

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

~~AMEND~~ OLS 4/20/98
CTB 469
11-11-98
MAR 30 1998
E-9777

March 25, 1998

New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Re: Off Lease Storage & Surface
Commingling Application

Gentlemen:

SDX Resources respectfully requests permission to use a common battery for their JB State lease VA-805 (Unit "E") and their Last Minute State Lease VA-806 (Units F, G, H, K, L & M), both of Section 32, T23S, R28E in Eddy County. The JB lease currently has one producing well: JB State #1, located 1980' FNL 660' FWL of Section 32, T23S, R28E. It produced into a battery located 910' FSL 800' FEL of Section 31 (OLS - 182 approved Feb. 10, 1998). SDX is presently drilling the Last Minute State #1 well located 1980' FNL 1980' FWL of Section 32. Access and economic considerations dictate that sharing a common storage facility will extend the life of the wells and reduce their impact on the surrounding area.

SDX owns 100% of the working interest in both leases and all royalty interest are identical. There should be no difference in the value of the product from these leases as they will be developed in the same zones. Wells will be tested periodically with a port-a-check unit so that production can be continuously allocated in an accurate manner. The following data is submitted for your information:

- | | |
|---------------|------------------------------|
| Attachment 1: | Lease Maps |
| Attachment 2: | Facility Diagrams |
| Attachment 3: | Well Plats and OCD Documents |
| Attachment 4: | Tester Diagram |
| Attachment 5: | Oil & Gas Analysis |

Sincerely,

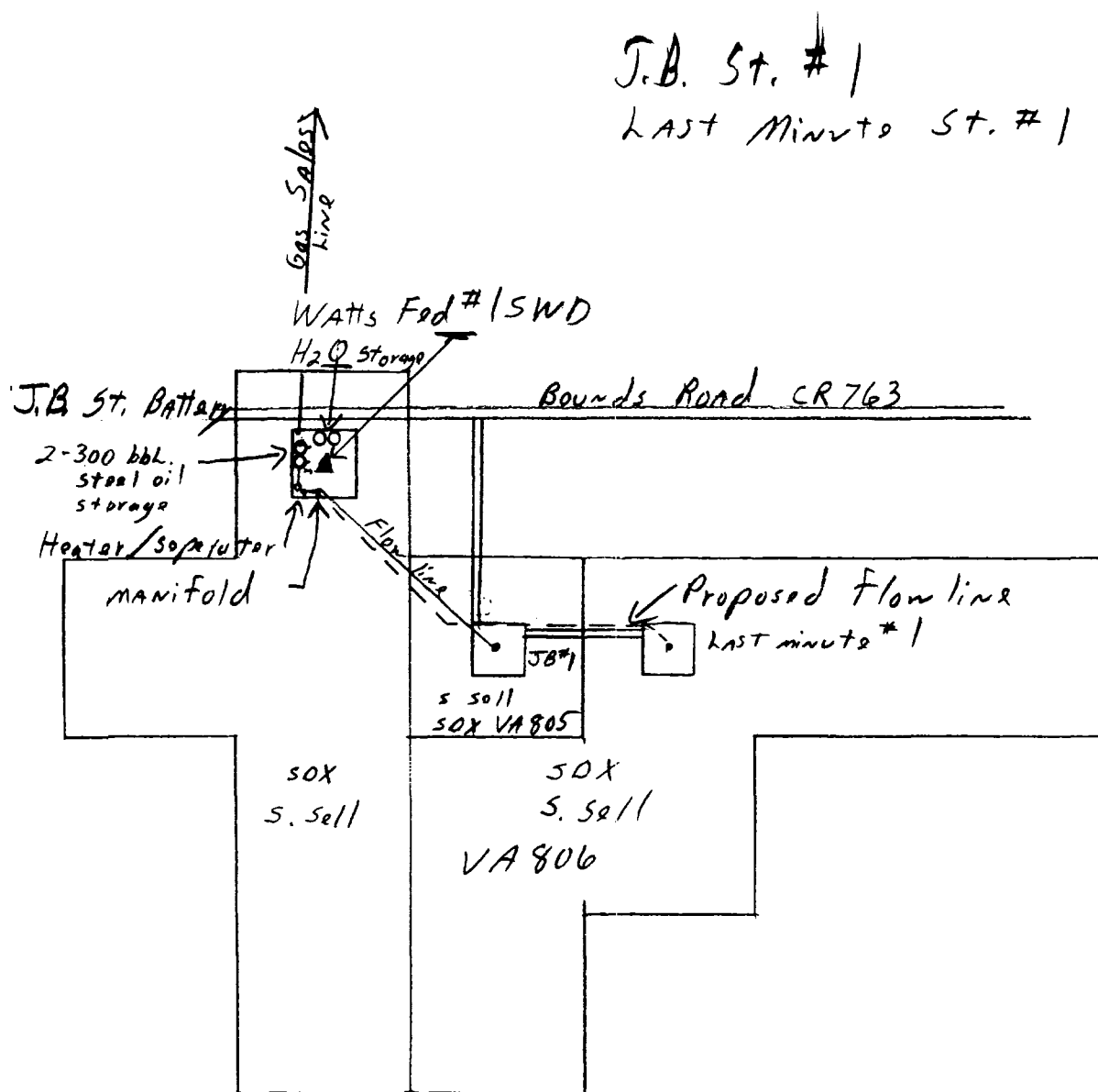


Chuck Morgan
Engineer

CM:bj

attachments

SDX Resources Facility Diagram Watts Fed #1 SWD



Crude is Trucked out of the 2-300 barrel storage Tanks. All Flow lines are above ground except for the gas sales line which is buried. H₂O is piped thru a partially buried line to the 2-500 barrel fiberglass tanks on location and is injected in the Watts Fed. #1 SWD. Surface ownership at the battery is private (Marvin Watts) and SDX has been granted right-of-ways.

Submit to Appropriate
District Office
State Lease - 6 copies
Fee Lease - 5 copies
DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 Pacheco St.
Santa Fe, NM 87505

Form C-105
Revised 1-1-89

WELL API NO.
30-015-23514

5. Indicate Type of Lease
STATE ☒ FEE ☐

6. State Oil & Gas Lease No.
VA 805

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well:
OIL WELL ☒ GAS WELL ☐ DRY ☐ OTHER _____
1b. Type of Completion:
NEW WELL ☐ WORK OVER ☐ DEEPEN ☐ PLUG BACK ☐ DIFF RESVR ☒ OTHER Re-entry

7. Lease Name or Unit Agreement Name

State JB

2. Name of Operator
SDX Resources, Inc.

8. Well No.
1

3. Address of Operator
PO Box 5061, Midland, TX 79704

9. Pool name or Wildcat
Undes. Loving: Delaware

4. Well Location

Unit Letter E 1980 Feet From The North Line and 660 Feet From The West Line

Section 32 Township 23S Range 28E NMPM Eddy County

10. Date Spudded 01/08/98 11. Date T.D. Reached 01/21/98 12. Date Compl. (Ready to Prod.) 02/01/98 13. Elevations (DF & RKB, RT, GR, etc.) 3113' GR 14. Elev. Casinghead

15. Total Depth Original: 13,000' 16. Plug Back T.D. 6107' 17. If Multiple Compl. How Many Zones? _____ 18. Intervals Drilled By _____ Rotary Tools ☒ Cable Tools _____

19. Producing Interval(s), of this completion - Top, Bottom, Name 5762' - 5864' 20. Was Directional Survey Made No

21. Type Electric and Other Logs Run GR/CCL 22. Was Well Cored No

23. *EXISTING CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB/FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
*16"	65#	428'	20"	420 sx - Surface	None
*10-3/4"	51#	2444'	14-3/4"	2850 sx - Surface	None
*7-5/8"	33.7 & 39#	9654'	9-1/2"	2150' - TOC 3250'	None

24. *EXISTING LINER RECORD				25. TUBING RECORD		
SIZE	TOP	BOTTOM	SACKS CEMENT	SIZE	DEPTH SET	PACKER SET
*4-1/2"	9184'	13000'	625 sx Class H	2-7/8"	5754'	

26. Perforation record (Interval, size, and number)
NEW: 5762', 66, 72, 74, 95, 5800, 13, 17, 23, 27, 30, 44, 53, 56, 60, 64 (16 holes, 4" select fire)

27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
5762 - 5864	A: 55 bbls 15% MSR
	F: 16,500 gal Borate XL gel +
	49,240# 16/30 Ottawa Sd

28. PRODUCTION

Date First Production	Production Method (Flowing, gas lift, pumping - Size and type pump)	Well Status (Prod. or Shut-in)					
02/08/98	Pumping 2-1/2" x 1-1/2" x 16	Prod					
Date of Test	Hours Tested	Choke Size	Prod'n For Test Period	Oil - BbL	Gas - MCF	Water - BbL	Gas - Oil Ratio
02/22/98	24			18	85	160	4722
Flow Tubing Press.	Casing Pressure	Calculated 24-Hour Rate	Oil - BbL	Gas - MCF	Water - BbL	Oil Gravity - API - (Corr.)	
			18	85	160		

29. Disposition of Gas (Sold, used for fuel, vented, etc.)
Sold _____ Test Witnessed By Chuck Morgan

30. List Attachments
Logs

31. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief

Signature Bonnie Atwater Printed Name Bonnie Atwater Title Regulatory Tech. Date 03/06/98

to Appropriate
Office
in Lease - 4 copies
in Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-101
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator SDX RESOURCES, INC.			Lease STATE JB COMM		Well No. 1
Unit Letter E	Section 32	Township 23-S	Range 28-E	County EDDY	NMPM
Actual Footage Location of Well: 1980 feet from the NORTH line and 660 feet from the WEST line					
Ground level Elev. 3112	Producing Formation NONE		Pool UNDES LOVING; DELAWARE		Dedicated Acreage: N/A Acres

- Outline the acreage dedicated to the subject well by colored pencil or hatching marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

☐ Yes
 ☒ No

If answer is "yes" type of consolidation _____

If answer is "no" list the owner and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary). _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

1980'					
660'					

OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature
Barbara E. Wickham

Printed Name
BARBARA E. WICKHAM

Position
PRODUCTION ANALYST

Company
SDX RESOURCES, INC.

Date
5-14-93

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 knowledge and belief.

Date Surveyed

Signature & Seal of
Professional Surveyor

Certificate No

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0



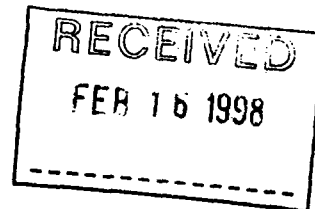
**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

ADMINISTRATIVE ORDER OLS-182

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

Attention: Mr. Chuck Morgan



As an exception to the requirements of Rule 309-A of the Division Rules and Regulations, and pursuant to the provisions of Rule 309-C, the above named company is hereby authorized off-lease storage for Undesignated Loving Delaware (No Pool IDN assigned yet.) Pool production from the following leases:

Lease: J.B. State Well No.1
Description: SW/4 NW/4 of Section 32,

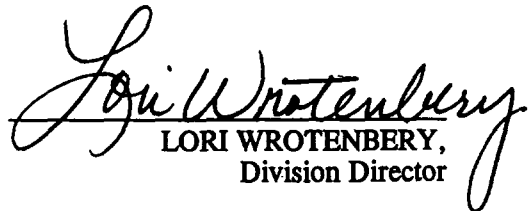
located in Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

The aforementioned production is to be transported prior to measurement to its own tank battery facility located in Unit Letter 'A' of Section 31, Township 23 South, Range 28 East, NMPM, on the Watts Federal lease in Eddy County, New Mexico.

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and there shall be no intercommunication of the handling, separating, treating or storage facilities designated to the above lease.

FURTHER: The operator shall notify the Artesia district office of the Division prior to implementation of the commingling process.

DONE at Santa Fe, New Mexico, on this 10th day of February, 1998.


LORI WROTENBERY,
Division Director

LW/BES

cc: Oil Conservation Division - Artesia
State Land Office - Oil & Gas Division
Bureau of Land Management - Carlsbad

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Graças Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-101
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 8 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUG BACK OR ADD A ZONE

Operator Name and Address SDX Resources, Inc. PO Box 5061 Midland, TX 79704 915/685-1761		OGRIID Number 020451
Property Code 32340		API Number 30-015-2055
Property Name Last Minute State		Well No. 1

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
F	32	23S	28E		1980	North	1980	West	Eddy

Proposed 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
Proposed Pool 1 Undes. Loving, Delaware					Proposed Pool 2				
40360									

Work Type Code N	Well Type Code O	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 3116
Multiple No	Proposed Depth 6500	Formation Delaware	Contractor United Drig.	Spud Date 01-31-98

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sections of Cement	Estimated TOC
24"	20"	94#	40	10 sx	Circ.
17-1/2"	13-3/8"	54.5#	500	250 sx	Circ.
12-1/4"	8-5/8"	36#	2500	800 sx	Circ.
7-7/8"	4-1/2" & 5-1/2"	13.5# & 15.5#	6500	1200 sx	Circ.

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

SDX Resources proposes to drill a 24" hole to 20' & set 20" conductor csg & cmt w/ 10 sx cmt & circ to surface.

Drill a 17-1/2" hole to 500'. Set 13-3/8" surface csg & cmt w/250 sx cmt & circ to surface.

Drill a 12-1/4" hole to 2500'. Set 8-5/8" intermediate csg & cmt w/800 sx cmt & circ to surface.

Drill a 7-7/8" hole to TD of 6500'. Set 4-1/2" & 5-1/2" production csg & cmt w/1200 sx cmt & circ to surface.

Will perforate & stimulate as necessary for optimum production.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Printed name: Chuck Morgan

Title: Engineer

OIL CONSERVATION DIVISION

Approved By:

ORIGINAL SIGNED BY TIM W. GUM
DISTRICT II SUPERVISOR

Title:

Approval Date:

JAN 28 1997

Expiration Date:

1-28-99

District I
PO Box 1988, Hobbs, NM 88241-1988
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Grande 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

API Number	Pool Code 40360	Pool Name Und. Loving Delawar
Property Code	Property Name LAST MINUTE STATE	Well Number 1
OGRID No. 020451	Operator Name SDX RESOURCES, INC	Elevation 3116.

10 Surface Location

TL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
F	32	23-S	28-E		1980	NORTH	1980	WEST	EDDY

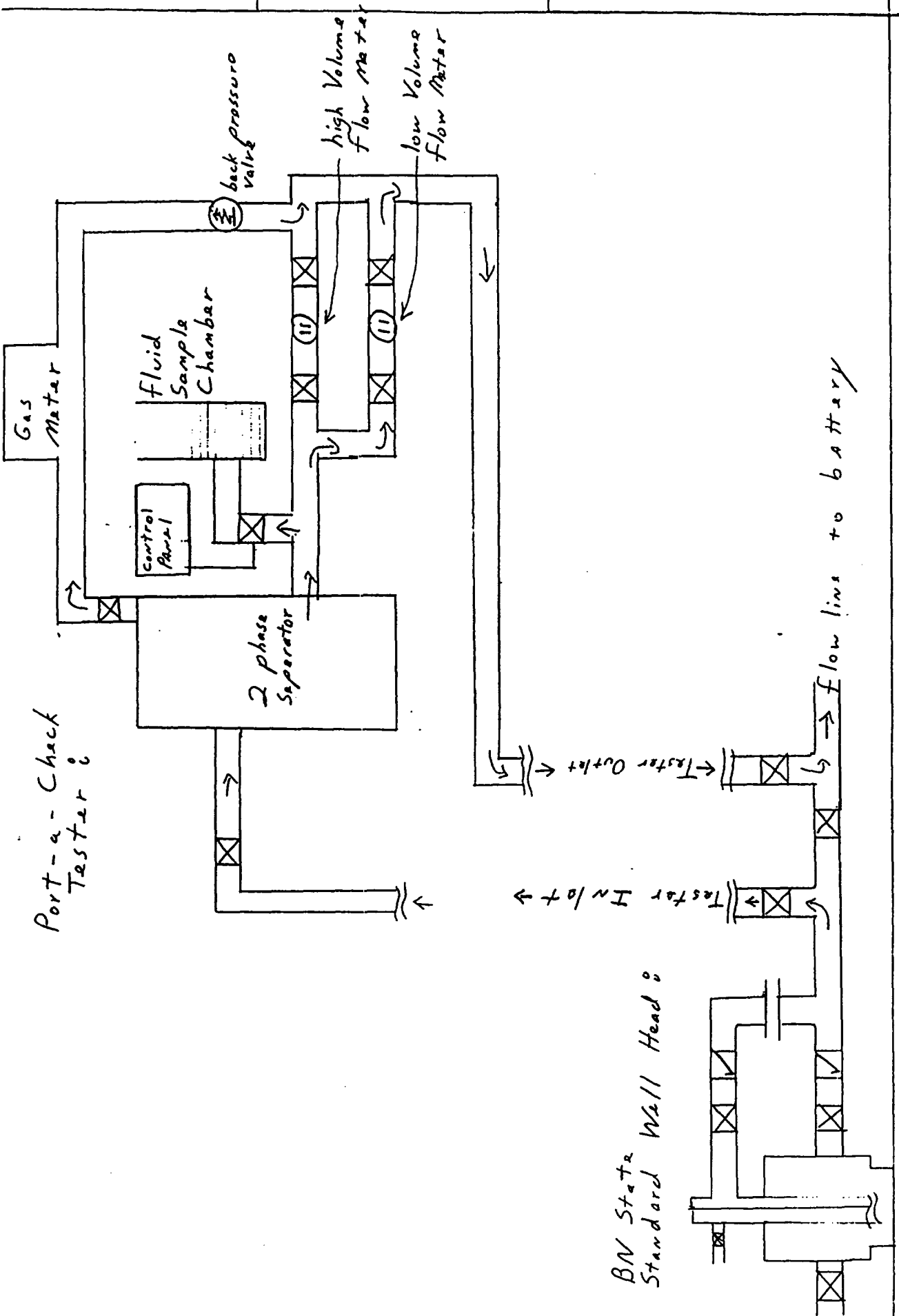
11 Bottom Hole Location If Different From Surface

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

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
-----------------------	-----------------	--------------------	-----------

NO ALLOWABLE WILL 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: <u>Chuck Morgan</u> Printed Name: <u>Chuck Morgan</u> Title: <u>Engr.</u> Date: <u>1/28/98</u>
	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. Date of Survey: <u>JANUARY 28, 1998</u> Signature and Seal of Professional Surveyor: 5412 Certificate Number: <u>5412</u> NM PR&S NO. <u>5412</u>



NAVAJO REFINING COMPANY RUN TICKET

EMERGENCY NUMBER 505 - 748-3311
CHEMTREC 1-800-424-9300
CRUDE OIL PETROLEUM, 3, UN1267, PG II

QUANTITY

OPERATOR

SDX Resources

LEASE NAME

J. B. Com #1

MO.	DAY	YEAR	TRUCK NO.	TICKET NO.
2	17	98	28	2437
TANK NO.			LEASE NO.	
16183-6			6230	
LEASE NO.	ST.	FED.		
			N/A	

TANK SIZE				OIL LEVEL				CALCULATIONS	
15300				GAUGE				TEMP.	
GAUGE	FT.	IN.	1/4 IN.	1ST.	11	4	1	52	RECEIVED MAR 05 1998
HEIGHT OF CONNECTION				2ND.	2	7	3	52	
B.S. & W. LEVEL				OBSERVED GTY. & TEMP.				TRUE GTY.	
1ST.	3	1/4	41.0	49					
2ND.	3	1/4	B.S. & W.				2 1/2	%	

DELIVERY STATION

BTRY. LEGAL DESCRIPTION

N/A

TURNED ON		TIME	
GAUGER	J. B. Com	6:30	
OPERATOR'S WITNESS (OR WAIVER NO.)		OFF SEAL	
Rowland		29970	
SHUT OFF		TIME	
GAUGER	J. B. Com	2:27	
OPERATOR'S WITNESS (OR WAIVER NO.)		ON SEAL	
		220623	

REMARKS

This ticket covers all claims for allowance. The oil represented by this ticket was received and is the property of Navajo Refining Company.

REC'D OCT 01 1997

Wildcat Measurement Service
PO Box 1836
Artesia, New Mexico 88211-1836
Office #505-746-3481
"Quality and Service is our First Concern"

DOS 2.0
Run No. 972909-03
Date Run 09/29/97
Date Sampled 09/24/97

Analysis for: PEAGAN CATERING COMPANY

GPANGL160

Well Name: SDX
Field: SOUTH LOVING SYSTEM
Sta. Number:
Purpose: SPOF
Sampling Temp: 68 DEG F
Volume/day:
Pressure on Cylinder: 22 PSIG

Producer: SDX RESOURCES, INC.
County: EDDY State: NM
Sampled By: TOM PELTON
Atmos Temp: 85 DEG F
Formation:
Line Pressure: 35.2 PSIA

GAS COMPONENT ANALYSIS

	Mol %	GPM
Carbon Dioxide CO2	0.311	
Nitrogen N2	4.043	
Methane C1	72.766	
Ethane C2	11.620	3.091
Propane C3	6.293	1.725
Iso-Butane IC4	0.718	0.234
Nor-Butane NC4	1.931	0.606
Iso-Pentane IC5	0.517	0.188
Nor-Pentane NC5	0.606	0.218
Hexanes Plus C6+	1.195	0.511
TOTAL	100.000	6.572

Pressure Base: 14.650
Real STD Dry: 1287
Real STD Wet: 1264
Real Calc. Specific Gravity: 0.785
Field Specific Gravity: 0.000
Standard Pressure: 14.696
STD Dry: 1291
STD Wet: 1268
I Factor: 0.9961
I Value: 1.2754
Avg Mol Weight: 22.6562
Avg Cuft/Gal: 55.1471
26 lb Product: 1.4279
Methane+ GPM: 18.836
Ethane+ GPM: 6.572
Propane+ GPM: 3.481
Butane+ GPM: 1.757
Pentane+ GPM: 0.917

REMARKS:

Approved by: DON NORMAN

Mon Sep 29 15:34:49 1997

Don Norman

JB STATE LEASE

DIVISION OF INTEREST

SDX# 018600**Lease Description**T23S-R28E, N.M.P.M. Sec 32: SW/4NW/4 containing 40.00 acres, more or less.**Royalty Owners**

- | | |
|--|-------------|
| 1. State of New Mexico #VA-805 | .1250000 RI |
| State of New Mexico Lease #VA-805 dated 2/1/93 | |

Overriding Royalty Owners

- | | |
|---|-------------|
| 1. Lynn S. Charuk | .0150000 OR |
| 2401 Stutz Place; Midland, TX 79705 | |
| 2. Mayhill Oil Corp. | .0135000 OR |
| P.O. Box 5334; Midland, TX 79704 | |
| 3. Debra J. Hamilton | .0135000 OR |
| P.O. Box 10983; Midland, TX 79702 | |
| 4. Tay-Mor Enterprises, Inc. | .0135000 OR |
| P.O. Box 4723; Midland, TX 79704 | |
| 5. Poco Royalty Company | .0067500 OR |
| 2602 Terrace; Midland, TX 79705 | |
| 6. BNM, Inc. | .0067500 OR |
| 5321 Shady Bend; Midland, TX 79707 | |
| 7. Marrs & Smith Partnership | .0060000 OR |
| P.O. Box 863; Kermit, TX 79745 | |

Working Interest Owner

- | | <u>GWI</u> | <u>NRI</u> |
|------------------------------------|------------|-------------|
| 1. SDX Energy Partners, LLC | 1.0000000 | .8000000 WI |
| P.O. Box 5061; Midland, TX 79704 | | |



OLS

4/20/98

COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5795

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5715

PLANNING
(505)-827-5752

April 16, 1998

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

Attn: Mr. Chuck Morgan

Re: Off-Lease Storage and Surface Commingling Application
State JB Well No. 1, Unit Letter E
Last Minute State Well No. 1, Unit Letter F
Section 32-23S-28E
Watts Federal Battery
Eddy County, New Mexico

Dear Mr. Morgan:

We have received your letter of March 25, 1998, wherein you requested our approval for off-lease storage and surface commingling of the Delaware production for the above-captioned wells.

We understand that production from the subject wells will be commingled and stored at the Watts Federal Lease tank battery located in the NE/4NE/4 of Section 31-23S-28E.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Your \$30.00 filing fee has been received.

Please submit a copy of the New Mexico Oil Conservation Division's approval.

Please notify Ms. Debra Padilla of our Right-of-Way Section for further information regarding an easement through the SW/4NW/4 of Section 32-23S-28E. Ms. Padilla's telephone number is 827-5729.

Our approval is contingent upon SDX obtaining all required easements.

SDX Resources, Inc.

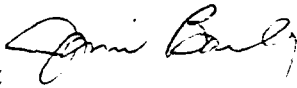
April 16, 1998

Page 2

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

Enclosure

pc: Reader File

OCD--Mr. David Catanach, Mr. Ben Stone

BLM

Debra Padilla