



NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT

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

October 14, 1998

SDX Resources, Inc.
P. O. Box 5061
Midland, Texas 79704
Attention: Chuck Morgan

Telefax No. (915) 685-0533

M-T Petroleum, Inc.
127 N.W. Avenue "A"
Andrews, Texas 79714
Attention: Max Mainord

Administrative Order NSP-1796

Dear Messrs. Morgan and Mainord:

Reference is made to the application filed by SDX Resources, Inc. by letter dated July 6, 1998 requesting authorization to divide the existing 120-acre non-standard gas spacing and proration unit ("GPU") in the Jalmat Gas Pool that currently comprises the E/2 NE/4 and the NE/4 SE/4 of Section 32, Township 24 South, Range 37 East, NMPM, Lea County, New Mexico, into two separate GPU's comprising 80 acres and 40 acres.

The existing 120-acre GPU was authorized by Division Order No. R-488, issued in Case No. 718 dated July 7, 1954, and had dedicated thereon the E. G. Rodman operated State "L" Well No. 1 (API No. 30-025-11312), located at a standard gas well location 3300 feet from the North line (1980 feet from the South line) and 660 feet from the East line (Unit H) of Section 32. This well was renamed the Humble "L" State Well No. 3 in 1965 and is now owned and operated by M-T Petroleum, Inc.

It is our understanding that:

- (1) SDX Resources, Inc. recently drilled and completed its Enco State Well No. 1 (API No. 30-025-24057) at a standard gas well location 660 feet from the North and East lines (Unit A) of Section 32 within the Jalmat Gas Pool and that the 40 acres comprising the NE/4 SE/4 of Section 32 is to be dedicated to this well; furthermore,
- (2) the remaining 80 acres comprising the E/2 NE/4 of Section 32 is to be dedicated to the above-described M-T Petroleum, Inc. Humble "L" State Well No. 3.