

OIL CONSERVATION DIVISION

July 18, 1995

SDX Resources, Inc.
511 West Ohio - Suite 601
Midland, Texas 79701

Attention: Steve Sell

Administrative Order NSL-3546

Dear Mr. Sell:

Reference is made to SDX Resources, Inc.'s application of June 2, 1995 for authorization to drill its proposed Meyers "B" Federal Well No. 1 at an unorthodox oil well location 2310 feet from the South line and 1250 feet from the East line (Unit I) of Section 22, Township 24 South, Range 35 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico. The NE/4 SE/4 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit for said pool.

The Division Director Finds That:

- (1) The application has been duly filed under the provisions of Rule 2(c) of the "General Rules For The Prorated Gas Pools of New Mexico/Special Rules and Regulations For The Jalmat Gas Pool", as promulgated by Division Order No. R-8170, as amended;
- (2) SDX Resources, Inc. is the owner and operator of Federal lease No. NM-90920 comprising the N/2 SE/4 and SE/4 SE/4 of said Section 22;
- (3) SDX Resources, Inc. is seeking to initiate an infill drilling program within said lease to maximize oil drainage from said Pool by attempting to drill within a portion of the Jalmat interval that may not have been adequately drained by any previously producing Jalmat oil well within said lease and as such believes that the proposed location is optimal in accomplishing its objective;
- (4) A well at the proposed unorthodox oil well location will serve to increase the likelihood of encountering commercial production and perhaps enabling the applicant to recover his proportionate share of oil in the subject drilling tract;

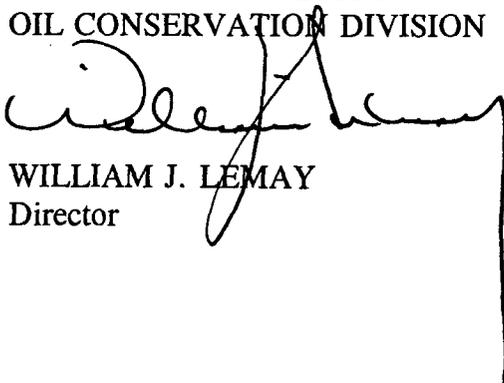
- (5) The location of said well is only unorthodox as to the internal boundaries of the subject lease and does not encroach upon any other property, therefore assuring the adequate protection of correlative rights;
- (6) No offset operator or interest owner contacted by the applicant filed an objection to the proposed unorthodox oil well location within the required 20-day suspense period; and,
- (7) Approval of this application will be in the best interest of conservation, exhibits sound engineering practices and incorporates standards that are both recognized and accepted by the industry, will serve to prevent waste and promote prudent development in the remaining oil reserves in the Jalmat Gas Pool.

IT IS THEREFORE ORDERED THAT:

- (1) SDX Resources, Inc.'s administrative application of June 2, 1995 to drill its Meyers "B" Federal Well No. 1 at an unorthodox oil well location 2310 feet from the South line and 1250 feet from the East line (Unit I) of Section 22, Township 24 South, Range 35 East, NMPM, Jalmat Gas Pool, Lea County, New Mexico, is hereby approved.
- (2) The NE/4 SE/4 of said Section 22 shall be dedicated to the well forming a standard 40-acre oil spacing and proration unit.
- (3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

WJL/MES/kv

cc: Oil Conservation Division - Hobbs
U.S. Bureau of Land Management - Carlsbad