

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

SUBMIT IN TRIPPLICATE
(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

RE-Submittal
M. Oil Cons. Div-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

APPLICATION FOR PERMIT TO DRILL OR DEEPEN			5. LEASE DESIGNATION AND SERIAL NO. NMLC-046250(b)	
1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>			6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			7. UNIT AGREEMENT NAME	
2. NAME OF OPERATOR SDX Resources, Inc.			8. FARM OR LEASE NAME, WELL NO. Williams B Federal #1	
3. ADDRESS AND TELEPHONE NO. PO Box 5061, Midland, TX 79704 432/685-1761			9. API WELL NO. 30-015-33988	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface 1650' FNL 990' FWL, Unit E At proposed prod. zone Same			10. FIELD AND POOL, OR WILDCAT Red Lake, SA	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 10 miles East of Artesia, NM			11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec 29, T17S, R28E	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drig. unit line, if any) 330' (330')		16. NO. OF ACRES IN LEASE 120	17. NO. OF ACRES ASSIGNED TO THIS WELL 40	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 1320		19. PROPOSED DEPTH 3500'	20. ROTARY OR CABLE TOOLS Rotary	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3607' GR			22. APPROX. DATE WORK WILL START* 03/01/05	

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
WITNESS 12-1/4"	8-5/8" J-55	24#	450'	WITNESS 325 sx
7-7/8"	4-1/2-5-1/2" J-55	9.5# - 17#	3500'	700 sx

Plan to drill a 12-1/4" hole to 450'. Set 24# 8-5/8" csg & cmt to surf. Drill 7-7/8" hole to 3500'. Run LDT-CNL-GR & DLL-GR OH logs. Run 5-1/2" J-55 14# csg & cmt to surf.

Will perf & stimulate the San Andres as necessary for optimum production.

Surface Use & Operations Plan
Drilling Program
H2S Plan

- EXHIBITS:
1: BOP Diagram
2: Survey Plat (Original on File)
3: Access Maps
4: One Mile Radius Map
5: Rig Orientation Diagram
6: Letter of Responsibility

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED *Bonnie Oster* TITLE Regulatory Tech DATE 02/03/05

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

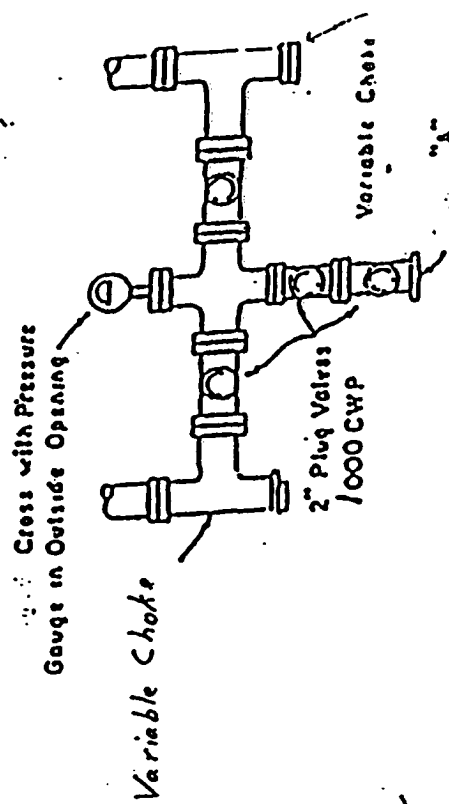
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY /s/ Tony J. Herrell TITLE FIELD MANAGER DATE MAR 07 2005

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

APPROVAL FOR 1 YEAR



PLAN VIEW-CHOKE MANIFOLD

Exhibit #1

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

District II
811 South First, Artesia, NM 88210

District III
1990 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised March 17, 1999

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OCT 01 2000

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Well Code 51300	Well Name Red Lake QN-GB-SA
Property Code	Property Name WILLIAMS B FEDERAL	Well Number 1
GRID No. 020451	Operator Name SDX RESOURCES, INC.	Elevation 3607.

Surface Location

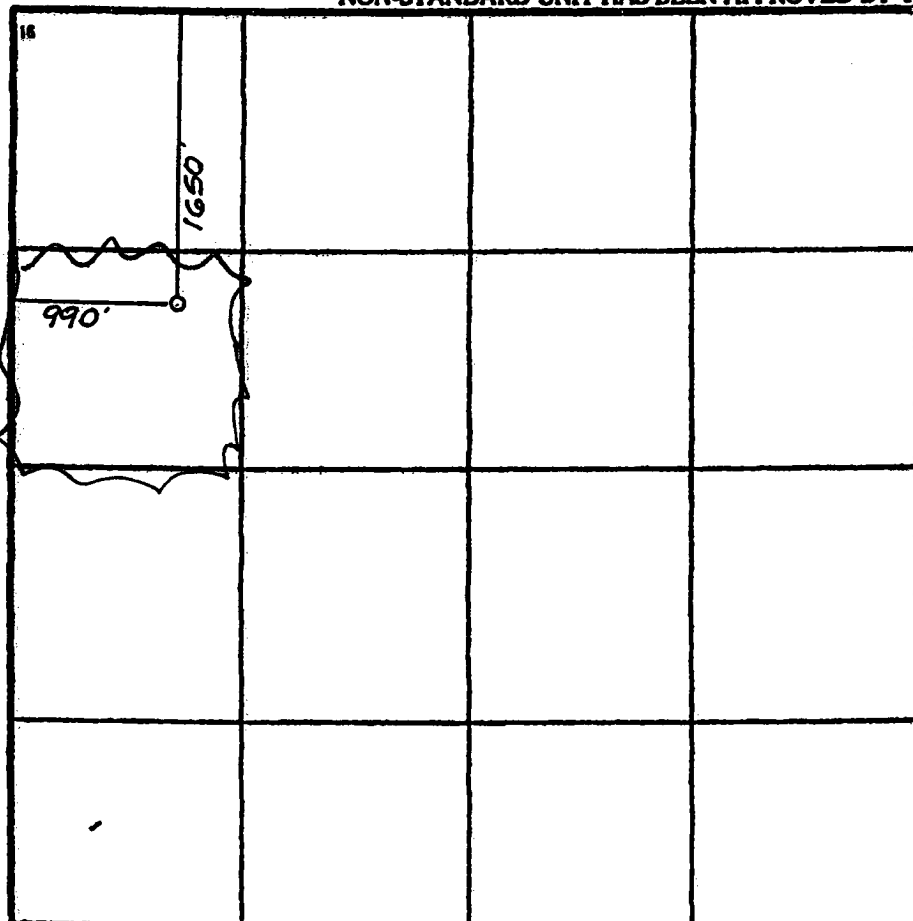
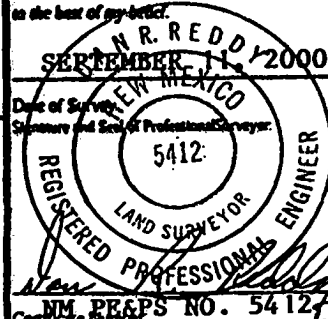
UL or lot no.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
E	29	17-S	28-E		1650	NORTH	990	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	Joint or Infill	Consolidation Code	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

	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
	Signature <i>Bonnie Atwater</i>
	Printed Name Bonnie Atwater
	Title Regulatory Tech
	Date 11/10/00
	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.
	
	Date of Survey Signature and Seal of Professional Surveyor N. R. REDDY NM PEPS NO. 5412

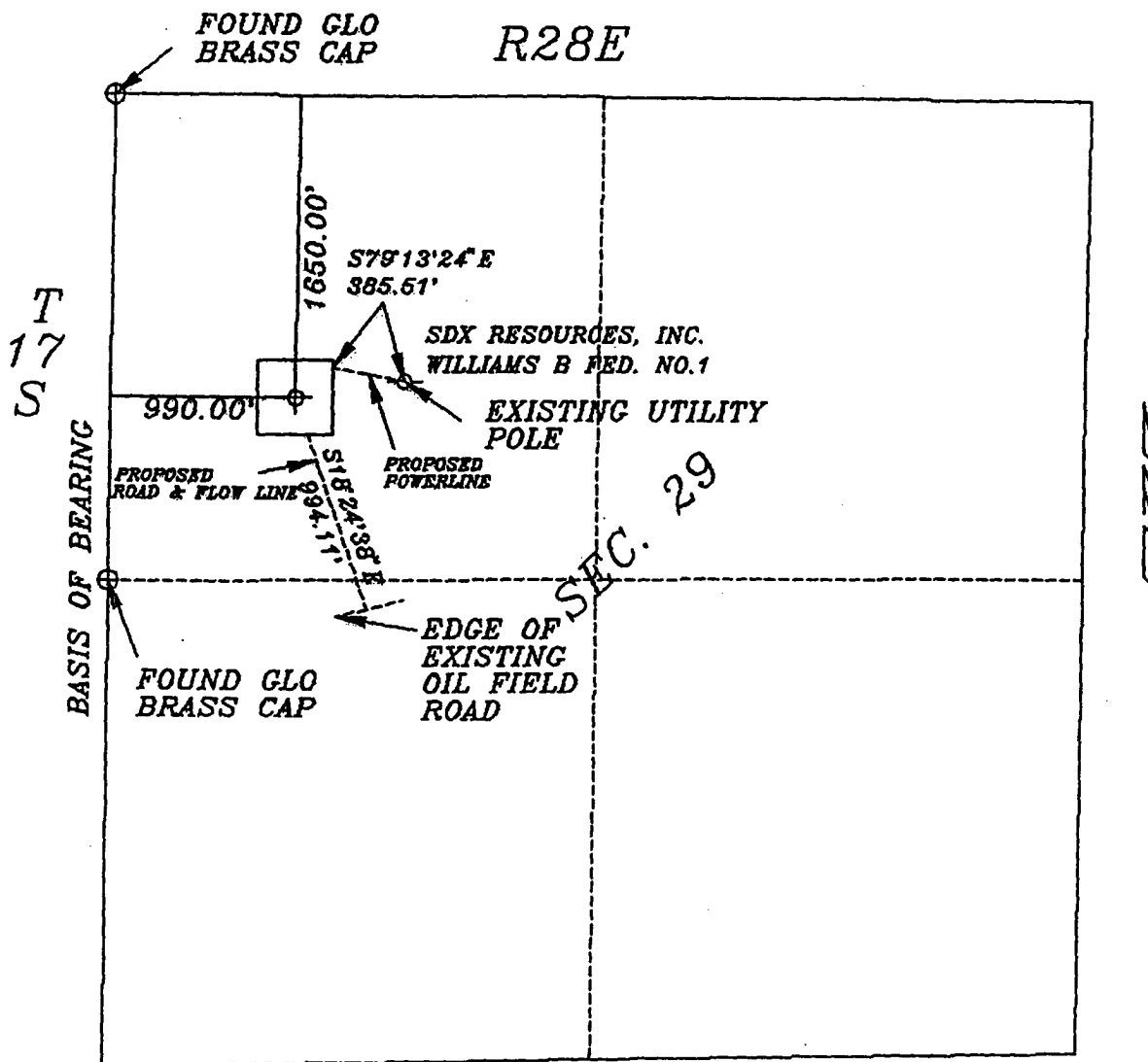
Original on file

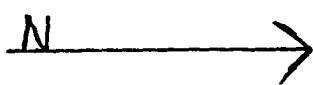
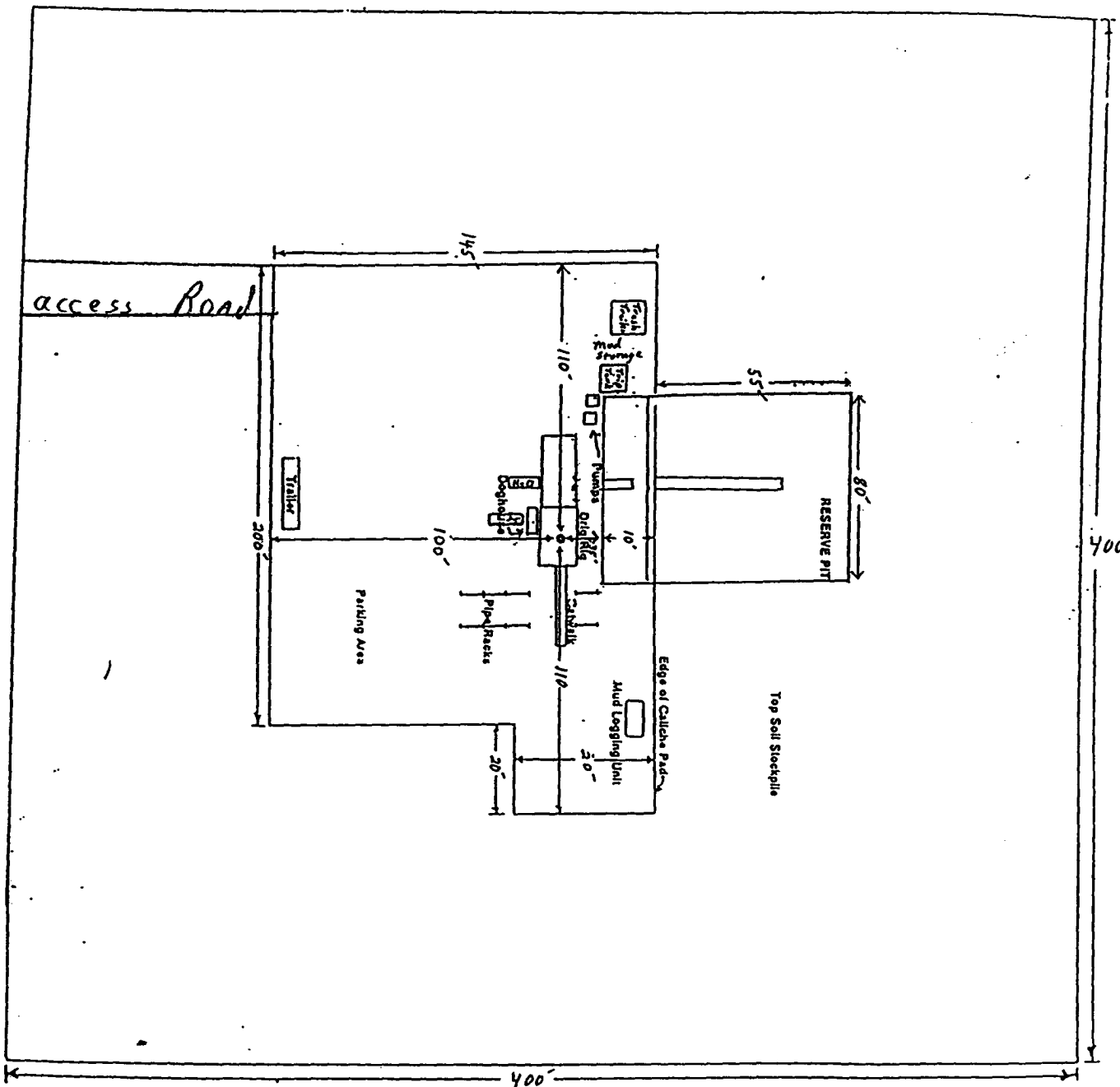
PROPOSED ROAD, FLOWLINE AND POWERLINE SKETCH

RECEIVED

OCT 01 2000

BY: _____





SDX RESOURCES, INC.

Drilling Rig Layout

Williams B Fed. #1

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS


SDX Resources Inc.
PO Box 5061
Midland, TX 79704
432/685-1761

February 3, 2005

The undersigned accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No.:	NMLC-046250(b)
Lease Name:	Williams B Federal #1
Legal Description of Land:	Unit E, 1650' FNL 990' FWL Sec. 29, T17S, R28E Eddy Co., NM
Formation (s):	Red Lake, San Andres
Bond Coverage:	Statewide Bond – State of New Mexico
BLM Bond File No.:	NM2307

Authorized Signature:



John Pool
Vice-President

SURFACE USE AND OPERATIONS PLAN
SDX RESOURCES, INC.
Williams B Federal # 1
1650' FNL, 990' FWL
Unit E, Sec. 29, T17S, R28E
Eddy Co., NM

1. **Existing Roads:**

- A. The well site and elevation plat for the proposed well is shown in Exhibit #2. It was staked by Dan Reddy, Carlsbad, New Mexico.
- B. All roads to the location are shown in Exhibit #3A. The existing roads are labeled and upgrading of the road prior to drilling will be done where necessary as determined during the onsite inspection.
- C. Directions to location: E. of Artesia on Hwy. 82 ~ 10 miles .Just before MP 119 turn left and go .4 M. Follow road to the right and go .1 M. Turn left to location.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. **Proposed Access Road:**

Exhibit #3A shows the existing road.

~800' of new road will be needed. It is shown on Exhibit #3 A & B.

3. **Location of Existing Wells:**

Exhibit #4 shows all existing wells within a one-mile radius of this well.

4. **Location of Existing and/or Proposed Facilities and ROW's:**

- A. If the well is productive:
 - 1. The well will be tested and if commercial production exist, a battery will be constructed on the existing well pad. Depending on production rates, it should consist of 2-500 bbl. Steel stock tanks, a 500 bbl. FG brine tank, and a 4X20 heater treater.
 - 2. A Power line will be built to location.. ROW is shown in exhibit 3A & B. It will be built by Central Valley Electric Company.
- B. If the well is productive, rehabilitation plans are as follows:
 - 1. The reserve pit will be back-filled after the contents of the pit are dry (within 120 days after the well is complete).
 - 2. Topsoil removed from the drill site will be used to raconteur the pit area to the original natural level, as nearly as possible, and reseeded as per BLM specifications.

DRILLING PROGRAM
SDX Resources Inc.
Williams B Federal # 1
1650' FNL, 990' FWL
Unit E, Sec. 29, T17S, R28E
Eddy Co., NM

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Important Geologic Markers:

Yates	600
7- Rivers	900'
Queen	1200'
Grayburg	1600'
San Andres	1950'

3. Estimated Depth of Anticipated Fresh Water, Oil or Gas:

Water Sand	150' - 200'	Fresh Water
Yates	650	Oil & Gas
7-Rivers	950	Oil & Gas
Queen	1400'	Oil & Gas
Grayburg	1880'	Oil & Gas
San Andres	2800'	Oil & Gas

Fresh water sands will be protected by running 8-5/8" casing to a minimum depth of 450' and circulating cement. All other zones will be isolated by running 4-1/2" or 5-1/2" production casing and circulating cement.

4. Casing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>OC Csg</u>	<u>Weight Grade Jt Cond Type</u>
12-1/4"	0 - 450	8-5/8"	24#, J55, New
7-7/8"	0 - TD	4-1/2" - 5-1/2"	9.5# - 17#, J55, Used

Cement Program:

8-5/8" Surface Casing: Cemented to surface with 325 sx of Class C with 2% CaCl and 1/4#/sx Flocele.

5-1/2" Production Casing: Cemented with 300 sx of Class C and 400 sx of Lite C with 6# salt/sx and 1/4#/sx Flocele. This should circulate cement to the surface.

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of an annular bag type preventer (1000 psi WP). Unit will be hydraulically operated. BOP will be nipped up on the 8-5/8" surface csg and used continuously until TD is reached. BOP and accessory equipment will be tested to 1000 psi before drilling out of surface casing. A 2" kill line and a 2" choke line will be included in the drilling spool. Other accessories to the BOP equipment will include a kelly cock.

6. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with a combination of fresh water and brine water mud system. The applicable depth and properties of this system are as follows:

<u>Depth</u>	<u>Type</u>	<u>Weight (ppg)</u>	<u>Viscosity (sec)</u>	<u>Waterloss (cc)</u>
0 – 450	Fresh Water (spud)	8.5	40 – 45	N/C
450 – TD	Brine water, SWG, Starch	10.0	30	24

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept at the wellsite at all times.

7. Auxiliary Well Control and Monitoring Equipment:

- A. A kelly cock will be kept in the drill string at all times.
- B. A mud logging unit complete with H2S detector will be continuously monitoring drilling penetration rate and hydrocarbon shows from 1000' to TD.

8. Logging, Testing and Coring Program:

- A. Drillstem tests will be run on the basis of drilling shows.
- B. The electric logging program will consist of GR-Dual Laterolog and GR-Compensated Neutron-Density from TD to surface casing.
- C. Conventional coring may be performed in select intervals if deemed necessary.
- D. Further testing procedures will be determined after the production casing has been cemented at TD based on drill shows and log evaluation.

9. Abnormal Conditions, Pressures, Temperatures, & Potential Hazards:

No abnormal pressure or temperatures are anticipated. The estimated bottom hole temperature (BHT) at TD is 94° and estimated maximum bottom-hole pressure (BHP) is 800 psig. No abnormal concentrations of hydrogen sulfide or other hazardous gases or fluids have been encountered, reported or are known to exist at this depth in this area. All H2S operation precautions will be followed (see attached H2S drilling operations plans). No major loss circulation zones have been reported in offsetting wells.

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the BLM. The anticipated spud date is Nov. 15, 2003. Once commenced, the drilling operation should be finished in approximately 10 days. If the well is productive, an additional 30 days will be required for completion and testing before a decision is made to install permanent facilities.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN
SDX Resources Inc.
Williams B Federal # 1
1650' FNL, 990' FWL
Sec. 29, T17S, R28E, Unit E
Eddy Co., NM

I. Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

1. The hazards and characteristics of hydrogen sulfide (H₂S).
2. The proper use and maintenance of personal protective equipment and life support system.
3. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
3. The contents and requirements of the H₂S Drilling Operations Plan and the Public Protection Plan.

There will be an initial safety session just prior to commencing operations on the well. The initial session shall include a review of the site's specific H₂S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H₂S SAFETY EQUIPEMNT AND SYSTEMS

Note: All H₂S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500'.

1. Well Control Equipment:
 - A. Annular Preventer to accommodate all pipe sizes with properly sized closing unit.
2. Protective Equipment for Essential Personnel:
 - A. Mark II Surviveair 30-minute units located in the dog house.

3. H2S Detection and Monitoring Equipment:

- A. 1 – portable H2S monitor positioned on location for best coverage and response.**
- B. Mud logging trailer shall have H2S monitoring equipment.**

4. Visual Warning Systems:

- A. Guy lines will be flagged and a wind sock will be positioned on location.**
- B. Caution/Danger signs shall be posted on roads providing direct access to location.**

5. Mud Program:

The mud program has been designed to minimize the volume of H2S circulated to the surface. Proper mud weight, safe drilling practices, will minimize hazards when penetrating H2S bearing zones.

6. Metallurgy:

All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service as necessary.

7. Communication:

Radio communications in company vehicles including cellular telephone and 2-way radio.

8. Well Testing:

No DST's are planned.