

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

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| 1a. TYPE OF WORK DRILL <input type="checkbox"/> DEEPEN <input type="checkbox"/> Re-entry | | 5. LEASE DESIGNATION AND SERIAL NO. NM-97122 | |
| b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME | |
| 2. NAME OF OPERATOR SDX Resources, Inc. 20451 | | 7. UNIT AGREEMENT NAME | |
| 3. ADDRESS AND TELEPHONE NO. PO Box 5061, Midland, TX 79704 | | 8. FARM OR LEASE NAME, WELL NO. Chalk Federal #3 | |
| 4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 1650' FSL 2970' FEL, Unit K At proposed prod. zone Same | | 9. AP WELL NO. 31-015-00787 | |
| 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 15 miles SE of Artesia | | 10. FIELD AND POOL, OR WILDCAT Red Lake QN-GB-SA | |
| 15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) | | 11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec 5, T18S R27E | |
| 16. NO. OF ACRES IN LEASE 12 | | 12. COUNTY OR PARISH Eddy | |
| 17. NO. OF ACRES ASSIGNED TO THIS WELL 40 | | 13. STATE NM | |
| 18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 894' | | 14. PROPOSED DEPTH 2500' | |
| 19. ROTARY OR CABLE TOOLS Rotary | | 20. APPROX. DATE WORK WILL START* June 1, 1997 | |
| 21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3481' GR | | 22. APPROX. DATE WORK WILL START* | |

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| 23. PROPOSED CASING AND CEMENTING PROGRAM | | | | |
| Re-entry: Existing Csg Record: | | | | |
| SIZE OF HOLE | GRADE, SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
| 12-1/4" | 8-5/8" | 32# | 1028' | 300 sx (circ) |
| 7-7/8" | 5-1/2" | 14# | 1891' | 200 sx TOC 890' (Temp Survey) |

TD: 1891'
PBSD: 1883'
Perfs: 1868-74' Sqz'd w/100 sx.
Perfs: 1851-55'
CIBP @ 1845'
Perfs: 1816-31' and 1628-1701'
CIBP @ 1800'
CIBP @ 1600' w/15' cmt on top.
15 sx plug 1078-899'
10 sx surface plug.

Propose to drill out cement plugs to PBSD. Squeeze all existing perfs. Drill out, squeeze and deepen well to 2500'. Will complete in OH, from 1891-2500'.

IN ABOVE SPACE DESCRIBE PROPOSED 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.

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| 24. SIGNED <u>Chuck Morgan</u> TITLE <u>Engineer</u> DATE <u>4-28-97</u> | |
| (This space for Federal or State office use) | |
| PERMIT NO. <u> </u> | APPROVAL DATE <u> </u> |
| 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: | |

(ORIG. SGD.) JAMES G. PETTENGILL

APPROVED BY TITLE Acting ADM, MINERALS DATE 6-6-97

*See Instructions On Reverse Side