

DOYLE HARTMAN

Oil Operator

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Via FedEx and Facsimile (505) 827-8177

October 13, 1999

Lori Wrotenbery, Director
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Re: SDX's Package of Four Applications for Simultaneous Dedication and for
Unorthodox Well Locations, Where Applicable
Langlie Jal Unit Area
Jalmat Gas Pool
T-24-S and T-25-S, R-37-E
Lea County, New Mexico

Dear Ms. Wrotenbery:

Reference is made to SDX Resources Inc.'s (SDX's) single package containing four Jalmat gas pool infill drilling applications dated September 8, 1999, September 9, 1999, September 16, 1999, and September 17, 1999, covering five wells, which was received by us, by certified mail, on October 12, 1999. The five new Jalmat wells being proposed by SDX, in its four applications, offset the five following Hartman-operated Jalmat Gas Pool leases situated within the boundaries of the 3748.06-acre Langlie Jal Unit (LJU), T-24-S and T-25-S, R-37-E, Lea County, New Mexico.

Martin "B" No. 1
F-31-24S-37E
NW/4 Section 31, T-24-S, R-37-E
Lea County, New Mexico
160-acres

J.W. Sherrell No. 9
J-31-24S-R-37-E
SE/4 Section 31, T-24-S, R-37-E
Lea County, New Mexico
160-acres

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Skelly M State No. 4
L-32-24S-37-E
SW/4 Section 32, T-24-S, R-37-E
Lea County, New Mexico
160-acres

J.W. Sherrell No. 10
C-6-25S-37E
E/2SW/4 Section 31, T-24-S, R-37-E
NW/4NE/4 and NE/4NW/4 Section 6
T-25-S, R-37-E
Lea County, New Mexico
160-acres

F.M. Burleson No. 2
F-8-25S-37E
NW/4 Section 8, T-25-S, R-37-E
160-acres

SDX is apparently justifying the drilling of its five newly proposed wells on the grounds that the wells are necessary in order to adequately drain its Jalmat acreage. These wells are as follows:

E.J. Well No. 25
K-5-25S-37E

Wells Federal No. 22
C-5-25S-37E

Wells Federal No. 23
E-5-25S-37E

Jalmat Federal Com. No. 2
L-31-24S-37E

State "A-32" No. 6
E-32-25S-37E

In addition to the above-listed newly proposed wells, SDX recently drilled and completed the six following Jalmat wells, also situated within the 3748.06-acre unitized area for the Langlie Jal Unit, around and near the same above-described Hartman leases:

Enco State No. 1
A-32-24S-37E

State "A-32" No. 5
D-32-24S-37E

El Paso Wells Federal No. 2
C-04-25S-37E

Wells Federal No. 21
O-05-25S-37E

Langlie Jal Federal No. 2
G-08-25S-37E

Langlie "A" Federal No. 2
O-17-25S-37E

In regard to SDX's inferred inability to adequately drain its acreage, without dense infill drilling, please find enclosed recent pressure build-up plots for the Hartman-operated J.W. Sherrell No. 10 (C-6-25S-37E) and Skelly M State No. 4 (L-32-24S-37E). In recognition of the fact that the 1927 Jalmat Pool discovery pressure was 1400 psi (Rhodes "A" Federal No. 1 well, in C-22-26S-37E), and notwithstanding the level of depletion presently found in our Skelly M State No. 4 and J.W. Sherrell No. 10 wells, we find it alarming, that SDX, in the later stages of the producing life of the Jalmat pool, has uniquely concluded that there is such poor inter-well pressure communication between Jalmat wells, that one well per 40 acres is necessary in order to adequately drain its Jalmat acreage.

Consequently, please be advised that Doyle Hartman is opposed to any SDX applications that will result in the placement of multiple recent and/or newly proposed wells on a previously existing non-standard Jalmat Gas Proration Unit, since SDX has not established that such concentrated new drilling is necessary in order to efficiently and effectively drain its existing LJU-area Jalmat acreage. Based on our Jalmat Pool experience, the concentrated level of infill drilling being proposed by SDX amounts to unnecessary economic waste and places offset operators in the impossible position of either having to forfeit their correlative rights or, conversely, having to drill a group of defensive wells, that in the aggregate, have no reasonable chance of resulting in an adequate financial return.

As to our Skelly M State No. 4 and J.W. Sherrell No. 10 Jalmat Gas Pool wells, after recently performing CO₂ foam-frac stimulation treatments, we are still in the process of cleaning up both wells in order to meet the more-stringent CO₂ standards that have been imposed by Sid Richardson Carbon and Gasoline Co., for wells near the inlet to its Jal Plant No. 3 (Units E and L, T-24-S, R-37-E), and have not yet been allowed by Sid Richardson to turn our two wells back into Sid Richardson's pipeline. The frac job for our Skelly M State No. 4 was performed on September 20, 1999, and the frac job for our J.W. Sherrell No. 10 was performed on September 30, 1999, at substantial expense and after considerable soul searching, because of the extremely low Jalmat reservoir pressure in the LJU area.

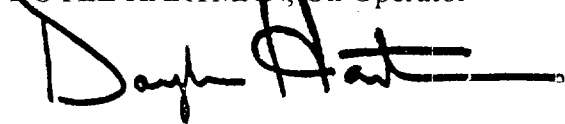
Moreover, we are also puzzled as to how SDX plans, in a timely manner, to get its newly proposed wells into Sid Richardson's LJU area gathering system near Jal Plant No. 3, when our long-time Jalmat producers (Skelly M State No. 4 and J.W. Sherrell No. 10) are still being denied access back into the pipeline because of Sid Richardson's more-stringent CO₂ requirements for wells situated in the LJU area. In addition, we also do not want our leases being affected by SDX, while SDX cleans up any unnecessarily-drilled wells, to the CO₂ levels that have been imposed by Sid Richardson near the inlet to its Jal Plant No. 3.

Therefore, we hereby request that SDX be required to come forward, at a hearing, and (1) provide its estimate of the reserves that it projects will be recovered from each of its five proposed high-density Jalmat infill wells, (2) provide and/or substantiate the reserve parameters (porosity - feet of pay, pressure, drainage area, P/Z data, etc.) that it has relied upon in computing the reserve values for its newly proposed wells within the 3748.06-acre LJU area, (3) provide the economic evaluations and recovery projections that it has performed for internal purposes, promotional packages, investors, bankers, Securities Exchange Commission, etc., and (4) show why one Jalmat well cannot drain significantly more than 40 acres.

Finally, as to SDX's proposed State "A-32" No. 6 well depth of 3500', we are also concerned that SDX may not be aware of NMOCD Order R-4929, dated December 3, 1974 (copy enclosed), that contracted the vertical limits of the Jalmat Gas Pool interval, within the LJU Unitized Area, and that SDX, with its proposed 3500' well depth, may presently have plans to complete its State "A-32" No. 6 well within the vertical limits of the Seven-Rivers formation (now Langlie Mattix Pool), which could potentially result in large volumes of LJU Seven-Rivers injection water cross-flowing into the very low pressure Yates formation, thus further negatively impacting our offset Jalmat gas rights and causing further waste.

Very truly yours,

DOYLE HARTMAN, Oil Operator

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a horizontal line extending to the right.

Doyle Hartman

enclosures

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cc: Michael Stogner, Chief Hearing Officer
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