



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

SDX Resources, Inc.

Attention: **Chuck Morgan**

P. O. Box 5061

Midland, Texas 79704

June 30, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Administrative Order NSL-5224 (SD)

Dear Mr. Morgan:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-518148989*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on June 2, 2005; and (ii) the Division's records in Santa Fe and Artesia: all concerning SDX Resources, Inc.'s ("SDX") requests request for an unorthodox "infill" oil well location within an existing standard 40-acre oil spacing and proration unit comprising the NW/4 SW/4 (Unit L) of Section 29, Township 17 South, Range 28 East, NMPM, Artesia-Glorieta-Yeso Pool (96830), Eddy County, New Mexico.

Your application has been duly filed under the provisions of Division Rule 104.F.

This 40-acre Glorieta/Yeso unit is currently dedicated to SDX's Williams "A" Federal Well No. 4-T (API No. 30-015-33130) located at a standard oil well location 1650 feet from the South line and 330 feet from the West line of Section 29.

The Division understands that the SW/4 of Section 29 comprises a single federal lease (*U. S. Government lease No. NM-048344*) with common mineral interest in which SDX is the leasehold operator; therefore, there are no adversely effected offsets to the subject 40-acre tract within the Glorieta/Yeso interval.

It is further understood that such unorthodox location is necessitated for geologic and engineering reasons in that this location is approximately equidistance to other offsetting Artesia-Glorieta-Yeso oil wells within the Williams "A" Federal lease. The proposed infill oil well location will enable SDX to further develop and deplete the Glorieta/Yeso reserves within this lease that might not otherwise be recovered

By the authority granted me under the provisions of Division Rule 104.F (2), the following described well to be drilled at an unorthodox "infill" oil well location within the NW/4 SW/4 (Unit L) of Section 29 is hereby approved:

**Williams "A" Federal Well No. 3
1400' FSL & 1150' FWL.**

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Further, both the existing Williams "A" Federal Well No. 4-T and the proposed Williams "A" Federal Well No. 3 are to be simultaneously dedicated to the subject 40-acre unit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark E. Fesmire".

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management - Carlsbad