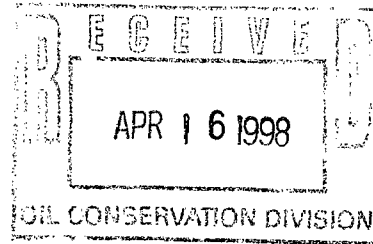


NSL 5/6/98
SDX RESOURCES, INC.

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

April 14, 1998



N.M.O.C.D.
P.O. Box 2088
Santa Fe, N.M. 87504-2088
Attn. Mr. Stogner

Mr. Stogner,

This letter is intended to serve as an application for administrative approval of an unorthodox drilling location on our Culwin 35 Federal lease. The location requested will be the Culwin 35 Federal #4. Survey plats and BLM 3160 forms accompany this letter. A map detailing the lease is also enclosed. The location was moved 50' north at the BLM's direction due to it's proximity to an existing pipeline. The new location will be 280' south of an internal proration unit line. Ownership in both of the affected 40 acre proration units is identical and no other operator will be affected by the proposed location. Thanks for your prompt attention on this matter.

Sincerely,

Chuck Morgan, P.E.

NSL-DL.N36

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

SUBMIT IN TRIPLICATE*
(Other instructions on
reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK <div style="display: flex; justify-content: space-around;"> DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> </div>			5. LEASE DESIGNATION AND SERIAL NO. NM-56542	
b. TYPE OF WELL <div style="display: flex; justify-content: space-between;"> <div> OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> </div> <div> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/> </div> </div>			6. IF INDIAN, ALLOTTEE OR TRIBE NAME 7. UNIT AGREEMENT NAME 8. FARM OR LEASE NAME, WELL NO. Culwin 35 Federal #4	
2. NAME OF OPERATOR SDX Resources, Inc.			9. API WELL NO. 10. FIELD AND POOL, OR WILDCAT Shugart (Y, SR, QN-GB)	
3. ADDRESS AND TELEPHONE NO. PO Box 5061, Midland, TX 79704 915/685-1761			11. SEC., T., R., M., OR BLK AND SURVEY OR AREA 35, 18S, 30E, P	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 1040' FSL 330' FEL At proposed prod. zone Same			12. COUNTY OR PARISH Eddy	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 12 miles SE of Loco Hills, NM			13. STATE NM	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drg. unit line, if any) 330' 280'	16. NO. OF ACRES IN LEASE 80	17. NO. OF ACRES ASSIGNED TO THIS WELL 40		
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 870'	19. PROPOSED DEPTH 4000'	20. ROTARY OR CABLE TOOLS Rotary		
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3509' GR			22. APPROX. DATE WORK WILL START* 06/01/98	

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8" J-55	24#	500'	400 sx Class C
7-7/8"	5-1/2" J-55 or	9.5# - 17#	4000'	350 sx 50/50 POZ
	4-1/2" J-55			400 sx 35/65 POZ

Plan to drill a 12-1/4" hole to appx 500'. Set 8-5/8" surface csg & circ C cmt to surface. Drill 7-7/8" hole to TD. Run open hole logs (LDT-CNL-GR & DLL). Run 4-1/2" or 5-1/2" csg & circ cmt to surface. Will perf & stimulate as necessary for optimum production.

Specific programs as per Onshore Oil & Gas Order #1 are outlined in the following attachments:

- Drilling Program
- Surface Use & Operating Plan
- H2S Plan
- Exhibit 1: BOP
 - 2: Plat
 - 3: Planned ROW's (access roads & flowlines & high lines)
 - 4: One Mile Radius Map
 - 5: Drilling Rig Layout

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Bonnie Osterwater TITLE Regulatory Tech. DATE 04/13/98

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

APPROVED BY _____ TITLE _____ DATE _____

***See Instructions On Reverse Side**

Title 18 U.S.C. Section 1001, makes 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.

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name
		56439	Shugart (Y, SR, QN, GB)
Property Code	Property Name		Well Number
019238	Culwin 35 Federal		4
OGRID No.	Operator Name		Elevation
020451	SDX RESOURCES INC.		3509

Surface Location

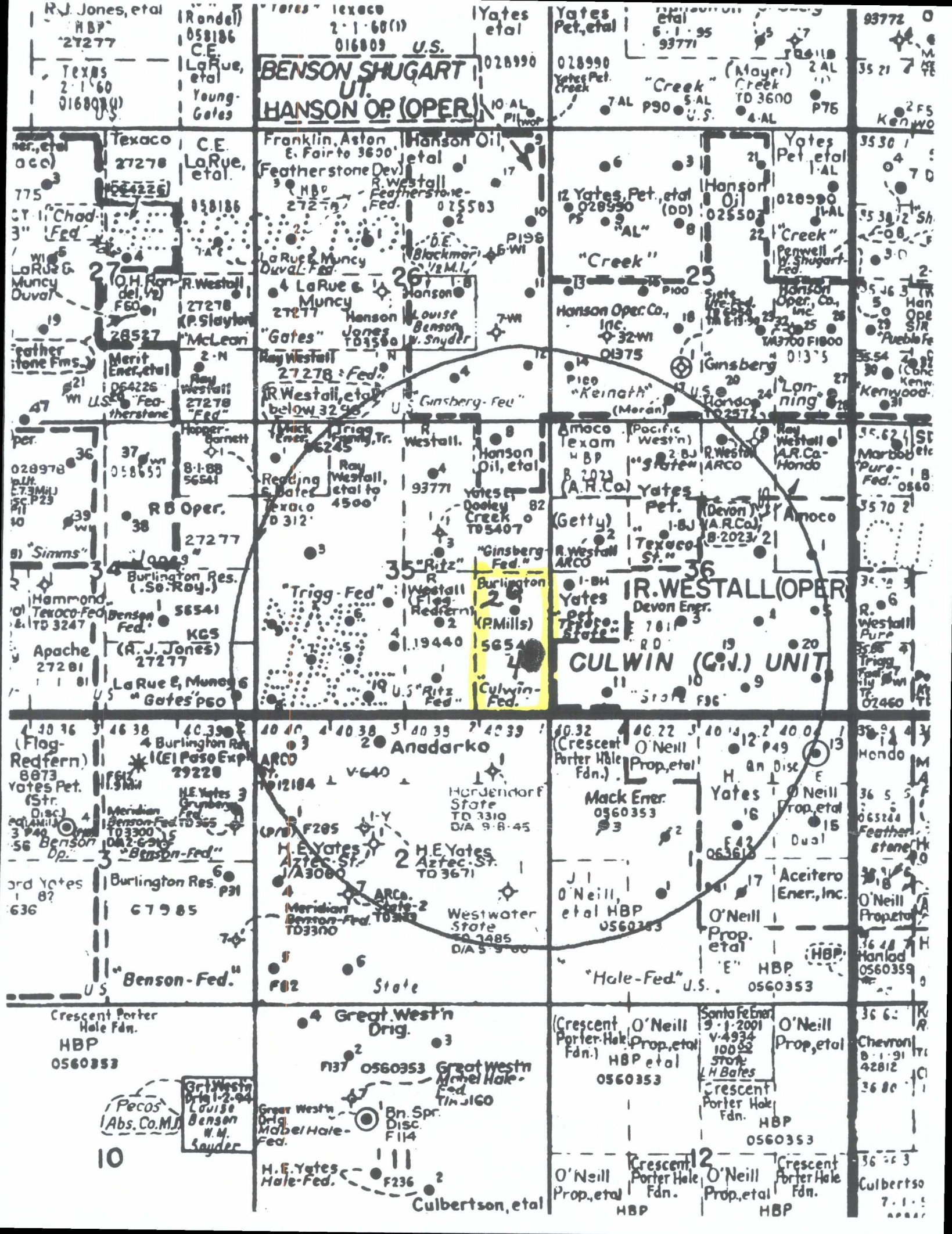
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	35	18 S	30 E		1040	SOUTH	330	EAST	EDDY

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 40	Joint or Infill	Consolidation Code	Order No.						

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>NM - 06245</p>			<p>NM-025503</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><u>Bonnie Atwater</u> Signature</p> <p><u>Bonnie Atwater</u> Printed Name</p> <p><u>Regulatory Tech.</u> Title</p> <p><u>April 13, 1998</u> Date</p>
		<p>3509.9' — 3513.3'</p> <p>3504.0' — 3512.9'</p> <p><u>DETAIL</u></p>	<p>NM-56542</p> <p>SEE DETAIL</p>	<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p><u>APRIL 8, 1998</u></p> <p>Date Surveyed</p> <p>Signature & Seal</p> <p>Professional Surveyor</p> <p><u>DMCC</u></p> <p><u>4-09-98</u></p> <p><u>98-11-0542</u></p> <p>Cert. No. <u>JOHN W. WEST</u> 676 3239 12641</p>





NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

April 21, 1998

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

Attention: Chuck Morgan

*Re: Application for administrative approval to drill the
Culwin "35" Federal Well No.4 at an unorthodox
oil well location within the Shugart-Yates-Seven
Rivers-Queen-Grayburg Pool 1040 feet from the
South line and 330 feet from the East line (Unit P)
of Section 35, Township 18 South, Range 30 East,
NMPM, Eddy County, New Mexico.*

Dear Mr. Morgan:

Please supplement the subject application with the appropriate information to justify the drilling of this well at an unorthodox oil well location within the subject 40-acre tract. Please refer to Division Rule 104.F(3) and submit a detailed explanation and show on attached plats why all other possible standard locations are not available to SDX Resources, Inc. for a drilling location.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner".

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia

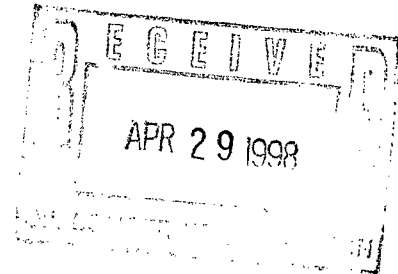
SDX RESOURCES, INC.

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

Faxed 4-27-98
4 pages

April 27, 1998

Mr. Michael Stogner
2040 S Pacheco
Santa Fe, NM 87505



Re: Administrative Approval
Culwin 35 Federal #4
Eddy Co., NM

Mr. Stogner:

Enclosed is a topographical map detailing the area around SDX's proposed Culwin 35 Federal #4 location.

Drainage patterns and Cave Kart areas raise BLM concerns and make their approval of any locations in the entire S/2 of unit P doubtful at best. Relief concerns eliminate the entire W/2 of the unit. This leaves only the NE/4 of unit P for the location of a well pad that will conform to BLM requirements. The standard location would have been 990' FSL & 330' FEL, but this fell 50' north of an existing pipeline. Moving the location 150' south was not possible due to the large amount of relief, so we moved the location 50' north (100' north of the pipeline) giving us an unorthodox location of 1040' FSL & 330' FEL.

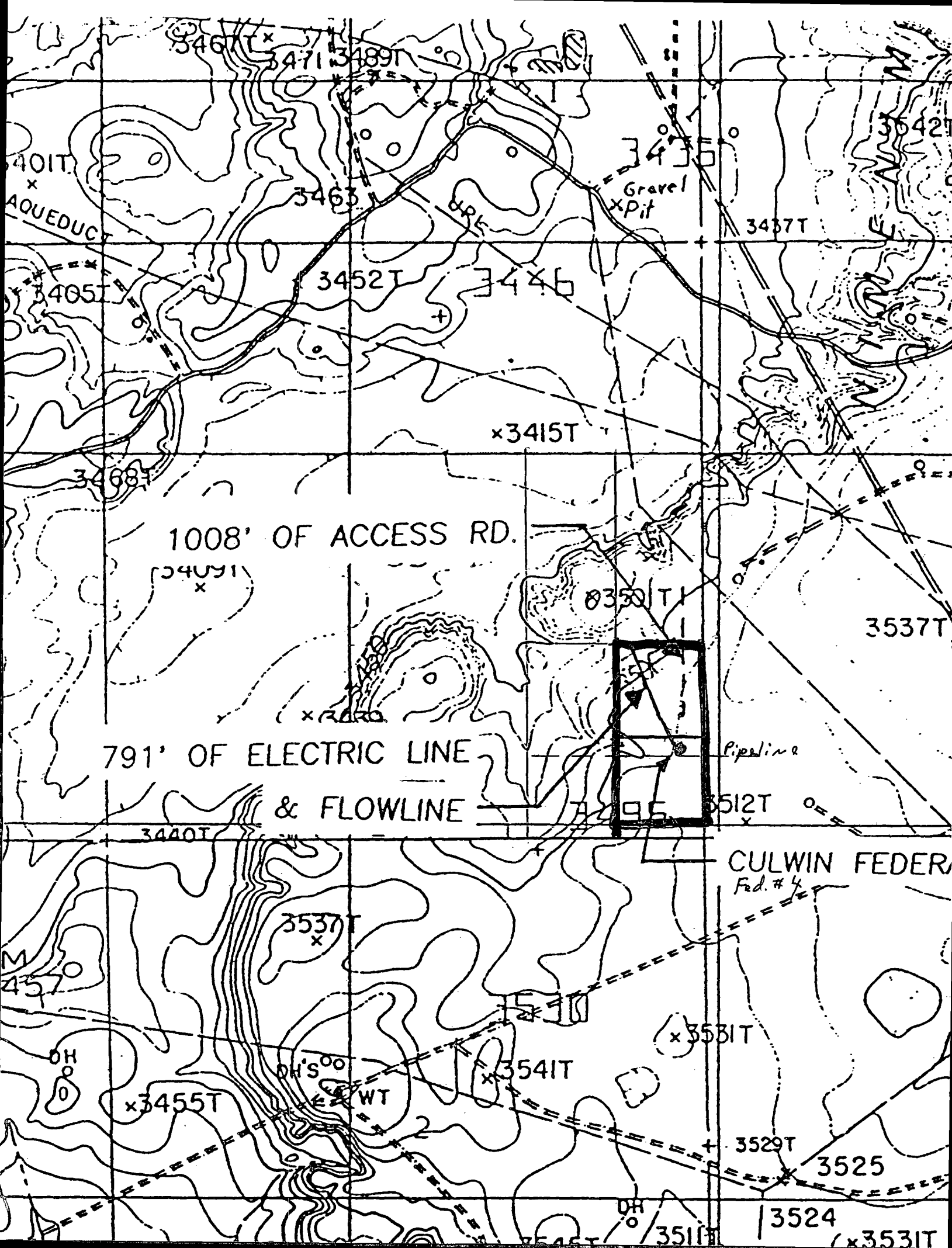
Due to these constraints we respectfully request the OCD's approval of this location as stated in our original application. Thanks for your consideration on this matter.

Sincerely,

Chuck Morgan
Engineer

CM:bja

enclosures



1008' OF ACCESS RD.

791' OF ELECTRIC LINE
& FLOWLINE

CULWIN FEDER
Fed. # 4

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
HACKBERRY LAKE - 10'

SEC. 35 TWP. 18-S RGE. 30-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1040' FSL & 330' FEL

ELEVATION 3509

OPERATOR SDX RESOURCES INC.

LEASE CULWIN FEDERAL

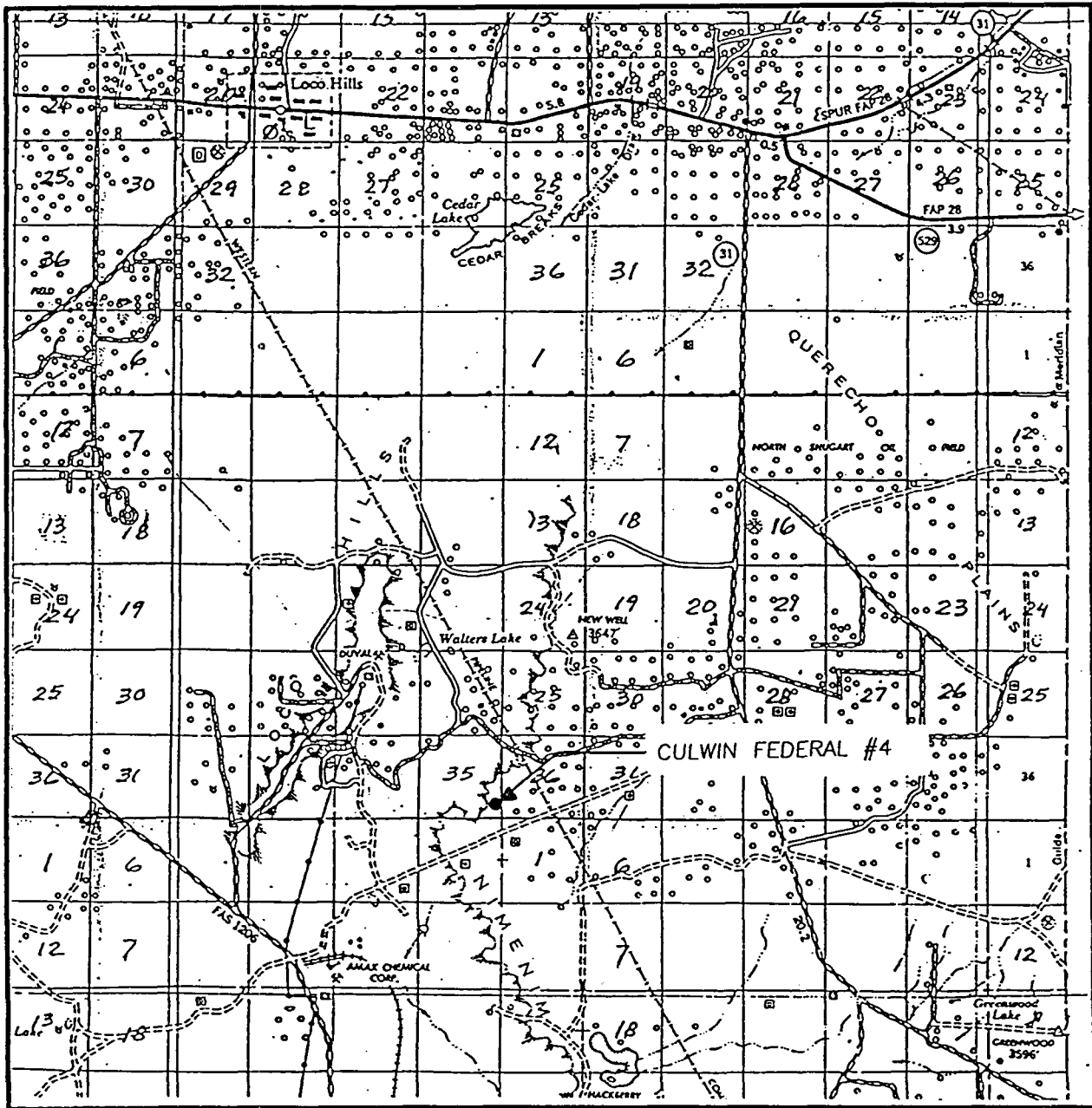
U.S.G.S. TOPOGRAPHIC MAP

HACKBERRY LAKE, N.M.

**JOHN WEST ENGINEERING
HOBBS, NEW MEXICO**

(505) 393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 35 TWP. 18-S RGE. 30-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1040' FSL & 330' FEL

ELEVATION 3509

OPERATOR SDX RESOURCES INC.

LEASE CULWIN FEDERAL

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117