



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

January 26, 1999

SDX Resources, Inc.
P. O. Box 5061
Midland, Texas 79704
Attention: Chuck Morgan

Administrative Order SD-99-1

Dear Mr. Morgan:

Reference is made to your application dated January 14, 1999. SDX Resources, Inc. ("SDX") is hereby authorized to simultaneously dedicate Jalmat Gas Pool production to the previously approved non-standard 120-acre gas spacing and proration unit ("GPU") comprising the NW/4 NW/4 and S/2 NW/4 of Section 32, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico (approved by Division Administrative Order NSP-1087, dated March 13, 1978) from the: (i) existing State "A-32" Well No. 4 (**API No. 30-025-25845**) located at an unorthodox gas well location (also approved by Division Administrative Order NSP-1087) 1780 feet from the North line and 1400 feet from the West lines (Unit F) of Section 32; and (ii) proposed State "A-32" Well No. 5 (**API No. 30-025-34555**) to be drilled at a standard gas well location 710 feet from the North line and 660 feet from the West line (Unit D) of Section 32.

SDX is permitted to produce the allowable assigned this existing non-standard 120-acre GPU from both wells in any proportion.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: NSP-1087 /



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 8, 1999

**SDX Resources, Inc.
P. O. Box 5061
Midland, Texas 79704
Attention: Chuck Morgan**

**Doyle Hartman, Oil Operator
P. O. Box 10426
Midland, Texas 79702
Attention: Doyle Hartman**

RE: SD-99-14: *Jalmat Gas Pool development within an existing non-standard 120-acre gas spacing and proration unit ("GPU") comprising the W/2 NW/4 and the SE/4 NW/4 of Section 32, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico, which was approved by Division Administrative Order NSP-1087, issued to Allied Chemical/Union Texas Petroleum Division on March 13, 1978.*

Dear Messrs. Morgan and Hartman:

Reference is made to the following:

(1) SDX Resources, Inc.'s ("SDX") letter of application dated September 16, 1999, which was received by the New Mexico Oil Conservation Division in Santa Fe ("Division") on October 12, 1999, for the following additional infill gas well location to be drilled at an unorthodox gas well location within this existing GPU:

State A-32 Well No. 6 to be drilled 1880 feet from the North line
and 760 feet from the West line (Unit E) of Section 32;

(2) A letter of objection filed by Mr. Doyle Hartman, an offset operator to this GPU, on October 13, 1999;

(3) The rules currently governing the Jalmat Gas Pool, which include:

- (a) Division Order Nos. R-8170, as amended, and R-10987, as amended;
- (b) Division Rules 605; and
- (c) Division Rule 104.D(3);

(4) Division Administrative Order NSP-1087, issued to Union Texas Petroleum a Division of

Allied Chemical on March 13, 1978, which initially established this 120-acre GPU and had dedicated thereon the State A-32 Well No. 4 (**API No. 30-025-25845**) located at an unorthodox gas well location 1780 feet from the North line and 1400 feet from the West line (Unit F) of Section 32; and

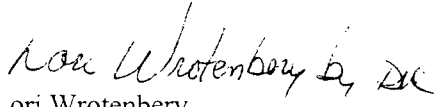
(5) Division Administrative Order SD-99-1, issued to SDX on January 26, 1999, which recognized the State A-32 Well No. 5 (**API No. 30-025-34555**), located at a standard gas well location 710 feet from the North line and 660 feet from the West line (Unit D) of Section 32, as an infill well for this GPU.

Subsequent to the Division's review of this matter, it is found that: (i) this existing 120-acre GPU is currently operated by SDX and is simultaneously dedicated to the two above-described State A-32 Wells No. 4 and 5; (ii) the Jalmat Gas Pool is a prorated gas pool and the rules currently governing this pool do not contain provisions restricting the number of producing gas wells within a spacing and proration unit; (iii) pursuant to these rules the proposed infill well location for the State A-32 Well No. 6 is considered standard for this particular GPU since it is no closer to the outer boundary of this 120-acre GPU; and (iv) Mr. Hartman's letter of objection has no basis.

Therefore, SDX is allowed to simultaneously dedicate Jalmat Gas Pool production from the above described three wells to this existing 120-acre GPU. Furthermore, SDX is permitted to produce the allowable assigned the subject 120-acre GPU from these three wells in any proportion.

Finally, all three of the aforementioned State A-32 Wells No. 4, 5, and 6 and existing 120-acre GPU will be subject to all existing rules, regulations, policies, and procedures applicable to the Jalmat Gas Pool including Division Order No. R-4929, issued in Case No. 5368 dated December 3, 1974.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
J. E. Gallegos, Legal Counsel for Doyle Hartman - Santa Fe
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Rand Carroll, Legal Counsel - NMOCD, Santa Fe
File: NSP-1087 ✓
SD-99-1