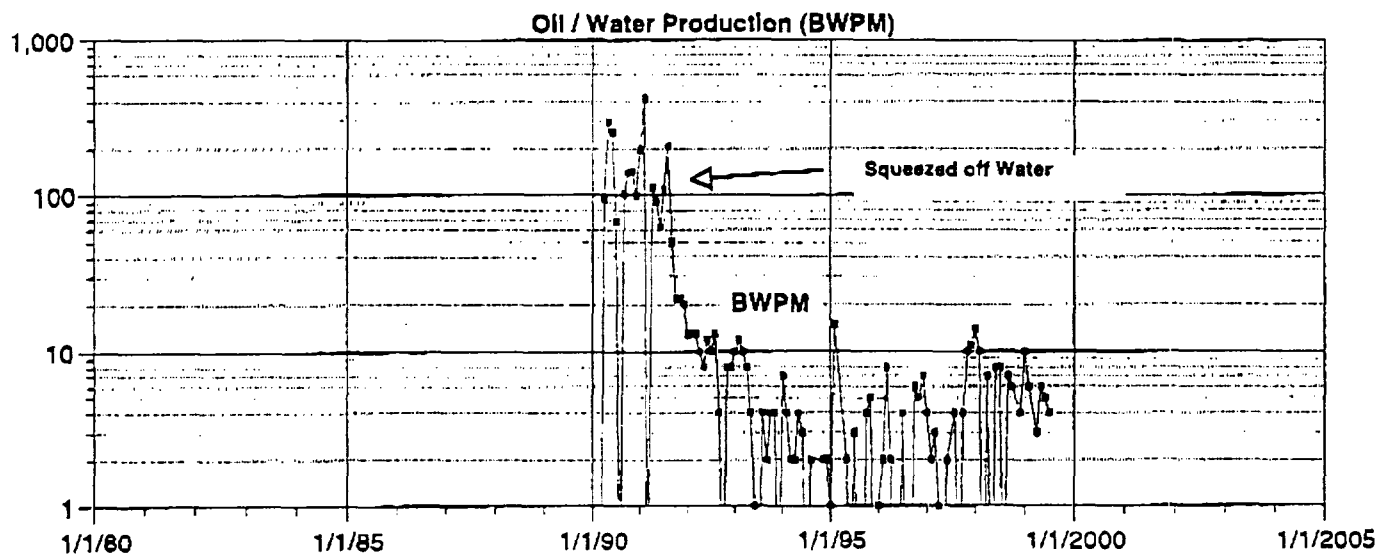
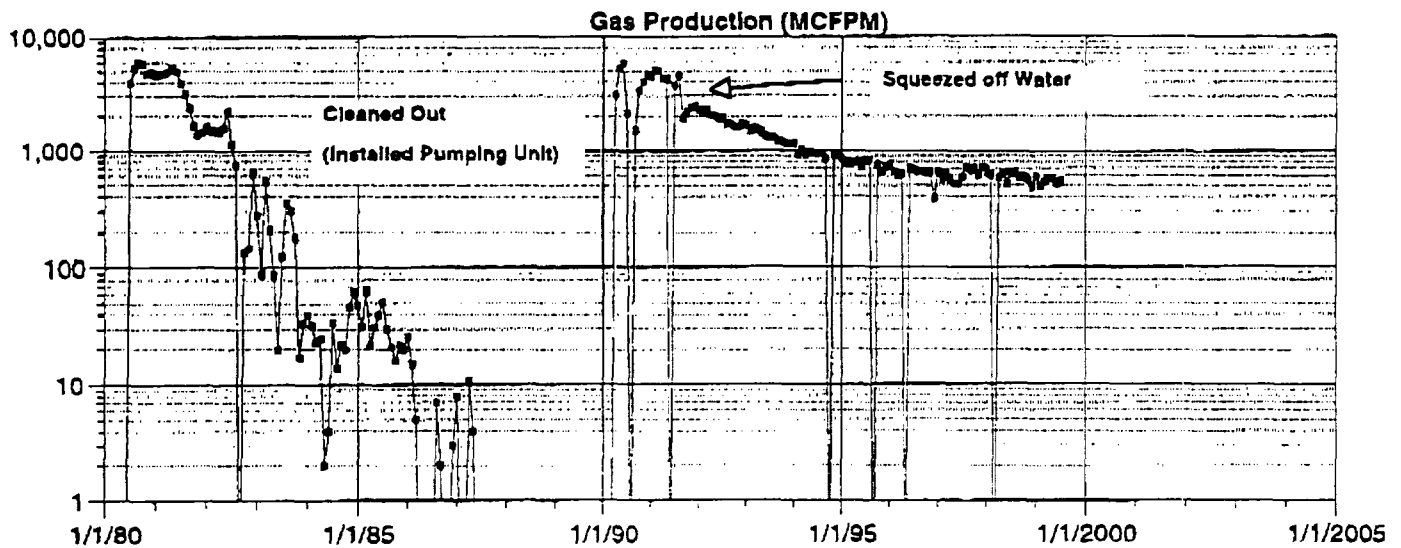
CONDITIONS OF APPROVAL, IF ANY:

J. W. SHERRELL # 10
JALMAT GAS POOL
C - 6 T-25S R-37E

DOYLE HARTMAN OIL OPERATOR

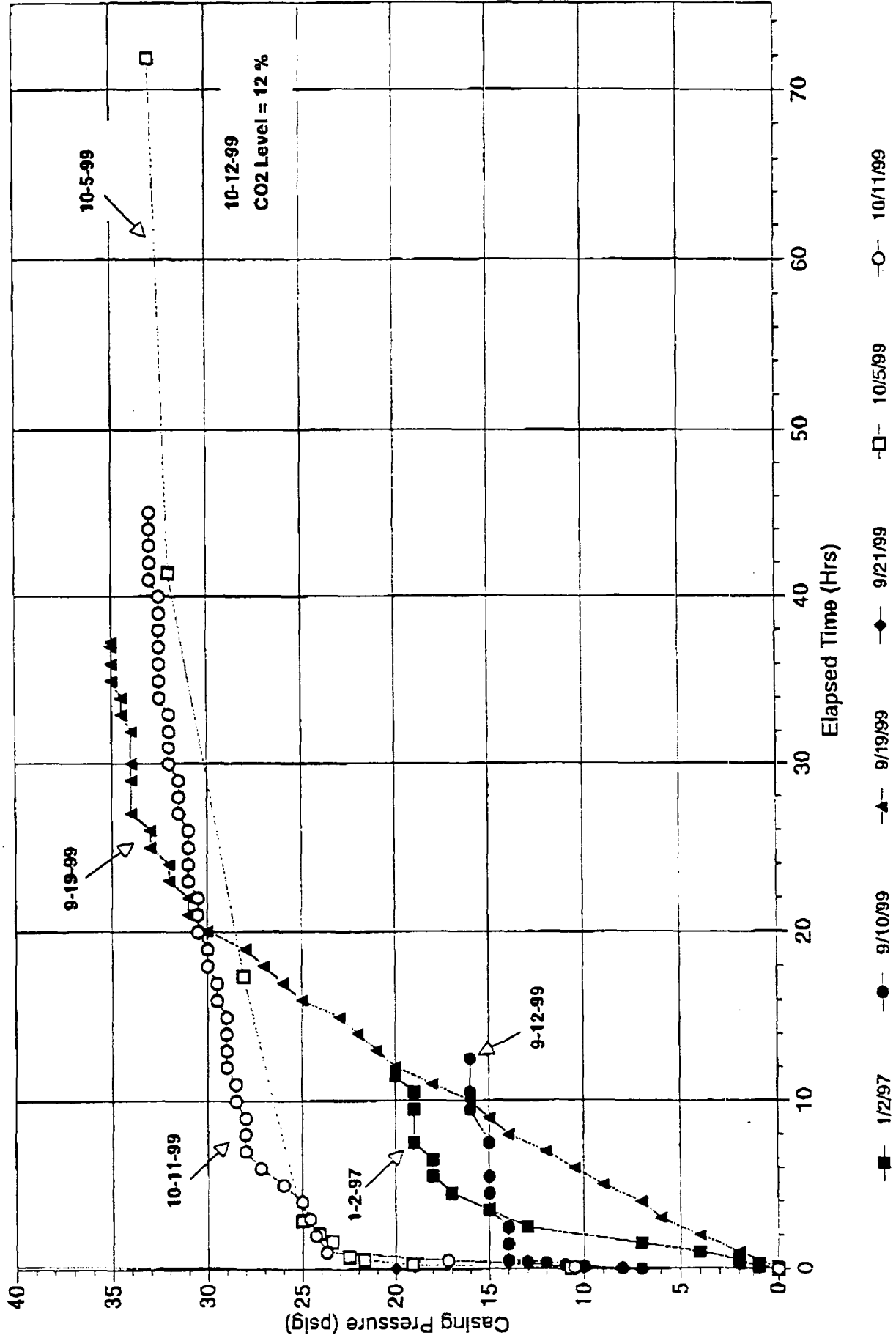


J W SHERRELL # 10 - DWIGHTS + (RPT-3)
 JALMAT (TANSILL YATES SEVEN RIVERS) YS
 C-6 T-25S R-37E
 DOYLE HARTMAN OIL OPERATOR

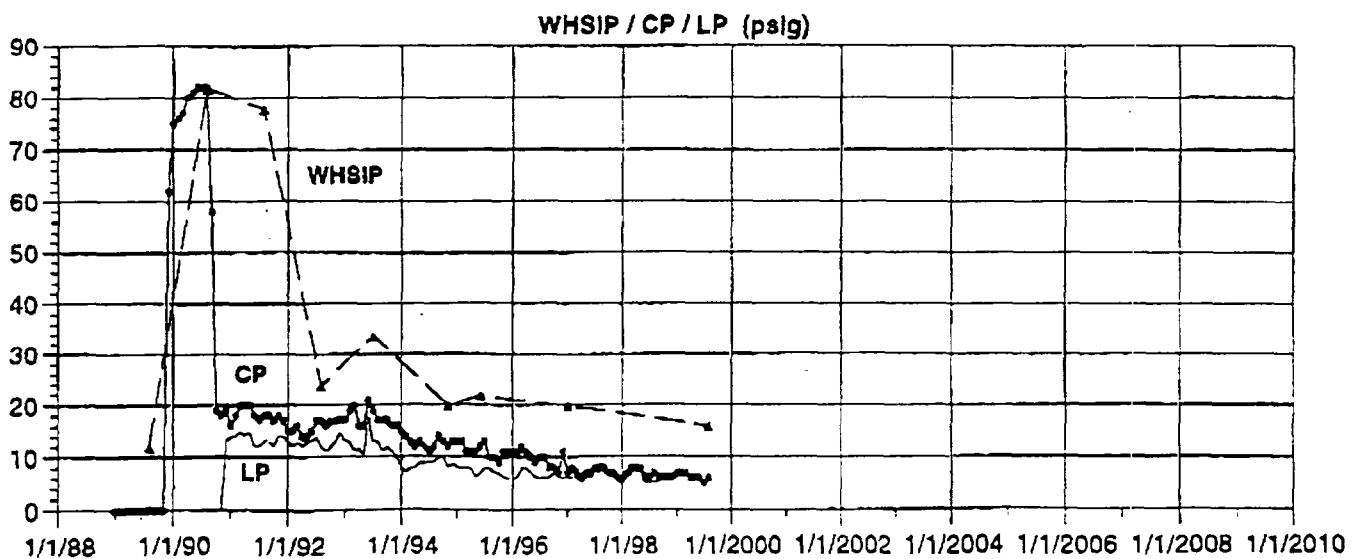
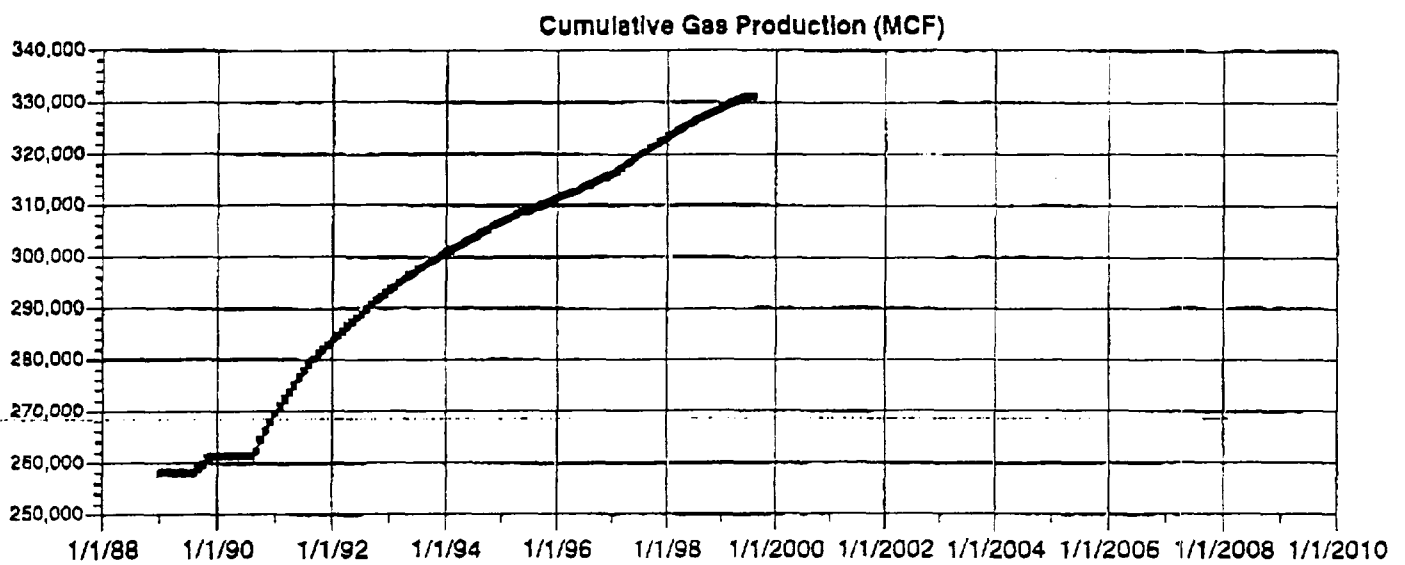
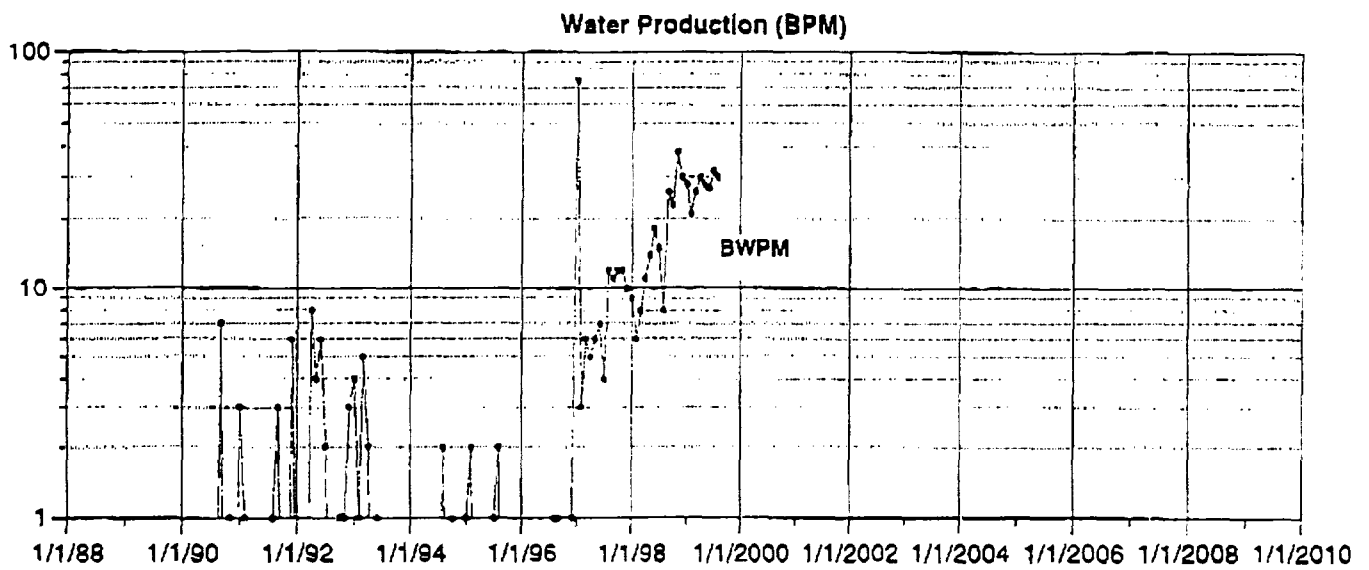
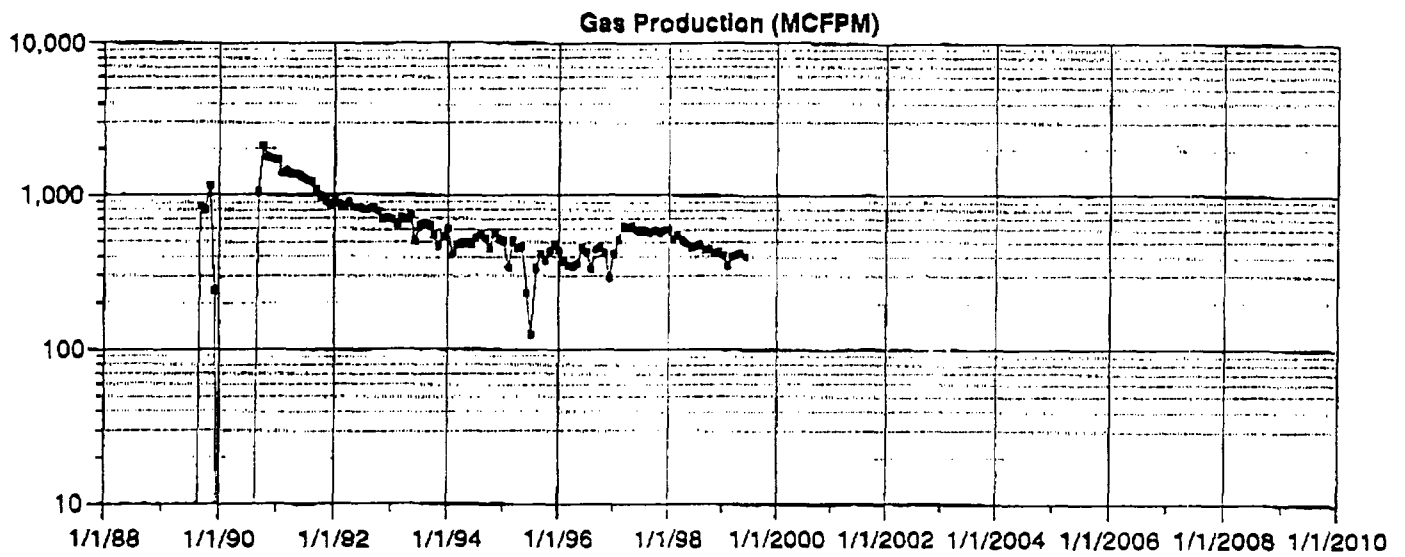


SKELLY M STATE #4
JALMAT GAS POOL
L - 32 T-24S R-37E

DOYLE HARTMAN OIL OPERATOR



SKELLY M STATE # 4
 JALMAT (TANSILL YATES SEVEN RIVERS) YS
 L - 32 T-24S R-37E
 DOYLE HARTMAN OIL OPERATOR



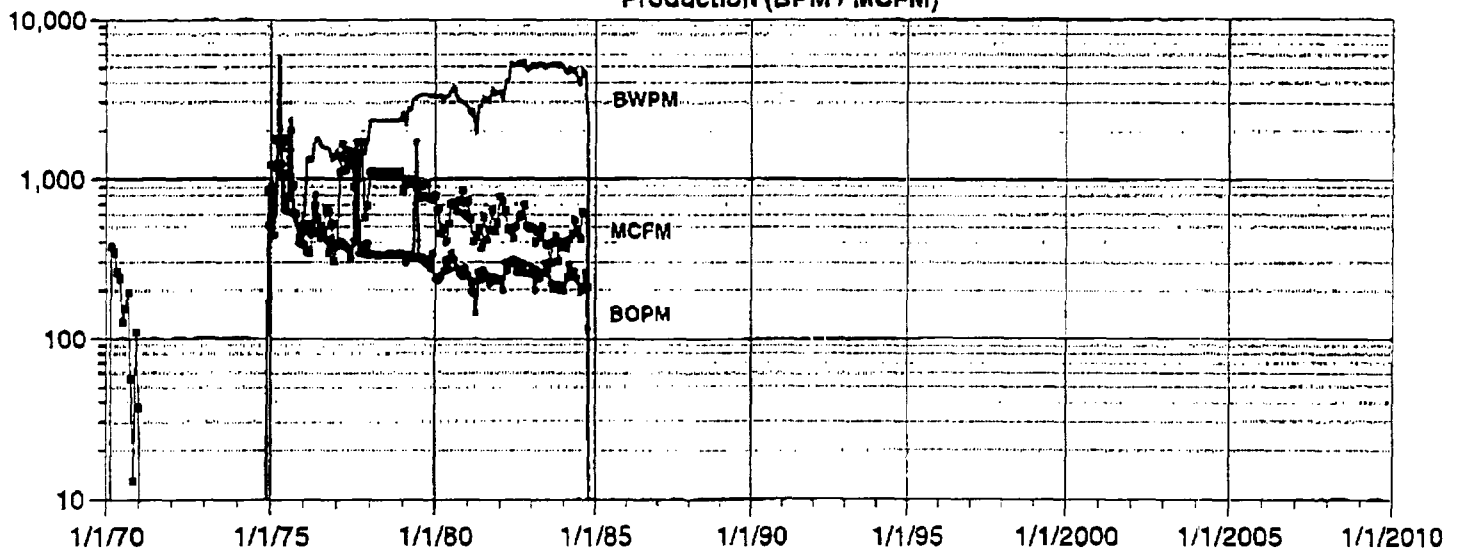
LANGLIE JAL UNIT # 10 (INJECTION WELL)

LANGLIE MATTIX (7 RVS QN GRB)

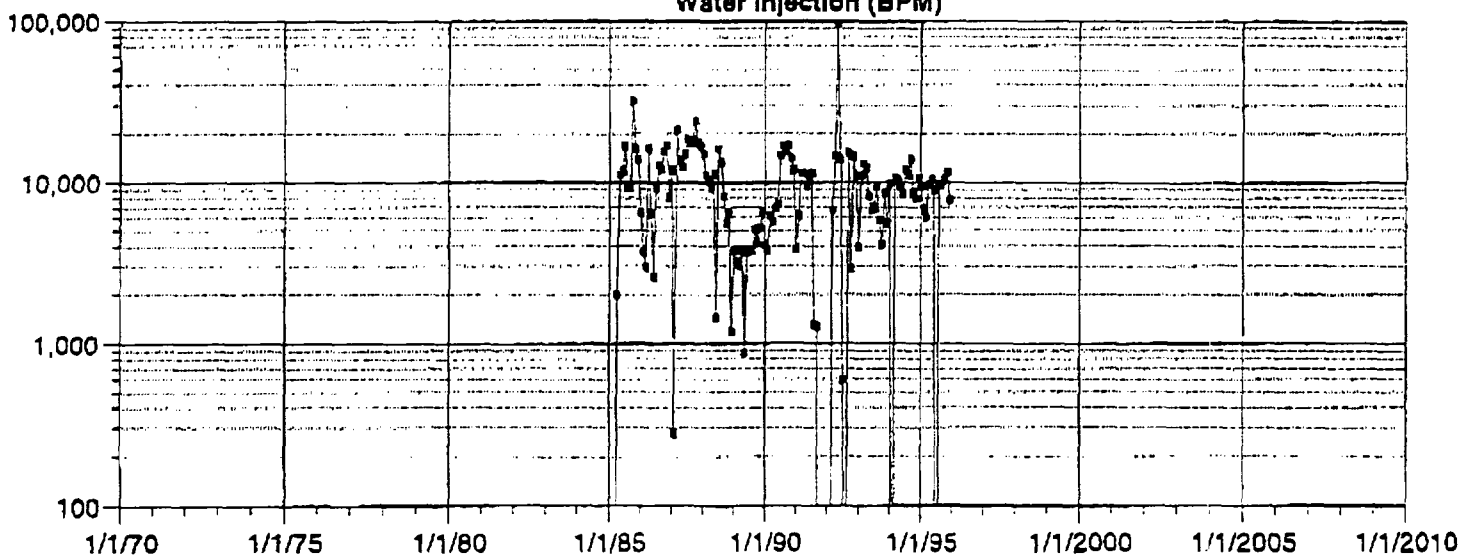
E-32 T-24S R-37E

GP II ENERGY

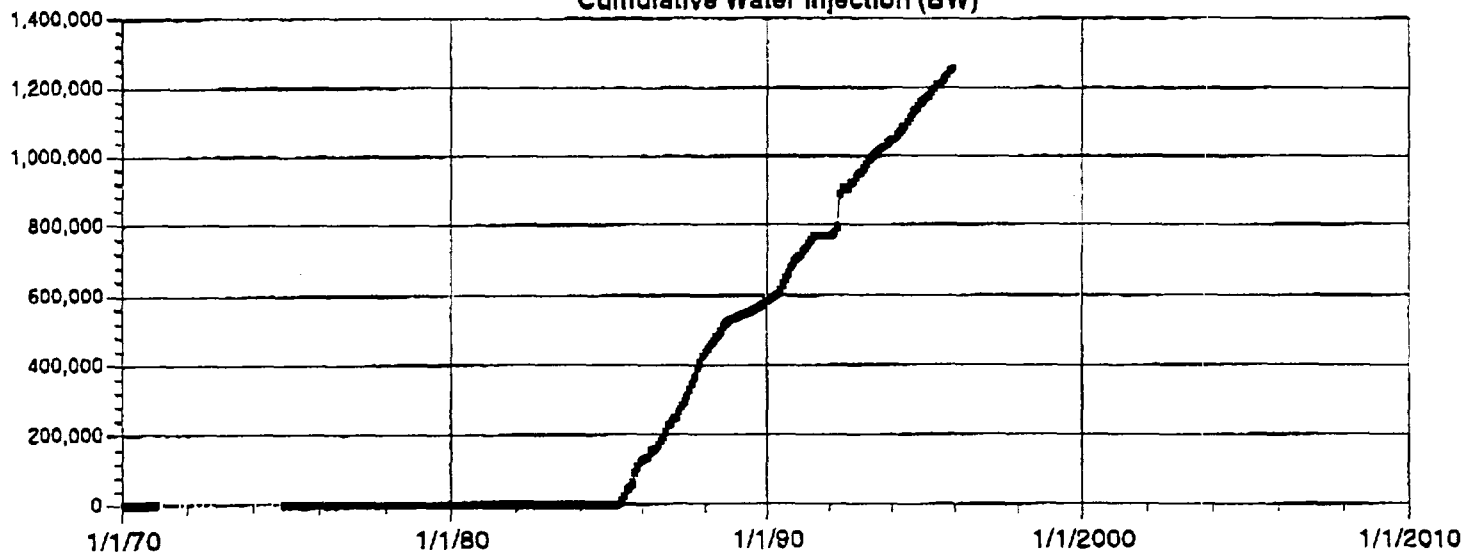
Production (BPM / MCFM)



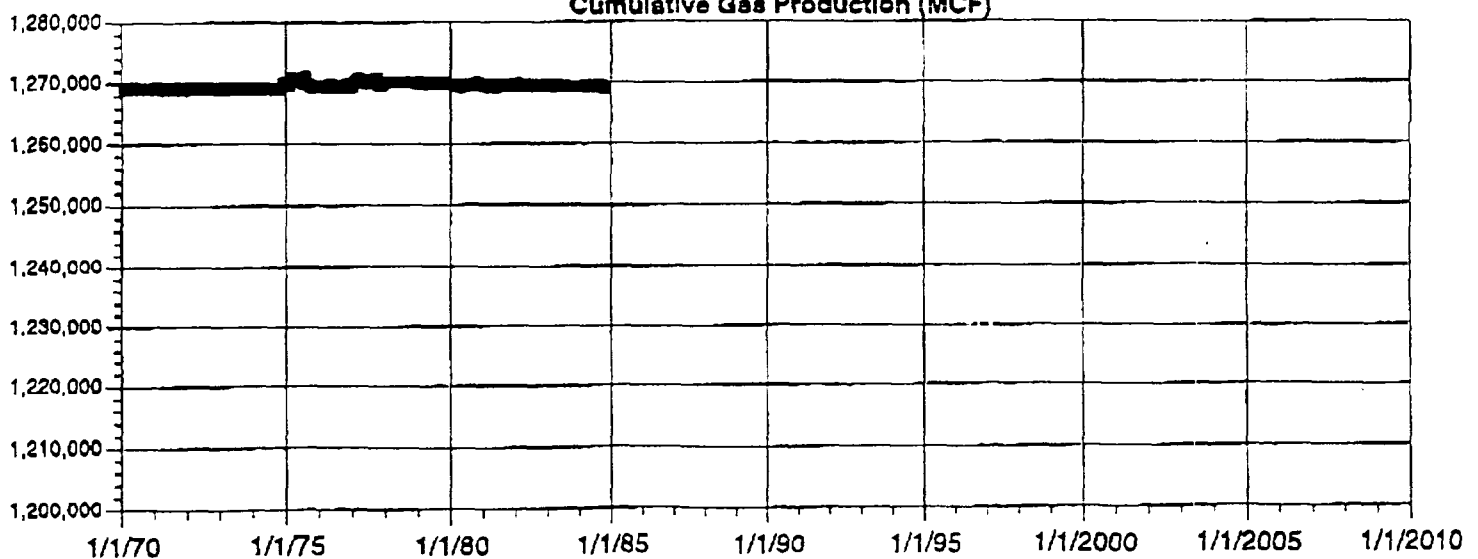
Water Injection (BPM)



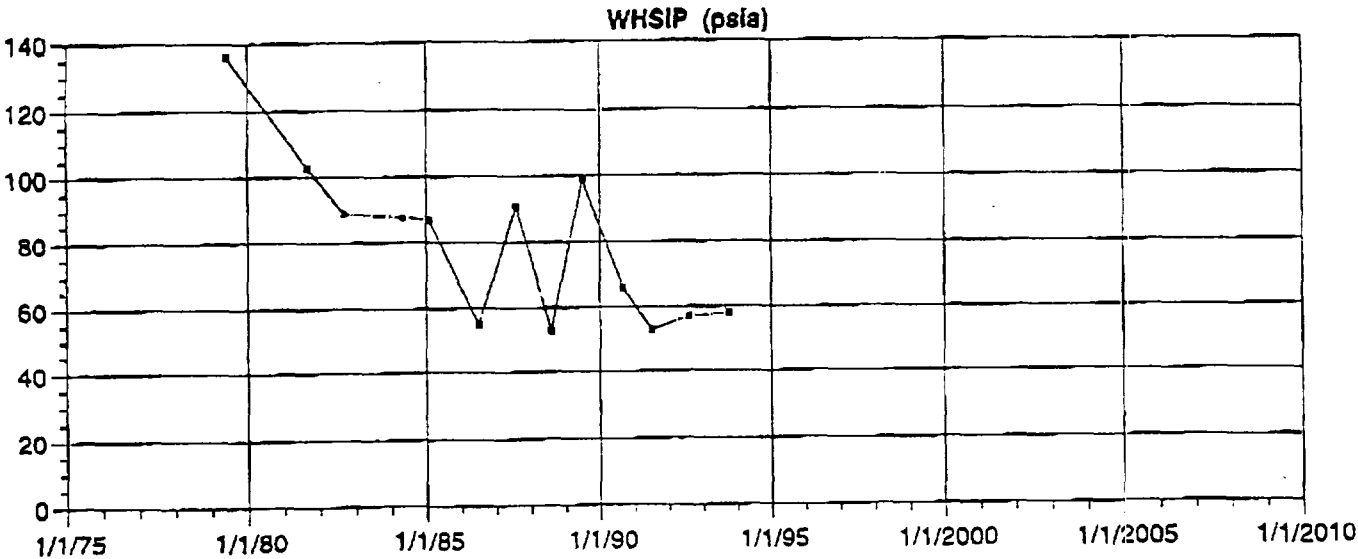
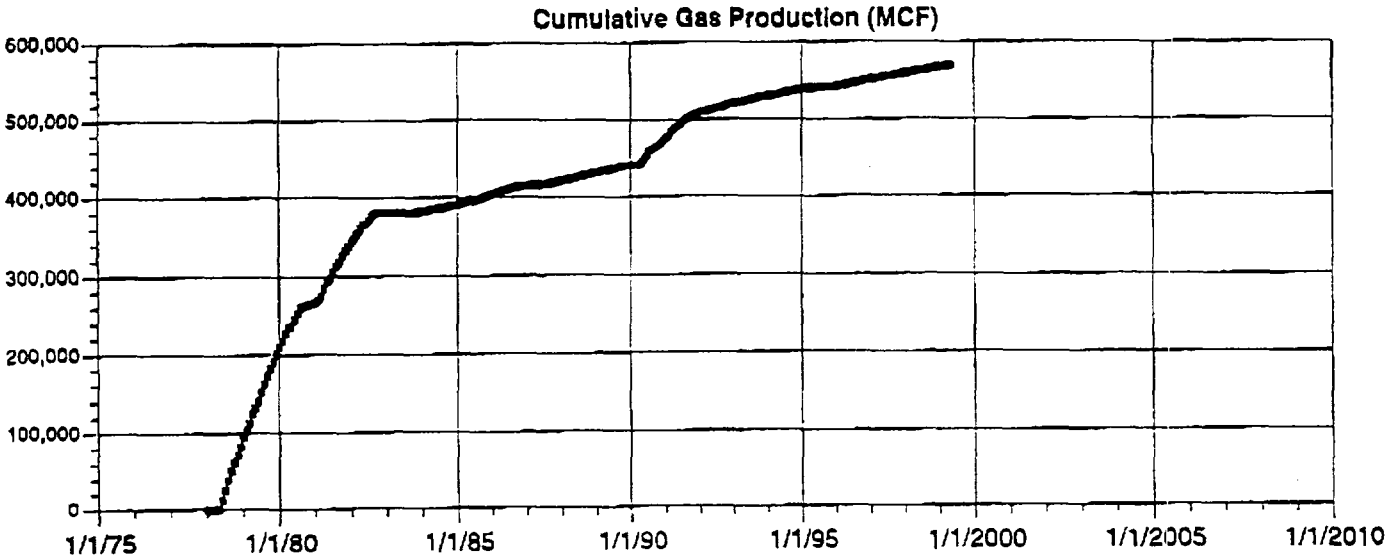
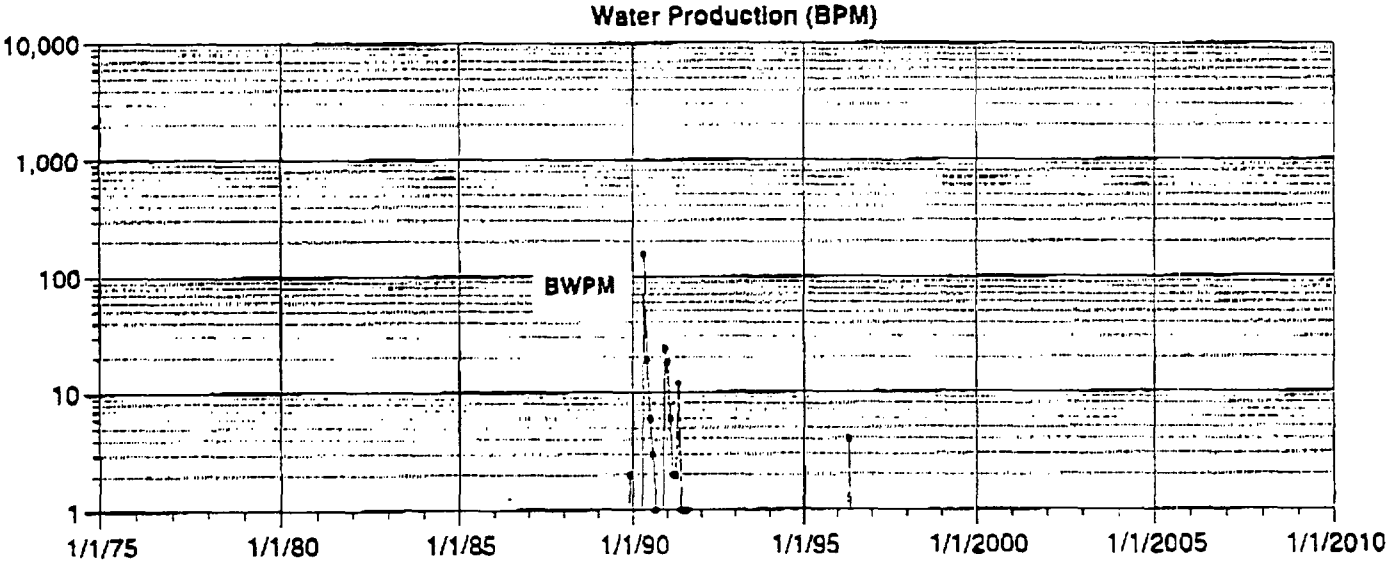
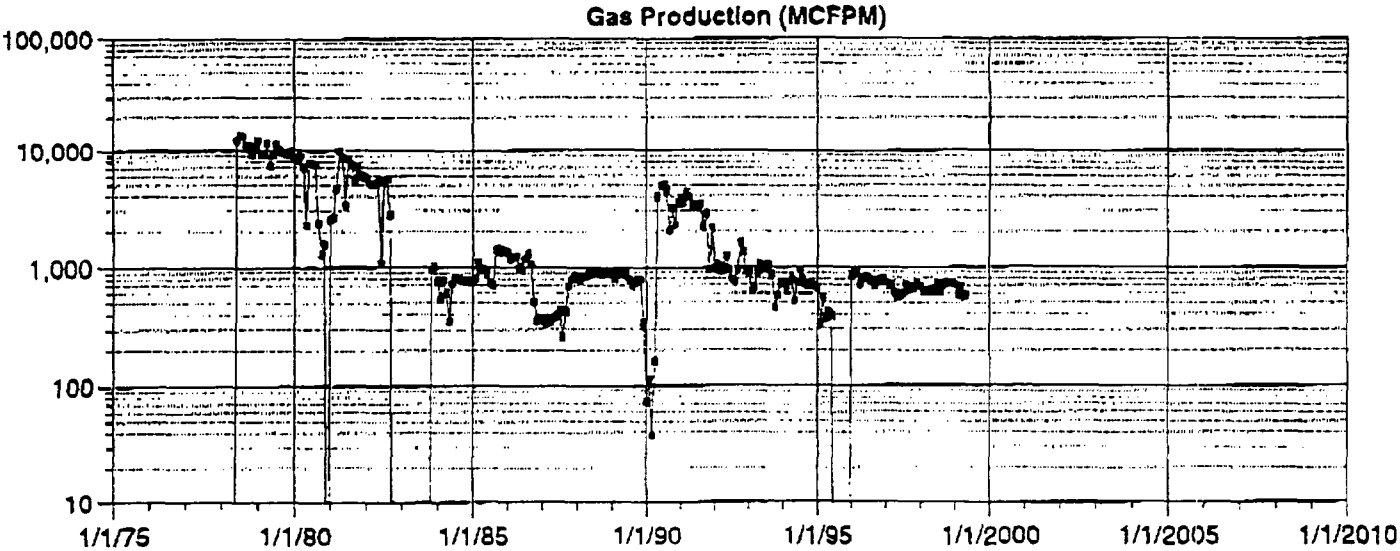
Cumulative Water Injection (BW)



Cumulative Gas Production (MCF)



STATE A 32 # 4
JALMAT (TANSILL YATES SEVEN RIVERS) YS
F - 32 T-24S R-37E
SDX RESOURCES, INC.



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

CASE NO. 5368
Order No. R-4929

IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION COMMISSION ON ITS OWN MOTION
TO CONSIDER THE CONTRACTION OF THE VERTICAL
LIMITS OF THE JALMAT GAS POOL UNDERLYING ALL
OR PORTIONS OF SECTIONS 31 AND 32, TOWNSHIP
24 SOUTH, RANGE 37 EAST, AND SECTIONS 4, 5,
6, 8, 9 AND 17, TOWNSHIP 25 SOUTH, RANGE 37
EAST, LEA COUNTY, NEW MEXICO, AND THE EXTEN-
SION OF THE VERTICAL LIMITS OF THE LANGLEIE
MATTIX POOL UNDERLYING THE SAME AREA.

NOMENCLATURE

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 26,
1974, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 3rd day of December, 1974, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being fully
advised in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the vertical limits of the Jalmat Gas Pool, Lea
County, New Mexico, as previously designated and defined by the
Commission, comprise the Tansill and Yates formations, and all
but the lowermost 100 feet of the Seven Rivers formation.

(3) That the vertical limits of the Langlie-Mattix Oil
Pool, as previously designated and defined by the Commission,
comprise the lowermost 100 feet of the Seven Rivers formation
and all of the Queen and Grayburg formations.

(4) That the unitized formations in the Langlie-Jal Unit
Area, as approved by Commission Order No. R-4036, comprise the
Seven Rivers and Queen formations.

(5) That the horizontal limits of said Langlie-Jal Unit
Area comprise the following described lands:

LEA COUNTY, NEW MEXICO
TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 31: Lots 2, 3, and 4 and SE/4 NW/4,
E/2 SW/4 and E/2

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM

Section 4: Lots 2, 3, and 4 and S/2 NW/4,
SW/4 NE/4, and W/2 SW/4

Section 5: All

Section 6: All

Section 8: E/2 and NW/4

Section 9: W/2 W/2

Section 17: E/2

(6) That the Seven Rivers formation underlying said unit area is for the most part oil-saturated, and there are recoverable oil reserves in said interval and area.

(7) That secondary recovery operations are currently being conducted in the Seven Rivers formation and in the Queen formation underlying the Langlie-Jal Unit Area pursuant to authority of Order No. R-4051.

(8) That to increase the efficiency of said secondary recovery operations, the Seven Rivers formation and the Queen formation should be treated as a common producing interval.

(9) That the contraction of the vertical limits of the Jalmat Gas Pool to exclude all of the Seven Rivers formation therefrom, and the concurrent extension of the vertical limits of the Langlie Mattix Oil Pool to include all of the Seven Rivers formation therein, within the horizontal limits of the Langlie-Jal Unit Area as set forth in Finding No. (5) above, will permit the more efficient operation of the aforesaid secondary recovery projects, will prevent waste, will not violate correlative rights, and should be approved.

(10) That there are at least two gas wells completed in the Yates formation of the Jalmat Gas Pool which have perforated or open-hole intervals extending into the uppermost portion of the Seven Rivers formation, these wells being the Reserve Oil and Gas Company Martin B Well No. 1, located in Unit F of Section 31, Township 24 South, Range 37 East, the open-hole producing interval being from 2852 feet to 3187 feet, the lowermost 42 feet of which is in the Seven Rivers formation, and the El Paso Natural Gas Company Wells Federal Well No. 1, located in Unit I of Section 5, Township 25 South, Range 37 East, the perforated interval being from 3100 feet to 3195 feet, the lowermost 30 feet of which is in the Seven Rivers formation.

(11) That an exception to the vertical limits of the Jalmat Gas Pool as amended in the subject area by this order should be given to the wells described in Finding No. (10) above for the producing intervals as described.

(12) That the Secretary-Director of the Commission should have authority to grant administrative exception to the vertical limits of the Jalmat Gas Pool as amended in the subject area by this order, should it be found that there are other Jalmat Gas wells the producing interval of which similarly extend into the Seven Rivers formation.

IT IS THEREFORE ORDERED:

(1) That this order shall apply only to the following described area:

LEA COUNTY, NEW MEXICO
TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM
Section 31: Lots 2, 3, and 4 and SE/4 NW/4,
E/2 SW/4, and E/2
Section 32: All

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM
Section 4: Lots 2, 3, and 4 and S/2 NW/4,
SW/4 NE/4, and W/2 SW/4
Section 5: All
Section 6: All
Section 8: E/2 and NW/4
Section 9: W/2 W/2
Section 17: E/2

(2) That the vertical limits of the Jalmat Gas Pool in the above-described area are hereby defined as comprising the Tansill and Yates formations.

(3) That the vertical limits of the Langlie Mattix Oil Pool in the above-described area are hereby defined as comprising the Seven Rivers, Queen, and Grayburg formations.

(4) That the Reserve Oil and Gas Company Martin B Well No. 1, located in Unit F of Section 31, Township 24 South, Range 37 East, the open-hole interval of which is 2852 feet to 3187 feet, and the El Paso Natural Gas Company Wells Federal Well No. 1, located in Unit I of Section 5, Township 25 South, Range 37 East, the perforated interval of which is 3100 feet to 3195 feet, both of which are classified as Jalmat Gas Wells, are each hereby granted an exception to the vertical limits of the Jalmat Gas Pool for that portion of the producing interval which is currently open in the Seven Rivers formation.

(5) That the Secretary-Director of the Commission is hereby authorized to approve an exception to the vertical limits of the Jalmat Gas Pool for any other well classified as a Jalmat Gas Well which may prove to have, on the effective date of this order, a portion of its producing interval open to the Seven Rivers formation.

-4-

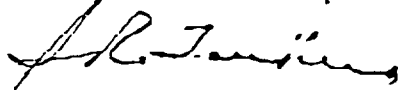
CASE NO. 5368

Order No. R-4929

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

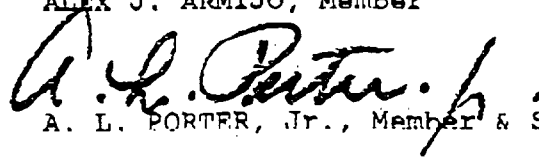
DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member



A. L. PORTER, Jr., Member & Secretary

S E A L

jr/

Fold at line over top of envelope to
the right of the return address

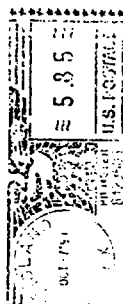
CERTIFIED

Z 208 778 317

MAIL

SDX Resources, Inc.
PO Box 5061
Midland, TX 79704

Doyle Hartman
PO Box 10426
Midland, TX 79702



OFFSET OPERATORS

WELLS FEDERAL #22

Doyle Hartman
PO Box 10426
Midland, TX 79702

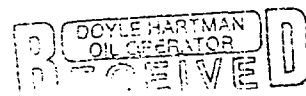
Arco
PO Box 1089
Eunice, NM 88231-1089

Permian Resources
PO Box 590
Midland, TX 79702

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

Phillips
4001 Penbrook
Odessa, TX 79762

GP II
713 W. Wadley
Midland, TX 79705



OCT 12 1999

SDX RESOURCES, INC.

P.O. BOX 5061

MIDLAND, TEXAS 79704

(915) 685-1761

Sept.08, 1999

NMOCD

2040 South Pacheco Street

Santa Fe, NM 87505

Attention: Mr. Mike Stogner

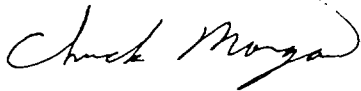
RE: Wells Fed. #23
Sec. 5, T25S, R37E
1886' FNL, 758' FWL
Lea County, New Mexico

Wells Fed. # 22
Sec. 5, T25S, R37E
660' FNL, 1780 FWL
Lea County, New Mexico

Dear Mr. Stogner,

SDX Resources, Inc. is the operator of the Wells Fed. #4 and # 15 wells located in units F and D of sec. 5 T25S R37E of Lea Co., N.M.. These wells are dedicated to a 160 acre non-standard gas proration unit created by NSL-1821 (5/17/84), consisting of the NW/4 of sec. 5. SDX is planning to drill the Wells Fed. #22 & 23 wells on the same 160 acre proration unit at the above-mentioned locations. This reduced spacing is necessary to promote efficient drainage of the proration unit. The Wells # 22 & 23 will also be a non-standard locations because the locations were moved due to their proximity to existing 7-Rivers oil wells. SDX request that this letter serve as application to simultaneously dedicate this 160 acre non-standard gas proration unit to the existing Wells Fed. #4, # 15, and the proposed #22 & 23 wells, and as application for administrative approval of the non-standard locations. BLM form 3160 and OCD form C-102 for the #22 & 23 wells, 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



OCT 12 1999

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 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. Wells Federal #22	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 660' FNL 1780' FWL, Unit C At proposed prod. zone Same			9. API WELL NO.	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 2 miles NE of Jal, NM			10. FIELD AND POOL, OR WILDCAT Jalnat Gas	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drilg 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 Lea	
17. NO. OF ACRES ASSIGNED TO THIS WELL 160			13. STATE NM	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 1335			20. ROTARY OR CABLE TOOLS Rotary	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3245' GR			22. APPROX DATE WORK WILL START* 10/15/99	

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 03/22/99

(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.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTSUBMIT IN TR. DATE*
(Other instructions on
reverse side)FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN				5. LEASE DESIGNATION AND SERIAL NO LC-055546	
1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>				6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>				7. UNIT AGREEMENT NAME	
2. NAME OF OPERATOR SDX Resources, Inc.				8. FARM OR LEASE NAME, WELL NO. Wells Federal #23	
3. ADDRESS AND TELEPHONE NO PO Box 5061, Midland, TX 79704				9. API WELL NO	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements *) At surface 1886' FNL 758' FWL, Unit E At proposed prod. zone Same				10. FIELD AND POOL, OR WILDCAT Jalmat Gas	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 2 miles NE of Jal, NM				12. COUNTY OR PARISH Lea	13. STATE NM
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drg. unit line, if any)		758'	16. NO. OF ACRES IN LEASE 918	17. NO. OF ACRES ASSIGNED TO THIS WELL 160	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.		1116'	19. PROPOSED DEPTH 3200'	20. ROTARY OR CABLE TOOLS Rotary	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3237				22. APPROX. DATE WORK WILL START* 10/15/99	
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 Bonnie Ottwater 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

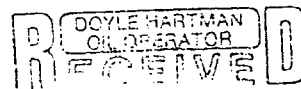
Gruy Petroleum
ATTN: Zeno Ferris
PO Box 140907
Irving, TX 75014-0907

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



OCT 12 1999

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

Attention: Mr. Mike Stogner

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

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



OCT 12 1999

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTSUBMIT IN TRIPLICATE*
(Other instructions on
reverse side)FORM APPROVED
OME NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN			5. LEASE DESIGNATION AND SERIAL NO LC-055546	
1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>			6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
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"/>			7. UNIT AGREEMENT NAME	
2. NAME OF OPERATOR SDX Resources, Inc.			8. FARM OR LEASE NAME, WELL NO EJ Wells Federal #25	
3. ADDRESS AND TELEPHONE NO PO Box 5061, Midland, TX 79704			9. API WELL NO	
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			10. FIELD AND POOL, OR WILDCAT Jalmat Gas	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 2.5 miles NE of Jal, NM			12. COUNTY OR PARISH Lea	13. STATE NM
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drg unit line, if any) 660		16. NO. OF ACRES IN LEASE 918	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.		19. PROPOSED DEPTH 3200	20. ROTARY OR CABLE TOOLS Rotary	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3217			22. APPROX. DATE WORK WILL START* 10/15/99	
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

STATE A 32 #6

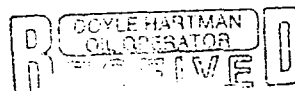
Arco
PO Box 1089
Eunice, NM 88231-1089

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

Lewis B. Burleson, Inc.
PO Box 2479
Midland, TX 79702

Doyle Hartman
PO Box 10426
Midland, TX 79702

Saga Petroleum Ltd. Liability Co
415 W. Wall, #835
Midland, TX 79701



OCT 12 1999

SDX RESOURCES, INC.

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

Sept. 16, 1999

NMOCD
2040 South Pacheco Street
Santa Fe, NM 87505

Attention: Mr. Mike Stogner

RE: State A 32 # 6
Sec. 32, T24S, R37E
1880 FNL, 760 FWL
Lea County, New Mexico

Dear Mr. Stogner,

SDX Resources, Inc. is the operator of the State A 32 # 4 well located in unit F and the State A 32 # 5 well located in unit D of sec. 32 T24S R37E of Lea Co., N.M.. These wells are dedicated to a 120 acre non-standard proration unit consisting of the NW/4 NW/4 and the S/2 NW/4 of sec. 32 created by administrative order NSP-1087 and expanded by SD-99-1. Completion problems on the #5 well have prompted SDX to drill a third well. SDX is planning to drill the State A 32 # 6 well on the same 120 acre non-standard proration unit as the #4 & 5 wells. SDX request that this letter serve as application to simultaneously dedicate this 120 acre NSP unit to the State A 32 # 4, 5, and #6 wells. Information detailing NSP-1087, SD-99-1, a C-101 & 102 for the #6 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



OCT 12 1999

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
811 South First, Artesia, NM 88210

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

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, NM 87505

Form C-101

Revised October 18, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 6 Copies

Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address SDX Resources, Inc. PO Box 5061 Midland, TX 79704 915/685-1761		² OGRID Number 020451
		³ API Number 30 - 0
⁴ Property Code 23976	⁵ Property Name State A 32	⁶ Well No. 6

⁷Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
E	32	24S	37E		1880	North	760	West	Lea

⁸Proposed 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
⁹ Proposed Pool 1 Jalmat, T-Y-7R					¹⁰ Proposed Pool 2				

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3242
¹⁶ Multiple No	¹⁷ Proposed Depth 3500	¹⁸ Formation Yates	¹⁹ Contractor Capstar	²⁰ Spud Date 10-15-99

²¹Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12-1/4"	8-5/8"	24#	500	450 sx	Surface
7-7/8"	4-1/2"	9.5#	3500	700 sx	Surface

²²Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Drill 12-1/4" hole to 500'. Set 8-5/8" csg & cmt to surface. RU BOP. Drill 7-7/8" hole to 3500'. Set 4-1/2" csg & cmt to surface.

RD rotary & BOP. Perf Yates & fracture stimulate & place Yates on test.

²³I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Bonnie Atwater*

Printed name: Bonnie Atwater

Title: Regulatory Tech. 9/23/99

OIL CONSERVATION DIVISION

Approved By:

Title:

Approval Date:

Expiration Date:

OFFSET OPERATORS

JALMAT FEDERAL COM. #2

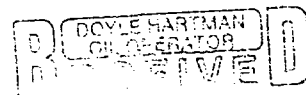
Doyle Hartman
PO Box 10426
Midland, TX 79702

Phillips
4001 Penbrook
Odessa, TX 79762

Prime Operating
2900 Wilcrest Dr, #475
Houston, TX 77042

Midland Operating
3300 North "A" St, Ste 2-104
Midland, TX 79705

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



007 12 1999

SDX RESOURCES, INC.

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

Sept. 17, 1999

NMOCD
2040 South Pacheco Street
Santa Fe, NM 87505

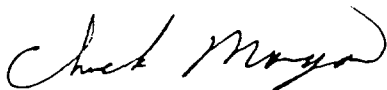
Attention: Mr. Mike Stogner

RE: Jalmat Federal Com # 2
Sec. 31, T24S, R37E
1650' FSL, 760 FWL
Lea County, New Mexico

Dear Mr. Stogner,

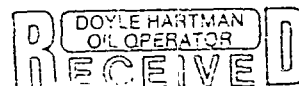
SDX Resources, Inc. is the operator of the Federal Jalmat Com # 1 well located in unit D of sec. 6 T25S R37E of Lea Co., N.M.. The well is dedicated to a 120 acre non-standard gas proration unit SCR 434 and consist of the NW/4 NW/4 Sec. 6 T25S R37 E, W/2 SW/4 Sec. 31 T24S R37E. SDX is planning to drill the Jalmat Federal Com # 2 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. SDX request that this letter serve as application to simultaneously dedicate this 120 acre non-standard proration unit to the Jalmat Federal Com # 1, and # 2 wells, and as application for administrative approval of the non-standard location. BLM form 3160 and OCD form C-102 for the #2 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



OCT 12 1999

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTSUBMIT IN TR JATE*
(Other instructions on
reverse side)FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN				5. LEASE DESIGNATION AND SERIAL NO NM-12610	
1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>				6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
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"/>				7. UNIT AGREEMENT NAME SCR 434	
2. NAME OF OPERATOR SDX Resources, Inc.				8. FARM OR LEASE NAME, WELL NO Jalmat Federal Com #2	
3. ADDRESS AND TELEPHONE NO PO Box 5061, Midland, TX 79704				9. API WELL NO	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements *) At surface 1650' FSL 760' FWL Unit L At proposed prod. zone Same				10. FIELD AND POOL, OR WILDCAT Jalmat Gas	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 3 miles N of Jal, NM				11. SEC., T., R., M., OR BLK AND SURVEY OR AREA Sec. 31, T24S, R37E	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drg. unit line, if any)		560		16. NO. OF ACRES IN LEASE 120	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.		2240		19. PROPOSED DEPTH 3200	20. ROTARY OR CABLE TOOLS Rotary
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3241				22. APPROX. DATE WORK WILL START* 11/01/99	
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.

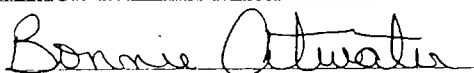
Specific Program

- 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.

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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.