

VICTOR J. SIRGO

REGISTERED PETROLEUM ENGINEER

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PETROLEUM CONSULTANTS' REPORT

July 25th, 1995

SDX Resources, Inc.
511 West Ohio, Suite 601
Midland, Texas 79701

SDX RESOURCES, INC.
CONOCO 7 STATE LEASE
Section 7, Twn 19 South, Rng 29 East
EDDY COUNTY, NEW MEXICO
Seven Rivers, Queen, Grayburg Formations
Proved Producing Reserves
Proved Non Producing Behind Pipe
Proved Undeveloped Primary Reserves
Proved Undeveloped Secondary Reserves
Probable Behind Pipe

Gentlemen:

In accordance with your instructions I have prepared estimates of oil and gas reserves for certain leasehold interests owned by SDX Resources, Inc., located in Eddy County, New Mexico. Maps are included in this report. I have projected my estimates of future oil and gas production annually, as of April 1st, 1995, for these properties.

Information necessary for the preparation of these estimates was obtained from records furnished by SDX Resources, Inc., from records on file with the state regulatory bodies, and from my own files. No special tests were obtained to assist in the preparation of this evaluation. For the purpose of this evaluation, the individual well tests and production information as reported in the records on file with the state regulatory bodies were accepted as represented, together with all other factual data provided by SDX Resources, Inc., including the extent and character of the interests appraised.

I estimate the new reserves to the interest of SDX as of April 1st, 1995, to be:

<i>Reserve Category</i>	<i>Net Reserves</i>			<i>Present worth @ 10% \$'000</i>
	<i>Oil mbbls</i>	<i>Gas mmcf</i>	<i>Total mboe</i>	
Proved Producing	124	324	178	686
Proved Developed Non Producing	96	57	106	211
PUD New Wells Primary	489	307	540	1,046
PUD New Wells Secondary *	303	179	333	1,545
Probable Behind Pipe *	133	63	144	298
TOTAL PROVED RESERVES	709	688	824	1,943
<i>*Not in Total</i>				

Economic projection of the estimated future net revenue attributable to these interests were made in accordance with the producers and pricing assumptions, as follows:

Operating Expense: The operating costs, by property, were held constant for the remaining life of each property. The average of the operating costs is \$900.00 per well per month excluding production taxes. The estimated average economic life of the major properties evaluated is 20 years.

Oil Price: An average West Texas Intermediate Posted oil price of \$17.00 was held constant for the remaining life of the property. Price was not adjusted for gravity and market.

Gas Price: An average spot market gas price of \$ 1.35 per mcf was held constant for two years and then increased to \$1.70 in the third year and held constant for the remaining life of the property. Price was not adjusted for btu rating and market.

All estimated reserves contained in this evaluation are considered to be proved developed producing, proved undeveloped behind pipe, and proved undeveloped primary and secondary as well as probable. The definitions for oil and gas reserves as approved by the Society of Petroleum Engineers Board of Directors on October 1st, 1988 were used to classify reserves in this study. This evaluation does not include any value which might be attributed to interests in undeveloped acreage beyond those tracts for which reserves have been assigned.

There is no information additional to that set out in this report which is required for a proper appraisal of any special factors affecting the development of, and production of oil and gas from, the interests evaluated, including difficulties of access to, or in recovery of, oil and gas reserves on the appraised properties, or special circumstances, such as difficulties in transporting the oil and gas produced which may affect the commercial viability of the interests evaluated.

For the purpose of this report, reserves and performance were estimated by the use of production decline methods where possible. Estimates of proved reserves were made using standard geological and engineering methods accepted by the petroleum industry. The method, or combination of methods, utilized was tempered by experience in the area, state of development, quality and extent of basic data and production history. I undertook a visit to the fields.

Estimated reserves in this evaluation are expressed as property gross and net reserves. Net reserves represent those reserves net to the appraised interests after deducting all leasehold and royalty interests owned by others. Values of reserves are expressed in terms of future net cash flow and present worth of future net cash flow before state and federal income taxes. Future net cash flow is defined as revenue which would accrue to the appraised interests from the production and sale of the estimated net reserves after deducting production taxes, direct lease operating expense as well as severance and ad-valorem taxes.

Operating expenses include an allocation of supervisory costs chargeable to the leases, and do include general and administrative overhead. Present worth is defined as the future net cash flow discounted at the rate of (10.0) percent per year compounded annually, over the economic life of the property. It is estimated that the costs involved in abandonment of the property would be fully offset by the salvage value of the existing lease and well equipment.

The reserves included in this evaluation are estimates only and should not be construed as being exact quantities. The revenues from such reserves and the actual costs related thereto could be more or less than the estimated amounts. The scope of this investigation did not include an environmental study of the properties. For the purpose of this evaluation, it was necessary to assume that these properties are in compliance with existing government regulations. Because of governmental policies and uncertainties of supply and demand, the prices actually received for the reserves included in the evaluation, and the costs incurred in recovering such reserves, may vary from the price and cost assumptions in this evaluation. In any case, estimates for reserves may increase or decrease as a result of future operations and as more production performance history becomes available.

The title to the properties has not been examined by Victor J. Sirgo, nor has the actual degree or type of interest owned been independently confirmed. I am an independent petroleum engineer and I do not own an interest in these properties and am not employed on a contingent basis.

The present worth of the reserves discounted at 10 per cent, as set out herein, does not represent fair market value. Normally a risk adjustment factor is applied by the market to the various categories of reserves to estimate fair market value. There would be no material difference between a market valuation of the reserves described in this report, using suitable risk factors applied to the discounted future net worth of the reserves, and a market valuation prepared under the requirements of Chapter 19 of the Listing Rules of the London Stock Exchange.

Yours very truly,

Victor J. Sirgo

REGISTERED PETROLEUM ENGINEER

PROPERTY DESCRIPTION_____

The Conoco 7 State is located in section 7 of township 19 south, range 29 east in Eddy County, New Mexico, and covers approximately 611 acres. Rights from surface to 3000'. Working Interest :100.00%, Net Revenue Interest :73.91875%.

GEOLOGY_____

There are eleven wells on the Conoco 7 State lease all which are actively producing from the Queen-Grayburg zone. These zones are located at average depths as follows: Queen: 1700', Grayburg: 2100' (all depths are from surface). Gross and net pay vary. Its reservoir quality is defined by porosity and permeability pinchouts. The property is currently developed on 40 acre spacing.

HISTORICAL & CURRENT PERFORMANCE_____

To date the property has produced 288,749 bbls of oil and 390,362 mcf gas. Projected future recovery from existing completions is 328,106 bbls of oil and 677,622 mcf gas. Ultimate recovery from current completions on primary depletion is estimate to be 616,855 bbls of oil and 1,067,984 mcf gas. This results in an average estimated ultimate recovery of 56,700 bbls oil per well and 97,089 mcf gas. There are now 11 wells on the property producing 62 bopd and 110 mcfpd. Currently produced water is disposed off lease at a cost of \$0.15/bbl. See Table "A" for a summary of this information

Table A
Summary of Current Completions, Cum Oil, and Forecasted PDP

Well	Date	Zone	Subsea	Perf FT	Stim	IP	Cum oil/gas	Rem	Ult
2	6/81	Q5-Q6	+1667	14'	F24M#	40/7	6100 6000	0 0	6100 6100
2 ref:1	11/81	G2-G4	+1311	30'	F62M#	65/61	26252 31093	38515 44310	64767 75403
3	5/81	San An	+797	14'	2000gls	15%oil	0	0	0
3 ref:2	1/82	G2-G4	+1295	18'	F60M#	50/15	47846 43401	38515 39823	86361 83224
4 ref:3	1/82	G2-G4	+1271	34'	F50M#	27/32	29733 28860	16810 20005	46543 58865
5 ref:4	3/82	Q6-G3	+1300	52'	F60M#	107/181	45887 57002	17762 26549	63649 83551
6 ref:5	1/82	G2-G4	+1267	26'	F60M#	6/7	9026 15664	16906 26549	25932 42213
7 ref:6	2/82	Q6-G3	+1298	32'	F68M#	97/194	37249 62444	37954 66372	75203 128816
8	3/82	Q6	+1627	10'	F30M#	33/39	3655 7376	0 0	3655 7376
8 ref:7	12/85	G2-G9	+1227	180'	F142M#	47/52	8580 11701	16779 10621	25359 22322
9	3/82	Q6	+1614	12'	F30#	41/49	7484 13204	0 0	7484 13204
9 ref:8	10/93	G2-G5	+1244	38'	F55M#	13/52	2367 5816	27298 47858	29665 53674
11	7/82	Q6	+1575	4'	1500gals	4/37	2582 4652	0 0	2582 4652
11	10/93	Q3	+1575	14'	1500gals	0/0	0	0	0
11 ref:9	10/93	G2-G5	+1197	28'	F89M#	56/21	8336 31777	40940 316752	49276 348529
12	6/85	G6-G10	+1222	180'	F64M#	0/0	0	0	0
12 ref:10	8/85	Q6-G4	+1592	230'	F118M#	22/23	25118 31593	38515 44374	63633 75967
13	2/86	G6-G8	+1174	65'	F93M#	0/0	0	0	0
13 ref:11	3/86	G2-G5	+1174	85'	F150M#	66/54	28663 27809	38113 34408	66776 62217
TTLS							288749 390362	328106 677622	616855 1067984

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RESERVES AND ECONOMICS

LOE=\$900/WELL/MONTH
DISPOSAL COST OF \$0.15/BBL

AS OF APRIL 1, 1996

VICTOR J. SIRGO
OIL & GAS ENGINEERING

-END- MO-YR	---GROSS PRODUCTION---				---NET PRODUCTION---				--PRICES--		-----OPERATIONS, M\$-----			CAPITAL COSTS, M\$	CASH FLOW BTAX, M\$	10.00 PCT CUM. DISC BTAX, M\$
	OIL, MBBL	GAS, MMCF	OIL, MBBL	GAS, MMCF	OIL \$/B	GAS \$/M	NET OPER REVENUES	SEV+ADV TAXES	NET OPER EXPENSES							
12-96	15.976	33.818	11.808	24.998	17.00	1.35	234.484	18.957	89.100	.000	126.427	122.014				
12-97	19.252	40.751	14.229	30.122	17.00	1.35	282.558	22.841	118.800	.000	140.917	247.150				
12-98	16.487	36.140	12.187	26.717	17.00	1.70	252.598	20.457	108.000	.000	124.141	347.368				
12-99	13.402	30.757	9.908	22.737	17.00	1.70	207.089	16.776	86.400	.000	103.913	423.631				
12- 0	11.531	27.088	8.523	20.024	17.00	1.70	178.930	14.499	75.600	.000	88.831	482.896				
12- 1	10.642	25.011	7.868	18.486	17.00	1.70	165.183	13.383	75.600	.000	76.200	529.114				
12- 2	9.983	23.221	7.305	17.164	17.00	1.70	153.365	12.426	75.600	.000	65.339	565.140				
12- 3	9.223	21.674	6.818	16.022	17.00	1.70	143.143	11.601	75.600	.000	55.942	593.181				
12- 4	8.646	20.320	6.392	15.021	17.00	1.70	134.199	10.873	75.600	.000	47.726	614.929				
12- 5	8.135	19.121	6.012	14.134	17.00	1.70	126.232	10.227	75.600	.000	40.405	631.667				
12- 6	6.894	16.683	5.095	12.332	17.00	1.70	107.580	8.719	64.800	.000	34.061	644.494				
12- 7	6.529	15.806	4.825	11.684	17.00	1.70	101.888	8.258	64.800	.000	28.830	654.365				
12- 8	6.199	15.011	4.583	11.096	17.00	1.70	96.774	7.847	64.800	.000	24.127	661.874				
12- 9	5.903	14.294	4.365	10.567	17.00	1.70	92.170	7.473	64.800	.000	19.897	667.505				
12-10	5.634	13.645	4.164	10.086	17.00	1.70	87.934	7.128	64.800	.000	16.006	671.623				
12-11	2.887	10.264	2.133	7.587	17.00	1.70	49.159	4.001	32.400	.000	12.758	674.606				
12-12	1.129	7.679	.835	5.676	17.00	1.70	23.844	1.955	10.800	.000	11.089	676.963				
12-13	1.085	7.371	.802	5.449	17.00	1.70	22.897	1.877	10.800	.000	10.220	678.938				
12-14	1.042	7.087	.770	5.239	17.00	1.70	21.996	1.804	10.800	.000	9.392	680.588				
12-15	1.004	6.823	.742	5.043	17.00	1.70	21.187	1.736	10.800	.000	8.651	681.970				
S TOT	161.482	392.564	119.364	290.184	17.00	1.63	2503.210	202.838	1255.500	.000	1044.872	681.970				
REM.	6.595	47.000	4.874	34.740	17.00	1.70	141.916	11.646	86.400	.000	43.870	686.989				
TOTAL	168.077	439.564	124.238	324.924	17.00	1.64	2645.126	214.484	1341.900	.000	1088.742	686.989				
CUM.	288.749	390.362														
ULT.	456.826	829.926														
BTAX RATE OF RETURN (PCT)			100.00	PROJECT LIFE (YEARS)			27.750		.0	1088.742	30.0	415.193				
BTAX PAYOUT YEARS			.00	DISCOUNT RATE (PCT)			10.000		2.0	972.089	35.0	381.050				
BTAX PAYOUT YEARS (DISC)			.00	GROSS OIL WELLS			11.000		5.0	839.063	40.0	353.066				
BTAX NET INCOME/INVEST			.00	GROSS GAS WELLS			.000		8.0	739.995	45.0	329.675				
BTAX NET INCOME/INVEST (DISC)			.00	GROSS WELLS			11.000		10.0	686.989	50.0	309.854				
									12.0	641.801	60.0	278.015				
									15.0	585.246	70.0	253.533				
									18.0	538.945	80.0	234.109				
									20.0	512.465	90.0	218.285				
									25.0	457.783	100.0	205.125				

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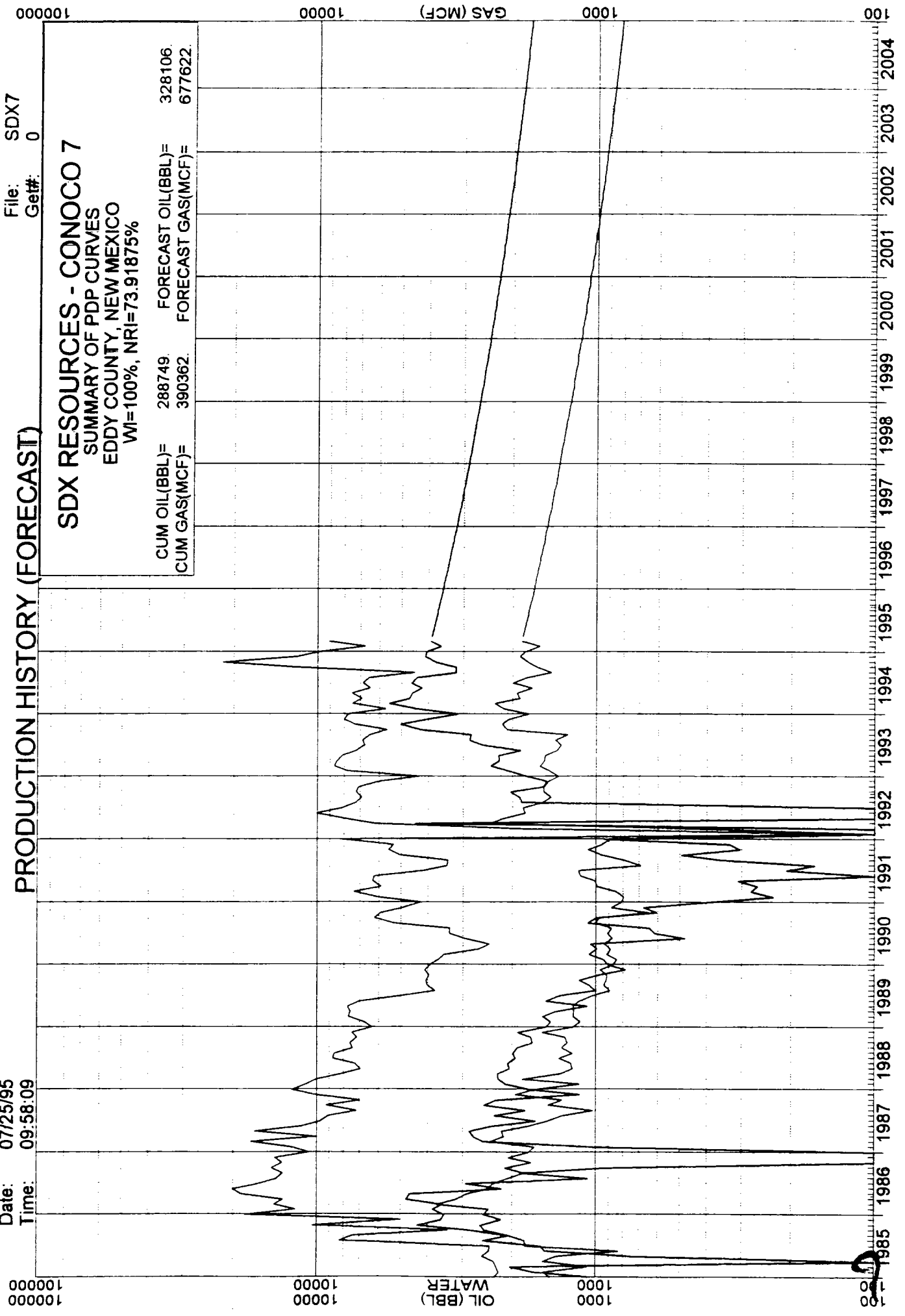
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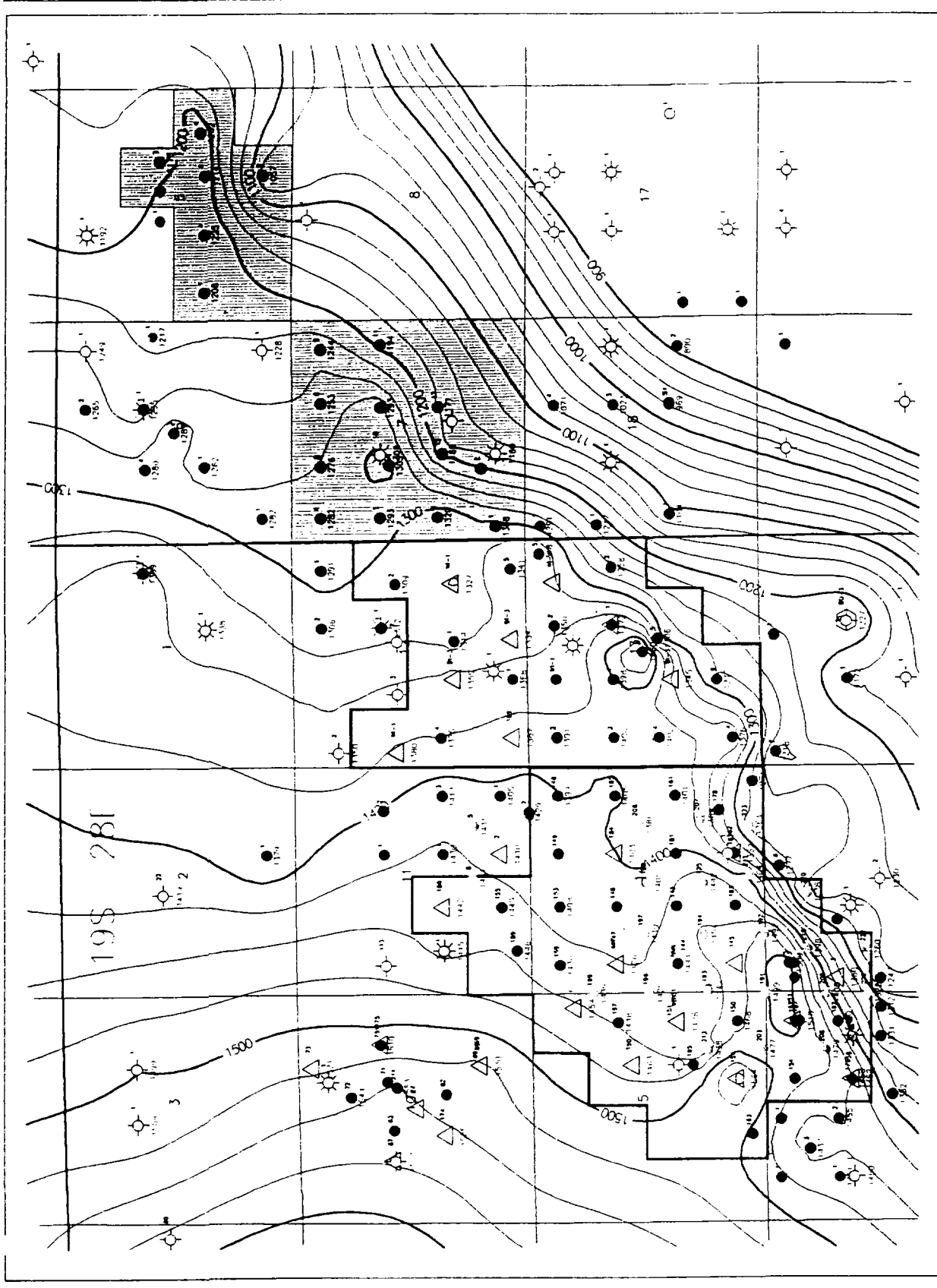
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PRODUCTION HISTORY (FORECAST)

SDX RESOURCES - CONOCO 7
SUMMARY OF PDP CURVES
EDDY COUNTY, NEW MEXICO
WI=100%, NRI=73.91875%

CUM OIL(BBL)=	288749	FORECAST OIL(BBL)=	328106
CUM GAS(MCF)=	390362	FORECAST GAS(MCF)=	677622



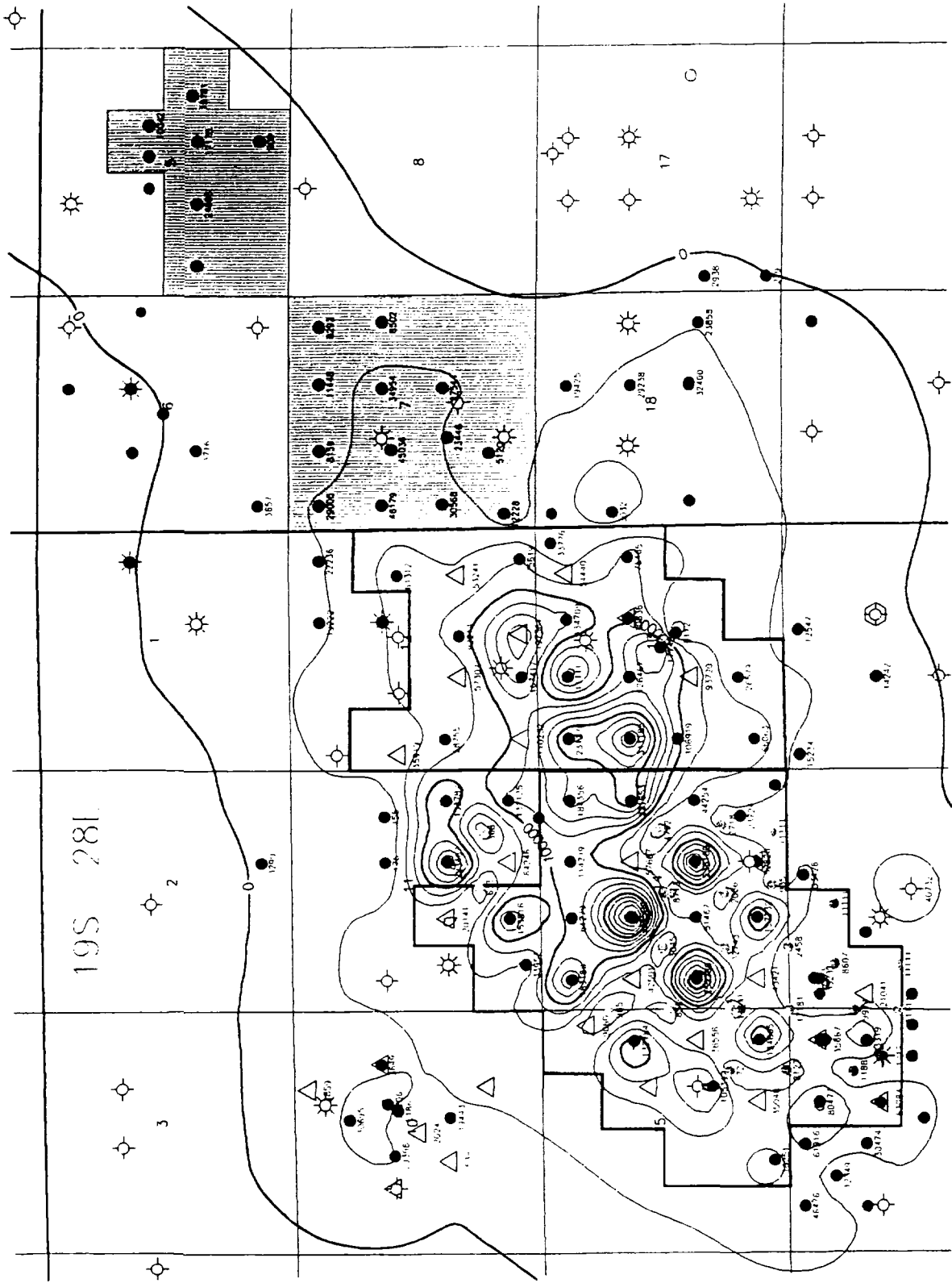


SDX RESOURCES, INC.
 GRAYBURG STRUCTURE
 E MILLMAN TURKEY TRACK
 EDDY COUNTY, N.M. CI=25

PROJECT NAME	DATE	BY
PS-1004	1/11/75	8-100
Scale	1:6250	



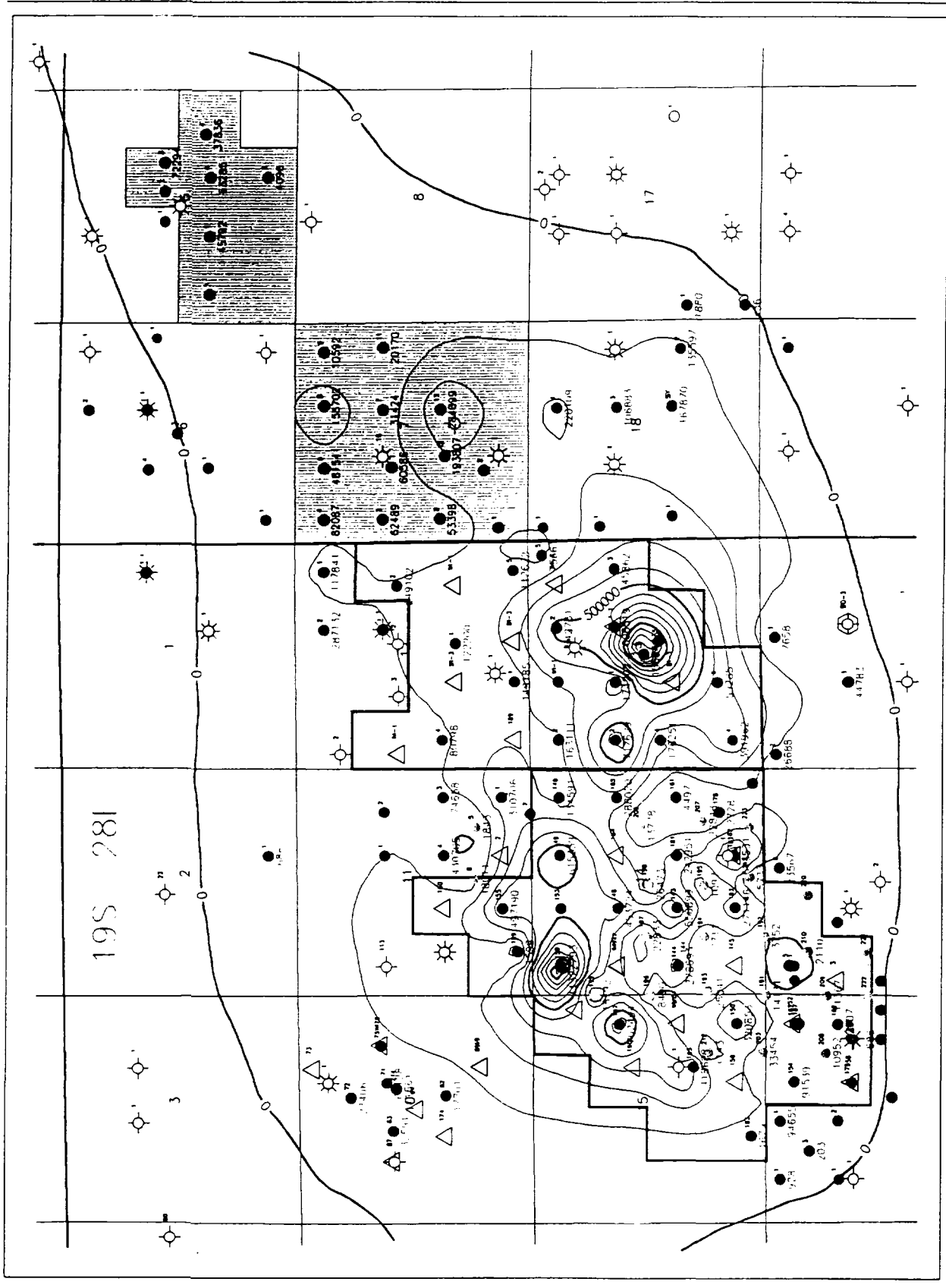
- LEGEND
- OIL/WATER PRODUCTION
 - ★ GAS PRODUCER
 - △ INJ W / OIL PROD/WATER INJ
 - ⊕ DRY HOLE
 - SVRY PRODUCERS
 - NEW INFILL WELL



SDX RESOURCES, INC.			
OCSA OIL CLUM			
E MILLMAN TURKEY TRACK			
EDDY COUNTY, N.M. CI=25000 BO			
Pa-Submitt	In-P-Sub	4/17/75	
Pr-Dum-Int	Sw-1-80714		81-873



LEGEND	
●	OIL/WATER PRODUCTION
★	GAS PRODUCER
△	INJ W/ OIL PROD/WATER INJ
○	DRY HOLE
●	SVRY PRODUCER
●	NEW INFILL WELL



SDX RESOURCES, INC.

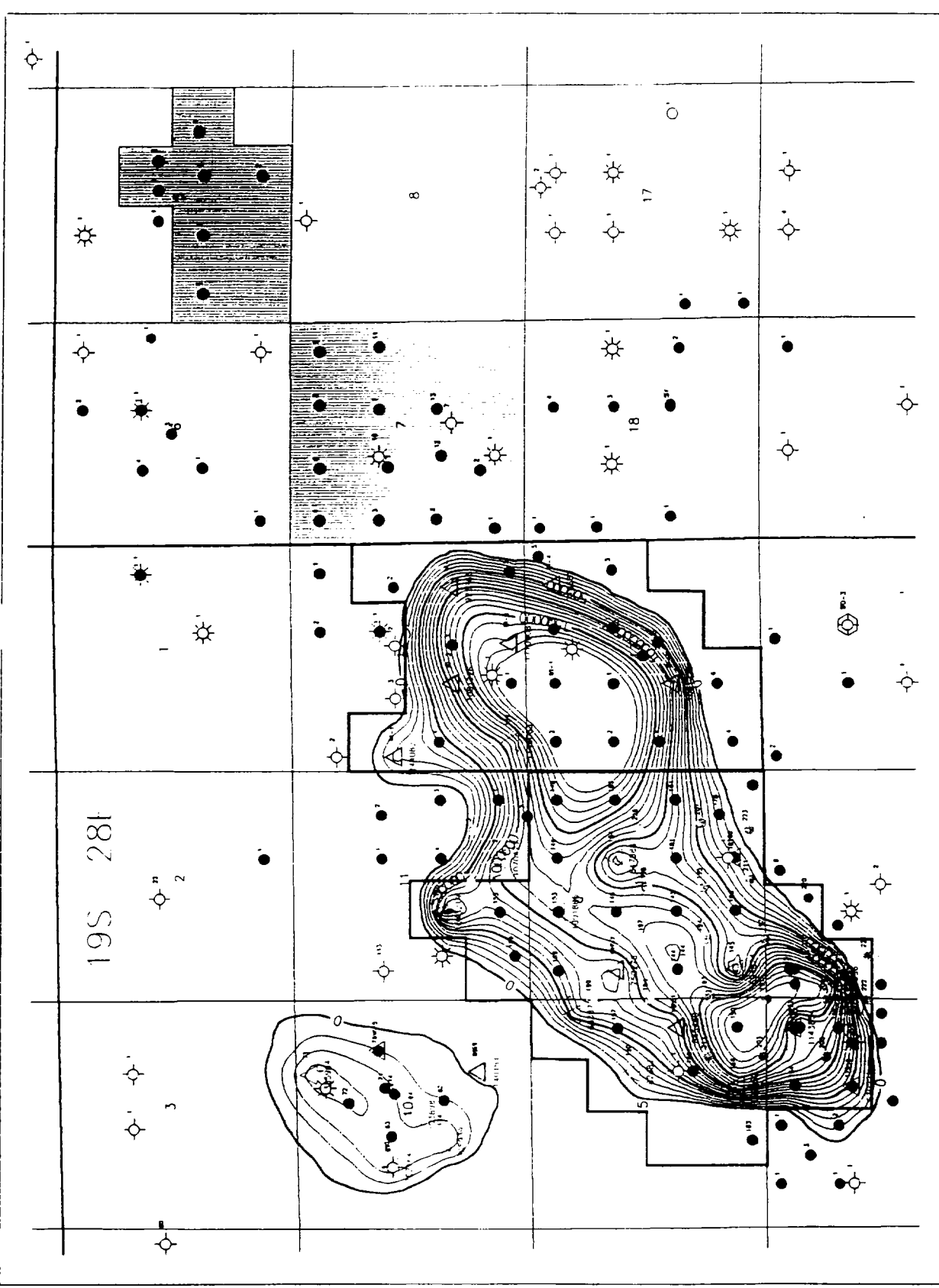
CUM WATER ISOPACH CI=100000 BW
 E MILL-TURKEY TRACK EDDY CO., N.M.
 CI = 100000 BW

PR-2024	NO. SHEETS	500/476
PR-2024	Sheet	1-00275 E
		DR-103



- LEGEND**
- OIL/WATER PRODUCTION
 - ✱ GAS PRODUCER
 - △ INJ W/ OIL PROD/WATER INJ
 - DRY HOLE
 - SVRV PRODUCERS
 - NEW INFILL WELLS

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19S 28T

SOX RESOURCES, INC.			
WATER INJECTOR ISOPACH			
E MILLMAN TURKEY TRACK			
EDDY COUNTY, N.M. CI= 100000BW			
PROJECT NAME	DATE	SHEET NUMBER	OF SHEETS



LEGEND	
●	OIL/WATER PRODUCTION
★	GAS PRODUCER
△	INJ W/ OIL PROD/WATER INJ
◇	DRY HOLE
•	SVRV PRODUCERS
•	NEW INFILL WELLS
△	GCSA WATER INJECTORS