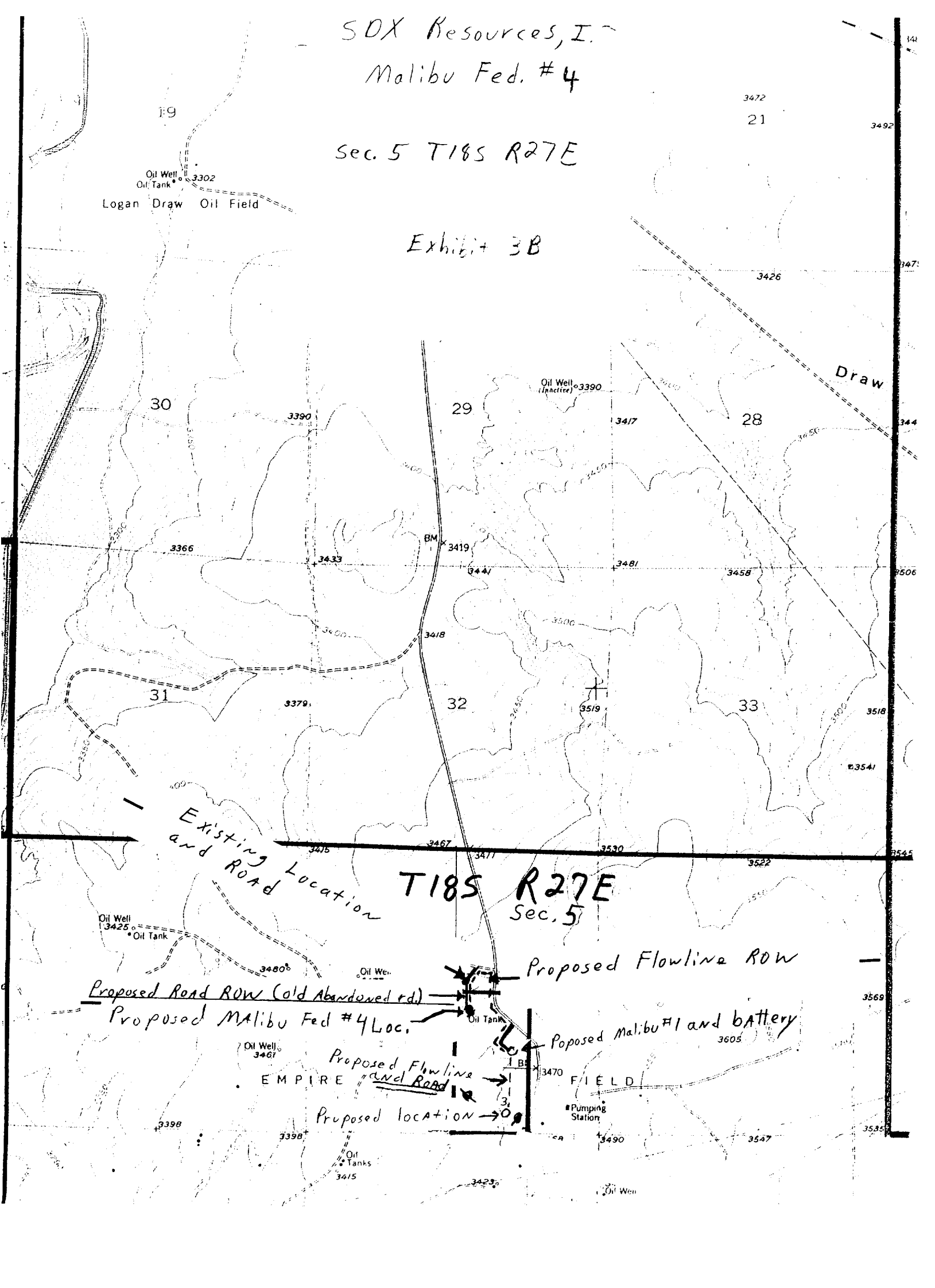
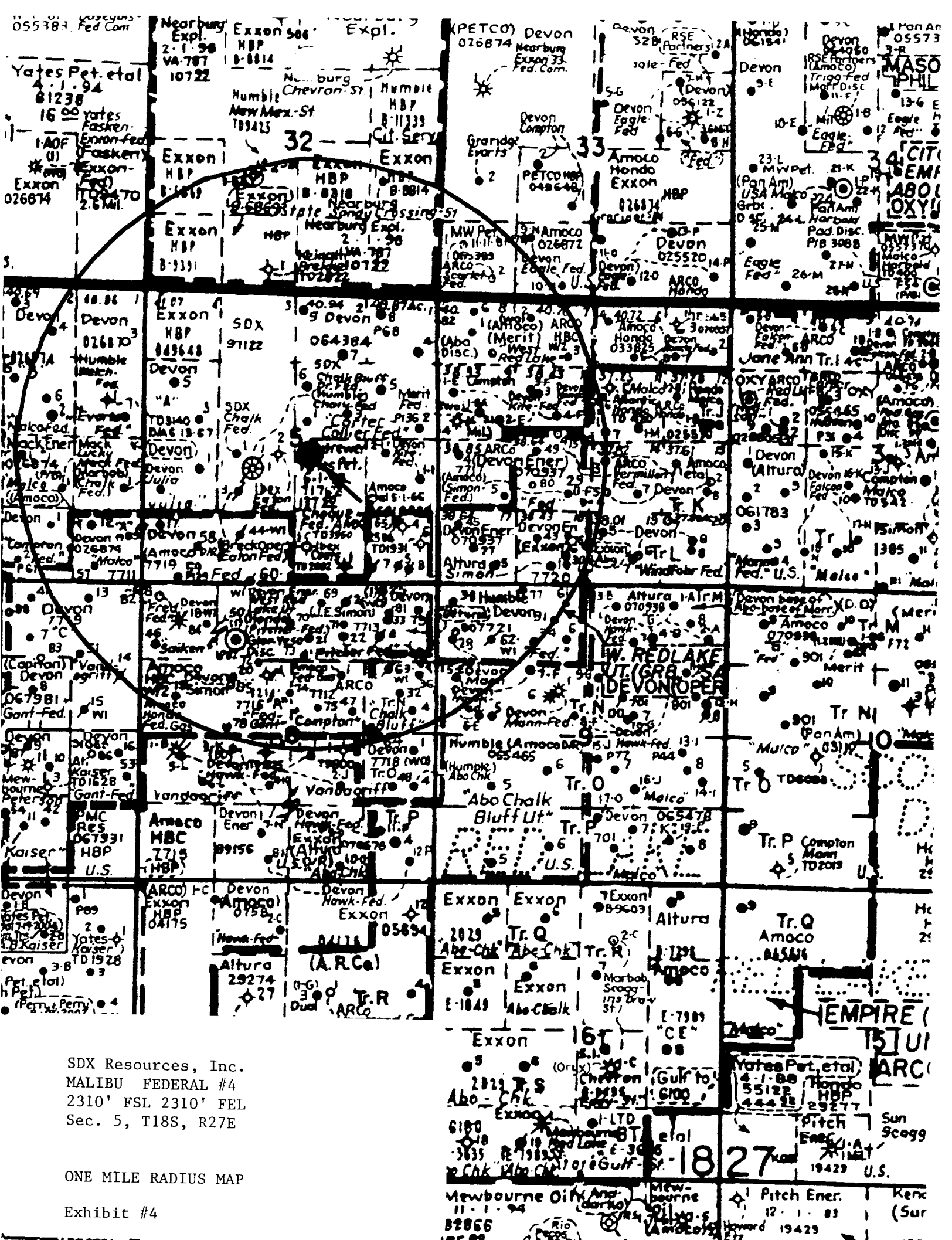


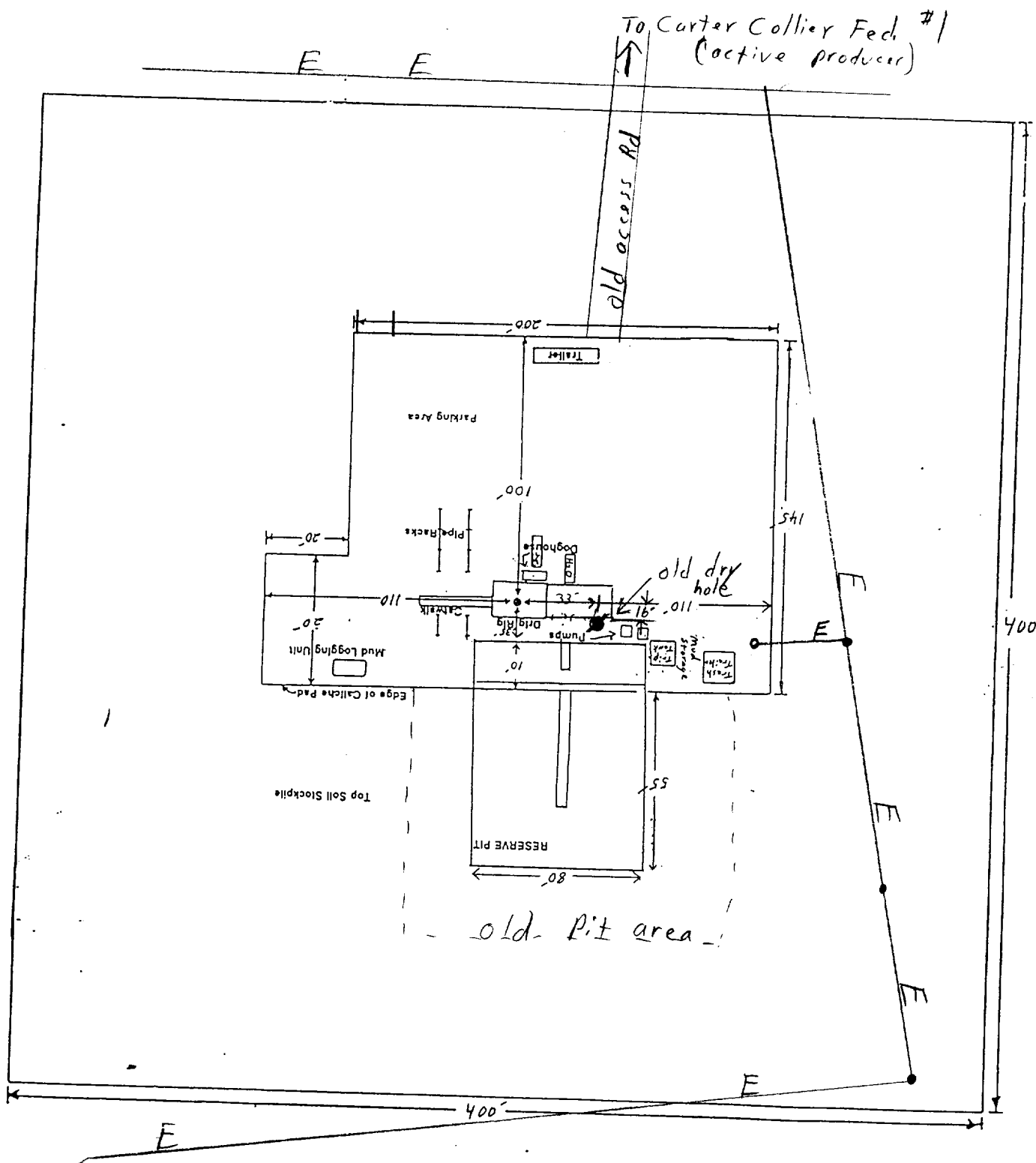
SDX Resources, Inc.  
Malibu Fed. #4

Sec. 5 T18S R27E

Exhibit 3B







SDX RESOURCES, INC.

Drilling Rig Layout  
MALIBU Fed. #4

Exhibit #5

N

SURFACE USE AND OPERATIONS PLAN  
SDX RESOURCES, INC.  
Malibu Federal # 4  
2310' FSL, 2310' FEL  
Unit J, Sec. 5, T18S, R27E  
Eddy Co., NM

1. Existing Roads:

- A. The well was staked by Dan Reddy in Carlsbad, N.M. and a survey plat is shown in exhibit #2.
- B. All roads to the location are shown in Exhibit #3A & 3B. The existing roads are labeled and 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 4 M on 201 and turn right to Carter Collier Fed. #1 and follow road 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 & 3B show the existing roads and the new access road proposed to the Location.

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 successful:
  - 1. The well will be tested and if commercial production is encountered a Flowline consisting of 2 or 3" poly pipe will be laid to the battery proposed at the Malibu # 1 location. ROW is shown in exhibit 3B.
  - 2. A Power line already exist to location that serviced a well plugged at this location. Upgrading may be necessary.
- B. Rehabilitation plans are as follows:
  - 1. The drilling pits 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 recontour 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:

No additional materials are necessary.

7. Methods of Handling Water Disposal:

- A. Drill cuttings will be disposed into the drilling pits.
- B. Drilling fluids will be contained in working pits. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing and completion operations. The pits will be earthen pits, and will be 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.

- B. Exhibit #5 shows the planned orientation for the rig
- C. The pits 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 aesthetically 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 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 restore 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

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 will be performed and a formal report forwarded to the Carlsbad BLM office.

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.

  
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John Pool  
Vice-President

DRILLING PROGRAM  
SDX Resources Inc.  
Malibu Federal # 4  
2310' FSL, 2310' FEL  
Unit J, Sec. 5, T18S, R27E  
Eddy Co., NM

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Important Geologic Markers:

Queen	540'	Glorietta	2700'
Grayburg	990'	Yeso	2810'
San Andres	1200'		

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

Water Sand	100' & 750'	Fresh Water
San Andres	1500'	Oil & Gas

4. Casing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>OC Csg</u>	<u>Weight Grade Jt Cond Type</u>
12-1/4"	0- 1150'	8-5/8	24#, J-55 New
7-7/8"	0 - 3500	5-1/2"	14#, J-55 New

Cement Program:

8-5/8" Surface casing

Cemented to surface with 200 sxs. "C" w/2% CACI and ¼#/sx flocele tail and 375 sxs. 35/65 POZ "C" with 6% gel (12.8 PPG slurry) with ¼#/sx flocele lead. Run 4 cenralizers.

5-1/2" Production Casing:

Cemented to surface with 600 sxs. "C".

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of an annular bag type preventer (2000 psi WP). Unit will be hydraulically operated. BOP will be nipped up on the 8-5/8" csg and used continuously until TD is reached. BOP and accessory equipment will be tested to 1000 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:

<u>Depth</u>	<u>Type</u>	<u>Weight (ppg)</u>	<u>Viscosity (sec)</u>	<u>Waterloss (cc)</u>
0-1150	Fresh water	8.8		
1150 – TD	Brine water, SWG, Starch	10.0	30	24

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 H2S detector will be continuously monitoring to TD.

8. Logging, Testing and Coring Program:

None

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

No abnormal pressure or temperatures are anticipated. The estimated bottom hole temperature (BHT) at TD is 94° and estimated maximum bottom-hole pressure (BHP) is 1000 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).

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 November 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.  
Malibu Federal # 4  
2310' FSL, 2310' FEL  
Sec. 5, T18S, R27E, Unit J  
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 (H<sub>2</sub>S).
2. The proper use and maintenance of personal protective equipment and life support system.
3. The proper use of H<sub>2</sub>S 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 H<sub>2</sub>S 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 H<sub>2</sub>S 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 H<sub>2</sub>S 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. H<sub>2</sub>S SAFETY EQUIPEMNT AND SYSTEMS

Note: All H<sub>2</sub>S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500'.

1. Well Control Equipment:
  - A. Annular Preventer 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**

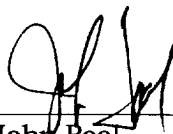
SDX Resources Inc.  
PO Box 5061  
Midland, TX 79704

November 9, 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-105204
Lease Name:	Malibu Federal #4
Legal Description of Land:	Unit J, 2310' FSL 2310' 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