

NSL(SD) 11/1/99

SDX RESOURCES, INC.

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

Sept. 17, 1999

10/12/99

NMOCD  
2040 South Pacheco Street  
Santa Fe, NM 87505

OCT 12 1999

Attention: Mr. Mike Stogner

RE: Jalmat Federal Com # 2  
Sec. 31, T24S, R37E  
1650' FSL, 760 FWL  
Lea County, New Mexico

NSL

Dear Mr. Stogner,

SDX Resources, Inc. is the operator of the Federal Jalmat Com # 1 well located in unit D of sec. 6 T25S R37E of Lea Co., N.M.. The well is dedicated to a 120 acre non-standard gas proration unit SCR 434 and consist of the NW/4 NW/4 Sec. 6 T25S R37 E, W/2 SW/4 Sec. 31 T24S R37E. SDX is planning to drill the Jalmat Federal Com # 2 well on the same 120 acre proration unit at the above-mentioned location. This will be a non-standard location as the location has been moved due to the wells proximity to a pipeline. SDX request that this letter serve as application to simultaneously dedicate this 120 acre non-standard proration unit to the Jalmat Federal Com # 1, and # 2 wells, and as application for administrative approval of the non-standard location. BLM form 3160 and OCD form C-102 for the #2 well, an outlined lease map, and other pertinent information is attached to this application. All offset operators have been notified and proof of notification is attached. Your assistance on this is appreciated.

Sincerely,



Chuck Morgan

Enclosures