



**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-99-15: *Jalmat Gas Pool development within an existing non-standard 159.95-acre gas spacing and proration unit ("GPU") comprising Lots 3 and 4 and the S/2 NW/4 (NW/4 equivalent) of Section 5, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, which was approved by Division Administrative Order NSP-358, issued to El Paso Natural Gas Company on March 10, 1957.*

Dear Messrs. Morgan and Hartman:

Reference is made to the following:

(1) SDX Resources, Inc.'s ("SDX") letter of application dated September 8, 1999, which was received by the New Mexico Oil Conservation Division in Santa Fe ("Division") on October 12, 1999, for the following two additional infill gas well locations to be drilled at unorthodox locations within this existing GPU:

- (a) Wells Federal Well No. 22 to be drilled 660 feet from the North line and 1780 feet from the West line (Lot 3/Unit C) of Section 5;
and
- (b) Wells Federal Well No. 23 to be drilled 1886 feet from the North line and 758 feet from the West line (Unit E) of Section 5;

(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);

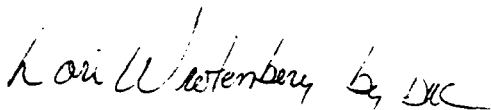
(4) Division Administrative Order NSP-358, issued to El Paso Natural Gas Company on March 10, 1957, which initially established this 159.95-acre GPU and had dedicated thereon the Wells Federal Well No. 4 (**API No. 30-025-11465**) located at a standard gas well location 1980 feet from the North and West lines (Unit F) of Section 5; and

(5) Division Administrative Order NSL-1821 (SD), issued to Doyle Hartman, Oil Operator on May 17, 1984, which authorized the Wells Federal Well No. 15 (**API No. 30-025-28725**), located at an unorthodox gas well location 810 feet from the North line and 460 feet from the West line (Lot 4/Unit D) of Section 5, as an infill well for this GPU.

Subsequent to the Division's review of this matter, it is found that: (i) this existing 159.95-acre GPU is currently operated by SDX and is simultaneously dedicated to the two above-described Wells Federal Wells No. 4 and 15; (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 two proposed infill well locations for the Wells Federal Wells No. 22 and 23 are considered standard for this particular 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 four wells to this existing 159.95-acre GPU. Furthermore, SDX is permitted to produce the allowable assigned the subject 159.95-acre GPU from these four wells in any proportion.

Sincerely,



Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
J. E. Gallegos, Legal Counsel for Doyle Hartman - Santa Fe
Ms. Lori Wrotenberg, Director - NMOCD, Santa Fe
Rand Carroll, Legal Counsel - NMOCD, Santa Fe
File: NSL-1821 (SD)
NSP-358