DRILLING PROGRAM
SDX Resources Inc.
**Wells Federal #22**
660' FNL, 1780' FWL
Unit C, Sec. 5, T25S, R37E
Lea Co., NM

1. Geologic Name of Surface Formation:

   Permian

2. Estimated Tops of Important Geologic Markers:

| | |
|---|---|
| Top of Salt | 1200' |
| Base of Salt | 2700' |
| Tansill | 2700' |
| Yates | 2900' |

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

| | | |
|---|---|---|
| Water Sand | 200' – 250' | Fresh Water |
| Tansill | 2700' | Oil & Gas |
| Yates | 2900' | Oil & Gas |

Fresh water sands will be protected by running 8-5/8" casing to a minimum depth of 600' 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:

| Hole Size | Interval | OC Csg | Weight Grade Jt Cond Type |
|---|---|---|---|
| 12-1/4" | 0 – 600 | 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 250 sx of Class C with 2% CaCl and ¼#/sx Flocele and 100 sx of Class C with CaCl. |
| 5-1/2" Production Casing: | Cemented with 200 sx of Class C and 400 sx of Lite C with 3# salt/sx and ¼#/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 a double ram type preventer (2000 psi WP). Unit will be hydraulically operated. BOP will be nippled 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:

| Depth | Type | Weight (ppg) | Viscosity (sec) | Waterloss (cc) |
|---|---|---|---|---|
| 0 - 600 | Fresh Water (spud) | 8.5 | 40 – 45 | N/C |
| 600 – 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 in the Yates formation.

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 1200 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 May 1, 1999. 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.