



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

August 19, 1996

SDX Resources, Inc.  
P.O. Box 5061  
Midland, Texas 79704

Attention: Chuck Morgan

Re: Administrative Application for directional drilling and an unorthodox bottomhole oil well location; **Mescalero Federal Well No. 1 (API No. 30-005-21052)** located at a standard surface oil well location 1980 feet from the North and West lines (Unit F) of Section 11, Township 12 South, Range 30 East, NMPM, Graham Springs-Devonian Pool, Chaves County, New Mexico.

Dear Mr. Morgan:

Since the subject bottomhole location is considered to be "unorthodox", additional information will be necessary. Please provide, pursuant to Division General Rules 104.F(3) and 111.D(2)(a), a detailed discussion of the geologic conditions which result in the necessity for this unorthodox location and include appropriate exhibits.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185. Thank you for your cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal line extending to the right.

Michael E. Stogner  
Chief Hearing Examiner/Engineer

cc: Oil Conservation Division - Hobbs  
U. S. Bureau of Land Management - Carlsbad