N. M. Oil Cons. Division
811 S. First
ARTESIA, NM 88210

Form 3160-3
(July 1992)

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: ~~NM 97122~~ LC 064314

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

1a. TYPE OF WORK: DRILL ☒ DEEPEN ☐

b. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ OTHER Disposal SINGLE ZONE ☐ MULTIPLE ZONE ☐

7. UNIT AGREEMENT NAME: 21558

8. FARM OR LEASE NAME, WELL NO.: Chalk Bluff Draw Fed #2

2. NAME OF OPERATOR: SDX Resources, Inc. 20451

9. API WELL NO.: 30-015-31637

3. ADDRESS AND TELEPHONE NO.: P.O.Box 5061, Midland, TX 79704 915/685-1761

10. FIELD AND POOL, OR WILDCAT: Red Lake ~~Penn~~ Qn-Gb-SA

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 990' FNL 990' FEL, Unit A
At proposed prod. zone: Same

RECEIVED
OCD - ARTESIA

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 5, T18S, R27E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 8 miles SE of Artesia, NM

12. COUNTY OR PARISH: Eddy

13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): (990')

16. NO. OF ACRES IN LEASE: 120

17. NO. OF ACRES ASSIGNED TO THIS WELL: 320

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: NA

19. PROPOSED DEPTH: 9500

20. ROTARY OR CABLE TOOLS: Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3518' GR

22. APPROX. DATE WORK WILL START*: 07/01/00

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2	13-3/8"	48# J-55	1150'	WITNESS 600 sx
12-1/4"	8-5/8"	32#	3000'	1400 sx
7-7/8"	5-1/2"	14# - 17#	9500'	2000 sx

Drill 17-1/2" hole to 1150' & run 13-3/8" csg & cmt to surface.
Drill 12-1/4" hole to 3000' & run 8-5/8" csg & cmt to surface.
Drill 7-7/8" hole to 9500' & run 5-1/2" csg & cmt to 2800'.

Will perf & stimulate as necessary for optimum production in the Morrow.

Exhibit #1: Plat
#2: One Mile Radius Map
#3: Drilling Rig Layout
#4: Existing Access Road Map
#5: BOP Diagram
#6: Flowline Diagram
Surface Use & Operations Plan
Drilling Program
H2S Drilling Operations Plan

13 3/8"
NOTIFY OCD SPUD & TIME TO WITNESS
WATER PROTECTION STRING

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS

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 Atwater TITLE Regulatory Tech DATE 03/27/00

(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 Acting Field Manager, Lands And Minerals DATE MAR 05 2001

*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.

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division
811 S. 1st Street
Artesia, NM 88210-2834

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

5. Lease Designation and Serial No.
NM 97122

6. If Indian, Allottee or Tribe Name

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

7. If Unit or CA, Agreement Designation

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.
Chalk Bluff Draw Fed #2

2. Name of Operator
SDX Resources, Inc.

9. API Well No.

3. Address and Telephone No.
PO Box 5061, Midland, TX 79704 915/685-1761

10. Field and Pool, or Exploratory Area
Red Lake Penn

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
990' FNL 990' FEL, Unit A

11. County or Parish, State
Sec 5, T18S, R27E

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
☐ Notice of Intent	☐ Abandonment	☐ Change of Plans
☒ Subsequent Report	☐ Recompletion	☐ New Construction
☐ Final Abandonment Notice	☐ Plugging Back	☐ Non-Routine Fracturing
	☐ Casing Repair	☐ Water Shut-Off
	☐ Altering Casing	☐ Conversion to Injection
	☒ Other Amend Proration Unit	☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinet details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markders and zones pertinent to this work.)*

Amend orientation of Proration unit.

New survey plat attached.

ACCEPTED FOR RECORD
SEP 11 2000
BLM

(ORIG. SGD.) GARY GOURLEY

14. I hereby certify that the foregoing is true and correct

Signed Bonnie Atwater Title Bonnie Atwater Date 09/06/00

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
Conditions of approval, if any:

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.

*See Instruction on Reverse Side

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
	51300	Red Lake

4 Property Code	5 Property Name	6 Well Number
	Chalk Bluff Draw Federal COM	2

7 OGRID No.	8 Operator Name	9 Elevation
020451	SDX Resources, Inc.	3518

10 Surface Location

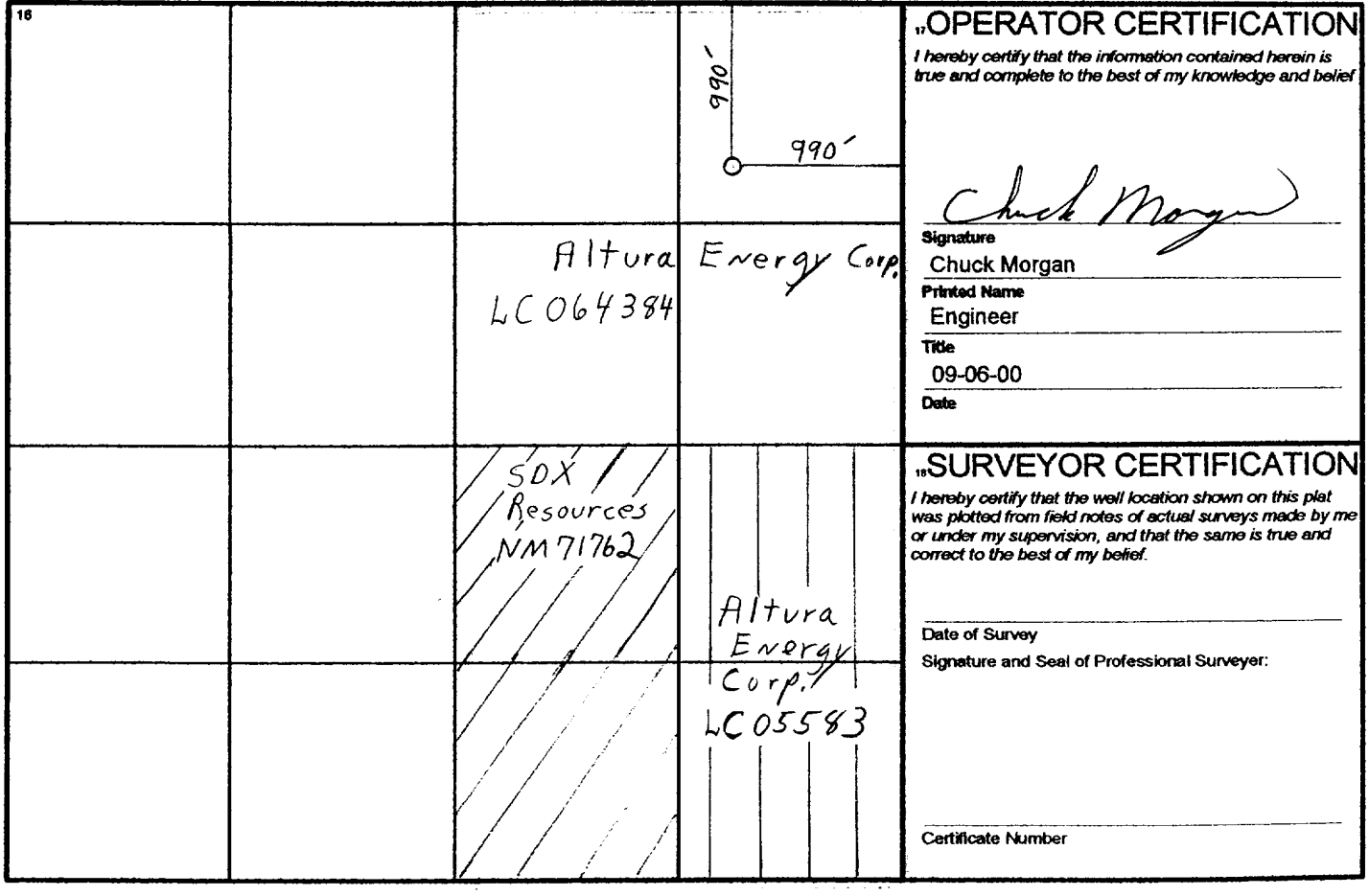
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
A	5	18S	27E		990	North	990	East	Eddy

11 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

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
320.00			

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



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Chuck Morgan
Signature
Chuck Morgan
Printed Name
Engineer
Title
09-06-00
Date

18 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.

Date of Survey
Signature and Seal of Professional Surveyer:

Certificate Number

RECEIVED
MAR 1 0 2000
BY:

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe. NM 87505

Form C-102
Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

[1] API Number	[2] Pool Code	[3] Pool Name
	51300	Red Lake

[4] Property Code	[5] Property Name	[6] Well Number
	CHALK BLUFF DRAW FEDERAL COM	2

[7] OGRID No.	[8] Operator Name	[9] Elevation
020451	SDX RESOURCES, INC.	3518.

[10] 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	5	18-S	27-E		990	NORTH	990	EAST	EDDY

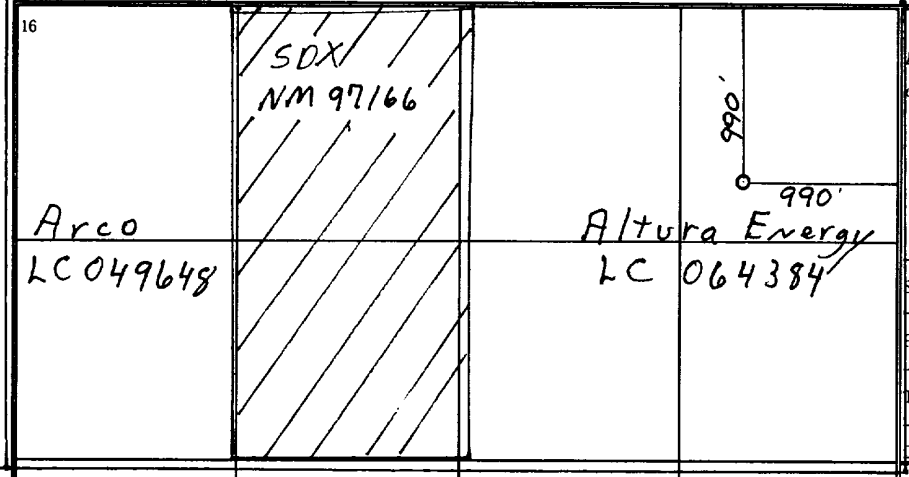
[11] Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320			

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

16



[17] OPERATOR CERTIFICATION

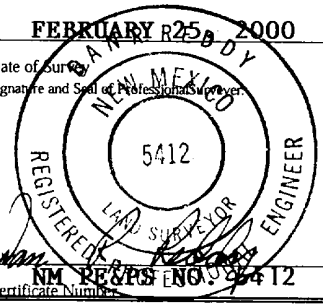
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Signature: Chuck Morgan
Printed Name: Chuck Morgan
Title: Engineer
Date: 3/27/00

[18] SURVEYOR CERTIFICATION

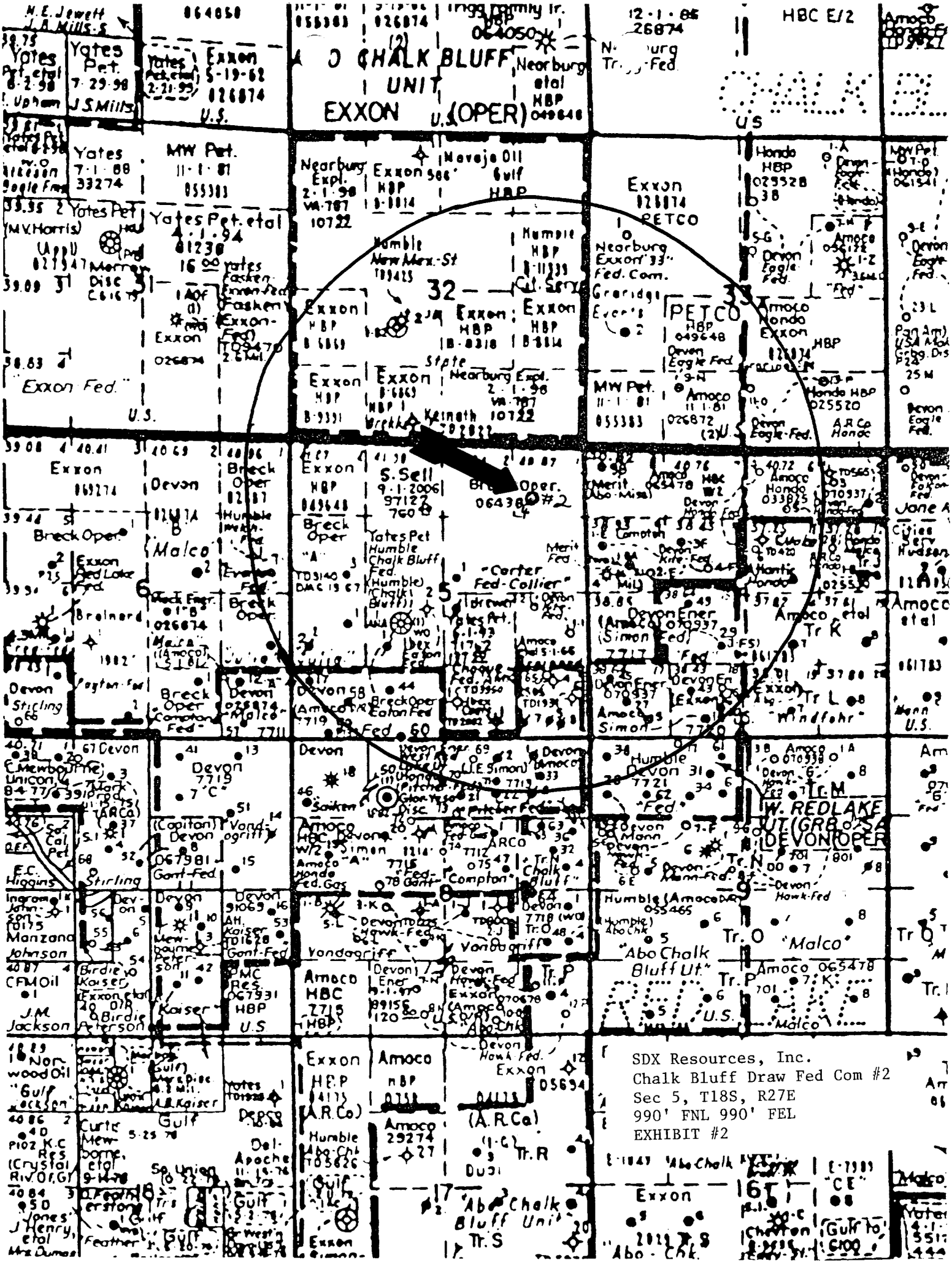
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

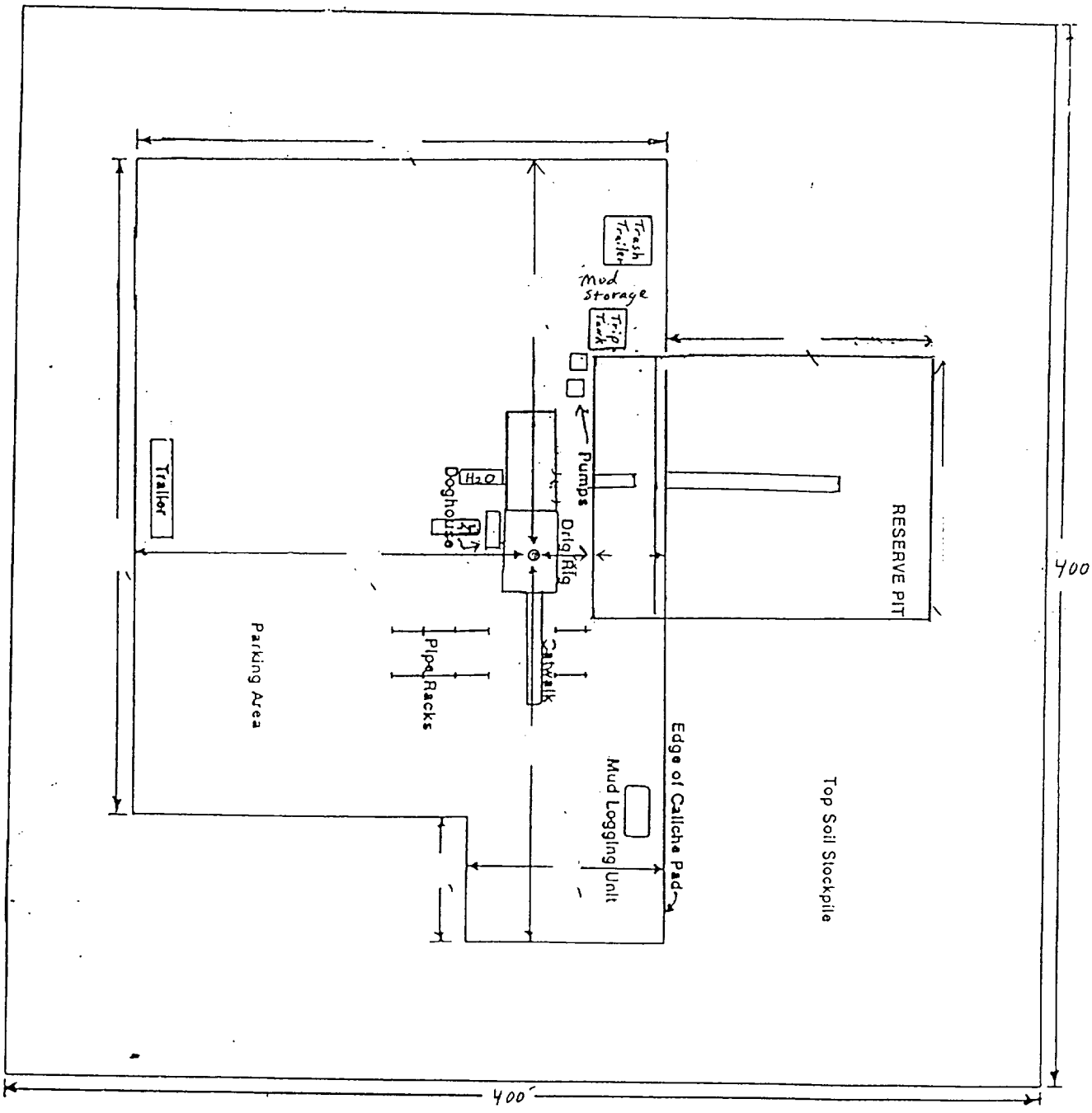
FEBRUARY 25, 2000
Date of Survey
Signature and Seal of Professional Surveyor:



NM PE&LS No. 5412
Certificate Number

Exhibit #1


CHALK BLUFF UNIT
EXXON (OPER)
SDX Resources, Inc.
Chalk Bluff Draw Fed Com #2
Sec 5, T18S, R27E
990' FNL 990' FEL
EXHIBIT #2



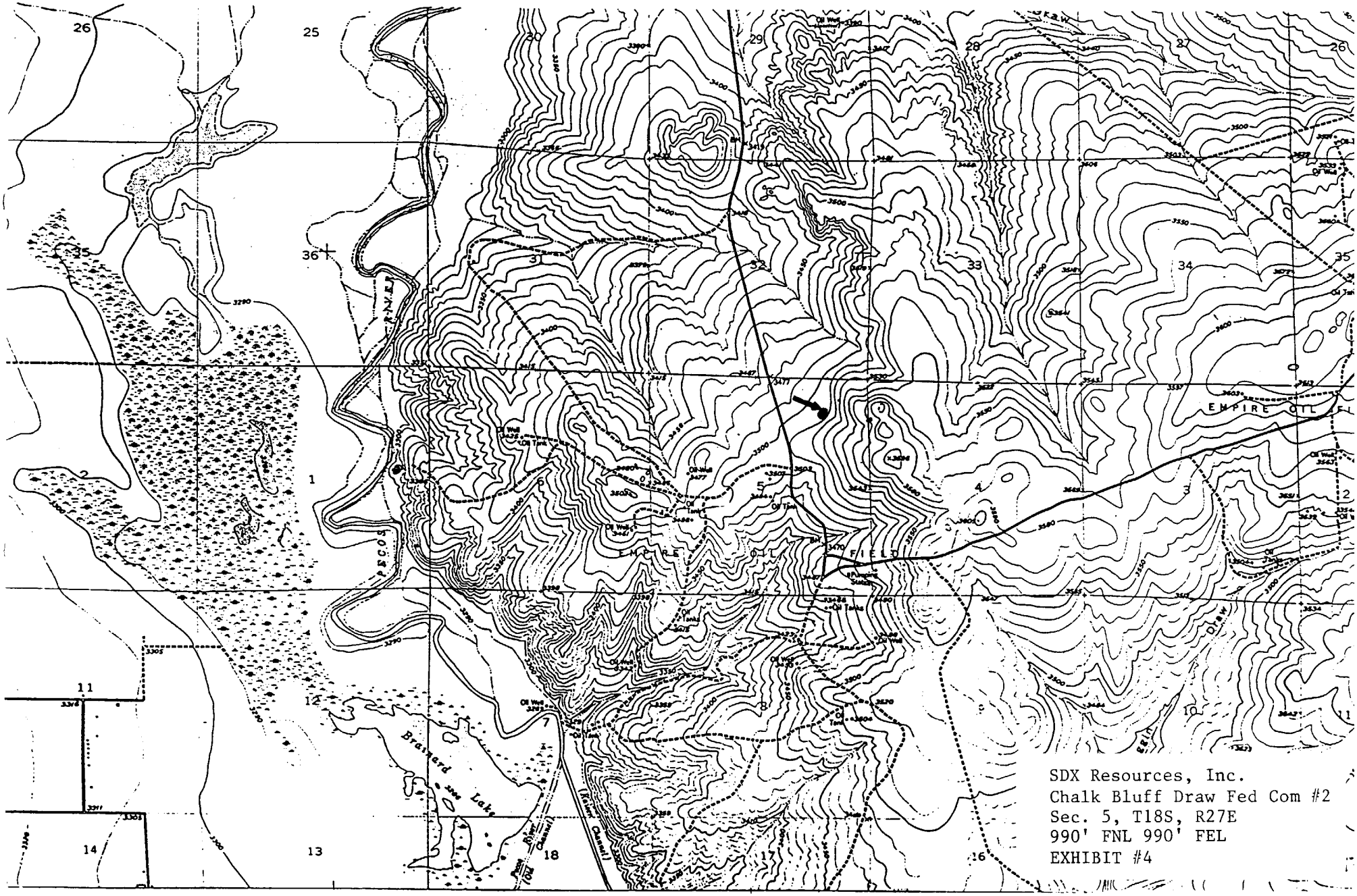
SDX RESOURCES, INC.

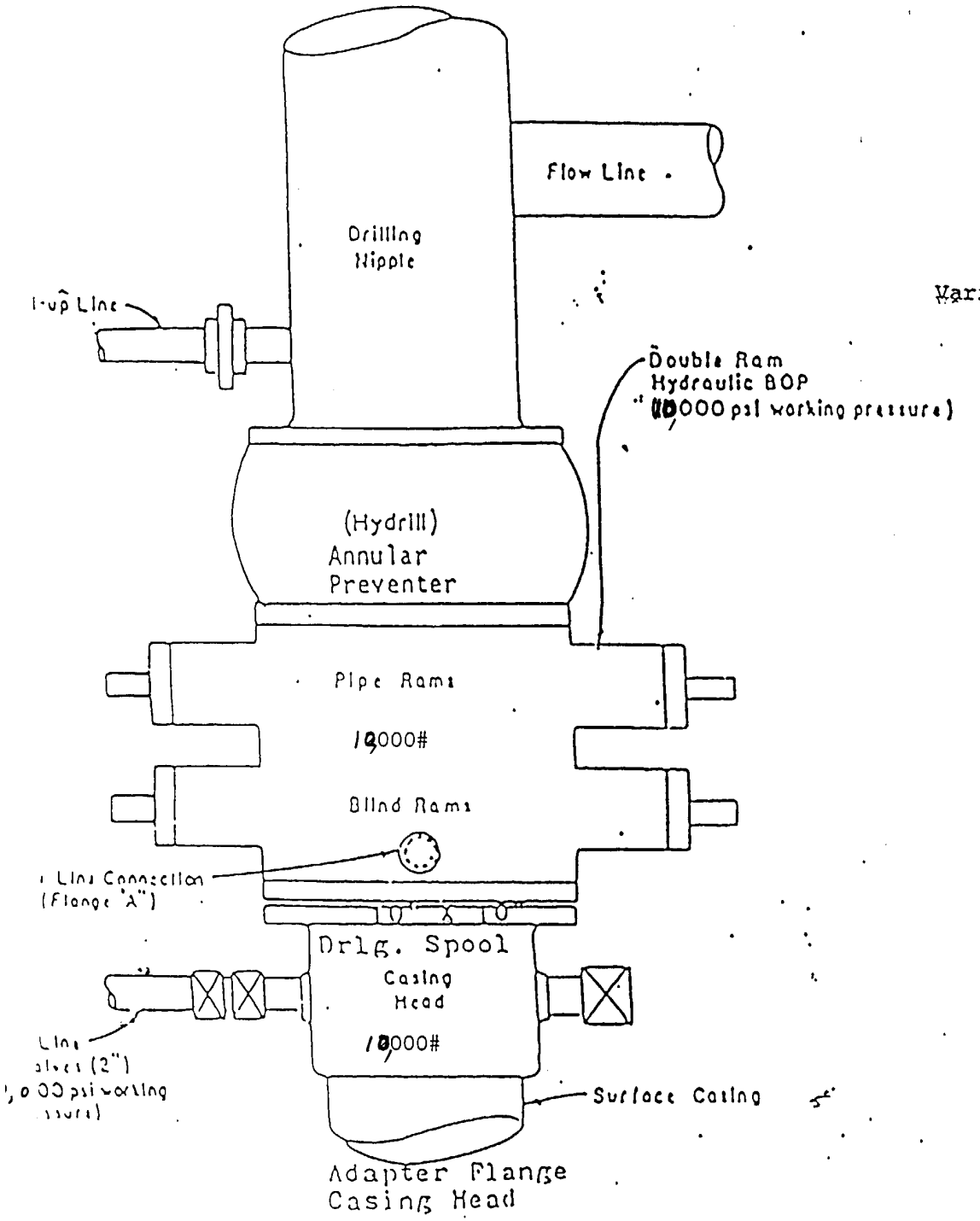
Drilling Rig Layout
Chalk Bluff Draw
Fed. Com. #2
Sec. 5 T 18S R 29E
990' FNL & 990 FEL

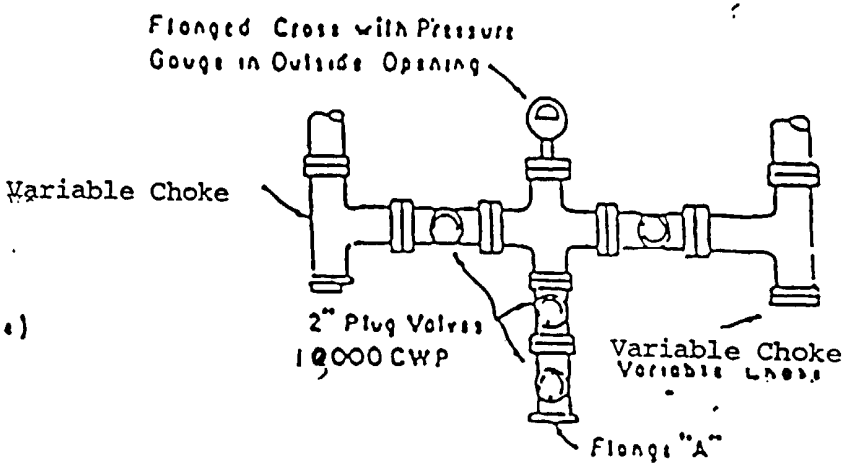
Exhibit #3

EXHIBIT 3

N


SDX Resources, Inc.
Chalk Bluff Draw Fed Com #2
Sec. 5, T18S, R27E
990' FNL 990' FEL
EXHIBIT #4

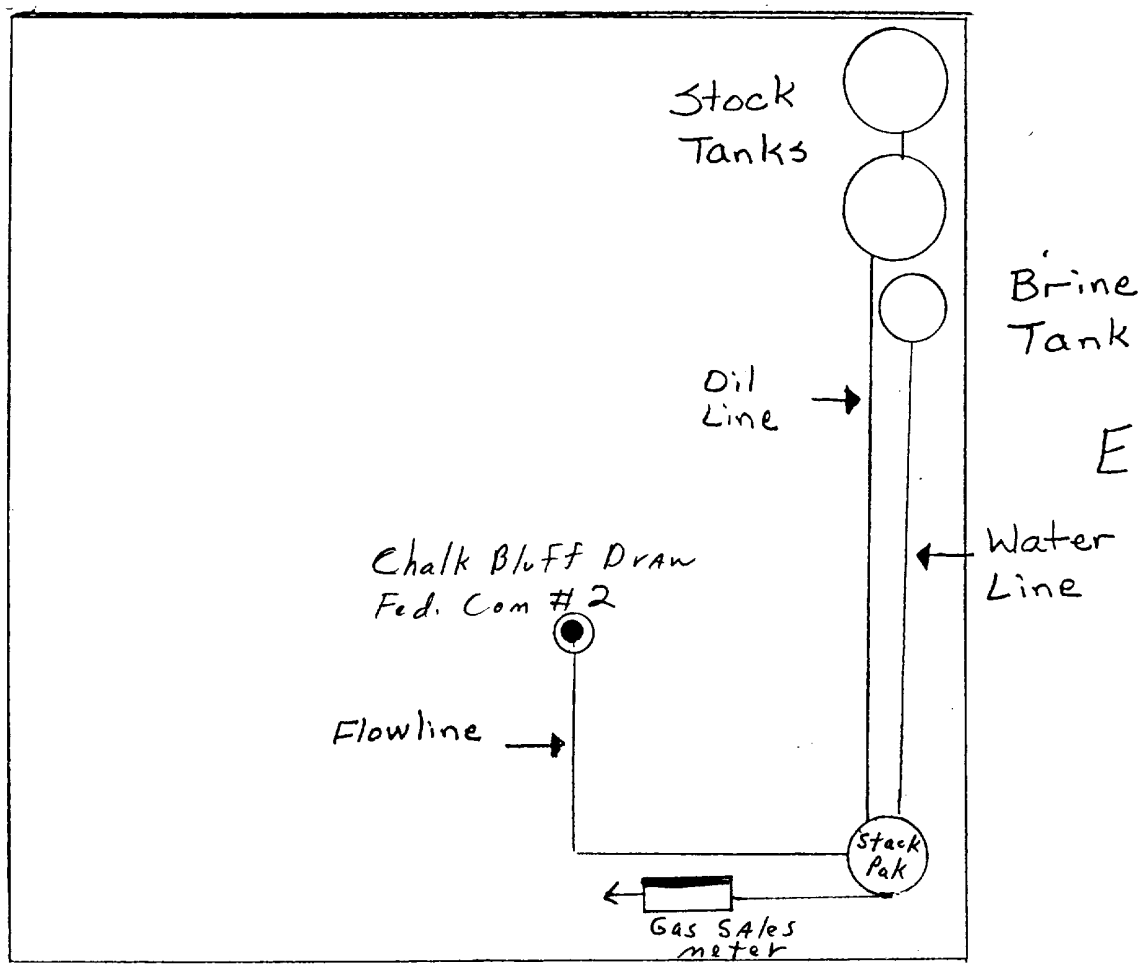




PLAN VIEW - CHOKE MANIFOLD

EXHIBIT #5
BLOWOUT PREVENTER DIAGRAM

N


Stock Tanks
Brine Tank
Oil Line
E
W
Water Line
Chalk Bluff Draw
Fed. Com #2
Flowline
Stack Pak
Gas Sales meter

S

EXHIBIT #6

SURFACE USE AND OPERATIONS PLAN
SDX RESOURCES, INC.
Chalk Bluff Draw Fed. Com # 2
990' FNL, 990' FEL
Unit A, Sec. 5, T18S, R27E
Eddy Co., NM

1. Existing Roads:

A. The well site and elevation plat for the proposed well is shown in Exhibit #2. It was staked by Dan Reddy, Carlsbad, New Mexico.

B. All roads to the location are shown in Exhibit #3A. The existing roads are labeled and are adequate for travel during drilling production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the onsite inspection.

C. Directions to location: E. of Artesia on Hwy. 82 ~ 5 miles . Turn right on CR 201. Go South 4 M and turn left. Go .25 M to location.

D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibit #3A shows the existing road.

500' of new road will be needed. It is shown on Exhibit #3 A & B.

3. Location of Existing Wells:

Exhibit #4 shows all existing wells within a one-mile radius of this well.

4. Location of Existing and/or Proposed Facilities and ROW's:

A. If the well is productive:
1. The well will be tested and any necessary production facilities (stack pack, 2- 210 bbl. stock tanks, and a 210 bbl.FG brine tank) will be located on the existing well pad.

2. A gas sales line will be laid to location by the purchaser.

B. If the well is productive, rehabilitation plans are as follows:

1. The reserve pit will be back-filled after the contents of the pit are dry (within 120 days after the well is complete).

2. Topsoil removed from the drill site will be used to raconteur the pit area to the original natural level, as nearly as possible, and reseeded as per BLM specifications.

5. Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud systems as outlined in the drilling program. The brine and fresh water will be obtained from commercial water stations in the area and hauled to roads shown in Exhibit #3. No water well will be drilled on the location.

6. Source of Construction Materials:

All caliche required for construction of the drill pad and any new access road will be obtained from the drilling pits and/or on site when possible. Any additional caliche will be obtained from approved caliche pits. All roads and pads will be constructed of 6" rolled and compacted caliche.

7. Methods of Handling Water Disposal:

A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.

B. Drilling fluids will be contained in plastic lined pits. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The reserve pit will be an earthen pit, approximately 100' x 100' x 6' deep, fenced, and plastic-lined (5-7 mil thickness).

C. Water produced from the well during completion may be disposed into the reserve pit. After the well is permanently placed on production, produced water will be trucked to an approved disposal site.

D. Garbage and trash produced during drilling or completion operations will be collected in a trash trailer by a contractor. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by this operations.

E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned-up within 90 days. No adverse materials will be left on the location. The reserve pit will be completely fenced and kept closed until it has dried. When the reserve pit is dry enough to breakout and fill and as weather permits the unused portion of the well site will be leveled and reseeded as per BLM specifications. Only that part of the pad required for production facilities will be kept in use.

8. Ancillary Facilities:

None

9. Well Site Layout:

A. The drill pad layout is shown in Exhibit #5. Dimensions of the pad and pits and location of major rig components are shown. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection. Because the pad is almost level no major cuts will be required.

B. Exhibit #5 shows the planned orientation for the rig and associated drilling equipment, reserve pit, trash pit, pipe racks, turn-around, parking areas and access road. No permanent living facilities are planned but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.

C. The reserve pit will be lined with high-quality plastic sheeting (5-7 mil thickness).

10. Plan for Restoration of the Surface:

A. Upon completion of the proposed operation, if the well is to be abandoned, the pit area, after allowing to dry, will be broken out and leveled. The original top soil will be returned to the entire location which will be leveled and contoured to as nearly the original topography as possible.

All trash and garbage will be hauled away in order to leave the location in an anesthetically pleasing condition. All pits will be filled and the location leveled within 120 days after abandonment.

B. The disturbed area will be revegetated by reseeding during the proper growing season with a seed mixture of native grasses as recommended by the BLM.

C. The reserve pit will be fenced prior to and during drilling operations. The fencing will remain in place until the pit area is cleaned-up and leveled. No oil will be left on the surface of the fluid in the pit.

D. Upon completion of the proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. The caliche from any area of the original drill site not needed for production operations or facilities will be removed and used for construction of thicker pads. Any additional caliche required for facilities will be obtained from an approved caliche pit. Topsoil removed from the drill site will be used to raconteur the pit area and any unused portions of the drill pad to the original natural level and reseeded as per BLM specifications.

11. Surface Ownership:

BLM
Grazing Leased to Bogle , LTD

Surface leasee has been notified.

12. Other Information:

A. The area around the well site is grassland. The vegetation is native scrub grasses with abundant catclaw and mesquite.

B. There is no permanent or live water in the immediate area.

C. An archaeological survey has been requested and will be forwarded to the BLM when completed.

13. Lessee's and Operator's Representative:

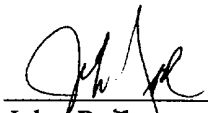
The SDX Resources Inc. representative for assuring compliance with the surface use plan is as follows:

Chuck Morgan
SDX Resources Inc.
PO Box 5061
Midland, TX 79704
915/685-1761 Office
915/685-0533 Fax

Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by SDX Resources Inc. and its contractors and subcontractors in conformity with this plan and the terms and conditions which it is approved.

SDX Resources Inc.



John Pool
Vice-President

DRILLING PROGRAM
SDX Resources Inc.
Chalk Bluff Draw Federal Com # 2
990 FNL & 990' FEL
Unit A, sec. 5, T18S, R27E
Eddy Co., NM

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Important Geologic Markers:

Queen	540'	Strawn
Grayburg	990'	Atoka
San Andres	1200'	Morrow

3. Estimated Depth of Anticipated Fresh Water, Oil or Gas:

Water Sand	150' – 200'	Fresh Water
Grayburg	1630'	Oil & Gas
San Andres	2300'	Oil & Gas
Morrow		

Fresh water sands will be protected by running 13-3/8" casing to a minimum depth of 1150' and circulating cement. All other zones will be isolated by running a 8-5/8" intermediate casing and a 4-1/2" or 5-1/2" production casing and circulating cement.

4. Casing Program:

Hole Size	Interval	OC Csg	Weight Grade Jt Cond Type
17-1/2 "	0-1150'	13-3/8"	48#
12-1/4"	1150 – 3000'	8-5/8"	32#, J55, New
7-7/8"	3000– TD	5-1/2	9.5# - 17#, J55, Used

Cement Program:

13-3/8" Surface Casing:	Cemented to surface with 600 sx of Class C with 2% CaCl and ¼#/sx Flocele.
8-5/8" Intermediate Csg.	Cemented with 700 sxs. Lite and 700 sxs C
5-1/2" Production Casing:	Cemented with 600 sx of Class C and 1400 sx of Lite C and ¼#/sx Flocele. This should tie into 8-5/8 intermediate.

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of an annular bag type preventer and a Double ram BOP (10000 psi WP). Unit will be hydraulically operated. BOP will be nippled up on the 8-5/8" intermediate csg and used continuously until TD is reached. BOP and accessory equipment will be tested to 5000 psi before drilling out of surface casing. A 2" kill line and a 2" choke line will be included in the drilling spool. Other accessories to the BOP equipment will include a kelly cock.

6. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of fresh water and brine water mud system. The applicable depth and properties of this system are as follows:

Depth	Type	Weight (ppg)	Viscosity (sec)	Waterloss (cc)
0 – 11500	Fresh Water (spud)	8.5	40 – 45	N/C
1150- 3000	Brine water, SWG, Starch	10.0	40-50	N/C
3000-TD	Cut Brine	9.6	20-30	20

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

A. A kelly cock will be kept in the drill string at all times.

B. A mud logging unit complete with H2S detector will be continuously monitoring drilling penetration rate and hydrocarbon shows from 3000' to TD.

8. Logging, Testing and Coring Program:

A. Drillstem tests will be run on the basis of drilling shows.

B. The electric logging program will consist of GR-Dual Laterolog and GR-Compensated Neutron-Density from TD to intermediate casing.

C. Conventional coring may be performed in select intervals if deemed necessary.

D. Further testing procedures will be determined after the production casing has been cemented at TD based on drill shows and log evaluation.

9. Abnormal Conditions, Pressures, Temperatures, & Potential Hazards:

No abnormal pressure or temperatures are anticipated. The estimated bottom hole temperature (BHT) at TD is 145° and estimated maximum bottom-hole pressure (BHP) is 4000 psig. No abnormal concentrations of hydrogen sulfide or other hazardous gases or fluids have been encountered, reported or are known to exist at this depth in this area. All H2S operation precautions will be followed (see attached H2S drilling operations plans). No major loss circulation zones have been reported in offsetting wells.

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is July 15, 2000. Once commenced, the drilling operation should be finished in approximately 10 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN
SDX Resources Inc.
Chalk Bluff Draw Fed. Com # 2
990' FNL, 990' FEL
Sec. 5, T18S, R27E, Unit B
Eddy Co., NM

I. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H2S).

2. The proper use and maintenance of personal protective equipment and life support system.

3. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.

4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.

2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.

3. The contents and requirements of the H2S Drilling Operations Plan and the Public Protection Plan.

There will be an initial safety session just prior to commencing operations on the well. The initial session shall include a review of the site's specific H2S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H2S SAFETY EQUIPEMNT AND SYSTEMS

Note: All H2S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 1500'.

1. Well Control Equipment:

   A. Annular Preventer and Double Ram BOP to accommodate all pipe sizes with properly sized closing unit.

2. Protective Equipment for Essential Personnel:

   A. Mark II Surviveair 30-minute units located in the dog house.

3. H2S Detection and Monitoring Equipment:

   A. 1 - portable H2S monitor positioned on location for best coverage and response.

   B. Mud logging trailer shall have H2S monitoring equipment.

4. Visual Warning Systems:

   A. Guy lines will be flagged and a wind sock will be positioned on location.

   B. Caution/Danger signs shall be posted on roads providing direct access to location.

5. Mud Program:

   The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices, will minimize hazards when penetrating H2S bearing zones.

6. Metallurgy:

   All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service as necessary.

7. Communication:

   Radio communications in company vehicles including cellular telephone and 2-way radio.

8. Well Testing:

   No DST's are planned.

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

SDX Resources Inc.
PO Box 5061
Midland, TX 79704

March 28, 2000

The undersigned accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No.:	NM-97122
Lease Name:	Chalk Bluff Draw Federal #2
Legal Description of Land:	Unit A, 990' FNL 990' FEL Sec. 5, T18S, R27E Eddy Co., NM
Formation (s):	Red Lake, QN-GB-SA
Bond Coverage:	Statewide Bond – State of New Mexico
BLM Bond File No.:	NM2307

Authorized Signature:

John Pool
Vice-President

Ltrresp