

SDX RESOURCES, INC.

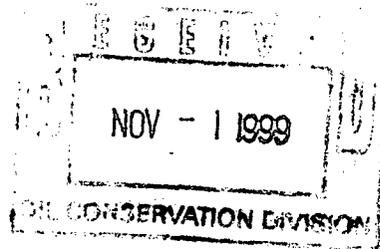
P.O. BOX 5061
MIDLAND, TEXAS 79704
(915) 685-1761

Oct. 25, 1999

NMOCD
2040 South Pacheco Street
Santa Fe, NM 87505

Attention: Mr. Mike Stogner

RE: NW State # 8
Sec. 32 T17S R28E
1090 FSL, 2126 FWL
Eddy County, New Mexico



Dear Mr. Stogner,

SDX Resources, Inc. is the operator of the NW State lease covering 560 acres of State Lease # 647, located in the NE/4 & SW/4 of Sec. 32, SE/4 SE/4 of sec. 29, E/2 E/2 of sec. 31 T17S R28E, and the NE/4 NE/4 of Sec. 6 T18S R28E. The NW St. # 8 well has been staked at a non-standard location of 2126' FWL and 1090' FSL of Sec. 32 T17S R28E. The location was moved to avoid existing pipe lines and a county road. This will only encroach on an internal proration unit line within the lease. SDX Resources has recently purchased the effected 40 acre tract to the Northeast of the # 8 location and owns 100 % of the working interest in this tract. SDX request that this letter serve as an application for administrative approval of the NW State # 8 location. A survey plat, a topographic map, and a lease map accompany this application. As shown on the lease map, the # 8 location chosen is necessary to maintain a consistent primary development pattern that will allow the possibility of future infill drilling (shown on lease map) to set up a secondary recovery project. Your assistance in this matter is greatly appreciated.

Sincerely,

Chuck Morgan

Enclosures

RECEIVED
OCT 14 1999

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources

Form C-102
Revised March 17, 1999

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

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

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

District IV
2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 03230		³ Pool Name Artesia (QN-GB-SA)	
⁴ Property Code 24439		⁵ Property Name NW STATE			⁶ Well Number 8
⁷ OGRID No. 020451		⁸ Operator Name SDX RESOURCES, INC.			⁹ Elevation 3668.

¹⁰ Surface Location

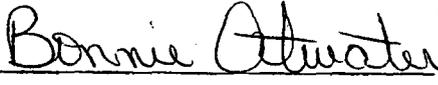
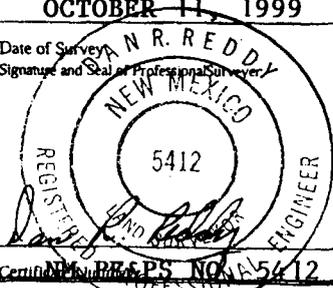
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	32	17-S	28-E		1090	SOUTH	2126	WEST	EDDY

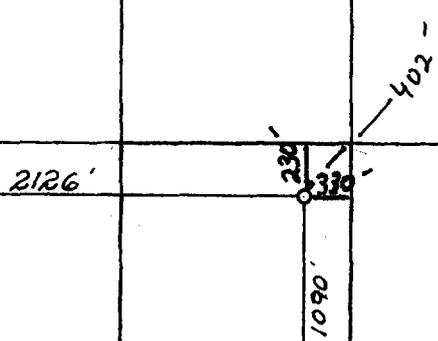
¹¹ Bottom Hole Location If Different From Surface

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 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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 Printed Name Bonnie Atwater Title Regulatory Tech. Date 10/14/99	
						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.	
						OCTOBER 11, 1999 Date of Survey Signature and Seal of Professional Surveyor 	



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-101
Revised October 18, 1994

Instructions on back
Submit to Appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address SDX Resources, Inc. PO Box 5061 Midland, TX 79704 915/685-1761		OGRID Number 020451
		API Number 30 - 0
Property Code 24439	Property Name NW State	Well No. 8

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West Line	County
N	32	17S	28E		1090	South	2126	West	Eddy

Proposed 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
Proposed Pool 1 Artesia (QN-GB-SA) (03230)					Proposed Pool 2				

Work Type Code N	Well Type Code O	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 3668
Multiple No	Proposed Depth 3500	Formation QN-GB-SA	Contractor Capstar	Spud Date 11-01-99

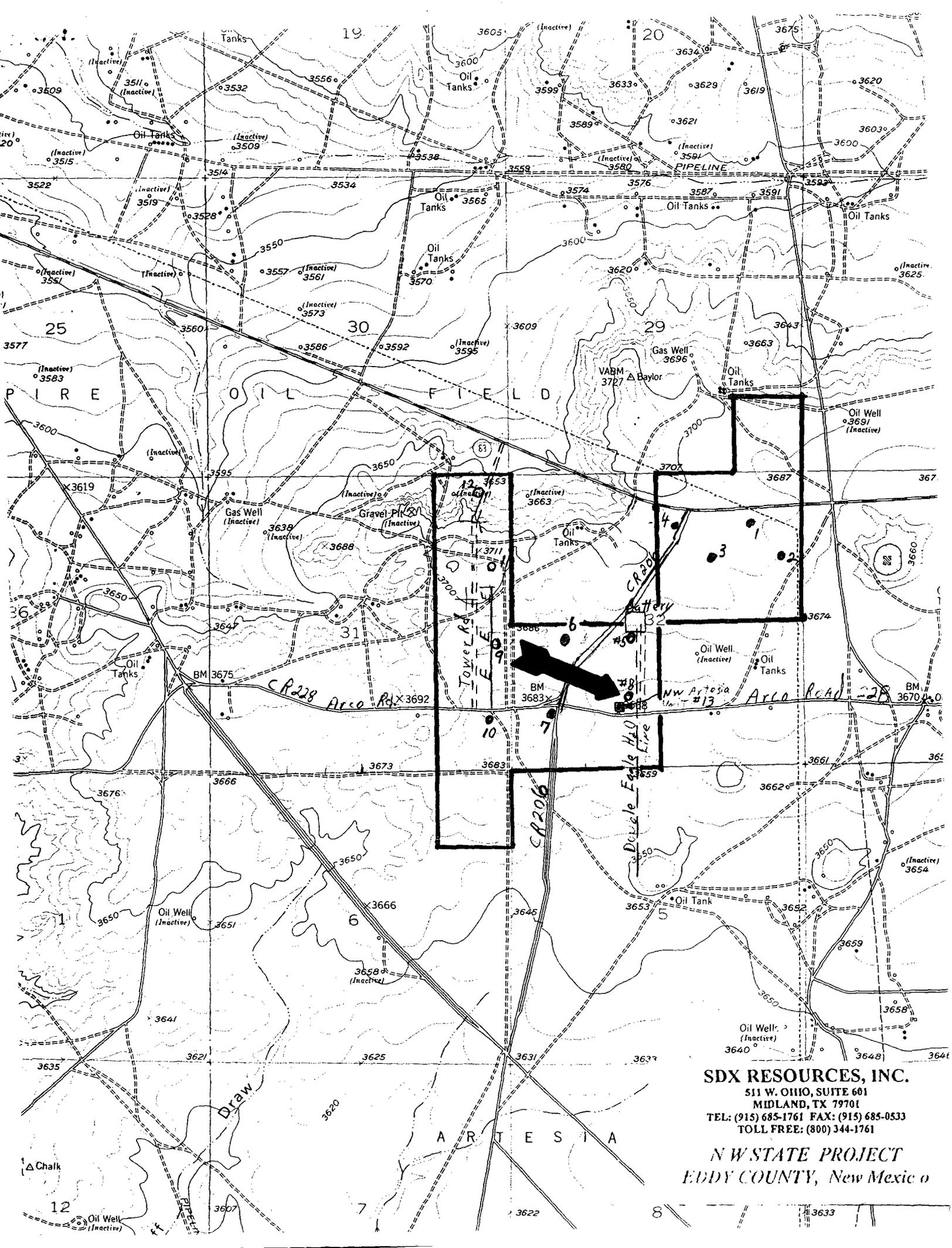
Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12-1/4"	8-5/8"	24#	450	350 sx Cl C	Surf
7-7/8"	5-1/2"	14#	3500	350 POZ + 400 Lite	Surf

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Plan to drill a 12-1/4" hole to appx 450' & set 8-5/8" surf csg to 450'. Circ Class C cmt. Drill 7-7/8" hole to TD (3500'). Run OH logs. Run 5-1/2" csg & circ cmt. Perf the QN/GB/SA zone & stimulate as necessary for optimum production.

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Bonnie Atwater</i>	OIL CONSERVATION DIVISION	
	Approved By:	Title:
Printed name: Bonnie Atwater	Approval Date:	Expiration Date:
Title: Regulatory Tech. 10/14/99		



SDX RESOURCES, INC.
 511 W. OHIO, SUITE 601
 MIDLAND, TX 79701
 TEL: (915) 685-1761 FAX: (915) 685-0533
 TOLL FREE: (800) 344-1761

NW STATE PROJECT
 EDDY COUNTY, New Mexico

OFFSET OPERATORS

Sec. 32, NW/SE:

Recently purchased by SDX Resources Inc.

Sec. 32, SW/SE:

RSE Partners LP
3141 Hood St, Suite 350
Dallas, TX 75219

Manix Energy, LLC
PO Box 2818
Midland, TX 79702

CMD :
OG6IWCM

ONGARD
INQUIRE WELL COMPLETIONS

11/01/99 15:26:57
OGOMES -TPLV

API Well No : 30 15 10834 Eff Date : 07-01-1999 WC Status : A
Pool Idn : 3230 ARTESIA;QUEEN-GRAYBURG-SAN ANDRES
OGRID Idn : 20451 SDX RESOURCES INC
Prop Idn : 24875 NORTHWEST ARTESIA UNIT

Well No : 013
GL Elevation: 99999

	U/L	Sec	Township	Range	North/South	East/West	Prop/Act (P/A)
B.H. Locn	: N	32	17S	28E	FTG 990 F S	FTG 2030 F W	P

Lot Identifier:

Dedicated Acre: 40.00

Lease Type : S

Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07	PF08	PF09	PF10 NEXT-WC	PF11 HISTORY	PF12 NXTREC

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

11/01/99 15:25:24
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PAGE NO: 1

Sec : 32 Twp : 17S Rng : 28E Section Type : NORMAL

D 40.00 CS B05862 0021 02/46 ALTURA ENERGY LTD U A	C 40.00 CS B05862 0021 02/46 ALTURA ENERGY LTD U A	B 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN C U U A A A	A 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN C U U A A A
E 40.00 CS E06945 0002 02/63 ALTURA ENERGY LTD U A	F 40.00 CS E00949 0000 08/56 ATLANTIC RICHFIEL U A	G 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN C U U A A A	H 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN C U U A A A A

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

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ONGARD
INQUIRE LAND BY SECTION

11/01/99 15:25:28
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PAGE NO: 2

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L 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN U U A P A	K 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN U U A A A	J 40.00 CS E01717 0003 02/58 ALTURA ENERGY LTD C U A A A	I 40.00 CS B02071 0014 08/43 AMOCO PRODUCTION C U U A A
M 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN U U A A P	N 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN U U A A P	O 40.00 CS B11538 0014 10/54 CONOCO INC & FINA C U U A A A A	P 40.00 CS B02071 0014 08/43 AMOCO PRODUCTION C U U A A A

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

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ONGARD
INQUIRE LAND BY SECTION

11/01/99 15:26:36
OGOMES -TPLV
PAGE NO: 1

Sec : 32 Twp : 17S Rng : 28E Section Type : NORMAL

<p>D 40.00 CS B05862 0021 02/46 ALTURA ENERGY LTD U A</p>	<p>C 40.00 CS B05862 0021 02/46 ALTURA ENERGY LTD U A</p>	<p>B 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN C U U A A A</p>	<p>A 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN C U U A A A</p>
<p>E 40.00 CS E06945 0002 02/63 ALTURA ENERGY LTD U A</p>	<p>F 40.00 CS E00949 0000 08/56 ATLANTIC RICHFIEL U A</p>	<p>G 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN C U U A A A</p>	<p>H 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN C U U A A A A</p>

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

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ONGARD
INQUIRE LAND BY SECTION

11/01/99 15:26:40
OGOMES -TPLV
PAGE NO: 2

Sec : 32 Twp : 17S Rng : 28E Section Type : NORMAL

L 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN U U A P A	K 40.00 CS X00647 0394 11/32 BOGERT OIL COMPAN U U A A A	J 40.00 CS E01717 0003 02/58 ALTURA ENERGY LTD C U A A A	I 40.00 CS B02071 0014 08/43 AMOCO PRODUCTION C U U A A
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PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12