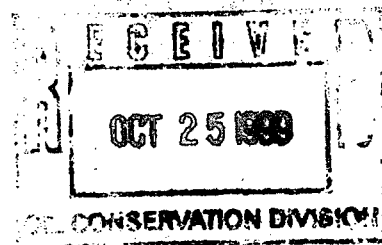


NSL 11/15/99

SDX RESOURCES, INC.

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



Oct. 22, 1999

NMOCD
2040 South Pacheco Street
Santa Fe, NM 87505

Attention: Mr. Mike Stogner

RE: N W State # 9
Sec. 31 T17S R28E
2310 FSL, 270 FEL
Eddy County, New Mexico

Dear Mr. Stogner,

SDX Resources, Inc. is the operator of the NW State lease covering 560 acres of State Lease # 647, located in the NE/4 & SW/4 of Sec. 32, SE/4 SE/4 of sec. 29, E/2 E/2 of sec. 31 T17S R28E, and the NE/4 NE/4 of Sec. 6 T18S R28E. The NW St. # 9 well has been staked at a non-standard location of 270' FEL and 2310' FSL of Sec. 31 T17S R28E. The location was moved to avoid existing power lines and a county road. This will only encroach on an internal proration unit line within the lease. Offset operators have been notified. SDX request that this letter serve as an application for administrative approval of the NW State # 9 location. A survey plat, a topographic map, and a lease map accompany this application. As shown on the lease map, the # 9 location chosen is necessary to maintain a consistent primary development pattern that will allow the possibility of future infill drilling (shown on lease map) to set up a secondary recovery project. Your assistance in this matter is greatly appreciated.

Sincerely,

Chuck Morgan

Enclosures

1999

District I
1825 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 24th Avenue Rd., Aztec, NM 87410
District IV
2940 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

APN Number		Pool Code 03230	Pool Name Artesia (QN-GB-SA)
Property Code 24439	Property Name NW STATE		Well Number 9
OGED No. 020451	Operator Name SDX RESOURCES, INC.		Elevation 3689.

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	31	17-S	28-E		2310	SOUTH	270	EAST	EDDY

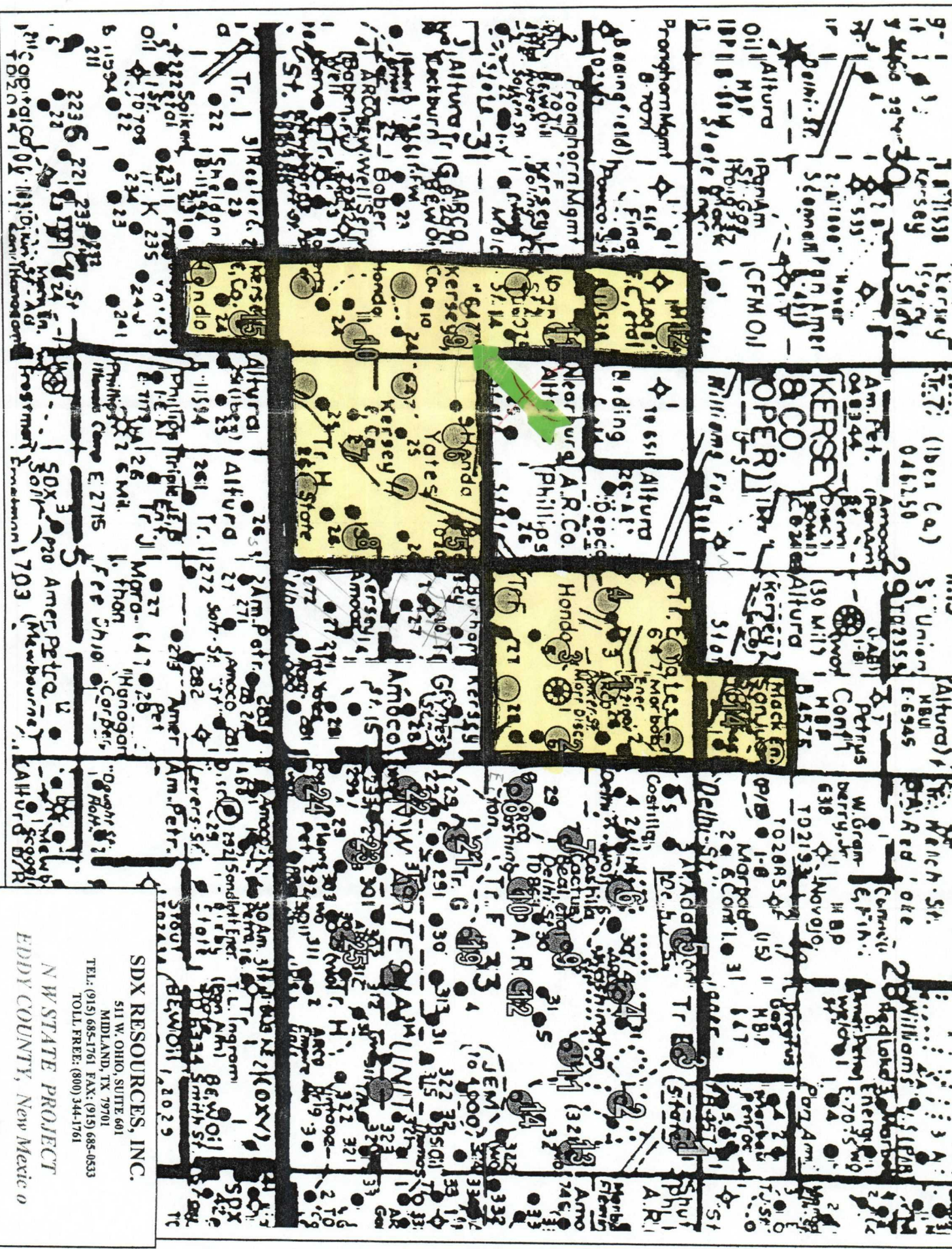
11 Bottom Hole Location If Different From Surface

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

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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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

	12 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
	Signature: <i>Bonnie Atwater</i> Printed Name: Bonnie Atwater Title: Regulatory Tech. Date: 10/8/99	
	13 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: SEPTEMBER 24, 1999 Signature and Seal of Professional Surveyor: 	



SDX RESOURCES, INC.
511 W. OHIO, SUITE 601
MIDLAND, TX 79701
TEL: (915) 685-1761 FAX: (915) 685-0533
TOLL FREE: (800) 344-1761

NEW STATE PROJECT
EDDY COUNTY, New Mexico

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

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos 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 - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

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

¹ Operator Name and Address SDX Resources, Inc. PO Box 5061 Midland, TX 79704 915/685-1761		² OGRID Number 020451
		³ API Number 30 - 0
⁴ Property Code 24439	⁵ Property Name NW State	⁶ Well No. 9

⁷Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
I	31	17S	28E		2310	South	270	East	Eddy

⁸Proposed 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
⁹ Proposed Pool 1 Artesia (QN-GB-SA) (03230)					¹⁰ Proposed Pool 2				

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3689
¹⁶ Multiple No	¹⁷ Proposed Depth 3500	¹⁸ Formation QN-GA-SA	¹⁹ Contractor Capstar	²⁰ Spud Date 10-21-99

²¹Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12-1/4"	8-5/8'	24#	450	350 sx Class C	Surface
7-7/8"	5-1/2"	14#	3500	350 POZ + 400 Lite	Surface

²²Describe 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.

Plan to drill a 12-1/4" hole to appx 450'. Circ Class C cmt. Drill 7-7/8" hole to TD (3500'). Run OH logs. Run 5-1/2" csg & circ cmt. Perf the QN-GB-SA zone & stimulate as necessary for optimum production.

²³I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Bonnie Atwater*

Printed name: Bonnie Atwater

Title: Regulatory Tech. 10/8/99

OIL CONSERVATION DIVISION

Approved By:

Title:

Approval Date:

Expiration Date:

OFFSET OPERATORS

Altura Energy
ATTN: Land Dept
500 W. Texas
Midland, TX 79701

Yates Etal
ATTN: Brent May
105 S. Fourth St
Artesia, NM 88210