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

June 2, 1995

Mr. Mike Stogner
New Mexico - OCD
P. O. Box 2088
Santa Fe, NM 87504

RE: NSL Approval Request Meyers B Federal #1 2310' FSL, 1250' FEL Sec. 22, T24S, R35E

Dear Mr. Stogner:

Please find the enclosed APD on the captioned location.

We are requesting your administrative approval for a non-standard location on this well. We own the operating rights on the NE/4 - Sec. 22, T24S, R35E, as per the enclosed assignment.

We would appreciate your review at your earliest convenience as we are attempting to spud this well on or before 6/28/95. Thank you for your assistance in this matter.

Best regards,

Jőhn Pool

JP:an

Enclosures

cc: Chuck Morgan - Artesia office

Form 3160-3 (July 1992)

SUBMIT IN ... PLICATE.

FORM APPROVED

UNITED STATES DEPARTMENT OF THE INTERIOR

(Other instructions on reverse side) OMB NO. 1004-0136 Expires: February 28, 1995 5. LEASE DESIGNATION AND SERIAL NO.

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	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 opera CONDITIONS OF APPROVAL, IF ANY:			plicant holds legal or eq	puitable titl	e to those rights in the subject	lease which wo	ould entitle the applicant to con	fuct operations thereon.		
APPROVED BY TITLE DATE	APPROVED BY		пп.е			, <u>-</u>	DATE			

SURFACE USE AND OPERATING PLAN SDX RESOURCES, INC.

Meyers B Federal #1 2310' FSL & 1250' FEL Unit I Sec.22 T24S R36E

1. Existing Roads:

- A. The well site and elevation plat for the proposed well is shown in Exhibit #2. It was staked by Dan Reddy, Carlsbad, New Mexico.
- B. All roads to the location are shown in Exhibit #3. The existing roads are labeled and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the onsite inspection.
- C. Directions to location: Go South of Eunice on Hwy 18. .8 miles SOuth of MM 16 turn right and go West 3.8 miles. Turn left and follow road .5 miles. Turn right and follow road to location.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibit #3 shows the existing road.

Exhibit #5 shows the new access road to be constructed. The road will be constructed as follows:

A. The maximum width of the running surface will be 15'. The road will be crowned and ditched and constructed of 6" of rolled and compacted caliche. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns.

BLM may specify any additions or changes during the onsite inspection.

- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No fences will be cut.
- E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.
- F. The proposed access road is shown in Exhibit #3. It is +/- 600'long and will be included in the archaeological survey.
- 3. Location of Existing Wells:

Exhibit #4 shows all existing wells within a one-mile radius of this well.

- 4. Location of Existing and/or Proposed Facilities:
 - A. If the well is productive:
 - 1. A production battery of adequate size to handle the anticipated production will be constructed on the existing location.

- C. If the well is productive, rehabilitation plans are as follows:
 - 1. The reserve pit will be back-filled after the contents of the pit are dry (within 120 days after the well is complete).

 Topsoil removed from the drill site will be used to recontour the pit area to the original natural level, as nearly as possible, and reseeded as per BLM specifications.

5. Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud systems as outlined in the drilling program. The brine and fresh water will be obtained from commercial water stations in the area and hauled to the location by transport truck over the existing and proposed access roads shown in Exhibit #3. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and any new access road will be obtained from the drilling pits and/or on site when possible. Any additional caliche will be obtained from approved caliche pits. All roads and pads will be constructed of 6" of rolled and compacted caliche.

7. Methods of Handling Water Disposal:

- A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.
- B. Drilling fluids will be contained in plastic lined pits. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit, approximately 80' x 55' x 6' deep and fenced. The reserve pit will be plastic-lined (5-7 mil thickness) to minimize loss of drilling fluids and saturation of the ground with brine water.
- C. Water produced from the well during completion may be disposed into the reserve pit. After the well is permanently placed on production, produced water will be trucked to an approved disposal site.
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash trailer by a contractor. All water and fluids will

be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by this operation.

E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned-up within 90 days. No adverse materials will be left on the location. The reserve pit will be completely fenced and kept closed until it has dried. When the reserve pit is dry enough to breakout and fill and as weather permits the unused portion of the well site will be leveled and reseeded as per BLM specifications. Only that part of the pad required for production facilities will be kept in use.

8. Ancillary Facilities:

None

9. Well Site Layout:

- A. The drill pad layout is shown in Exhibit #6.

 Dimensions of the pad and pits and location of major rig components are shown. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection. Because the pad is almost level no major cuts will be required.
- B. Exhibit #6 shows the planned orientation for the rig and associated drilling equipment, reserve pit, trash pit, pipe racks, turn-around, parking areas and access road. No permanent living facilities are planned but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.
- C. The reserve pit will be lined with high-quality plastic sheeting (5-7 mil thickness).

10. Plan for Restoration of the Surface:

A. Upon completion of the proposed operation, if the well is to be abandoned, the pit area, after allowing to dry, will be broken out and leveled. The original top soil will be returned to the entire

location which will be leveled and contoured to as nearly the original topography as possible.

All trash and garbage will be hauled away in order to leave the location in an anesthetically pleasing condition. All pits will be filled and the location leveled within 120 days after abandonment.

- B. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.
- C. The reserve pit will be fenced prior to and during drilling operations. The fencing will remain in place until the pit area is cleaned-up and leveled. No oil will be left on the surface of the fluid in the pit.
- D. Upon completion of the proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. The caliche from any area of the original drill site not needed for production operations or facilities will be removed and used for construction of thicker pads. Any additional caliche required for facilities will be obtained from an approved caliche pit. Topsoil removed from the drill site will be used to recontour the pit area and any unused portions of the drill pad to the original natural level and reseeded as per BLM specifications.

11. Surface Ownership:

C. D. Woolworth Trust
P. O. Box 178
Jal, New Mexico 88252

12. Other Information:

A. The area around the well site is grassland. The vegetation is native scrub grasses with abundant catclaw and mesquite.

- B. There is no permanent or live water in the immediate area.
- C. An Archaeological Survey has been requested and will be forwarded to your office in the near future.

13. Lessee's and Operator's Representative:

The SDX Resources, Inc. representative for assuring compliance with the surface use plan is as follows:

Chuck Morgan SDX Resources, Inc. P. O. Box 1302 Artesia, NM 88210 505-748-9724 Office 505-748-9814 Home

Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by SDX Resources, Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions which it is approved.

Date: May 26, 1995 Signed: SDX_RESQURCES, INC.

John D. Pool Vice President

DRILLING PROGRAM

SDX Resources, Inc.
Meyers B Federal #1
2310' FSL & 1250 FEL
Unit I Sec. 22, T24S, R36E
Lea County, New Mexico

1. <u>Geologic Name of Surface Formation:</u>

Permian

2. Estimated Tops of Important Geologic Markers:

Top of Salt	1200
Base of Salt	2200
Yates	2900 '
7 Rivers	3550 ¹
Queen	3900'
Grayburg	4300 '

3. Estimated Depth of Anticipated Fresh Water, Oil or Gas:

Water Sands	200'-250'	Fresh	H20
7-Rivers	3700'	Oil &	Gas
Queen	4000'	Oil &	Gas
Grayburg	4400'	Oil &	Gas

Fresh water sands will be protected by running 8 5/8" casing to a minimum depth of 350' and circulating cement. All other zones will be isolated by running 5 1/2" production casing and circulating cement.

4. Casing Program:

Hole Size	<u>Interval</u>	OD csq	Weight Grade Jt Cond Type
12 1/4" 7 7/8	0-350' O-TD	8 5/8" 5 1/2"	24#, J-55, New 14#-15.50#, J-55, Used

Cement Program:

8 5/8" surface casing: Cemented to surface with 250 sx of Class C with 2% CaCl and 1/4 #/sx Flocele and 100 sx of

Class "C" with CaCl.

5 1/2" production casing:

Cemented with 300 sx of 50/50 Class "C" POZ with 6# salt/sx and 6% Halad 322 and 400 sx of Lite "C" with 3# salt/sx and 1/4#/sx flocele. This should circulate cement to the surface.

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of a bag-type (hydril) preventer (2000 psi WP). Unit will be hydraulically operated. BOP will be nippled up on the 8 5/8" surface csg and used continuously until TD is reached. BOP and accessory equipment will be tested to 1000 psi before drilling out of surface casing. A 2" kill line and a 2" choke line will be included in the drilling spool. Other accessories to the BOP equipment will include a kelly cock.

6. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of fresh water and brine water mud system. The applicable depth and properties of this system are as follows:

<u>Depth</u>	<u>Type</u>	Weight (ppg)	Viscosity <u>(sec)</u>	Waterloss <u>(cc)</u>
0-350	Fresh water (spud)	8.5	40-45	N/C
350-TD	Brine water, SWG, Starch	10.0	30	24

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

- (A) A kelly cock will be kept in the drill string at all times.
- (B) A mud logging unit complete with H2S detector will be continuously monitoring drilling penetration rate and hydrocarbon shows from 1000' to TD.

8. Logging, Testing and Coring Program:

- (A) Drillstem tests will be run on the basis of drilling shows.
- (B) The electric logging program will consist of GR-Dual Laterolog and GR-Compensated Neutron-Density from TD to surface casing.
- (C) Conventional coring may be performed in select intervals in the Queen-Grayburg and/or San Andres.
- (D) Further testing procedures will be determined after the 5 1/2" production casing has been cemented at TD based on drill shows and log evaluation.

9. <u>Abnormal Conditions, Pressures, Temperatures, &</u> Potential Hazards:

No abnormal pressure or temperatures are anticipated. The estimated bottom hole temperature (BHT) at TD is 94 F and estimated maximum bottom-hole pressure (BHP) is 1200 psig. No abnormal concentrations of hydrogen sulfide or other hazardous gases or fluids have been encountered, reported or are known to exist at this depth in this area. All H2S operation precautions will be followed (see attached H2S drilling operations plans). No major loss circulation zones have been reported in offsetting wells.

DRILLING PROGRAM

PAGE 4

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is July 1, 1995. Once commenced, the drilling operation should be finished in approximately 10 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

5. Mud program:

The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices, will minimize hazards when penetrating H2S bearing zones.

6. Metallurgy:

All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service as necessary.

7. Communication:

Radio communications in company vehicles including cellular telephone and 2-way radio.

8. Well Testing:

No DST's are planned.

There will be an initial safety session just prior to commencing operations on the well. The initial session shall include a review of the site's specific H2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet.

- 1. Well Control Equipment:
 - A. Annular Preventer to accommodate all pipe sizes with properly sized closing unit.
- 2. Protective equipment for essential personnel:
 - A. Mark II Surviveair 30-minute units located in the dog house.
- 3. H2S detection and monitoring equipment:
 - A. 1 portable H2S monitor positioned on location for best coverage and response.
 - B. Mud logging trailer shall have H2S monitoring equipment.
- 4. Visual warning systems:
 - A. Guy lines will be flagged and a wind sock will be positioned on location.
 - B. Caution/Danger signs shall be posted on roads providing direct access to location.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

SDX RESOURCES, INC.
Meyers B Federal #1
2310' FSL & 1250' FEL
Unit I Sec.22 T24S R36E
Lea County, New Mexico

I. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

- 1. The hazards and characteristics of hydrogen sulfide (H2S).
- 2. The proper use and maintenance of personal protective equipment and life support system.
- 3. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
- 4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

- The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
- Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
- 3. The contents and requirements of the H2S Drilling Operations Plan and the Public Protection Plan.

•

27 381 NO SHEETS) SOURT

District I PO Box 1980, Hobbs, NM \$E28-1980 District II PO Drawer DD, Artesia, NM 2021-0719 District III 1000 Rio Brams Rd., Aziec. Na \$7410

PO Box 2088, Santa Fc. NM #504-2088

District IV

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION PO Box 2088 Santa Fe, NM 87504-2088

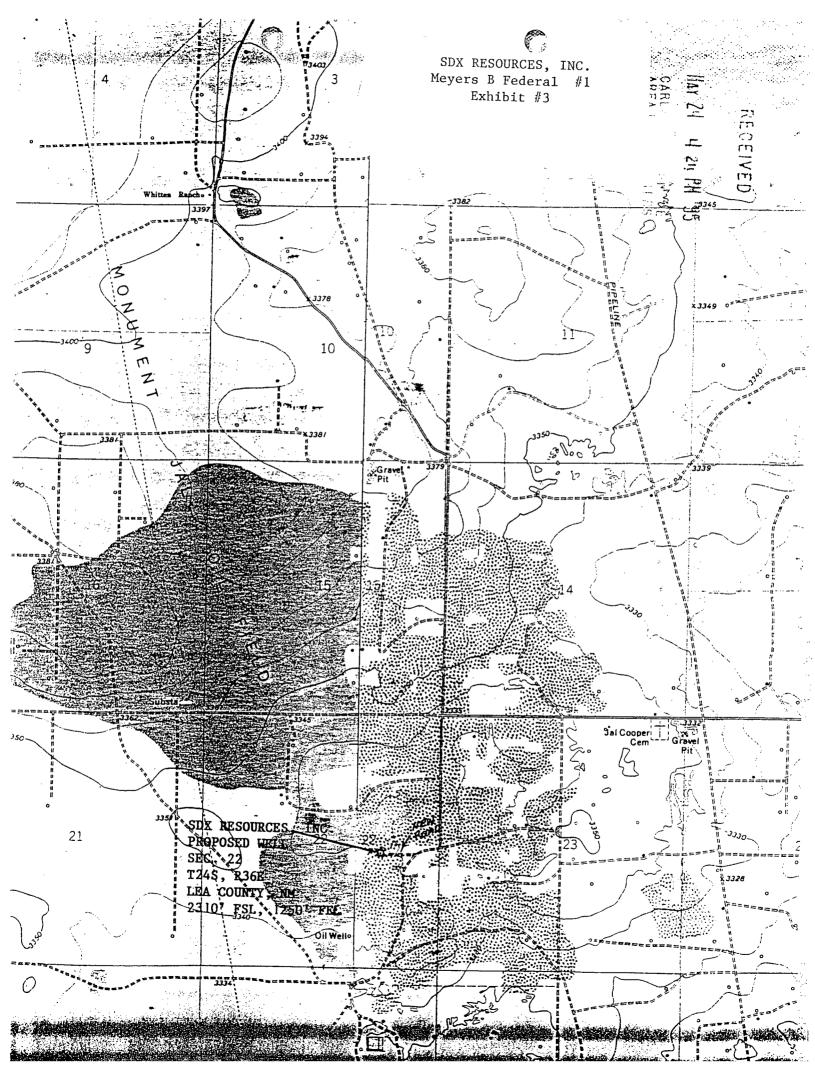
Form C-102 Revised February 10, 1994 Instructions on back

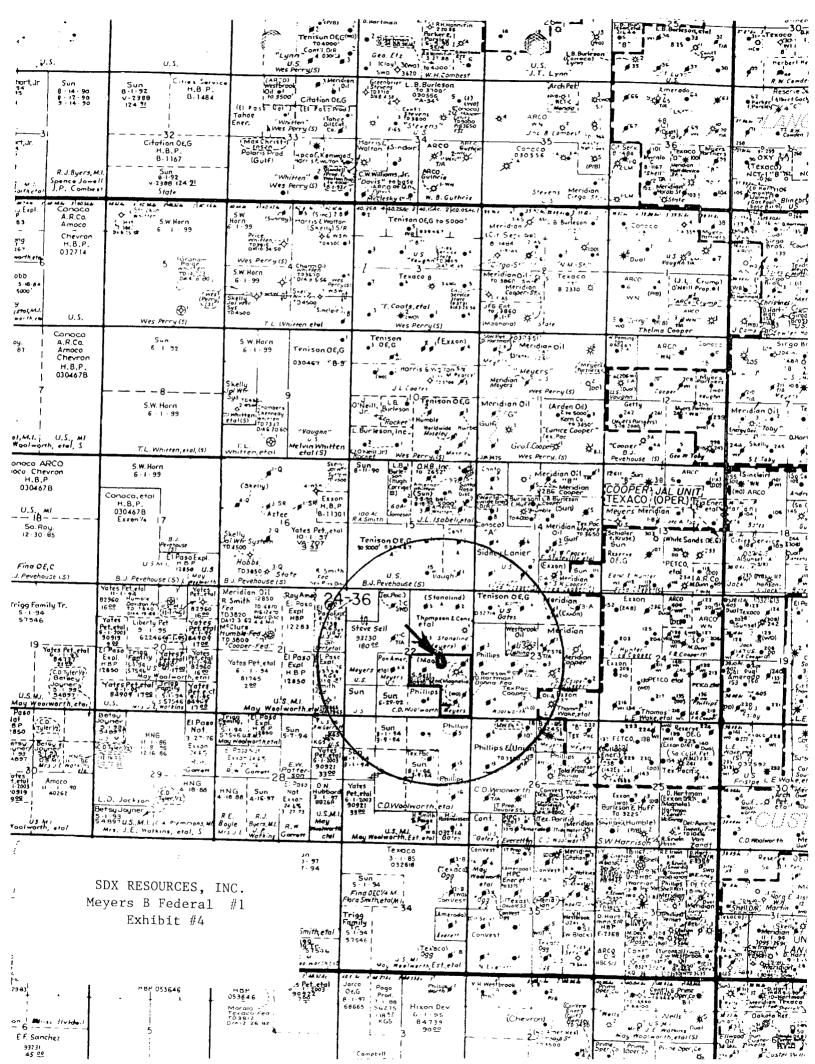
Submit to Appropriate District Office State Lease - 4 Copies

Fee Lease - 3 Copies

AMENDED REPORT

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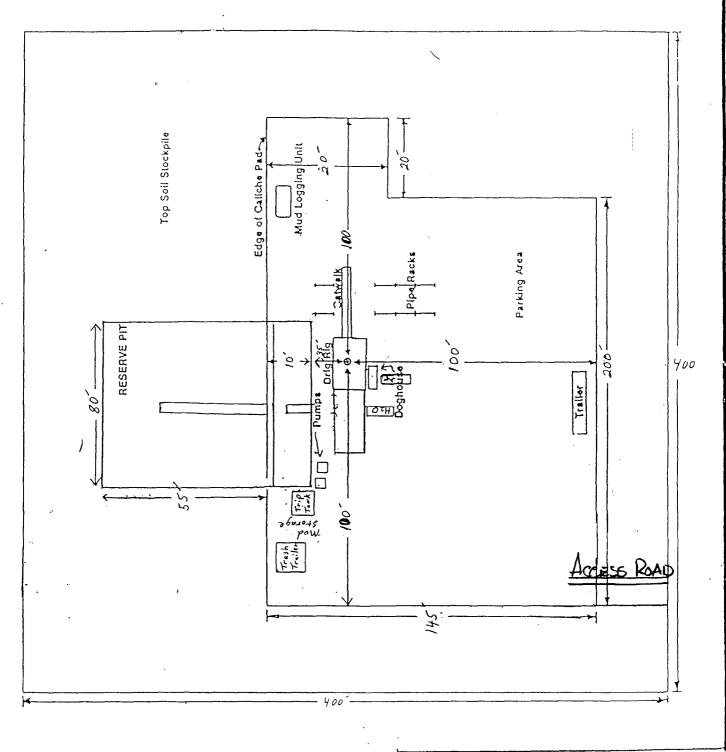




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SDX RESOURCES, INC. Meyers B Federal #1 Exhibit #5

SCALE 1"= 201



SDX RESOURCES, INC.
Meyers B Federal #1
Exhibit #6

(Not to be used in place of Application for Permit to Drill Form 316013)?

1.	Oil Well _ x_ Gas Well	Other	6.	Lease Number	
		•		NM 90920	-4
2.	Name of Operator: SDX RESOURCES, INC		7.	If Indian, Allottee o Tribe Name	r
3.	Name of Specific Contra	act Person:	8.	Unit Agreement N	ame
	CHUCK MORGAN				
4.	Address & Phone No. o	f Operator or Agent	9.	Farm or Lease Na	me
	511 W OHIO AVENUE/S P.O BOX 5061 MIDLAND, TEXAS 79701			MYERS B FEDERAL	
5.	Surface Location of Wel		10.	Well No.	
•	2310' FSL 1250' FEL			1	in disconsistence of the second secon
	pad, pad o reserve pi	owing road entry into dimensions, and t.	11.	Field or Wildcat N	ame
	location, a	hical or other e map showing access road, boundaries.	12.	Sec., T., R., M., or and Survey or Are	
			Se	c. 22 -T 245-R 3Æ	
15.	Formation Objective(s)	16. Estimated Well Depth	13.	County, Parish or Borough	14. State
	YATES/7 RIVERS	4000'		LEA COUNTY	NEW MEXICO
17.	Additional Information (a address, and telephone	as appropriate; must incli number).	ude su	rface owner's name	e,
	BLM - CARLSBAD OFFIC	E	· · · · · · · · · · · · · · · · · · ·		
18.	Signed Jan R. Reddy A		AND SU	ONAL ENGINEER URVEYOR Date	5/24/95
the of	Upon receipt of this Not nsite predrill inspection a must be flagged prior to t	nd notity you accordingly	Manag /. The	ement (BLM) willso location must be s	nedule the date of special spe
Opera	ators must consider the fo	ollowing prior to the onsit	e:	NO ON THE	CEIV:
	a) H2S Potential b) Cultural Resources (c) Federal Right of Way			RS	3 PH '95

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

June 2, 1995

Phillips Petroleum Company 4001 Penbrook Drive Odessa, Texas 79762

Attention: Mr. Larry Sanders

RE: All Offset Operators

Non-Standard Location (NSL) Notification

Meyers B Federal #1 2310' FSL & 1250' FEL Sec. 22, T24S, R36E Lea County, New Mexico

Gentlemen:

Please be advised, SDX Resources, Inc. intends to drill the subject well as a NSL location. Attached for your convenience is a map showing SDX's proposed well location.

Please notify our office in writing by Certified Mail within 20 days with any comments, questions, or notice of protest.

Thank you for your attention is this matter.

Sincerely,

John Pool

Vice President

JP/jdc

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

June 2, 1995

MW Petroleum Corporation 200 East Randolph Drive Chicago, Illinois 60601

RE: All Offset Operators
Non-Standard Location (NSL) Notification
Meyers B Federal #1
2310' FSL & 1250' FEL
Sec. 22, T24S, R36E
Lea County, New Mexico

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Thank you for your attention is this matter.

Sincerely

John Pool

Vice President

JP/jdc

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

June 2, 1995

Perry & Perry, Inc. 214 West Texas Midland, Texas 79701

Attention: Mr. Wesley Perry

RE: All Offset Operators

Non-Standard Location (NSL) Notification

Meyers B Federal #1 2310' FSL & 1250' FEL Sec. 22, T24S, R36E Lea County, New Mexico

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Thank you for your attention is this matter.

Sincerely,

John Pool

Vice President

JP/jdc

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

June 2, 1995

Oryx Energy Company P. O. Box 2880 Dallas, Texas 75221-2880

Attention: Mr. Terry Carter

RE: All Offset Operators

Non-Standard Location (NSL) Notification

Meyers B Federal #1 2310' FSL & 1250' FEL Sec. 22, T24S, R36E Lea County, New Mexico

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Thank you for your attention is this matter.

Sincerely,

John Pool

Vice President

JP/jdc

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

June 2, 1995

Union Oil Company of California P. O. Box 3100 Midland, Texas 79702

Attention: Mr. Mike Nixson

RE: All Offset Operators

Non-Standard Location (NSL) Notification

Meyers B Federal #1 2310' FSL & 1250' FEL Sec. 22, T24S, R36E Lea County, New Mexico

Gentlemen:

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Please notify our office in writing by Certified Mail within 20 days with any comments, questions, or notice of protest.

Thank you for your attention is this matter.

Sincerely,

Jóhn Pool

Vice President

JP/jdc



511 West Ohio, Suite 601; Midland, Texas 79701
Toll Free: (800)344-1761 Off: (915)685-1761 Fax: (915)685-0533 (NL CONSERVE FON DIVISION

RECE. VED

July 17,1995

'95 JUL 20 AM 8 52

Mr. Mike Stogner New Mexico Energy, Minerals and Natural Resource Department P. O. Box 6429 Sante Fe, NM 87505-6429

> Re: Unorthodox Jalmat Oil Location Meyers "B" Federal #1 2310' FSL & 1250' FEL Sec. 22, T24S-R35E Lea Co., NM

Gentlemen:

Reference is made to your letter of July 14,1995 relative to the captioned. SDX currently owns the leasehold interest covering the NE/4, N/2SE/4, SE/4SE/4, NW/4, NW/4SW/4 of Section 22. It is our intention to infill these leases on a 40 acre 5 spot pattern. The above is a practical location for such a program. Please note that the unothodox location is caused by an internal adjustment and we are not closer than 330' from the offset lease (which we also own).

Should you have any questions or comments, please contact us. Thank you for your attention to this matter.

Sincerely,

Steve Sell

xc: John Pool/Al Muns/Mike Corjay

NEW MEXICO ENERGY MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

FAXED MEMORANDUM

Date:

July 14, 1995

To:

John Pool

From:

Michael E. Stogner, Chief Hearing Officer/Engineer

Subject:

Administrative Application for an unorthodox Jalmat Oil Well Location: Meyers "B" Federal Well No. 1; 2310' FSL & 1250'

FEL (Unit I) Section 22, Township 24 South, Range 35 East,

NMPM, Lea County, New Mexico.

Message: I was finally able to review the subject application; however, a Jalmat oil well location is suppose to be no closer than 330 feet from its dedicated 40-acre drilling tract. What reason is preventing SDX Resources, Inc. from drilling within this acceptable window. Please provided a written summary to supplement the subject application. Thank you.

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ASSIGNMENT AND BILL OF SALE

STATE OF NEW MEXICO §
\$ KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF LEA S

WHEREAS, EUNICE WELL SERVICING COMPANY, INC., ("Assignor"), whose mailing address is P.O. Box 880, Eunice, New Mexico 88231 is the present owner of certain oil, gas and other mineral leasehold rights ("the Leases") covering the lands in Lea County, New Mexico ("the Lands"), described on Exhibits "A", attached hereto, subject to any exceptions noted thereon.

WHEREAS, SDX PROPERTIES, INC., a Texas Corporation, whose mailing address is P.O. Box 5061, Midland, Texas 79704 desires to purchase an assignment of the Leases, and other leasehold rights and contract rights as pertain thereto.

WITNESS

NOW, THEREFORE, for and in consideration of the premises and the sum of Ten Dollars (\$10.00) cash in hand paid by Assignee and other good and valuable consideration, including the covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee, by acceptance of this Assignment, hereby agree to the following terms and conditions:

1. CONVEYANCE

- A. Assignor does hereby transfer, assign and convey unto Assignee, its successors and assigns and undivided 100% interest in the Leases set forth in Exhibits "A", INSOFAR AND ONLY INSOFAR as the Leases cover the lands and depths described in Exhibits "A", attached hereto.
- B. In addition to said leasehold interest, Assignor does hereby transfer, convey, assign to Assignee a like interest in and to all of the oil wells, gas wells, water wells, salt water disposal wells, tanks, pumps, pipelines, contract rights, buildings, easements and rights-of-way, machinery, facilities, equipment, fixtures and any personal property used in connection with the oil and gas operations on the Land, except equipment owned exclusively by third parties, to the extent said interests are assignable.
- C. ASSIGNOR DOES NOT WARRANT OR REPRESENT, EITHER EXPRESSLY OR BY IMPLICATION, THE CONDITION OF ANY WELLS OR EQUIPMENT OR THE QUANTITY, QUALITY OR CONDITION OF ANY MATERIAL AND EQUIPMENT OR ITS FITNESS FOR USE OR THE SUITABILITY FOR USE OF SAME IN WHOLE OR IN PART. ASSIGNOR DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY OF ANY PERSONAL PROPERTY OR OF THE FITNESS OF ANY PERSONAL PROPERTY FOR ANY PURPOSE, AND ASSIGNEE AGREES THAT ANY PERSONAL PROPERTY IS SOLD "AS IS" AND "WHERE IS".
- D. Assignor saves and excepts herefrom any and all sums, production, adjustments of production, unpaid proceeds owed Assignor accruing by virtue of production from the Leases and the Lands prior to the Effective Date of this Assignment, and any and all payments owed Assignor under any other agreements, as set out in Paragraph 2.A. below, to which this Assignment is made subject, including but not limited to production in the tanks above the pipeline connection on the Effective Date hereof.
- E. The effective Date for this Assignment and Bill of Sale shall be 7:00 a.m. local time August 1, 1994, regardless of the date of execution hereof.

2. COVENANTS

A. This Assignment is subject to the terms and provisions of the instruments described in Exhibits "A", attached hereto.

- B. Assignee covenants and hereby agrees to indemnify, defend and hold harmless Assignor, its successors and assigns from and against any and all claims, liabilities, costs, expenses (including, without limitation, court costs and reasonable attorney's fees) and losses (hereinafter individually and collectively the "Claims") that are attributable to the operations of Assignee occurring after the Effective Date, regardless whether Assignor was wholly or partially, or actively or passively negligent, or otherwise at fault, and whether or not the Claims are based on a theory of negligence, negligence per se, strict liability, willful misconduct, products liability, premises liability, or other theory of liability.
- C. Assignor covenants and hereby agrees to indemnify, defend and hold harmless Assignee, its successors and assigns from and against any and all claims, liabilities, costs, expenses (including, without limitation, court costs and reasonable attorney's fees) and losses (hereinafter individually and collectively the "Claims") that were attributable to its ownership in the Leases prior to the Effective Date, regardless whether Assignee was wholly or partially, or actively or passively negligent, or otherwise at fault, and whether or not the Claims are based on a theory of negligence, negligence per se, strict liability, willful misconduct, products liability, premises liability, or other theory of liability.
- D. Assignee agrees to observe, perform and comply with the terms, provisions, covenants and conditions, express or implied, of the Leases and will comply with all laws, rules, regulations and orders, both State and Federal, applicable to ownership and enjoyment of the rights herein assigned.
- E. Assignee shall be responsible for its pro-rata share, of any 1994 ad valorem taxes assessed against the properties conveyed herein. For the year 1995 and all subsequent years, Assignee agrees to timely render and pay all ad valorem taxes on the property conveyed hereby.
- F. Assignor certifies that this transaction does not conflict with or violate any charter, bylaw, contract, agreement, law, regulation, decree or court order to which Assignor are a party.
- G. This Assignment is subject to any depth limitations of record.
- H. In the event there is a conflict between the terms contained herein and the terms contained in the Transfer of Operating Rights or other instrument filed with the Bureau of Land Management, then the provisions contained in this Assignment and Bill of Sale shall prevail.
- I. This Assignment shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors and assigns forever, and Assignor hereby binds itself to warrant and forever defend, all and singular, such leasehold interest assigned herein unto Assignee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof, by, through and under Assignor, but not otherwise.

IN WITNESS WHEREOF, this Assignment and Bill of Sale is executed the 1st day of August, 1994.

EUNICE WELL SERVICING COMPANY, INC.

Name: Rex F Title: Sec

ASSIGNOR

SDX PROPERTIES / INC.

By: STEVE SEL Title: PRESIDENT

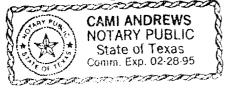
ASSIGNEE

TOXUS

STATE OF NEW MEXICO S

COUNTY OF Midland S

This instrument was acknowledged before me this 1st day of August, 1994, by harden, harden of Eunice Well Servicing Company, Inc., a harden corporation, on behalf of said corporation.



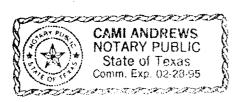
Notary Public, State of Texas

STATE OF TEXAS

§ §

COUNTY OF MIDLAND

This instrument was acknowledged before me this 1st day of August, 1994, by Steve Sell, President of SDX Properties, Inc., a Texas Corporation, on behalf of said corporation.



Notary Public, State of Texas

EXHIBIT "A"

Attached to and made a part of that certain
Assignment and Bill of Sale
Dated August 1, 1994, by and between
Eunice Well Servicing Company, Inc., as Assignor,
and SDX Properties, Inc., as Assignee

OIL AND GAS LEASES

Federal Oil and Gas Lease No. 032451(C), dated June 1, 1951, between the United States of America, as Lessor and Stanolind Oil and Gas Company, as Lessee, insofar and only insofar as said lease covers the following-described lands situated in Lea County, New Mexico:

Township 24 South, Range 36 East, N.M.P.M. Section 22: NE/4

containing 160 acres, more or less.

State of new Mexico Lease No. B-229, dated September 10, 1931, between the State of New Mexico, as Lessor and Gypsy Oil Company, as Lessee, insofar and only insofar as said lease covers the following-described lands situated in Lea County, New Mexico:

Township 25 South, Range 36 East, N.M.P.M. Section 2: S/2 S/2

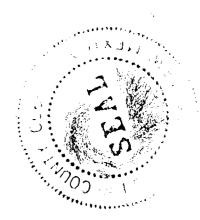
containing 160 acres, more or less.

STATE OF NEW MEXICO COUNTY OF LEA FILED

AUG 1 5 1994

at S: 440 o'clock A Mand recorded in Book, 503 Mand Page Sounty Clerk

Page
Pat Chappelle, Aca County Clerk
By Deput



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