

SDX RESOURCES, INC.

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,



John Pool

JP:an
Enclosures

cc: Chuck Morgan - Artesia office

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☒GAS
WELL ☐OTHER ☐SINGLE
ZONE ☐MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

SDX Resources, Inc.

3. ADDRESS AND TELEPHONE NO.

P. O. Box 5061, Midland, TX. 915/685-1761

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface 2310 FSL & 1250' FEL

At proposed prod. zone Yates/Seven Rivers

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

5 miles NW from Jal, NM

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drig. unit line, if any)

1250'

(70')

16. NO. OF ACRES IN LEASE

120

17. NO. OF ACRES ASSIGNED
TO THIS WELL

40

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

676'

19. PROPOSED DEPTH

4,000'

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

GR 3340'

22. APPROX. DATE WORK WILL START*

6/28/95

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8", J-55	24#	350'	350 sxs C1 "C"
7-7/8"	5-1/2", J-55	14#	4000'	350 sxs Poz, 400 sxs Lite

Plan to drill 12-1/4" hole to approximately 350'; set 8-5/8" surface casing. Circulate Class "C" cement. Drill 7-7/8" hole to 4000'. Run open hole logs (LDT-CNL-GR & DLL). Set 5-1/2" casing and circulate cement. Perforate the Yates/Seven Rivers and stimulate as necessary for optimum production.

Specific programs as per Onshore Oil & Gas Order #1 are outlined in the following attachments: Drilling Program:

- Surface Use and Operating Plan
- EXHIBIT #1 - BOP Equipment
- EXHIBIT #2 - Location & Elevation Plat
- EXHIBIT #3 - Planned Access Roads
- EXHIBIT #4 - One Mile Radius Map
- EXHIBIT #5 - Planned Production Facilities & Access
- EXHIBIT #6 - Drilling Rig Layout

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

(John Pool)

TITLE

Vice President

DATE

5/26/95

(This space for Federal or State office use)

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 operations thereon.
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

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).

2. 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 aesthetically 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 RESOURCES, 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. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Important Geologic Markers:

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

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

Water Sands	200'-250'	Fresh H2O
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:

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

APDDRILP.FRM

DRILLING PROGRAM

PAGE 2

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 nipped 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>	<u>Weight (ppg)</u>	<u>Viscosity (sec)</u>	<u>Waterloss (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. Abnormal Conditions, Pressures, Temperatures, & 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

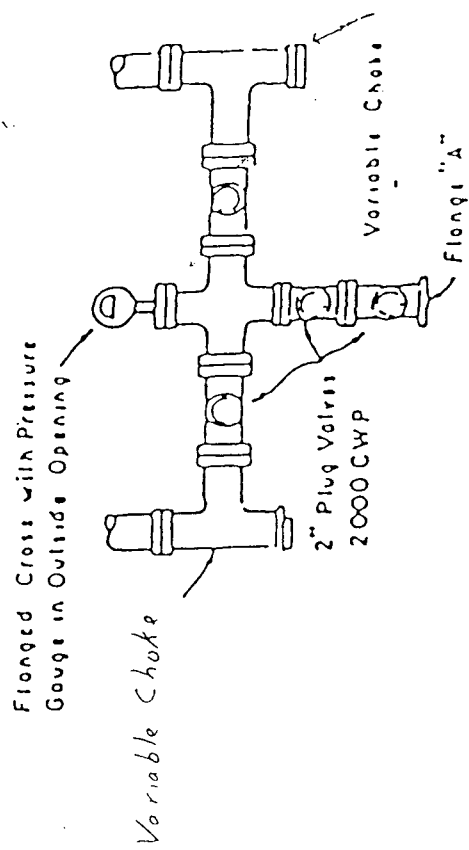
I. Hydrogen Sulfide Training

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:

1. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. 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.



PLAN VIEW-CHOKE MANIFOLD

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

District I
PO Box 1980, Hobbs, NM 88240-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brabos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code 33820		3 Pool Name JALMAT TANSILL YATES SEVEN RIVERS	
4 Property Code		5 Property Name MYERS B FEDERAL			6 Well Number 1
7 OGRID No. 020451		8 Operator Name SDX RESOURCES, INC.			9 Elevation 3340.

10 Surface Location

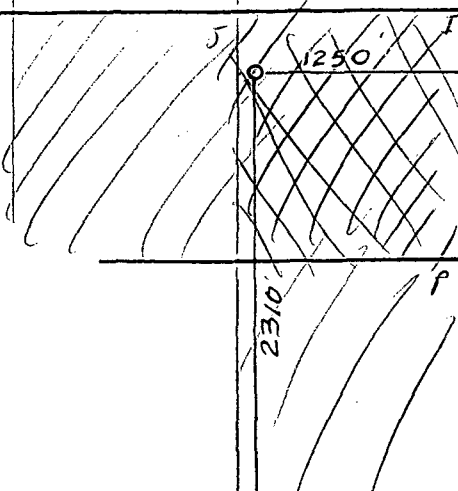
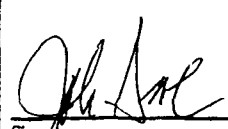
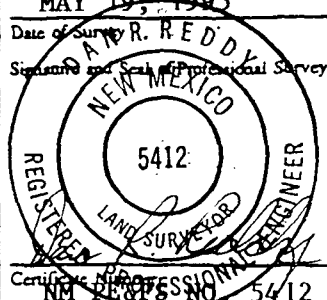
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	22	24S	36E		2310	SOUTH	1250	EAST	LEA

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

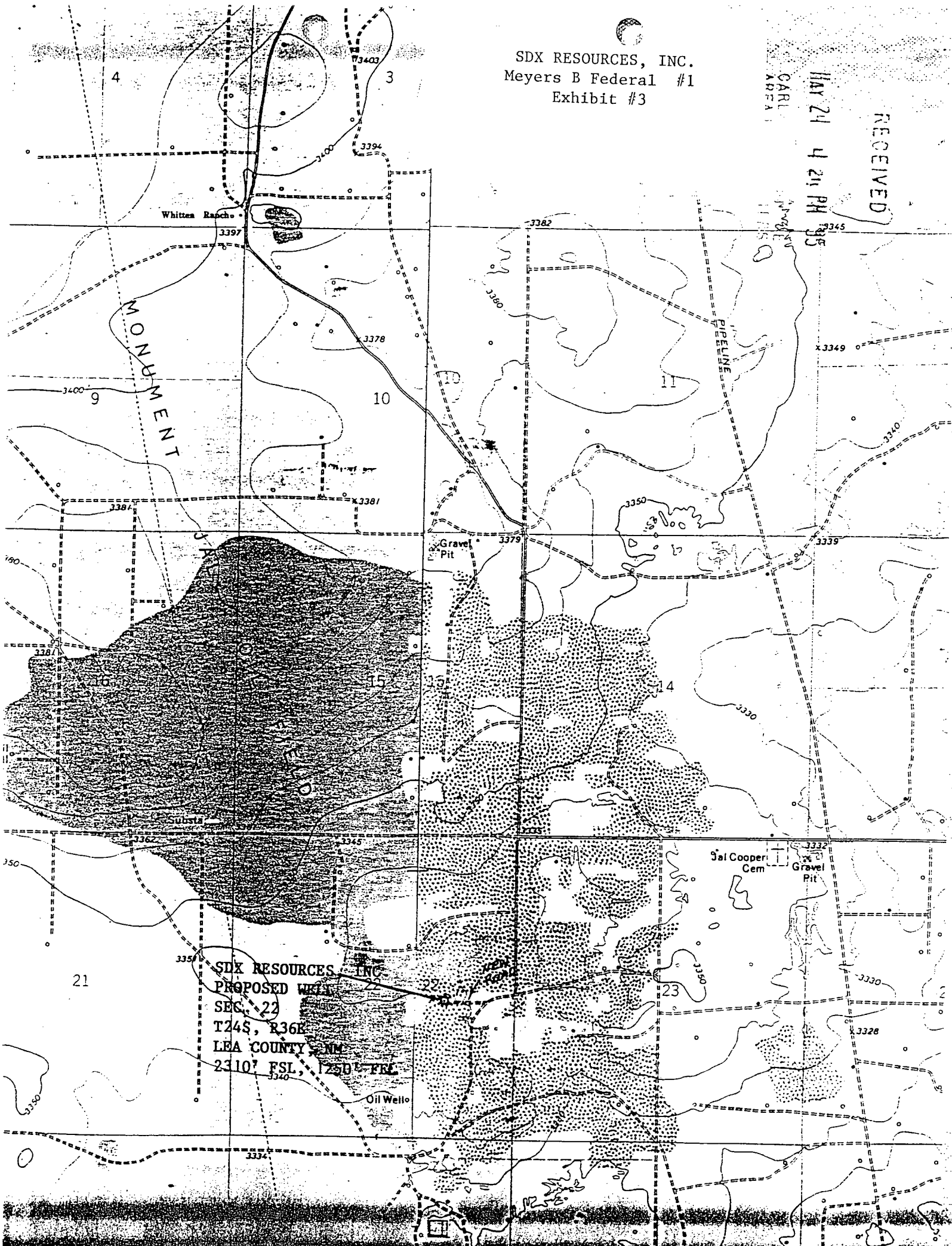
16		17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature John Pool Printed Name Vice President Title May 26, 1995 Date
		18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. MAY 19, 1995 Date of Survey R. REDDY Signature and Seal of Professional Surveyor.  REGISTERED LAND SURVEYOR NEW MEXICO 5412 Certification No. 5412

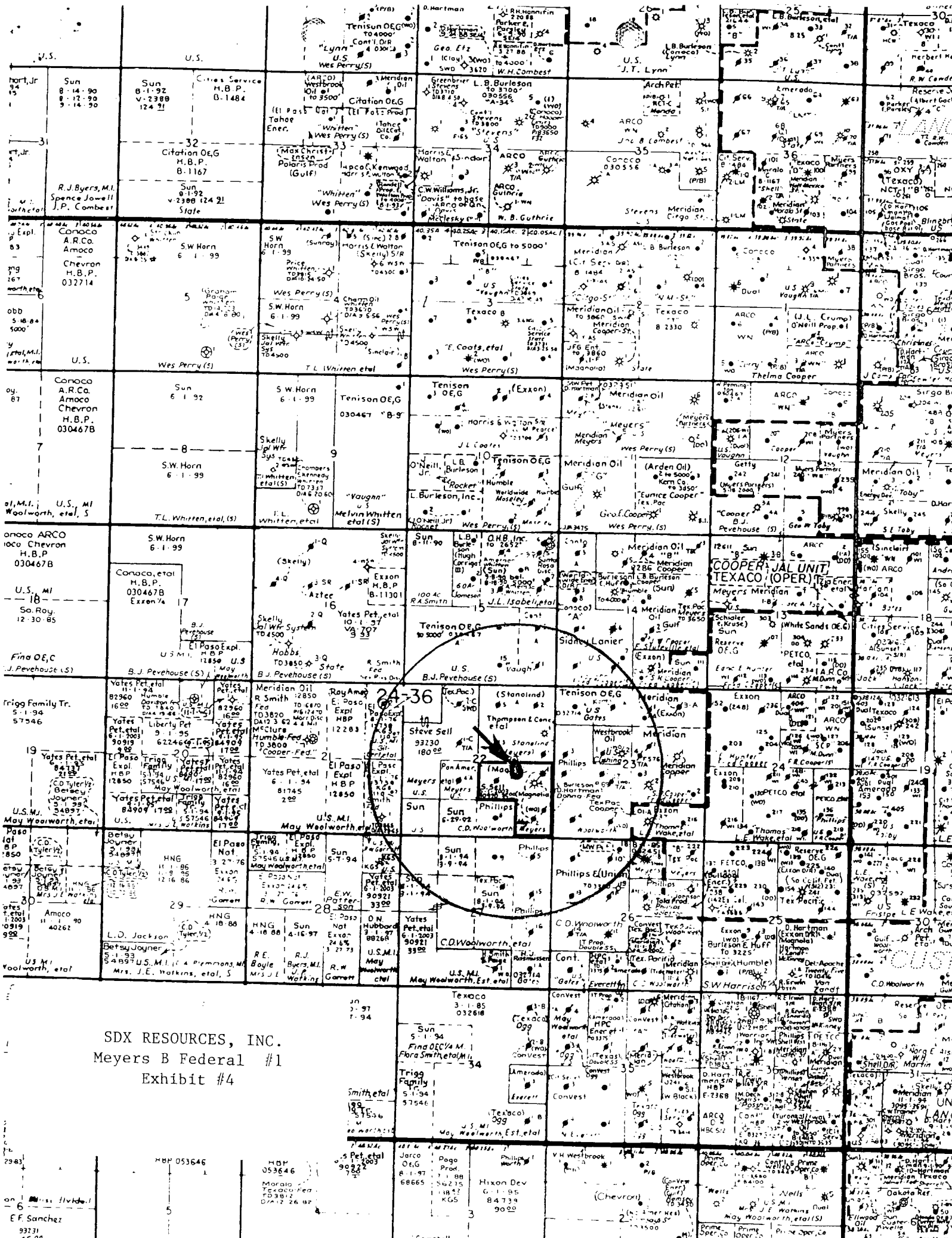
SDX RESOURCES, INC.
Meyers B Federal #1
Exhibit #2

CARL
A. H. E. A.

May 21 4 21 PM '95

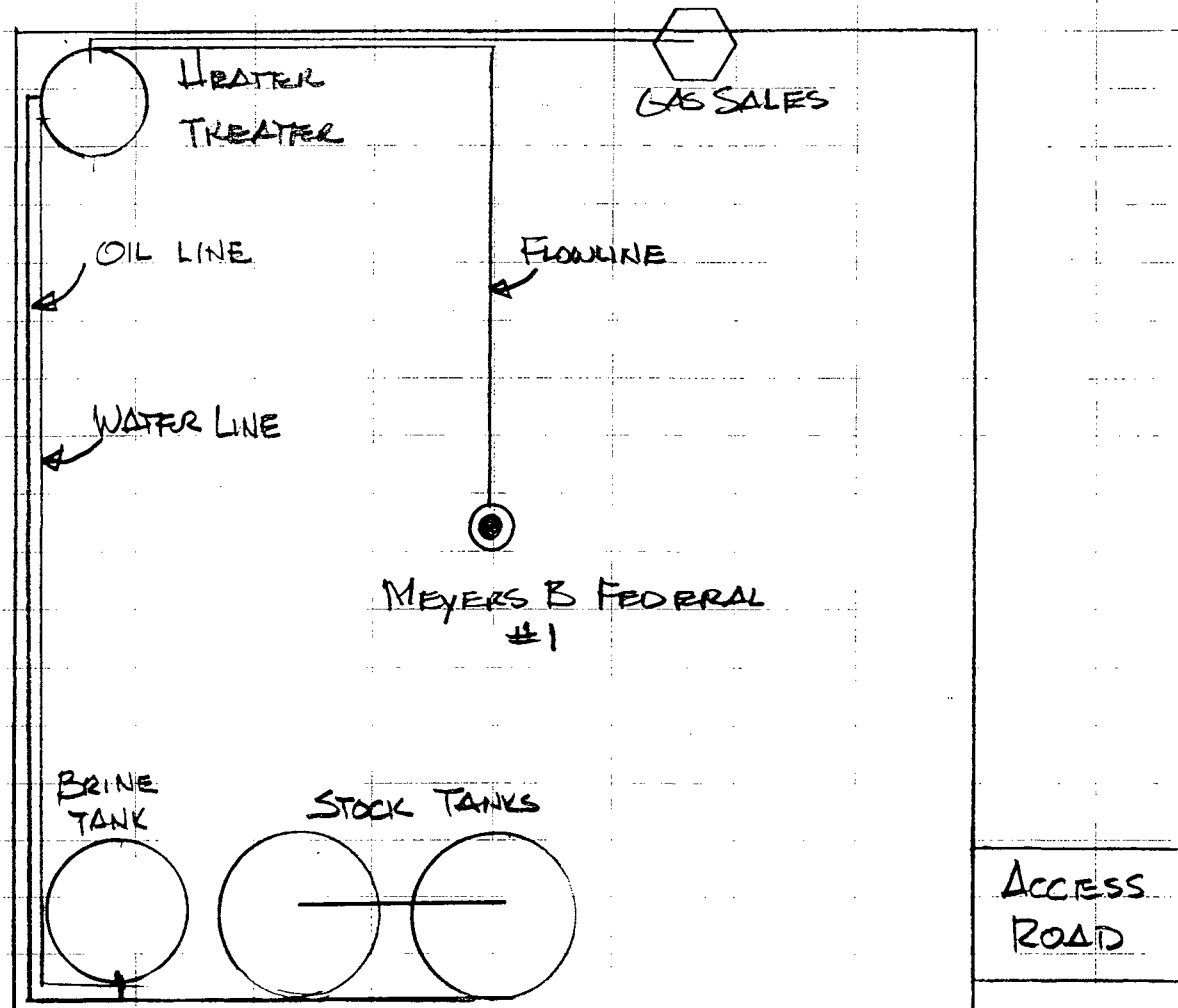
RECEIVED





SDX RESOURCES, INC.
Meyers B Federal #1
Exhibit #4

PLANNED PRODUCTION FACILITIES & ACCESS



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



SCALE 1" = 20'



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

NOTICE OF STAKING

(Not to be used in place of Application for Permit to Drill Form 3160-3)

1. Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		6. Lease Number NM 90920	
2. Name of Operator: SDX RESOURCES, INC		7. If Indian, Allottee or Tribe Name	
3. Name of Specific Contract Person: CHUCK MORGAN		8. Unit Agreement Name	
4. Address & Phone No. of Operator or Agent 511 W OHIO AVENUE/SUITE 601 P.O. BOX 5061 MIDLAND, TEXAS 79701 915 685-1761		9. Farm or Lease Name MYERS B FEDERAL	
5. Surface Location of Well 2310' FSL 1250' FFL Attach: a) Sketch showing road entry into pad, pad dimensions, and reserve pit. b) Topographical or other acceptable map showing location, access road, and lease boundaries.		10. Well No. 1	
		11. Field or Wildcat Name	
		12. Sec., T., R., M., or Blk. and Survey or Area Sec. 22 -T 24S-R 36E	
15. Formation Objective(s) YATES/7 RIVERS	16. Estimated Well Depth 4000'	13. County, Parish or Borough LEA COUNTY	14. State NEW MEXICO
17. Additional Information (as appropriate; must include surface owner's name, address, and telephone number). BLM - CARLSBAD OFFICE			

18. Signed Dan R. Reddy Title PROFESSIONAL ENGINEER & LAND SURVEYOR Date 5/24/95
DAN R. REDDY AGENT FOR SDX RESOURCES, INC.

Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

Operators must consider the following prior to the onsite:

- a) H2S Potential
- b) Cultural Resources (Archeology)
- c) Federal Right of Way or Special Use Permit

RECEIVED
MAY 24 4 23 PM '95
BUREAU OF LAND MANAGEMENT
CARLSBAD OFFICE

SDX RESOURCES, INC.

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

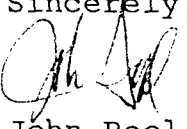
Gentlemen:

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 in this matter.

Sincerely,



John Pool
Vice President

JP/jdc

Attachment

SDX RESOURCES, INC.

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
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Meyers B Federal #1
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John Pool
Vice President

JP/jdc

Attachment

SDX RESOURCES, INC.

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
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John Pool
Vice President

JP/jdc

Attachment

SDX RESOURCES, INC.

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


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

Attachment

SDX RESOURCES, INC.

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 Nixon

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

Attachment

SDX RESOURCES, INC.

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



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 unorthodox 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

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.

MEYERS B

ASSIGNMENT AND BILL OF SALE

STATE OF NEW MEXICO §
 § KNOW ALL MEN BY THESE PRESENTS:
 COUNTY OF LEA §

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.

W I T N E S S

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.

By: Rex Busby
 Name: Rex Busby
 Title: Sec

A S S I G N O R

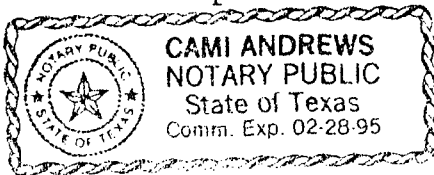
SDX PROPERTIES INC.

At All
By: STEVE SELL
Title: PRESIDENT

A S S I G N E E

Texas
STATE OF NEW-MEXICO §
§
COUNTY OF Midland §

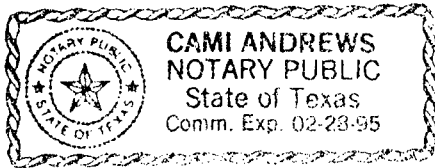
This instrument was acknowledged before me this 1st day of August, 1994, by Bar Barby, Secretary of Eunice Well Servicing Company, Inc., a Texas Corporation corporation, on behalf of said corporation.



Cami Andrews
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.



Cami Andrews
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 15 1994

at 8:46 o'clock A M
and recorded in Book 503
Page 526
Pat Chappelle, Lea County Clerk
By AS Deputy

