

CHECKLIST for ADMINISTRATIVE INJECTION APPLICATIONS 572

Operator: SDX Resources, Inc. Well: WATTS FED No. 1

Contact: CHUCK MORGAN Title: ENGINEER Phone: 505-748-9724

DATE IN 9-26-94 RELEASE DATE 10-10-94 DATE OUT 11-2-94

Proposed Injection Application is for: WATERFLOOD Expansion Initial

Original Order: R- Secondary Recovery Pressure Maintenance

SENSITIVE AREAS SALT WATER DISPOSAL

WIPP Capitan Reef Commercial Operation

Data is complete for proposed well(s)? yes Additional Data _____

AREA of REVIEW WELLS

- Total # of AOR # of Plugged Wells
- Tabulation Complete Schematics of P & A's
- Cement Tops Adequate NO AOR Repair Required

INJECTION INFORMATION

Injection Formation(s) DELAWARE (MIDDLE) 4900' - 5350'

Source of Water PRODUCED DELAWARE (LOWER) Compatible yes

PROOF OF NOTICE

- Copy of Legal Notice Information Printed Correctly
- Correct Operators Copies of Certified Mail Receipts
- Objection Received Set to Hearing _____ Date

NOTES: _____

APPLICATION QUALIFIES FOR ADMINISTRATIVE APPROVAL yes

COMMUNICATION WITH CONTACT PERSON:

1st Contact: <input checked="" type="checkbox"/> Telephoned	<input type="checkbox"/> Letter	<u>11-2-94</u> Date	Nature of Discussion <u>WIT INTERNAL CONFUSION - NARRATIVE LEGAL DON'T LIVE.</u>
2nd Contact: <input type="checkbox"/> Telephoned	<input type="checkbox"/> Letter	_____ Date	Nature of Discussion _____
3rd Contact: <input type="checkbox"/> Telephoned	<input type="checkbox"/> Letter	_____ Date	Nature of Discussion _____

APPLICATION FOR AUTHORIZATION TO INJECT

I. Purpose: Secondary Recovery Pressure Maintenance Disposal Storage
Application qualifies for administrative approval? yes no

II. Operator: SDX RESOURCES, INC.

Address: P. O. BOX 5061 MIDLAND, TX 79704-5061

Contact party: CHUCK MORGAN Phone: (505) 748-9724

III. Well data: Complete the data required on the reverse side of this form for each well proposed for injection. Additional sheets may be attached if necessary.

IV. Is this an expansion of an existing project? yes no
If yes, give the Division order number authorizing the project _____.

V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.

* VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.

VII. Attach data on the proposed operation, including:

1. Proposed average and maximum daily rate and volume of fluids to be injected;
2. Whether the system is open or closed;
3. Proposed average and maximum injection pressure;
4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and
5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).

*VIII. Attach appropriate geological data on the injection zone including appropriate lithologic detail, geological name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such source known to be immediately underlying the injection interval.

IX. Describe the proposed stimulation program, if any.

* X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division they need not be resubmitted.)

* XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.

XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.

XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.

XIV. Certification

I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

Name: JOHN F. BOO Title VICE-PRESIDENT

Signature:  Date: SEPTEMBER 23, 1994

* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be duplicated and resubmitted. Please show the date and circumstance of the earlier submittal.

III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; location by Section, Township, and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) the intended purpose of the injection well; with the exact location of single wells or the section, township, and range location of multiple wells;
- (3) the formation name and depth with expected maximum injection rates and pressures; and
- (4) a notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico 87501 within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

September 19, 1994

APPLICATION FOR AUTHORIZATION TO INJECT

SDX Resources, Inc.

Watts Fed. #1
Unit A, Sec. 31, T-23-S, R-28-E,
Eddy County, New Mexico

- I. SDX plans to covert This well to an injection well to dispose of water from wells that they plan to re-enter and drill in Section 32. Injection is planned in the Middle Delaware Formation.
- II. Operator: SDX Resources, Inc.
511 W. Ohio, Suite 601
P. O. Box 5061
Midland, TX 79704-5061
- III. Well Data: See Attachment A
- IV. This is not an expansion of existing project.
- V. See Attached map. Attachment B
- VI. Tabular list of wells within both areas of review. (See Attachment C)

Well bore diagrams (Attachment D1 - D3)

- 1. Watts Fed. #1 "existing conditions" "D1"
 - 2. Watts Fed. #1 "proposed condition" "D2"
 - 3. State JB Com #1 (P&A) "D3"
- VII. (1) Proposed average daily injection volume: 200 BWPD
Proposed Maximum daily injection volume: 1,500 BWPD
 - (2) This will be a closed system.
 - (3) Proposed average injection pressure: 800 psi
Proposed maximum injection pressure: 1145 psi

- (4) Injected water would be produced water from the Lower Delaware.
- (5) Formation Water Analysis (Attachment E1 & E2).
- VIII.(1) The proposed injection interval is the porous sand section of the Middle Delaware (4900' - 5550').
- (2) Fresh water zones overlie the proposed injection zone at approximately 150' - 250'.
- IX. The proposed injection interval may be acidized with 15% HCL.
- X. Well logs and test data are on file at the OCD.
- XI. A windmill exist within the 1/2 mile area of review. Its location is shown on Attachment F. Water Analysis is shown on Attachment G.
- XII. Geologic and engineering data have been examined and no evidence of open faults or any other hydrological connection between the injection zones and any underground fresh water aquifers has been found.
- XIII.(A) Certified letters sent to surface owners and offset operators attached. (See Attachment H)
- (B) Copy of legal advertisement and affidavit of publication. (Attachment I & J)
- (C) Sundry Notice to BLM. (Attachment K)
- (D) Right of Way Agreement. (Attachment L)

ATTACHMENT A

III. Well Data: Watts Fed. #1

- A. (1) Unit A, Section 31, T-23-S, R-28-E, Eddy County, New Mexico being 910' FNL and 800' FEL.
- (2) Casing: 13 3/8", 48#, H-40 set at 445' (17 1/2" hole) cemented with 480 sx "C". TOC at Surface (Calculated).
- 9 5/8", 36#, K-55 set at 2400' (12 1/4" hole) cemented with 700 sx Lite and 200 sx "C". TOC at surface (Calculated).
- 4 1/2", 10.5#, J-55 set at 5870' (8 1/2" hole) cemented with 300 sx 50/50 POZ.
- (3) CIBP will be set at 5600' with a 35' cap. Will perforate 4900' - 5550'. Injection will be down 2 3/8" plastic coated tubing with a P.C. R-4 packer set at 4800'.
- B. (1) Injection Formation: Middle Delaware
- (2) Injection interval will be thru perforations 4900'-5550'.
- (3) Well was drilled to a depth of 7775'. (8 1/2" hole) DST's and logs indicated that well was uneconomical and well was P&Aed.

Exhibit 1

Well was re-entered and 4 1/2" casing was set to 5870'. Well was completed in the Lower Delaware (5737'-5747').

- (4) Perforations: 5737-5747'.
- (5) Next shallow oil or gas zone: N/A
Next deeper oil or gas zone: Atoka

WELL NAME: Watts Fed. #1 FIELD AREA: _____

LOCATION: Sec. 31 T235 R28E Unit A Eddy Co., N.M.

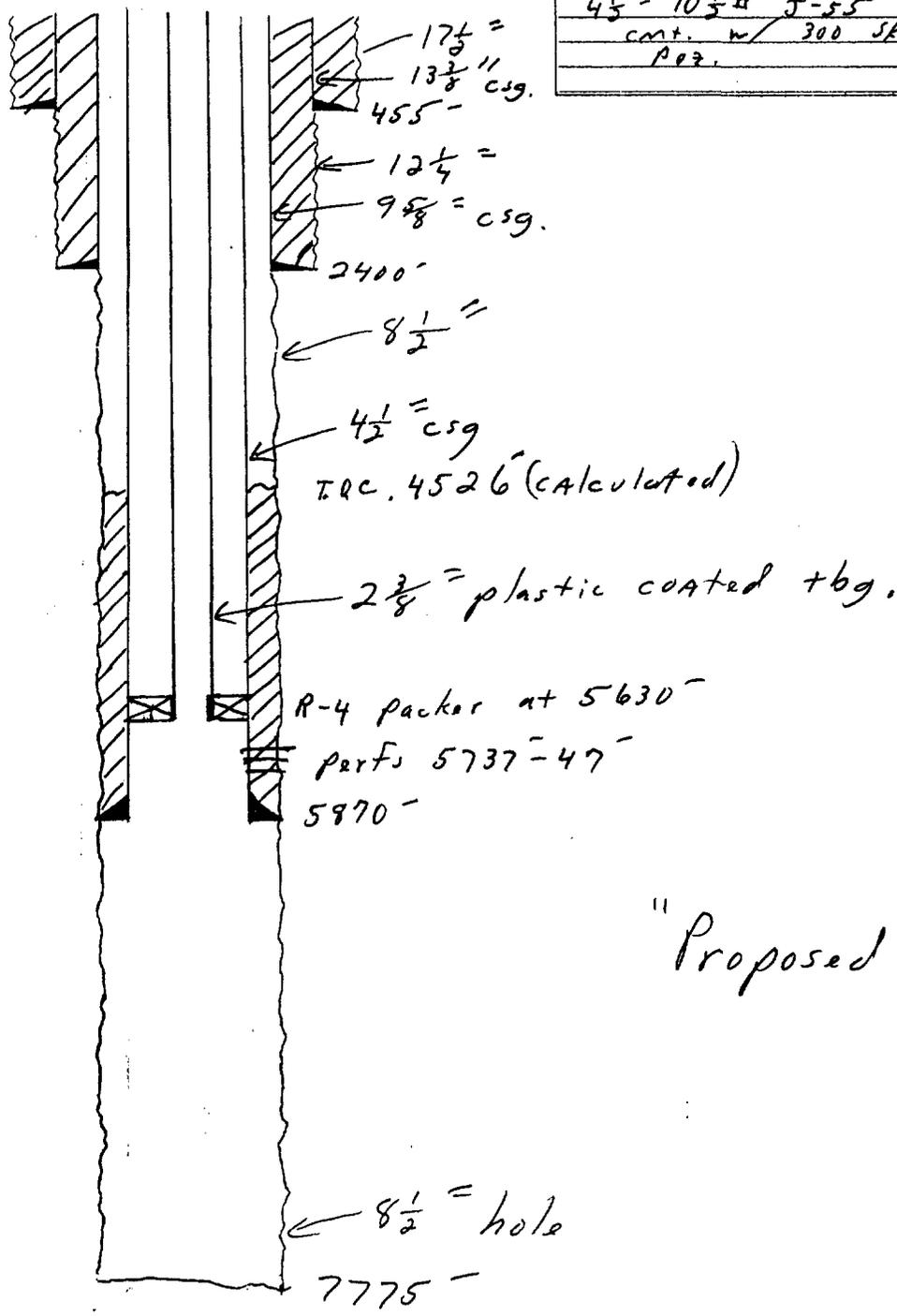
GL: 3/48' ZERO: K.A. ' AGL: 14.5'

KB: 3162.5' ORIG. DRLG./COMPL. DATE: _____

COMMENTS: _____

CASING PROGRAM:

SIZE/WT./GR./CONN.	DEPTH SET
13 3/8" H-40 48#	455'
cmt. w/ 480 sks "C"	
9 5/8" 36# K-55	2400'
cmt. w/ 700 sks white P	
4 1/2" 10 1/2# J-55	5870'
cmt. w/ 300 sks 50/50	
Perf.	



"Proposed Condition"

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other (SWD)	5. Lease Designation and Serial No. NM-22073
2. Name of Operator SDX RESOURCES, INC.	6. If Indian, Allottee or Tribe Name N/A
3. Address and Telephone No. P. O. BOX 5061 MIDLAND, TX 79704-5061	7. If Unit or CA, Agreement Designation N/A
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 910' FNL & 800' FEL (NE/4, NE/4) UNIT A SEC. 31 T23S R28E EDDY COUNTY, NEW MEXICO	8. Well Name and No. WATTS FEDERAL #1
	9. API Well No.
	10. Field and Pool, or Exploratory Area UNDESIGNATED
	11. County or Parish, State EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input checked="" type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

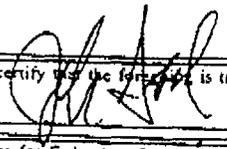
(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

PROPOSE TO DRILL OUT PLUG IN OPEN HOLE FROM 5870' TO 7775'. ACIDIZE EXISTING PERFORATIONS 5737-5747 WITH THE OPEN HOLE AND CONVERT WELL TO WATER INJECTION.

INJECTION WILL BE DOWN 2 3/8" PLASTIC COATED TBG. WITH A PACKER SET AT 5630'.
(SEE ACCOMPANYING C-108.)

14. I hereby certify that the foregoing is true and correct

Signed  JOHN POOL Title VICE-PRESIDENT Date 9/23/94

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
Conditions of approval, if any:

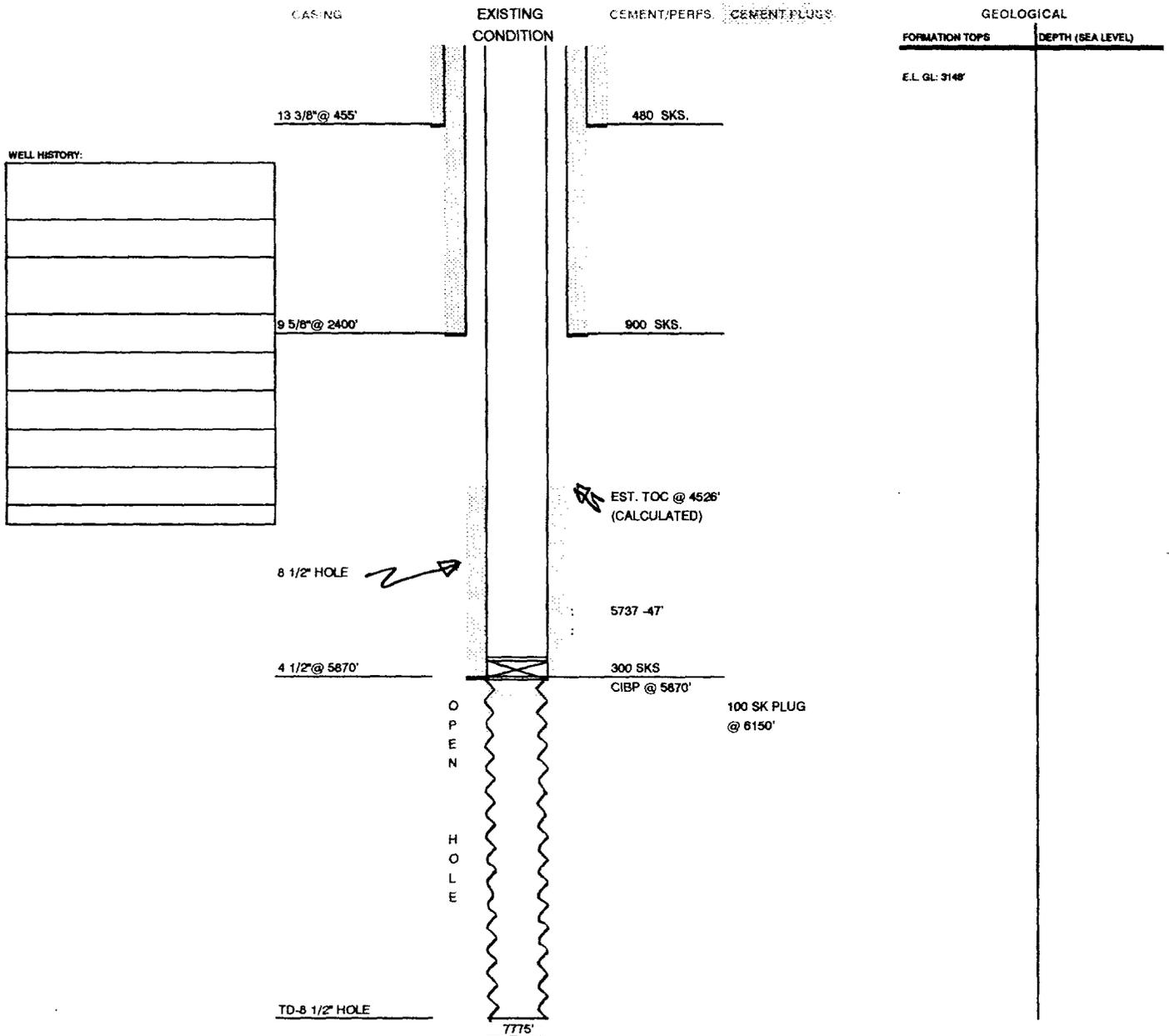
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

WELL NAME: WATTS FEDERAL #1
LEGAL DESC: SEC. 31, 23/28 EDDY CO., NM 910' FNL, 800' FEL
FIELD: WILDCAT
DATE DRILLED: 8/15/84
DATE COMPL: 9/84

SDX RESOURCES INC.

WELL - BORE SCHEMATIC

EXISTING CONDITION



WELL HISTORY:

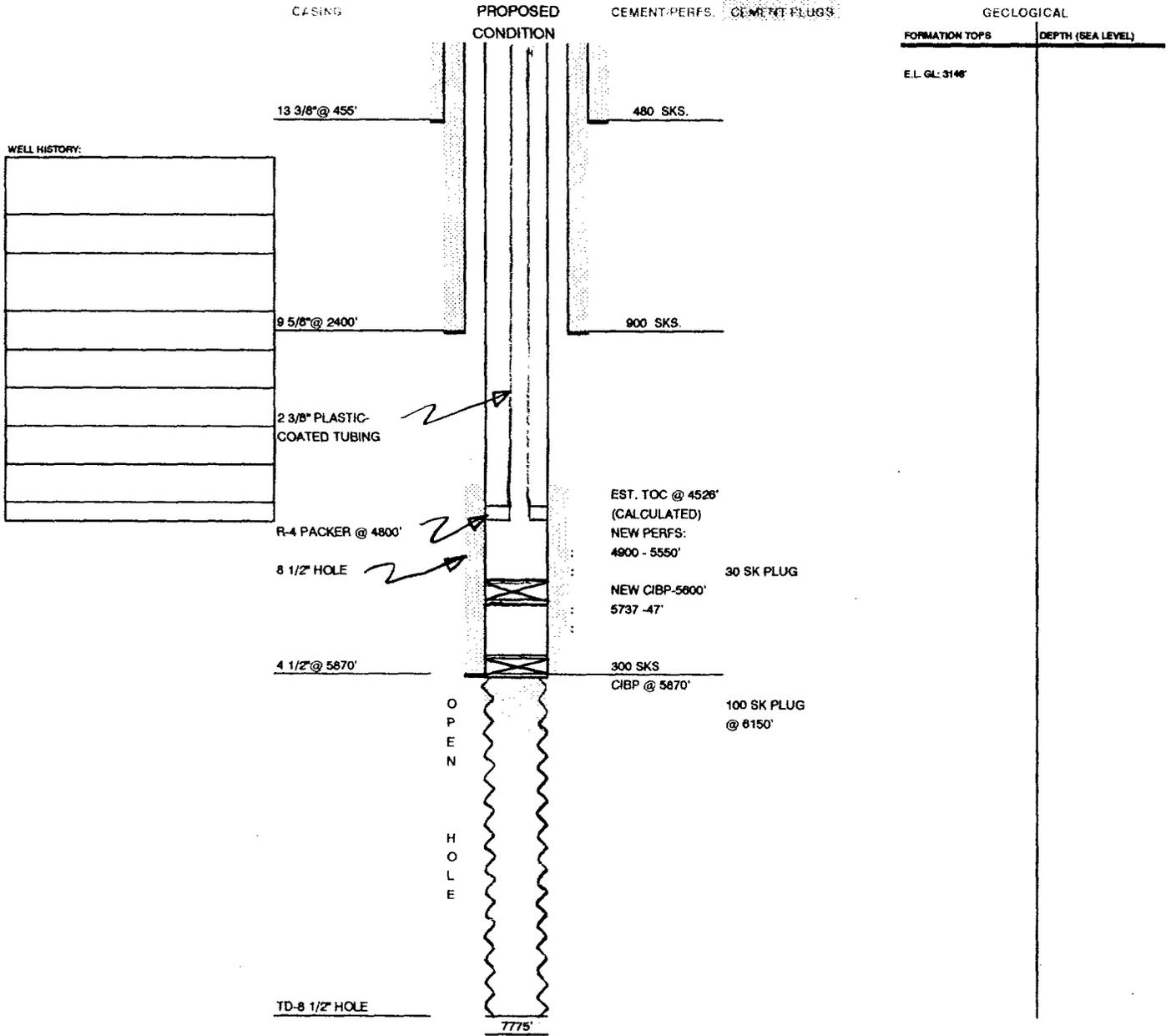
(DIAGRAM NOT TO SCALE)

WELL NAME: WATTS FEDERAL #1
LEGAL DESC: SEC. 31, 23/28
EDDY CO., NM
910' FNL, 800' FEL
FIELD: WILDCAT
DATE DRILLED: 8/15/84
DATE COMPL: 9/84

SDX RESOURCES INC.

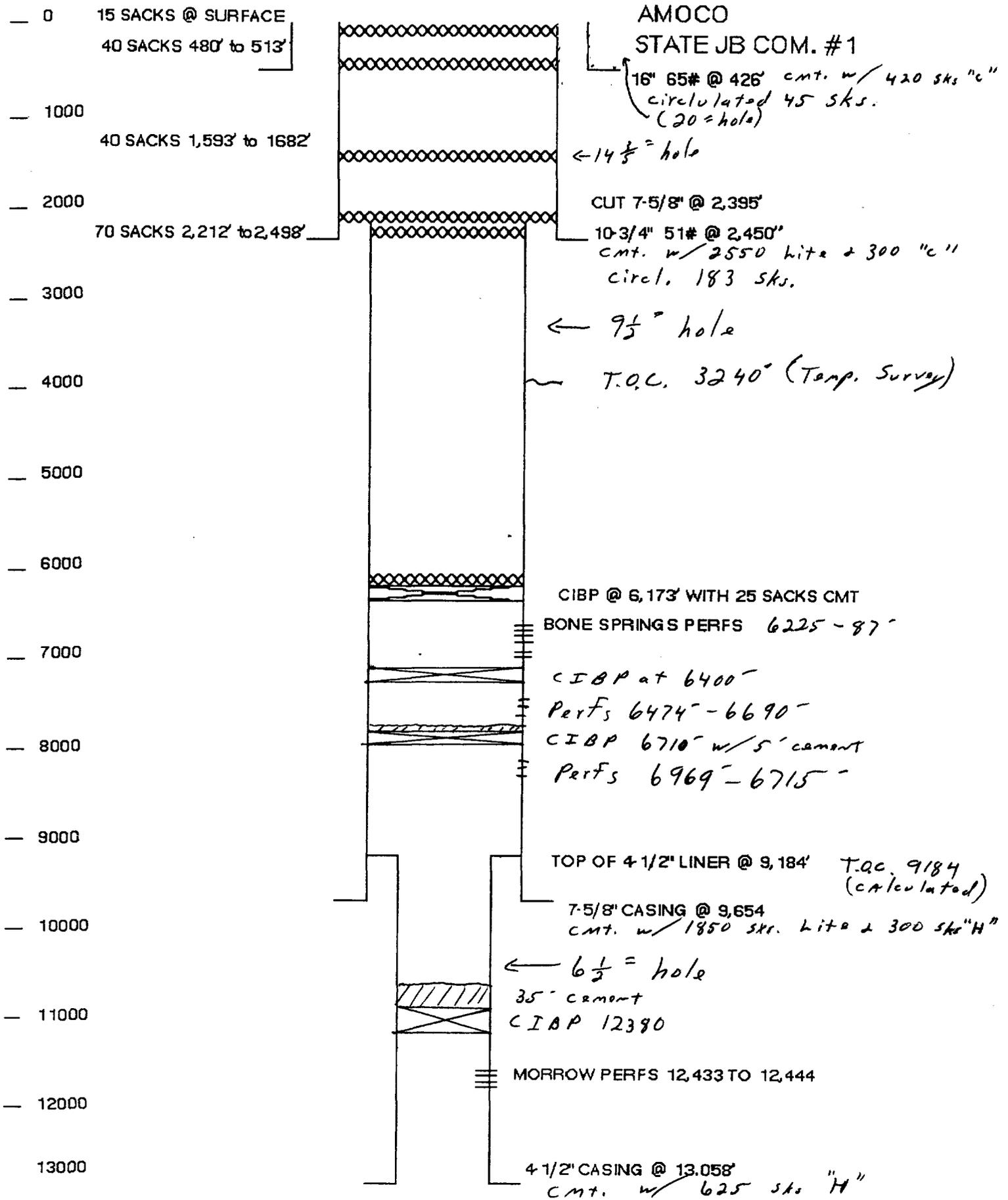
WELL - BORE SCHEMATIC

PROPOSED CONDITION



WELL HISTORY:

(DIAGRAM NOT TO SCALE)



ATTACHMENT E 1

ATORY

YSIS No. W201-86

Date March 31, 1986

port is the property of Halliburton Company and neither any part thereof nor a copy thereof is to be published
losed without first securing the express written approval
actory management; it may however, be used in the
of regular business operations by any person or concern
employees thereof receiving such report from Halliburton
ny.

Date Rec. _____

Formation Delaware (Cherry Gam

County Eddy Field S 31, T 23S, R 28E Source Wellhead

Resistivity 0.048 @ 70°

Specific Gravity 1.20

pH 6.3

Calcium (Ca) 34,410 *MPL

Magnesium (Mg) 4,718

Chlorides (Cl) 187,000

Sulfates (SO₄) Nil

Bicarbonates (HCO₃) Nil

Soluble iron (Fe) Heavy

Remarks: _____ *Milligrams per liter

Rocky Chambers
Respectfully submitted,

Analyst: Rocky Chambers - Field Engineer

HALLIBURTON COMPANY

cc:

NOTICE

This report is limited to the described sample tested. Any user of this report agrees that Halliburton shall not be liable for any loss or damage, whether it be to act or omit to act, arising from the use of this report.

LO

LYSIS

No. W421-84

Date August 22, 1984

report is the property of Halliburton Company and neither
r any part thereof nor a copy thereof is to be published
isclosed without first securing the express written approval
laboratory management; it may however, be used in the
e of regular business operations by any person or concern
employees thereof receiving such report from Halliburton
pany.

Date Rec. August 22, 1984

Formation Delaware

Source Swab

County _____

(± 5700')

Sec. 31, T 23-S, R 28-E

Resistivity	.07 @ 68°	
Specific Gravity	1.140 @ 60°	
pH	6.8	
Calcium (Ca)	15,300	*MPL
Magnesium (Mg)	1,800	
Chlorides (Cl)	131,000	
Sulfates (SO ₄)	Light	
Bicarbonates (HCO ₃)	300	
Soluble Iron (Fe)	Light	
KCL	0%	

Remarks:

*Milligrams per liter

Warren Lane
Respectfully submitted,

Analyst: Warren Lane - Field Engineer

HALLIBURTON COMPANY

cc:

NOTICE

This report is limited to the described sample tested. Any user of this report agrees that Halliburton shall not be liable for any loss or damage, whether it be to act or omission, resulting from such report or its use.

EXHIBIT

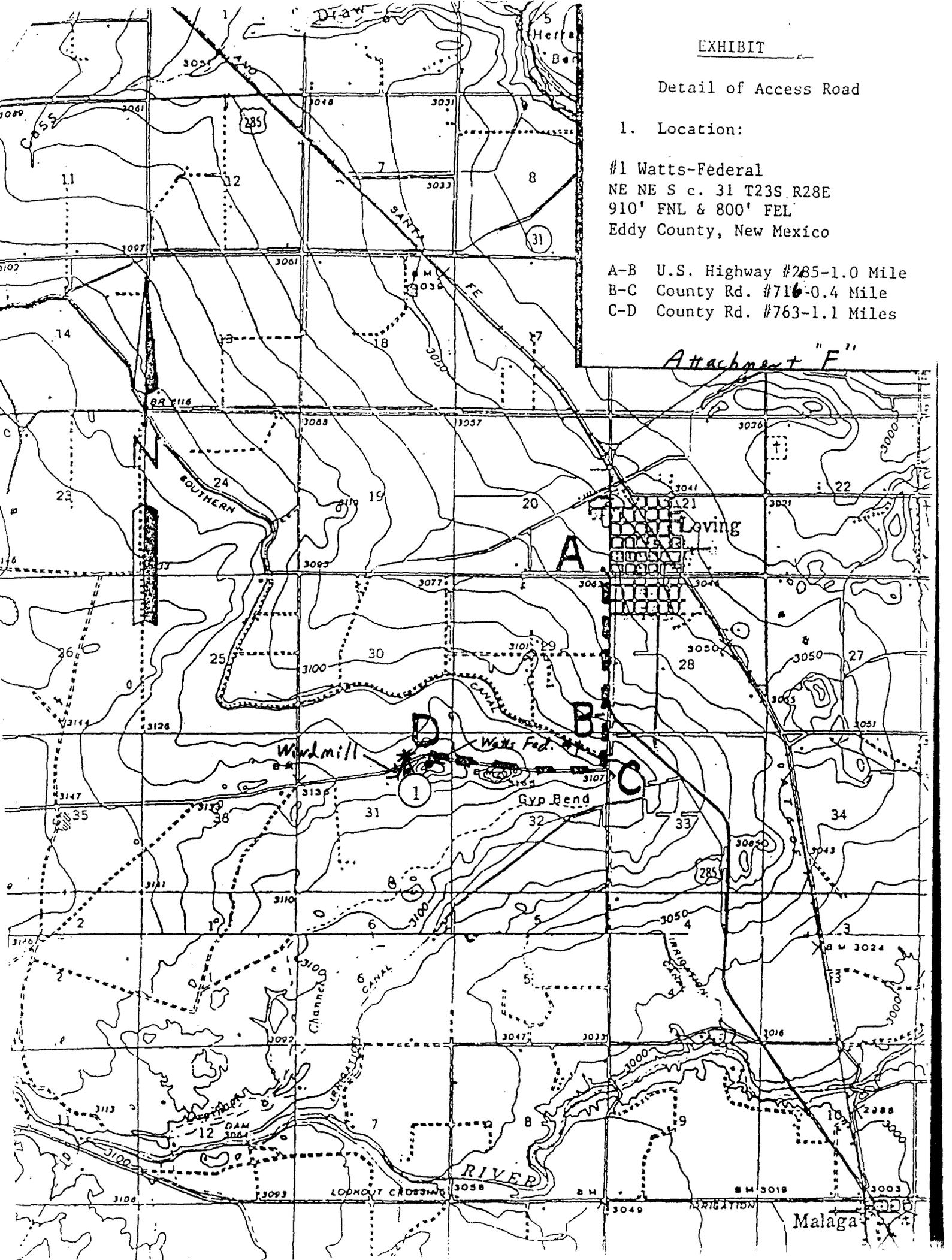
Detail of Access Road

1. Location:

#1 Watts-Federal
NE NE S c. 31 T23S R28E
910' FNL & 800' FEL
Eddy County, New Mexico

A-B U.S. Highway #285-1.0 Mile
B-C County Rd. #716-0.4 Mile
C-D County Rd. #763-1.1 Miles

Attachment "F"



Malaga

HALLIBURTON SERVICES

ARTESIA DISTRICT

LABORATORY REPORT

No. _____

TO SDX

Date 10-13-93

This report is the property of Halliburton Services and neither it nor any part thereof, nor a copy thereof, is to be published or disclosed without first securing the express written approval of laboratory management. It may however, be used in the course of regular business operations by any person or concern and employees thereof receiving such report from Halliburton Services.

Submitted by _____ Date Rec. 10-13-93

Well No. WATTS Fed Windmill Depth _____ Formation _____

Field _____ County _____ Source _____

Resistivity	<u>2.6 @ 70</u>	_____	_____
Specific Gravity ..	<u>1.0024 @ 70</u>	_____	_____
pH	<u>7.5</u>	_____	_____
Calcium	<u>2300</u>	_____	_____
Magnesium	<u>780</u>	_____	_____
Chlorides	<u>1400</u>	_____	_____
Sulfates	<u>200</u>	_____	_____
Bicarbonates	<u>214</u>	_____	_____
Soluble Iron	<u>0</u>	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Remarks:


Respectfully submitted

Analyst: _____

HALLIBURTON SERVICES

NOTICE:

This report is for information only and the content is limited to the sample described. Halliburton makes no warranties, express or implied, as to the accuracy of the contents or results. Any user of this report agrees Halliburton shall not be held liable for any loss or damage, regardless of cause, including any act or omission of Halliburton resulting from the use of this report.

SDX RESOURCES, INC.

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

September 19, 1994

Enron Oil & Gas Corp.
P. O. Box 2267
Midland, TX 79702

CERTIFIED RETURN RECEIPT

Re: Application for Authority
to Inject
Sec. 31, T23S, R28E
Eddy County, New Mexico

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) for SDX's Watts Fed. #1 located in Unit A, Section 31, Township 23 South, Range 28 East of Eddy County, New Mexico.

Should you have any questions, please contact us at the letterhead address or call (915) 685-1761. Thank you for your consideration in this matter.

Best regards,



John Pool
Vice President

\bw

Enclosures

Enron Oil & Gas Corp.
P. O. Box 2267
Midland, TX 79702

Harvey E. Yates Co.
P. O. Box 1933
Roswell, NM 88201

Amoco Production Co.
P. O. Box 4072
Odessa, TX 79760

Hallwood Petroleum
P. O. Box 378111
Denver, CO 80237

Steve Sell
P. O. Box 5061
Midland, TX 79704-5061

BLM
P. O. Box 1778
Carlsbad, NM 88220

Marvin Watts
P. O. Box 56
Carlsbad, NM 88220

SDX RESOURCES, INC.

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

September 19, 1994

Harvey E. Yates Co.
P. O. Box 1933
Roswell, NM 88201

CERTIFIED RETURN RECEIPT

Re: Application for Authority
to Inject
Sec. 31, T23S, R28E
Eddy County, New Mexico

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) for SDX's Watts Fed. #1 located in Unit A, Section 31, Township 23 South, Range 28 East of Eddy County, New Mexico.

Should you have any questions, please contact us at the letterhead address or call (915) 685-1761. Thank you for your consideration in this matter.

Best regards,



John Pool
Vice President

\bw

Enclosures

Enron Oil & Gas Corp.
P. O. Box 2267
Midland, TX 79702

Harvey E. Yates Co.
P. O. Box 1933
Roswell, NM 88201

Amoco Production Co.
P. O. Box 4072
Odessa, TX 79760

Hallwood Petroleum
P. O. Box 378111
Denver, CO 80237

Steve Sell
P. O. Box 5061
Midland, TX 79704-5061

BLM
P. O. Box 1778
Carlsbad, NM 88220

Marvin Watts
P. O. Box 56
Carlsbad, NM 88220

SDX RESOURCES, INC.

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

September 19, 1994

Amoco Production Co.
P. O. Box 4072
Odessa, TX 79760

CERTIFIED RETURN RECEIPT

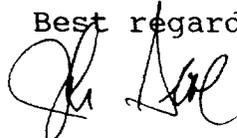
Re: Application for Authority
to Inject
Sec. 31, T23S, R28E
Eddy County, New Mexico

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) for SDX's Watts Fed. #1 located in Unit A, Section 31, Township 23 South, Range 28 East of Eddy County, New Mexico.

Should you have any questions, please contact us at the letterhead address or call (915) 685-1761. Thank you for your consideration in this matter.

Best regards,



John Pool
Vice President

\bw

Enclosures

Enron Oil & Gas Corp.
P. O. Box 2267
Midland, TX 79702

Harvey E. Yates Co.
P. O. Box 1933
Roswell, NM 88201

Amoco Production Co.
P. O. Box 4072
Odessa, TX 79760

Hallwood Petroleum
P. O. Box 378111
Denver, CO 80237

Steve Sell
P. O. Box 5061
Midland, TX 79704-5061

BLM
P. O. Box 1778
Carlsbad, NM 88220

Marvin Watts
P. O. Box 56
Carlsbad, NM 88220

SDX RESOURCES, INC.

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

September 19, 1994

Hallwood Petroleum
P. O. Box 378111
Denver, CO 80237

CERTIFIED RETURN RECEIPT

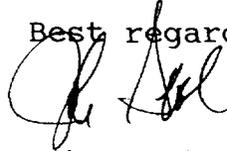
Re: Application for Authority
to Inject
Sec. 31, T23S, R28E
Eddy County, New Mexico

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) for SDX's Watts Fed. #1 located in Unit A, Section 31, Township 23 South, Range 28 East of Eddy County, New Mexico.

Should you have any questions, please contact us at the letterhead address or call (915) 685-1761. Thank you for your consideration in this matter.

Best regards,



John Pool
Vice President

\bw

Enclosures

Enron Oil & Gas Corp.
P. O. Box 2267
Midland, TX 79702

Harvey E. Yates Co.
P. O. Box 1933
Roswell, NM 88201

Amoco Production Co.
P. O. Box 4072
Odessa, TX 79760

Hallwood Petroleum
P. O. Box 378111
Denver, CO 80237

Steve Sell
P. O. Box 5061
Midland, TX 79704-5061

BLM
P. O. Box 1778
Carlsbad, NM 88220

Marvin Watts
P. O. Box 56
Carlsbad, NM 88220

SDX RESOURCES, INC.

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

September 19, 1994

Steve Sell
P. O. Box 5061
Midland, TX 79704-5061

CERTIFIED RETURN RECEIPT

Re: Application for Authority
to Inject
Sec. 31, T23S, R28E
Eddy County, New Mexico

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) for SDX's Watts Fed. #1 located in Unit A, Section 31, Township 23 South, Range 28 East of Eddy County, New Mexico.

Should you have any questions, please contact us at the letterhead address or call (915) 685-1761. Thank you for your consideration in this matter.

Best regards,



John Pool
Vice President

\bw

Enclosures

Enron Oil & Gas Corp.
P. O. Box 2267
Midland, TX 79702

Harvey E. Yates Co.
P. O. Box 1933
Roswell, NM 88201

Amoco Production Co.
P. O. Box 4072
Odessa, TX 79760

Hallwood Petroleum
P. O. Box 378111
Denver, CO 80237

Steve Sell
P. O. Box 5061
Midland, TX 79704-5061

BLM
P. O. Box 1778
Carlsbad, NM 88220

Marvin Watts
P. O. Box 56
Carlsbad, NM 88220

SDX RESOURCES, INC.

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

September 19, 1994

BLM
P. O. Box 1778
Carlsbad, NM 88220

CERTIFIED RETURN RECEIPT

Re: Application for Authority
to Inject
Sec. 31, T23S, R28E
Eddy County, New Mexico

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) for SDX's Watts Fed. #1 located in Unit A, Section 31, Township 23 South, Range 28 East of Eddy County, New Mexico.

Should you have any questions, please contact us at the letterhead address or call (915) 685-1761. Thank you for your consideration in this matter.

Best regards,



John Pool
Vice President

\bw

Enclosures

Enron Oil & Gas Corp.
P. O. Box 2267
Midland, TX 79702

Harvey E. Yates Co.
P. O. Box 1933
Roswell, NM 88201

Amoco Production Co.
P. O. Box 4072
Odessa, TX 79760

Hallwood Petroleum
P. O. Box 378111
Denver, CO 80237

Steve Sell
P. O. Box 5061
Midland, TX 79704-5061

BLM
P. O. Box 1778
Carlsbad, NM 88220

Marvin Watts
P. O. Box 56
Carlsbad, NM 88220

SDX RESOURCES, INC.

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

September 19, 1994

Marvin Watts
P. O. Box 56
Carlsbad, NM 88220

CERTIFIED RETURN RECEIPT

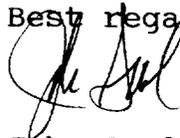
Re: Application for Authority
to Inject
Sec. 31, T23S, R28E
Eddy County, New Mexico

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) for SDX's Watts Fed. #1 located in Unit A, Section 31, Township 23 South, Range 28 East of Eddy County, New Mexico.

Should you have any questions, please contact us at the letterhead address or call (915) 685-1761. Thank you for your consideration in this matter.

Best regards,



John Pool
Vice President

\bw

Enclosures

Enron Oil & Gas Corp.
P. O. Box 2267
Midland, TX 79702

Harvey E. Yates Co.
P. O. Box 1933
Roswell, NM 88201

Amoco Production Co.
P. O. Box 4072
Odessa, TX 79760

Hallwood Petroleum
P. O. Box 378111
Denver, CO 80237

Steve Sell
P. O. Box 5061
Midland, TX 79704-5061

BLM
P. O. Box 1778
Carlsbad, NM 88220

Marvin Watts
P. O. Box 56
Carlsbad, NM 88220

P 429 457 228



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to Artesia Daily Press	
Street and No.	
P.O., State and ZIP Code Artesia, NM 88211	
Postage	\$.29
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.00
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$2.29
Postmark or Date	

P 429 457 814



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to Steve Sell	
Street and No. P. O. Box 5061	
P.O., State and ZIP Code Midland, TX 79704	
Postage	\$ 2.98

457 811

Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to Yates Co.	
Street and No. x 1933	
P.O., State and ZIP Code NM 88201	
Postage	\$.98
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.00
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$2.98
Postmark or Date	

P 429 457 810

Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to Enron Oil & Gas Corp.	
Street and No. P. O. Box 2267	
P.O., State and ZIP Code Midland, TX 79702	
Postage	\$.98
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.00
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$2.98
Postmark or Date	

P 429 457 815

Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to BLM	
Street and No. P. O. Box 1778	
P.O., State and ZIP Code Carlsbad, NM 88220	
Postage	\$ 1.00
Certified Fee	1.00
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.00
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$3.90
Postmark or Date	

PS Form 3800, June 1991

PS Form 3800, June 1991

PS Form 3800, June 1991

NOTIFIED LEASE OWNERS

Enron Oil & Gas Corp.
P. O. Box 2267
Midland, TX 79702

Harvey E. Yates Co.
P. O. Box 1933
Roswell, NM 88201

Hallwood Petroleum
P. O. Box 378111
Denver, CO 80237

Amoco Production Co.
P. O. Box 4072
Odessa, TX 79760

Steve Sell
P. O. Box 5061
Midland, TX 79704

BLM
P. O. Box 1778
Carlsbad, NM 88220

NOTIFIED SURFACE OWNERS

Marvin Watts
P. O. Box 56
Carlsbad, NM 88220

LEGAL NOTICE

SDX Resources, Inc., P. O. Box 5061, Midland, Texas 79704, has filed form C-108 (Application for Authorization to Inject) with the New Mexico Oil Conservation Division seeking administrative approval for injection wells. The proposed injection zone for the "Watts Fed. #1" located 910' FNL & 800' FEL of Section 31, Township 23 South, Range 28 East of Eddy County, New Mexico, is the Lower Delaware and Bone Springs formations with perforations from 5737' to 5747' and open hole from 5870' to 7775'. SDX Resources, Inc. intends to inject a maximum of 1500 bbls of produced formation water per day at a maximum of 1145 psi. Interested parties must file objections with the Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico, 87501 within 15 days of this notice.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other (SWD)	5. Lease Designation and Serial No. NM-22073
2. Name of Operator SDX RESOURCES, INC.	6. If Indian, Allottee or Tribe Name N/A
3. Address and Telephone No. P. O. BOX 5061 MIDLAND, TX 79704-5061	7. If Unit or CA, Agreement Designation N/A
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 910' FNL & 800' FEL (NE/4, NE/4) UNIT A SEC. 31 T23S R28E EDDY COUNTY, NEW MEXICO	8. Well Name and No. WATTS FEDERAL #1
	9. API Well No.
	10. Field and Pool, or Exploratory Area UNDESIGNATED
	11. County or Parish, State EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input checked="" type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

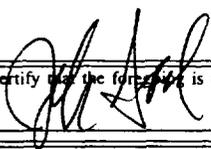
(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

PROPOSE TO DRILL OUT PLUG IN OPEN HOLE FROM 5870' TO 7775'. ACIDIZE EXISTING PERFORATIONS 5737-5747 WITH THE OPEN HOLE AND CONVERT WELL TO WATER INJECTION.

INJECTION WILL BE DOWN 2 3/8" PLASTIC COATED TBG. WITH A PACKER SET AT 5630'.
(SEE ACCOMPANYING C-108.)

14. I hereby certify that the foregoing is true and correct

Signed  **JOHN POOL** Title VICE-PRESIDENT Date 9/23/94

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
Conditions of approval, if any:

Affidavit of Publication

Copy of Publication

OIL CONSERVATION No. 14847
RECEIVED

STATE OF NEW MEXICO,

County of Eddy:

94 NO: 2 AM 8 52

Gary D. Scott being duly

sworn, says: That he is the Publisher of The Artesia Daily Press, a daily newspaper of general circulation, published in English at Artesia, said county and state, and that the hereto attached Legal Notice

was published in a regular and entire issue of the said Artesia Daily Press, a daily newspaper duly qualified for that purpose within the meaning of Chapter 167 of the 1937 Session Laws of

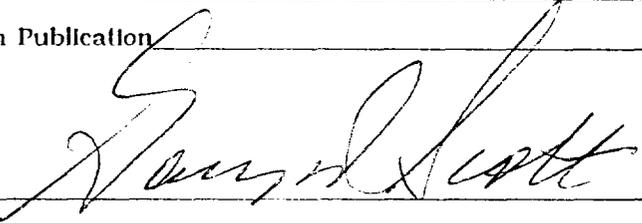
the state of New Mexico for 1 days consecutive weeks on the same day as follows:

First Publication September 28, 1994

Second Publication _____

Third Publication _____

Fourth Publication _____



Subscribed and sworn to before me this 13th day of October 1994

Garban Hernandez
Notary Public, Eddy County, New Mexico

My Commission expires September 23, 1996

LEGAL NOTICE

SDX Resources, Inc., P.O. Box 5061, Midland, Texas 79704, has filed form C-108 (Application for Authorization to Inject) with the New Mexico Oil Conservation Division seeking administrative approval for injection wells. The proposed injection zone for the "Watts Fed. #1" located 910' FNL & 800' FEL of Section 31, Township 23 South, Range 28 East of Eddy County, New Mexico, is the Lower Delaware and Bone Springs formations with perforations from 5737' to 5747' and open hole from 5870' to 7775'. SDX Resources, Inc. intends to inject a maximum of 1500 bbls of produced formation water per day at a maximum of 1145 psi. Interested parties must file objections with the Oil Conservation Division, P.O. Box 2088, Santa Fe, New Mexico, 87501 within 15 days of this notice. Published in the Artesia Daily Press, Artesia, New Mexico, September 28, 1994. Legal 14847

RIGHT-OF-WAY AGREEMENT

STATE OF NEW MEXICO §
 COUNTY OF EDDY §

THIS RIGHT-OF-WAY AGREEMENT (the "Agreement") is entered into this 10th day of September, 1993, by and between Marvin Watts and his wife, Mary Watts (hereinafter referred to as "Watts") and SDX Properties, Inc. (hereinafter referred to as "SDX").

WHEREAS, Watts is the owner of the surface of the following described land situated in Eddy County, New Mexico (the "Land"):

Township 23 South, Range 28 East, N.M.P.M.
Section 31: NE/4 NE/4

NOW, for and in consideration of \$10.00 and other good and valuable consideration in hand paid by SDX, the receipt and sufficiency of which are hereby acknowledged, Watts does hereby grant, bargain and sell to SDX the following:

The exclusive right of disposing salt water in that certain well, more particularly described as the Cimarron Energy Corporation #1 Watts-Federal Well, located 910 feet from the North Line and 800 feet from the East Line of Section 31, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico (the "Well"), together with the right of laying and maintaining pipe lines, building and maintaining tanks, earthen pits, power stations, electrical lines, pumps and other structures, machinery, equipment and the means thereon either necessary or convenient to save, take care of, treat, store, transport, inject into and dispose of salt water into the Well; and

The right of ingress and egress in, on, over, across and through all of the Land for all purposes reasonably necessary for the operation of its proposed use of the Well and the other purposes recited herein.

This Agreement shall be for a term of ten (10) years from the date hereof, and so long thereafter as salt water is injected into the Well. This Agreement shall not terminate as a result of the failure to inject salt water into the Well, so long as said cessation is less than six (6) consecutive months.

SDX shall have the right at any time during or within six (6) months after the expiration of this Agreement to remove all property and fixtures placed by SDX on the Land, including the right to draw and remove all casing.

If Watts considers that operations are not at any time being conducted in compliance with this Agreement, or that SDX has otherwise breached its duties hereunder, Watts shall notify SDX in writing of the breaches that he believes SDX has committed. SDX shall then have sixty (60) days after receipt of such notice within which to comply with such notice. If such breaches are not cured within said sixty-day period, Watts may terminate this Agreement by giving written notice to SDX of his election to do so.

The consideration paid by SDX to Watts for this Agreement includes an amount agreed to by the parties as payment of all damages which might or will be sustained by Watts on account of the use of the Land by SDX; and Watts, in consideration therefore, releases, discharges and surrenders to SDX all claims and demands of every nature whatsoever that Watts might or could have against SDX arising out of or connected with this Agreement.

This Agreement shall not be assigned, transferred or conveyed without the consent of Watts, whose consent shall not be unreasonable withheld, and whose consent shall not be conditioned in any way upon any additional payments, assessments or fees for the rights granted herein.

The provisions of this Agreement shall extend to and bind the parties hereto, their heirs, successors, assigns, executors and administrators. SDX shall have the right to assign, transfer or convey its rights hereunder either together or separately, in whole or in part, for any period covered hereby.

IN WITNESS THEREOF, this instrument is executed on the day and year first above written.

Marvin L Watts
Marvin Watts

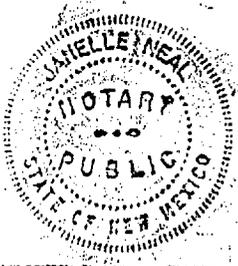
Mary Watts
Mary Watts

SDX Properties, Inc,

By Steve Sell
Steve Sell, President

STATE OF NEW MEXICO §
§
COUNTY OF EDDY §

The foregoing instrument was acknowledged before me this 14th day of ~~SEPTEMBER~~ 1993, by Marvin Watts, and his wife Mary Watts.



Janelle Neal
Notary Public

STATE OF TEXAS §
§
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 10th day of ~~SEPTEMBER~~ 1993, by Steve Sell, President of SDX Properties, Inc., a Texas Corporation, on behalf of said corporation.



Barbara E. Wickham
Notary Public