

| | | | | |
|-------------|----------|-------------|------|----------------|
| 30 March 07 | W. Jones | 02 April 07 | NSL | PCLP0709230741 |
| DATE | ENGINEER | LOGGED IN | TYPE | APP NO |

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THE CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A]
[A] ☒ Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] ☐ Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] ☐ Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

- [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
[B] ☐ Offset Operators, Leaseholders or Surface Owner
[C] ☐ Application is One Which Requires Published Legal Notice
[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or.
[F] ☐ Waivers are Attached

- [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Signature Title Date

Email Address

SDX Resources, Inc.

P.O. Box 5061

MIDLAND, TX 79704

TEL: (432) 685-1761 FAX: (432) 685-0538

TOLL FREE: (800) 344-1368

2007 MAR 26 PM 12 26

NMOCD
1220 S. St. Francis Drive
Santa Fe, NM 87504

March 7, 2007

Attention: Mr. Stogner

RE: Unorthodox Non Standard Location
Pure Fed. Lease
NM048344
Sec. 21 T17S R28E
Eddy County, New Mexico

2007 MAR 30 PM 12 30

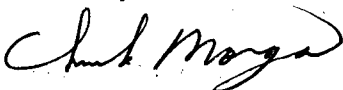
Dear Mr. Stogner,

SDX Resources has staked the Pure Federal # 3 well at a location 910' FNL & 1190' FEL of section 21 T17S R28E unit letter A in Eddy County. This letter is intended to serve as application for administrative approval of this unorthodox non standard location. The SDX Pure Federal lease consist of the NE/4 of section 21 T17S R28E ±160 acres. Topographic constraints make this NSL necessary. Approval of this NSL will result in the recovery of reserves that would otherwise be lost.

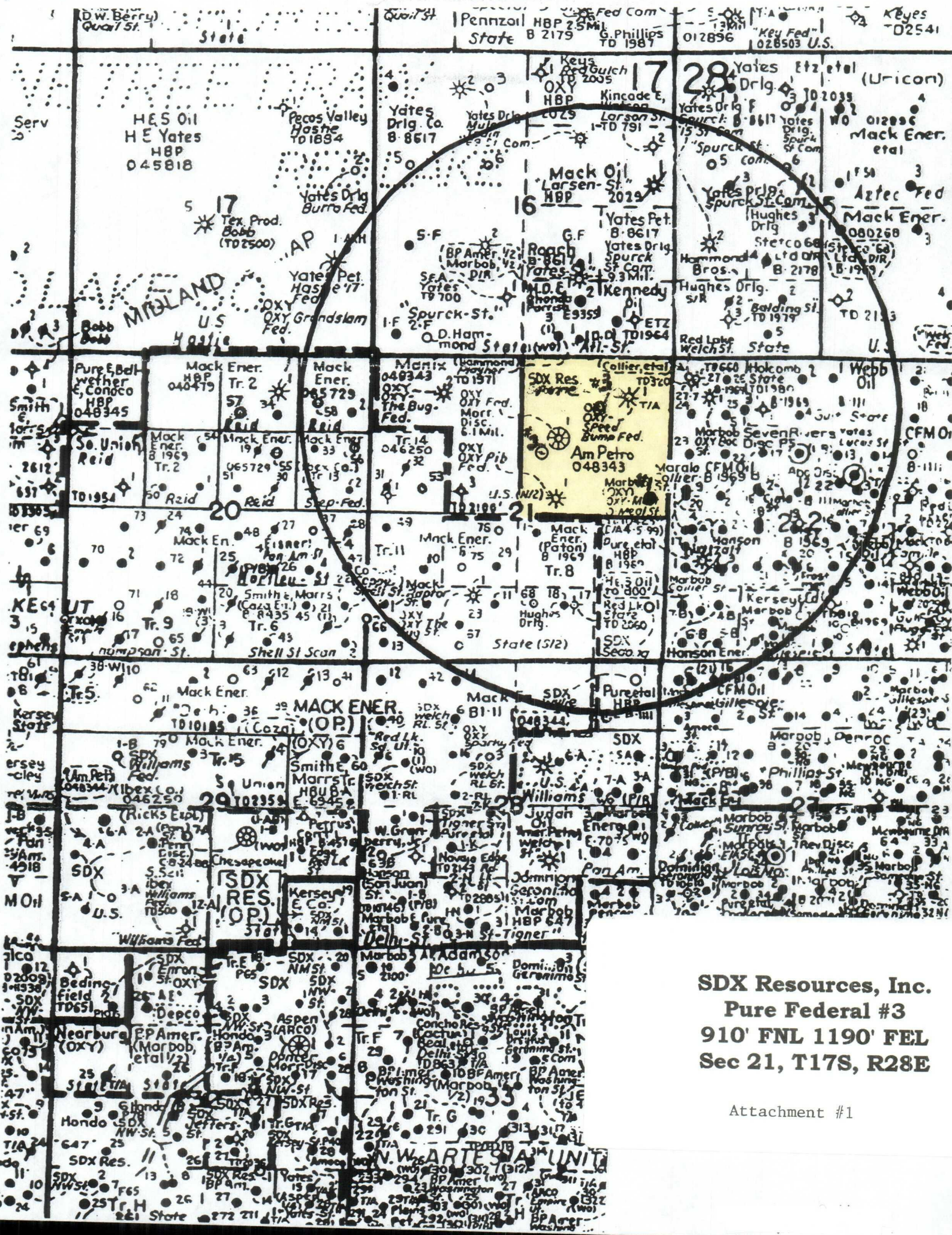
The following data is submitted for your information:

| | |
|--------------|-----------------------|
| Attachment 1 | Lease and Well Map |
| Attachment 2 | Offset Operator Map |
| Attachment 3 | Proof of Notification |
| Attachment 4 | APD (page 1) |
| Attachment 5 | Survey Plat |

Sincerely,

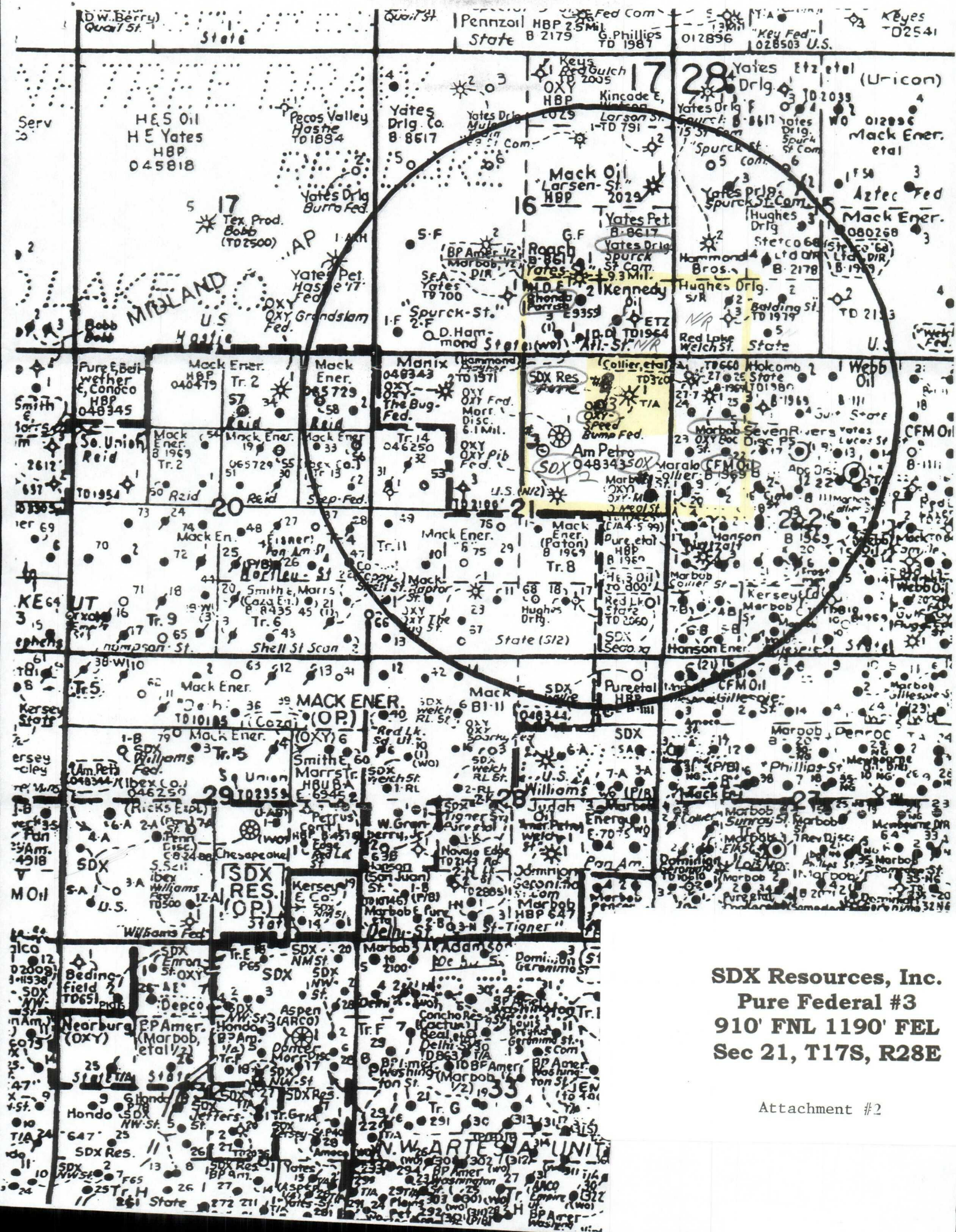


Chuck Morgan



SDX Resources, Inc.
Pure Federal #3
910' FNL 1190' FEL
Sec 21, T17S, R28E

Attachment #1



PROOF OF NOTIFICATION

Yates Drilling Co.
105 S. 4th St
Artesia, NM 88210

Rhonda & Dwayne Parrish
1306 S. 9th St
Artesia, NM 88210

OXY USA, Inc.
PO Box 4234
Houston, TX 77210

Marbob Energy Corp.
PO Box 227
Artesia, NM 88211

CFM Oil Co.
PO Box 1176
Artesia, NM 88210

Yates Petroleum
105 S. 4th St
Artesia, NM 88210

BP America Prod Co.
PO Box 22048
Tulsa, OK 74121

Devon Energy
20 N Broadway
Oklahoma City, OK 73102

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Devon Energy
20 N Broadway
Oklahoma City, OK 73102

Pure
 2. Article Number
 (Transfer from service label)

7006 0100 0001 2453 5633

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Placed Mail P
 A mailing receipt
 A unique identifi
 A record of deliv
 Important Remind
 Certified Mail ma
 Certified Mail is r
 NO INSURANCE
 valuables, please
 For an additional
 delivery. To obtain
 Receipt (PS Form
 fee. Endorse mail
 a duplicate retu
 required.
 For an addition
 addressee's auth
 endorsement. Re
 If a postmark o
 cle at the post o
 receipt is not nee
 IMPORTANT: Save
 Internet access to
 addressed to APO

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Yates Drlg Co
105 S 4th St
Artesia, NM 88210

Pure
 2. Article Number
 (Transfer from service label)

7002 3150 0005 0542 0848

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

Certified Ma
 ■ A mailing rece
 ■ A unique ident
 ■ A record of de
 Important Rem
 ■ Certified Mail
 ■ Certified Mail
 NO INSURAN
 valuables, ple
 For an additio
 delivery. To ob
 Receipt (PS F
 fee. Endorse m
 a duplicate ret
 required.
 For an addit
 addressee's au
 endorsement
 If a postmark
 cle at the post
 receipt is not
 IMPORTANT: S
 Internet access
 addressed to A

| SENDER: COMPLETE THIS SECTION | | COMPLETE THIS SECTION ON DELIVERY | |
|--|--|---|---------------------|
| <ul style="list-style-type: none">■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.■ Print your name and address on the reverse so that we can return the card to you.■ Attach this card to the back of the mailpiece, or on the front if space permits. | | A. Signature X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee | |
| 1. Article Addressed to: BP America Prod Co PO Box 22048 Tulsa, OK 74121 | | B. Received by (Printed Name) | C. Date of Delivery |
| 2. Article Number (Transfer from service label) Pure | | D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No | |
| PS Form 3811, February 2004 | | Domestic Return Receipt | |
| | | 102595-02-M-1540 | |

| SENDER: COMPLETE THIS SECTION | | COMPLETE THIS SECTION ON DELIVERY | |
|--|--|---|---------------------|
| <ul style="list-style-type: none">■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.■ Print your name and address on the reverse so that we can return the card to you.■ Attach this card to the back of the mailpiece, or on the front if space permits. | | A. Signature X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee | |
| 1. Article Addressed to: Yates Petroleum 105 S 4th St Artesia, NM 88210 | | B. Received by (Printed Name) | C. Date of Delivery |
| 2. Article Number (Transfer from service label) Pure | | D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No | |
| PS Form 3811, February 2004 | | Domestic Return Receipt | |
| | | 102595-02-M-1540 | |

| SENDER: COMPLETE THIS SECTION | | COMPLETE THIS SECTION ON DELIVERY | |
|--|--|---|---------------------|
| <ul style="list-style-type: none">■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.■ Print your name and address on the reverse so that we can return the card to you.■ Attach this card to the back of the mailpiece, or on the front if space permits. | | A. Signature X <input type="checkbox"/> Agent <input type="checkbox"/> Addressee | |
| 1. Article Addressed to: CFM Oil Co PO Box 1176 Artesia, NM 88210 | | B. Received by (Printed Name) | C. Date of Delivery |
| 2. Article Number (Transfer from service label) Pure | | D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No | |
| PS Form 3811, February 2004 | | Domestic Return Receipt | |
| | | 102595-02-M-1540 | |

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Rhonda & Dwayne Parrish
1306 S 9th St
Artesia, NM 88210

Pure

2. Article Number
(Transfer from service label)

7006 0100 0001 2453 5695

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

OXY USA, Inc.
PO Box 4234
Houston, TX 77210

Pure

2. Article Number
(Transfer from service label)

7006 0100 0001 2453 5688

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Marbob Energy Corp
PO Box 227
Artesia, NM 88211

Pure

2. Article Number
(Transfer from service label)

7006 0100 0001 2453 5671

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X

☐ Agent☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

| | | |
|---|---|---|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NMNM-048344 |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name |
| 2. Name of Operator SDX Resources, Inc. | | 7. If Unit or CA Agreement, Name and No. |
| 3a. Address PO Box 5061 Midland, TX 79704 | 3b. Phone No. (include area code) 432-685-1761 | 8. Lease Name and Well No. Pure Federal #3 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 910' FNL 1190' FEL At proposed prod. zone Same | | 9. API Well No. |
| 14. Distance in miles and direction from nearest town or post office* 12 miles East of Artesia, NM | | 10. Field and Pool, or Exploratory Red Lake, GL-YE |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 910' (330') | | 11. Sec., T. R. M. or Blk. and Survey or Area 21, T17S, R28E, Unit A |
| 16. No. of acres in lease 160 | | 12. County or Parish Eddy |
| 17. Spacing Unit dedicated to this well 40 | | 13. State NM |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 455' | | 20. BLM/BIA Bond No. on file NM2307 |
| 19. Proposed Depth 3500' | | 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3601' GR |
| 22. Approximate date work will start* 05/01/2007 | | 23. Estimated duration 10 days |

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

| | | |
|--|--|-----------------|
| 25. Signature <i>Bonnie Atwater</i> | Name (Printed/Typed) Bonnie Atwater | Date 3/20/07 |
|--|--|-----------------|

Title
Regulatory Tech

| | | |
|-------------------------|----------------------|------|
| Approved by (Signature) | Name (Printed/Typed) | Date |
|-------------------------|----------------------|------|

| | |
|-------|--------|
| Title | Office |
|-------|--------|

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

*(Instructions on page 2)

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I

1625 N. FRENCH DR., ROBBES, NM 86240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

| | | | |
|------------------------|--------------------------------------|-----------|------------------------------|
| API Number | | Pool Code | Pool Name Red Lake, GL-YE |
| Property Code 35988 | Property Name PURE FEDERAL | | Well Number 3 |
| OGRID No. 020451 | Operator Name SDX RESOURCES, INC. | | Elevation 3601' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A | 21 | 17-S | 28-E | | 910 | NORTH | 1190 | EAST | EDDY |

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 | Joint or Infill | Consolidation Code | Order No. |
|-----------------|-----------------|--------------------|-----------|
| 40 | | | |

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

| | |
|--|---|
| <p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=663686.0 N X=548477.0 E</p> <p>LAT.=32.824575° N LONG.=104.176037° W</p> | OPERATOR CERTIFICATION I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. 3/20/07 Signature _____ Date Bonnie Atwater Printed Name |
| | 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. MARCH 5, 2007 Date Surveyed _____ LA Signature & Seal of Professional Surveyor |
| | Certificate No. GARY EDSON 12641 RONALD J. EDSON 3239 |
| | |

Jones, William V., EMNRD

From: Chuck Morgan [cmorgan@sdxresources.com]
Sent: Wednesday, April 25, 2007 3:34 PM
To: Jones, William V., EMNRD
Subject: Re: NSL Application: Pure Federal #3 in Unit A of Section 21 T17S R28E

Thanks for your help.

Chuck

Jones, William V., EMNRD wrote:

Thank You,
 Sounds like SDX is the only working interest owner in Unit A and in Unit B. If not let me know.
 I will proceed like you are applying for NSL permission in both of the pools you just mentioned.

William V. Jones PE
 New Mexico Oil Conservation Division
 1220 South St. Francis
 Santa Fe, NM 87505
 505-476-3448

-----Original Message-----

From: Chuck Morgan [mailto:cmorgan@sdxresources.com]
Sent: Wednesday, April 25, 2007 10:36 AM
To: Jones, William V., EMNRD
Subject: Re: NSL Application: Pure Federal #3 in Unit A of Section 21 T17S R28E

Due to surface relief and drainage issues on the surface the BLM surface use people have restricted the placement of any surface locations. The non-standard location that we have applied for is our third attempt to satisfy the BLM and still stake a location in this 40 acre tract. I spoke with Bryan and he said that he will place the well in the Artesia-Glorieta-Yeso pool (96830). However, the Glorieta Yeso zone will be encountered very close to the base of SDX's rights. If we are unable to complete in the Yeso due to a rights issue we will complete in the Red Lake Qn Gb Sa pool (51300). There are no special provisions in either of these pools. The entire NE/4 of section 21 is one lease (units A&B are a part of the same lease), therefore the ownership is identical. I hope this clears everything up. It sounds like I will be in Santa Fe, in a month or so, on a waterflood application. I will stop by to see you. Thanks for your help on this.

Jones, William V., EMNRD wrote:

Hello Mr. Morgan:
 The Division received your application for NSL and have the following

4/25/2007

questions:

- 1) What type of topographic constraints require this non-standard location?
- 2) If this is Glorieta-Yeso Oil production, please check with Bryan Arrant and let me know which Pool it will be placed in. It seems to be

within one mile of two different Glorieta Yeso Pools and the Red Lake is not one of them.

- 3) For the pertinent pool, does any "special pool rules" pertaining to location apply?

- 3) The well will be encroaching on Unit B of Section 21 which is also operated by SDX Resources, Inc. Is ownership identical between Unit A and Unit B? If not, which working interest owners are different

or have lesser ownership in Unit B? Were they all noticed?

Thank You,

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

Confidentiality Notice: This e-mail, including all attachments is for

the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.

This inbound email has been scanned by the MessageLabs Email Security System.

4/25/2007

Jones, William V., EMNRD

From: Arrant, Bryan, EMNRD
Sent: Wednesday, April 25, 2007 8:10 AM
To: Jones, William V., EMNRD; 'Chuck Morgan'
Cc: Ezeanyim, Richard, EMNRD
Subject: RE: NSL Application: Pure Federal #3 in Unit A of Section 21 T17S R28E

Hi Chuck,
This well location lies just north of the Artesia;Glorieta-Yeso Oil Pool boundary.
Code #:96830.
The Red Lake Shores; Glorieta-Yeso is just alittle further to the north from this location.
As you are aware, pools can be reviewed for any special pool rules and nomenclatures found in R.W. Byram & Co's.
Books. Sections II & III.

Bryan G. Arrant
District II Geologist
New Mexico Oil Conservation Division
1310 West Grand Ave.
Artesia, NM 88210
505-748-1283 Ext. 103

-----Original Message-----

From: Jones, William V., EMNRD
Sent: Tuesday, April 24, 2007 3:07 PM
To: Chuck Morgan
Cc: Arrant, Bryan, EMNRD; Ezeanyim, Richard, EMNRD
Subject: NSL Application: Pure Federal #3 in Unit A of Section 21 T17S R28E

Hello Mr. Morgan:
The Division received your application for NSL and have the following questions:

- 1) What type of topographic constraints require this non-standard location?
- 2) If this is Glorieta-Yeso Oil production, please check with Bryan Arrant and let me know which Pool it will be placed in. It seems to be within one mile of two different Glorieta Yeso Pools and the Red Lake is not one of them.
- 3) For the pertinent pool, does any "special pool rules" pertaining to location apply?
- 3) The well will be encroaching on Unit B of Section 21 which is also operated by SDX Resources, Inc. Is ownership identical between Unit A and Unit B? If not, which working interest owners are different or have lesser ownership in Unit B? Were they all noticed?

Thank You,

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448