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

CASE NO. 12848

**APPLICATION OF SDX RESOURCES, INC.
FOR CREATION OF THE RED LAKE SAN
ANDRES POOL AND THE CONTRACTION OF
THE RED LAKE-QUEEN GRAYBURG-SAN ANDRES POOL
EDDY COUNTY, NEW MEXICO**

PRE-HEARING STATEMENT

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

APPEARANCE OF PARTIES

APPLICANT

ATTORNEY

SDX Resources, Inc.
P. O. Box 5061
Midland, Texas 79704

Attn: Steve Sell
(915) 685-1761

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

STATEMENT OF THE CASE

1. SDX owns all of the rights to develop the oil and gas interest in the San Andres Formation under the following described acreage: the SE/4 of Section 19, the E/2, SW/4, E/2NW/4 and SW/4NW/4 of Section 20, the SW/4, SW/4NW/4, W/2SE/4 of Section 21, NE/4 Section 30, N/2 Section 29, NW/4, NE/4SW/4 and NW/4NE/4 of Section 28, Townships 17 South, Range 28 East ("proposed new pool")

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2. The proposed new pool is currently include within the vertical and horizontal limits of the Red Lake Queen-Grayburg-San Andres Pool, an oil pool spacing of 40-acre spacing units.

3. Within the boundary of this proposed new pool area, Smith & Marrs, Incorporated is the operator of the "Red Lake Sand Unit" which has unitized the Premier formation which lies just above the San Andres formations,

4. Smith & Marrs, Incorporated is the operator of certain wells in the Premier Sand Formations.

5. With the exception of SDX's Welch RL State Well No. 1, located in Unit E of Section 28, T17S, R29E, there are no Red Lake Queen-Grayburg-San Andres wells competed within in the San Andres formation in the proposed new pool.

6. In accordance with Division Rule 104 which precludes more than one operator in a spacing per pool, SDX is precluded from drilling and operating a San Andres well within the proposed new pool area and as a result is precluded from developing it's property.

7. In order to afford SDX an opportunity to drill and produce wells in the San Andres formation it is necessary to have the San Andres formation exclude from the Red Lake Queen-Grayburg-San Andres Pool.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES

Chuck Morgan (PE)

EST. TIME EXHIBITS

45-60 min. @ 7 exhibits

PROCEDURAL MATTERS

KELLAHIN AND KELLAHIN

By:



W. Thomas Kellahin