



JIM BACA
COMMISSIONER

State of New Mexico

OFFICE OF THE

Commissioner of Public Lands

Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

March 5, 1993

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

Attn: Mr. Chuck Morgan

Re: NMOCD Administrative Order No. NSL-3219
State Lease No. E-1051-4
SE/4 Sec. 11-19S-28E
Eddy County, New Mexico

Dear Mr. Morgan:

The New Mexico Oil Conservation Division has notified this office that Administrative Order NSL-3219 was approved on February 3, 1993. This order allows SDX Resources Inc. to drill fourteen unorthodox oil wells in Township 19 South Range 28 East, NMPM, within the East Millman Queen-Grayburg Consolidated Waterflood Project, Eddy County, New Mexico.

Our records reflect that the International Oil and Gas Corp. East Millman Queen-Grayburg Waterflood Pooling Agreement was approved by the Commissioner of Public Lands on April 24, 1963 for the following lands:

Township 19 South, Range 28 East, N.M.P.M.

Section 11: E/2SW/4, SW/4SW/4
Section 14: All
Section 15: E/2SW/4, S/2NE/4, NE/4NE/4, SE/4
Section 22: NE/4
Section 23: N/2NW/4, SW/4NW/4

containing 1400 acres, more or less.

We are concerned that the State "BN" Well Nos. 5, 6 and 7 wells located in the SW/4SE/4 of Section 11-19S-28E are included in this order. The State "BN" wells are located on State Lease No. E-1051-4 and were not included in the originally approved consolidation agreement. This consolidation agreement provides for production to be allocated according to a tract participation formula and schedule.

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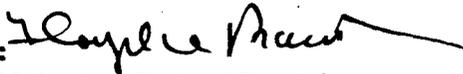
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Since the SE/4 of Section 11-19S-28E is not included in the agreement, please be advised that you do not have authority to commingle the production in any way from the SE/4 of Section 11 with production from the consolidated area. All production from the SE/4 of Section 11 is expected to be reported on a lease basis separate from any production in the consolidated area.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

JIM BACA
COMMISSIONER OF PUBLIC LANDS

BY: 
FLOYD O. PRANDO, Director
Oil/Gas and Minerals Division
(505) 827-5744
JB/FOP/pm
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cc: Reader File