



NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT

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

August 20, 1999

SDX Resources, Inc.
P. O. Box 5061
Midland, Texas 79704
Attention: Chuck Morgan

Telefax No. (915) 685-0533

Administrative Order NSL-4348

Dear Mr. Morgan:

Reference is made to the following: (i) your application dated August 18, 1999; (ii) your telephone conversations with Mr. Michael E. Stogner, Engineer/Chief Hearing Officer with the New Mexico Oil Conservation Division in Santa Fe ("Division") on Wednesday, August 18, 1999 and on Friday, August 20, 1999; and (iii) the records of the Division: all concerning SDX Resources, Inc.'s ("SDX") request for an unorthodox San Andres oil well location for the proposed N. W. State Well No. 4 to be drilled 1140 feet from the North line and 2274 feet from the East line (Unit B) of Section 32, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico. The NW/4 NE/4 of Section 32 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for the Artesia-Queen-Grayburg-San Andres Pool.

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

From the explanation provided the requested unorthodox oil well location is being sought for topographical reasons. Further, the NE/4 of Section 32 is a part of a single State Lease (Lease No. X-00647-0394) in which SDX is the leasehold operator; therefore, there are no effected offsets to the subject 40-acre tract within the San Andres interval other than SDX.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox oil well location is hereby approved.

Sincerely,

A handwritten signature in cursive script that reads "Lori Wrotenbery".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe