



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 18, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Division Order No. IPI-255

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

Attn: Mr. Chuck Morgan

**RE: Injection Pressure Increase
Chalk Bluff Federal Well No. 1
Eddy County, New Mexico**

Dear Mr. Morgan:

Reference is made to your request dated August 2, 2005, to increase the surface injection pressure on the Chalk Bluff Federal Well No. 1. This request is based on fracture data from the Chalk Bluff Federal Well No. 1, and from fracture data from offset wells producing from the Red Lake Queen-Grayburg-San Andres Pool. The fracture data shows that approval of an increase in surface injection pressure for this well will not result in the fracturing of the injection formation and confining strata.

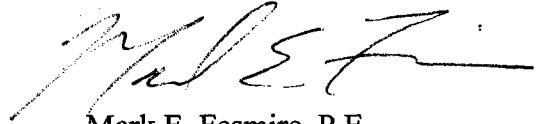
You are therefore authorized to increase the surface injection pressure on the following well:

WELL NAME & NUMBER	MAXIMUM SURFACE INJECTION PRESSURE
Chalk Bluff Federal Well No. 1 API No. 30-015-00789 Unit K, Section 5, T-18 South, R-27 East, NMPM, Eddy County, New Mexico	1300 PSIG

The Division Director may rescind this injection pressure increase if it becomes apparent that the injected fluid is not being confined to the injection zone or is endangering any fresh water aquifers.

Injection Pressure Increase
SDX Resources, Inc.
August 18, 2005
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

cc: Oil Conservation Division - Artesia
File: SWD-959