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W. THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285  
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

February 13, 1996

**HAND DELIVERED**

Mr. William J. LeMay, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

**Re: Application of SDX Resources, Inc.  
for approval of its State "7" Leasehold  
Pilot Waterflood Project and for the  
Enhanced Oil Recovery Tax Credit  
Eddy County, New Mexico**

RECEIVED

FEB 14 1996

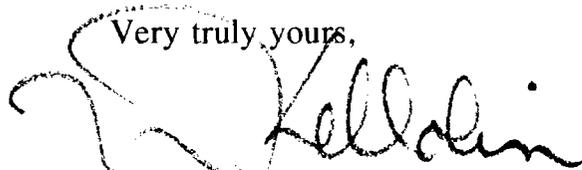
Oil Conservation Division

1/14/96

Dear Mr. LeMay:

On behalf of SDX Resources, Inc., please find enclosed our application for of its State "7" Leasehold Pilot Waterflood Project which we request be set for hearing on the Examiner's docket now scheduled for March 7, 1996. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: SDX Resources Inc.  
Attn: John Pool

PROPOSED ADVERTISEMENT

CASE 11482 Application of SDX Resources, Inc. for approval of a leasehold pilot waterflood project and to qualify said project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Lea County, New Mexico. Applicant seeks approval of its State "7" Leasehold Waterflood Project by injection of water into the Queen and Grayburg formations of the East Millman-Queen-Grayburg-San Andres Pool, in a new project area consisting of 611.20 acres, more or less and being all of Section 7, T19S, R29E. Applicant further seeks to qualify this project for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act" (Law 1992, Chapter 38, Sections 1 through 5). Said project is located approximately 12-1/2 miles southwest from Loco Hills, New Mexico.

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FEB 13 1995  
Oil Conservation Division

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION OF  
SDX RESOURCES, INC. FOR APPROVAL OF  
A LEASEHOLD PILOT WATERFLOOD PROJECT  
WITHIN ITS STATE "7" LEASE AND TO  
QUALIFY SAID PROJECT FOR THE RECOVERED  
OIL TAX RATE PURSUANT TO THE "NEW MEXICO  
ENHANCED OIL RECOVERY ACT,"  
EDDY COUNTY, NEW MEXICO**

FEB 1 1985  
Oil Conservation Division

CASE NO 11482

**A P P L I C A T I O N**

Comes now SDX RESOURCES INC., by its attorneys, Kellahin & Kellahin, and pursuant to the New Mexico " Enhanced Oil Recovery Act" and Division Rule 701 applies to the New Mexico Oil Conservation Division for authority to institute a "pilot" waterflood project within its State "7" Lease by the injection of water into the Queen and Grayburg formations of the East Millman-Queen-Grayburg-San Andres Pool, Eddy County, New Mexico and to qualify said project for the recovered oil tax rate for enhanced oil recovery and in support states:

(1) SDX Resources Inc. ("SDX") is the proposed operator of the State "7" Leasehold Waterflood Project, East Millman-Queen-Grayburg-San Andres Pool, Eddy County, New Mexico ("proposed EOR Project") which is a new project consisting of all of Section 7, T19S, R29E, NMPM and described on Exhibit "A" attached.

(2) Within the Project Area, the working interests and royalty owners have voluntarily agreed upon a pilot waterflood plan the objective of which is to successfully recover an estimated additional 410,000 barrels of oil from the East Millman-Queen-Grayburg-San Andres Pool.

(3) The remaining oil potential from the pool within the Project Area will not be recovered in the absence of waterflood operations on a project basis.

(4) To date, cumulative primary oil recovery from the Project Area has been 301,000 barrels.

(5) The Project Area is currently producing at a rate of 55 BOPD and 320 BWPD from 11 active producers. Approximately 167,700 barrels of recoverable reserves remain under the current primary mode of operations.

(6) The project area will initially be developed on a 40 acre 5 spot injection pattern involving four injection wells and 1 producer.

(7) Enclosed with this application is the completed Division Form C-108 with attachments for this project.

(8) In accordance with Division Order R-9708, the following is submitted:

a. Operator's name and address:

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

b. Description of the Project Area:

(1) Plat outlining project area:

See Exhibit "A"

(2) Description of the Project Area:

T19S, R29E, NMPM  
Section 7: all

(3) Total acres in Project Area:

611.20 acres, more or less

(4) Name of the subject Pool and formation:

Queen and Grayburg formations of the  
East Millman-Queen-Grayburg-San Andres Pool

c. Status of operations in the project area:

(1) unit name: N/A

[If unitized, the name of the unit,  
and the date and number of the  
Division Order approving the unit  
plan of operation.]

(2) N/A

[If an application for approval of  
a unit plan has been made, the  
date the application was filed with  
the Division] and

(3) if not unitized, identify each lease in the  
project area by lessor, lessee and legal  
description:

Lease: State of Mexico  
Oil & Gas Lease No. B-8096

Lessor: State of New Mexico  
Lessee: SDX Resources Inc.

Description:

All of Section 7,  
T19S, R29E, NMPM,  
Eddy County, N.M.

d. Method of recovery to be used:

(1) injected fluids: water.

(2) N/A

[If the Division has approved the  
project, provide the date and  
number of the Division Order];  
and

(3) February 13, 1996

[If the project has not been approved by the Division, provide the date the application for approval was filed with the Division on Form C-108]

e. Description of the Project:

(1) a list of producing wells:

See Exhibit "B"

(2) a list of injection wells:

See Exhibit "B"

(3) Capital cost of additional facilities:

\$155,000.00

(4) Total Project Costs:

\$540,000.00

(5) Estimated total value of the additional production that will be recovered as a result of this project:

An additional 410,000 barrels of oil with a current undiscounted value of \$4,261,000 dollars

(6) Anticipated date of commencement of injection:

April, 1996

(7) the type of fluid to be injected and the anticipated volumes:

water injected at an estimated rate of 200 BWPD up to a maximum rate of 1,000 BWPD.

(8) N/A

f. Production data:

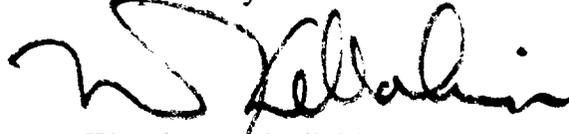
Attached are the following graphs, charts and supporting data to show the production history and production forecast of oil, gas, casinghead gas and water from the project area:

Exhibit C: structure map  
Exhibit D: production histories  
Exhibit E: production forecasts

(9) Copies of this application with the appropriate C-108 are being sent to all offset operators entitled to notice pursuant to Division Rules as set forth on Exhibit F.

Wherefore, Applicant requests that this application be set for hearing and that after said hearing, the Division enter its order approving this application.

Respectfully submitted

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, with a large initial "W" and a distinct "Kellahin" ending.

W. Thomas Kellahin  
KELLAHIN & KELLAHIN  
P.O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285  
Attorneys for Applicant

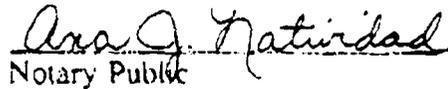
**CERTIFICATION**

STATE OF TEXAS            )  
  ) SS.  
COUNTY OF MIDLAND    )

I, John Pool, having been first duly sworn, state that I am the Vice-President of Operations for SDX Resources, Inc., a duly authorized representative of SDX Resources Inc., have knowledge of the facts herein and therefor certify that the facts set forth in this Application are true and accurate to the best of my own knowledge and belief.

  
\_\_\_\_\_  
John Pool

The foregoing certificate was acknowledged before me by John Pool this 13th day of February, 1996.

  
\_\_\_\_\_  
Notary Public

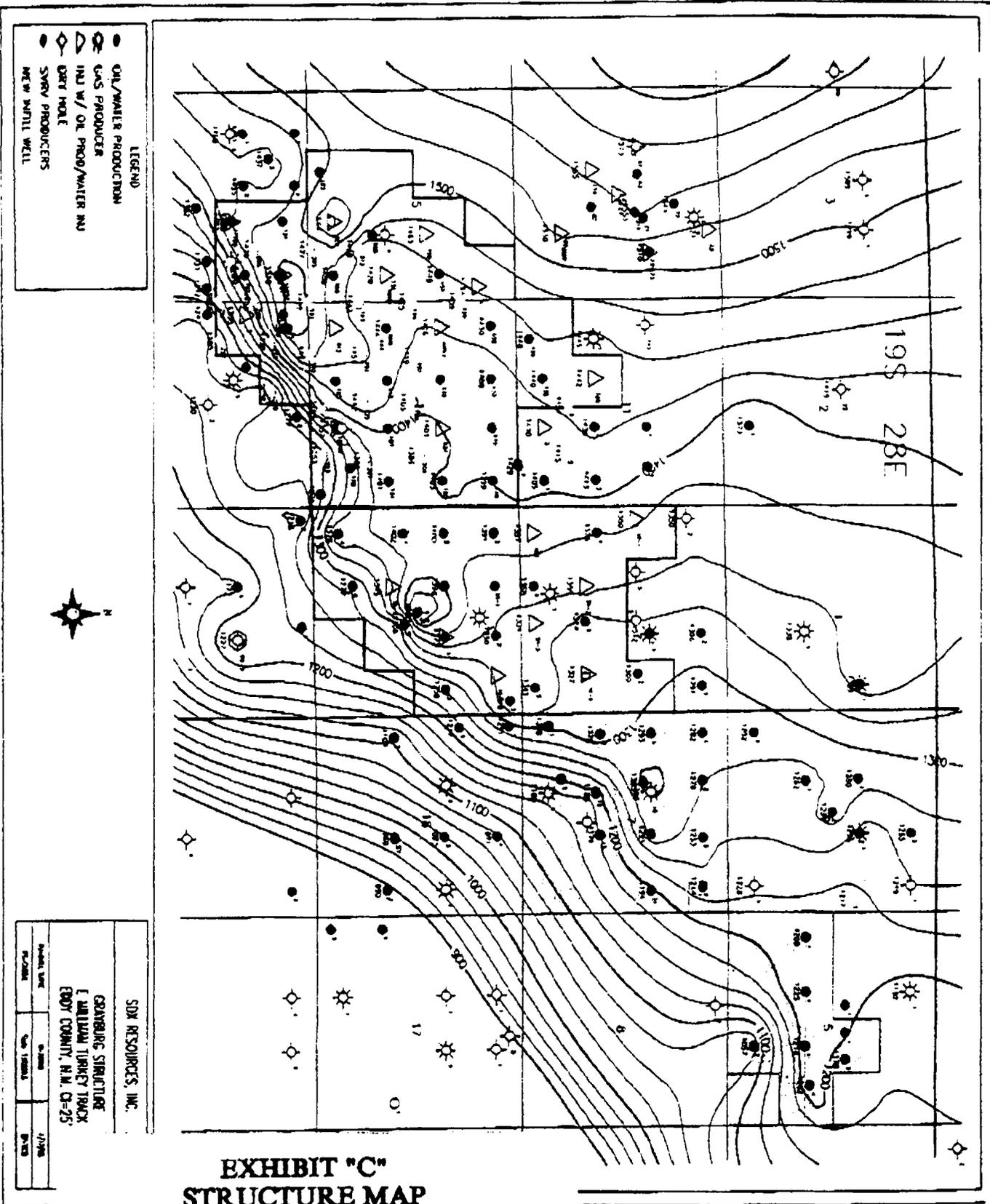


My Commission Expires:  
3-18-98



Entity ID	API Number	Field Name	Reservoir	Operator Name	Lease Name	Well #	Field Code	Zone	LOCATI ON TRM RNG SEC. M/L
1015236346555	30015230330000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	2	46555	453QESA	195 298 7 L
1015236946555	30015236940000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	3	46555	453QESA	185 298 7 R
10152391046555	30015239100000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	4	46555	453QESA	196 298 7 D
10152392046555	30015239200000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	5	46555	453QESA	189 298 7 F
10152392146555	30015239210000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	6	46555	453QESA	195 298 7 C
10152393046555	30015239300000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	7	46555	453QESA	195 298 7 G
10152393146555	30015239310000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	8	46555	453QESA	185 298 7 E
10152393246555	30015239320000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	9	46555	453QESA	185 298 7 A
10152393346555	30015239330000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	11	46555	453QESA	195 298 7 K
1015239346555	30015239340000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	12	46555	453QESA	195 298 7 J
10152393546555	30015239350000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	13	46555	453QESA	195 298 7 J
10152393646555	30015239360000	WILMAN EAST	CR-GRBG-SMUR	SDX RESOURCES INC	CONOCO 7 STATE	13	46558	453QESG	196 298 7 J

**EXHIBIT "B"**  
**PRODUCING WELLS**  
**SDX RESOURCES, INC.**  
**CONOCO 7 STATE LEASE**  
**SEC. 7, T19S, R29E**  
**EDDY COUNTY, NEW MEXICO**



**EXHIBIT "C"  
STRUCTURE MAP**

**SDX RESOURCES, INC.  
CONOCO 7 STATE LEASE  
SEC. 7, T19S, R29E  
EDDY COUNTY, NEW MEXICO**

SDX RESOURCES, INC.			
GRABLING STRUCTURE			
E WILLIAM TURKEY TRACK			
EDDY COUNTY, N.M. G-25			
Scale: 1" = 1000'	Sheet: 17	Section: 7	Range: 29E
North Arrow	Scale	Section	Range

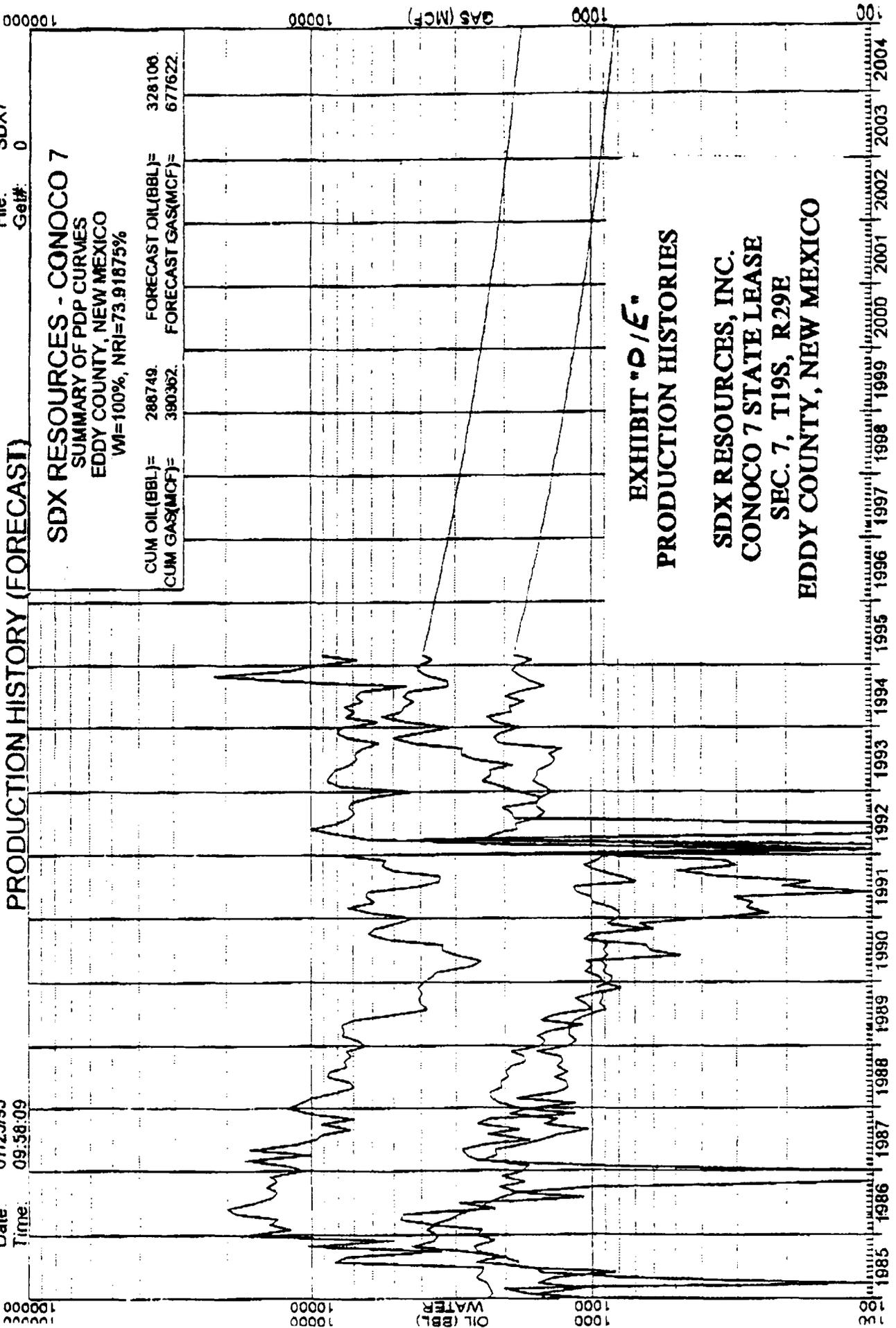
Date: 07/25/95  
Time: 09:58:09

File: SDX7  
Get#: 0

### PRODUCTION HISTORY (FORECAST)

**SDX RESOURCES - CONOCO 7**  
SUMMARY OF PDP CURVES  
EDDY COUNTY, NEW MEXICO  
WI=100%, NRI=73.91875%

CUM OIL(BBL)=	288749.	FORECAST OIL(BBL)=	328100.
CUM GAS(MCF)=	390362.	FORECAST GAS(MCF)=	677622.



**EXHIBIT "D/E"**  
**PRODUCTION HISTORIES**  
**SDX RESOURCES, INC.**  
**CONOCO 7 STATE LEASE**  
**SEC. 7, T19S, R29E**  
**EDDY COUNTY, NEW MEXICO**

**NOTICE LIST**

Frostman Oil  
P. O. Box 900  
Artesia, New Mexico 88211

Mitchell Energy  
P. O. Box 4000  
The Woodlands, Texas 77380-4000  
Attn: Mark Stephenson

Conoco, Inc.  
10 Desta Drive Suite 100W  
Midland, Texas 79705-4500  
Attn: Jerry Hoover

HEYCO  
P. O. Box 1933  
Roswell, New Mexico 88202

S & J Operating, Co.  
P. O. Box 2249  
Wichita Falls, Texas 76307

Bass Enterprises Production Co.  
P. O. Box 2760  
Midland, Texas 79702-2760

