NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

ADMINISTRATIVE ORDER SWD-959

Corrected Permit Date: January 5, 2005

Summary of Permit:

APPLICATION OF SDX RESOURCES, INC. FOR SALT WATER DISPOSAL, EDDY COUNTY, NEW MEXICO.

IT IS THEREFORE ORDERED THAT:

SDX Resources, Inc. is hereby authorized to re-complete its Chalk Bluff Draw Federal Well No. 1 (API No. 30-015-00789) located 2055 feet from the South line and 1980 feet from the West line (Unit K) of Section 5, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico, in such a manner as to permit the injection of produced water for disposal purposes into the San Andres and Yeso formations from a depth of 1570 feet to 3155 feet through 2 7/8 inch plastic-lined tubing set with a packer located within 100 feet above the injection interval.

IT IS FURTHER ORDERED THAT:

Prior to perforating the new injection interval:

1) the well bore shall be plugged back in a manner approved by the Artesia office of the Division, and the shallowest casing plug shall be placed within 200 feet of the bottom of the injection interval. The Artesia office shall be notified and have the opportunity to witness this plug back.

2) since the Division has no electric logs on file for this well, the operator shall supply existing electric logs to the Artesia office of the Division.

After perforating, the operator shall infer the initial static reservoir pressure of the injection interval from standing fluid levels or other means, and supply this in writing to the Division – referencing SWD-959 in the transmittal letter.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to **no more than 314 psi**.

Approved at Santa Fe, New Mexico, on this 5th day of January 2005.

William V. Jones

cc: Oil Conservation Division – Artesia