



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joa nna Prukop

Chief Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

April 25, 2007

Chuck Morgan
SDX Resources, Inc.
PO Box 5061
Midland, TX 79704

35606

RE: Pure Federal Well No. 3 (API No 30-015-NA)
910 feet from the North Line, 1190 feet from the East line, Unit A
Section 21, Township 17 South, Range 28 East, NMPM, Eddy County
Unit A (NE/4 NE/4) (40 Acres) Section 21 Dedication

Administrative Order NSL-5608

Dear Mr. Morgan:

Reference is made to the following:

(a) your application (administrative application reference No. pCLP0709230741 for non-standard location [NSL]) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on March 30, 2007, on behalf of SDX Resources, Inc., OGRD 20451 ("SDX"); and

(b) the Division's records pertinent to SDX's request.

SDX proposes to drill a vertical well for oil production from the Glorieta, Yeso, Queen, Grayburg, or San Andres formations within the Undesignated Artesia-Glorieta Yeso Pool (96830) and the Red Lake-Queen Grayburg San Andres Pool (51300). SDX proposes to drill this well at the above referenced non-standard oil well location due to topographic considerations. The proposed completion would be the first oil well in this spacing and proration unit.

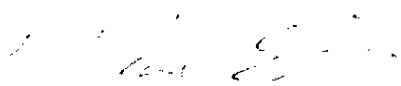
Both pools are governed by statewide rule Rule 104.B, which requires oil wells to be located no closer than 330 feet from the boundary of a 40 acre spacing and proration unit. This well is un-orthodox because it is to be located 130 feet from the western boundary of the 40-acre spacing and proration unit.

It is our understanding the NE/4 of Section 21 is federal and is leased by SDX to depths within or below the Yeso formation. The Unit B spacing and proration unit is also operated by SDX and ownership between Unit A and Unit B is identical within depths owned by SDX.

Division Rule 104.F allows the Division director to grant location exceptions in order to prevent waste and protect correlative rights. Your application on behalf of SDX has been duly filed and notice has been provided as required under the provisions of Division Rules 104.F and 1210.A. In order to prevent waste and protect correlative rights, the above-described non-standard oil well location within the Undesignated Artesia-Glorieta Yeso Pool (as limited to depths owned by SDX) and the Red Lake-Queen Grayburg San Andres Pool is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/wvjj

cc: New Mexico Oil Conservation Division – Artesia
Bureau of Land Management – Carlsbad