Form 3160-3

FORM APPROVED

(July 1992)	UNITED	SIAIES ETUEINTE		I VV. GREEN	everse side) Mu	Expires: Februar	
	DEPARTMENT O	IT I HE IN IE ID MANAGEMEI	NT A	rtesia, NM	1 882	10	5. LEASE DESIGNATION AN NMNM-0680	
APPLIC	ATION FOR PER	MIT TO DR	ILL C	OR DEEPEN			6. IF INDIAN, ALLOTTEE OR	TRIBE NAME
1a. TYPE OF WORK	RILL 🛛	DEEPEN [7. UNIT AGREEMENT NAME	
b. TYPE OF WELL								
OIL 🔀	WELL OTHER			SINGLE X	ZONE		8. FARM OR LEASE NAME, N	WELL NO.
2. NAME OF OPERATOR							Otter Federal	
SDX Resources, Ir								COM
3. ADDRESS AND TELEPHON		2005 4704				}	30-005-63	
PO Box 5061, Mid	Iand, IX /9/U4 432 It location clearly and in accordance	2/685-1761	ments.*)				10. FIELD AND POOL OF W Buffalo Valley	
At surface 860' FNL (=		,			•	11. SEC., T., R., M., OR BLK	
At proposed prod. zone Same	11)						AND SURVEY OR AREA Sec 27, T15S, R2	27E. A
	DIRECTION FROM NEAREST TO	WN OR POST OFFICE					12. COUNTY OR PARISH	13. STATE
	of Lake Arthur, NM						Chaves	NM
15. DISTANCE FROM PROPO	SED*		16. NO.	OF ACRES IN LEASE			CRES ASSIGNED	<u> </u>
LOCATION TO NEAREST PROPERTY OR LEASE LIN (Also to nearest drig. unit line	E,FT (660'		2520		TO THIS	320 320	
18. DISTANCE FROM PROPO	SED LOCATION*		19. PR	OPOSED DEPTH	20.	ROTARY	OR CABLE TOOLS	
TO NEAREST WELL, DRILLING, COMPLETED, NA 9000'						Rotary		
21. ELEVATIONS (Show wheth	er DF, RT, GR, etc.)						22. APPROX. DATE WORK WILL START*	
3491' GR 23.							11/01/04	
	The second secon	PROPOSED CAS	SING AN	ID CEMENTING PROC	GRAM			
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FO	ООТ	SETTING DEPTH	1	QUANTITY OF CEMENT		
30"	20" Conductor	NA NA		40'		Cmt to surf w/Redi-Mix		
17-1/2"	13-3/8", H-40	48		350		300 sx - Circ 800 sx - Circ		
12-1/4" 7-7/8"	8-5/8", J-55 5-1/2" N80	32 17		9000 '			970 sx	
Drill 17-1/2" hole to 3 Celoseal. Circ to sur Drill 12-1/4" hole to 1 Flakes/sx + 5#/sx of Drill 7-7/8" hole to 90 Will perf & stimulate	Set 40' of 20" conductor 350'. Run & set 350' of 4 f. 1800'. Run & set 1800' of LCM-1 + 6% Bentonite. 2000'. Run & set 9000' of as necessary for optimus	8# H-40 ST&C f 8-5/8" 32# J-5 Tail in w/200 sx 5-1/2" 17# N-80 m production.	csg. Cl 5 ST&6 of Cl C	mt w/350 sx of cm C csg. Cmt w/600 C + 1% CaCl. Circ. Cmt w/970 sx Cl H	sx of CI C I. Est TOC and propose	35/65 2800	RECEINOV 17	/4# Celo /ED 2004 /ESIA
SIGNED Bonn	in (thus	ter m	LE Re	gulatory Tech	· · · · · · · · · · · · · · · · · · ·		DATE 10/05/04	
(This space for Federal of PERMIT NO.	,	t holds loss!	a	f earthen pits ssociation wit	h the di	illin	g of thi	offens there are
CONDITIONS OF APPROVA	Application approval does not warrant or certify that the applicant holds legal or equitable CONDITIONS OF APPROVAL, IF ANY:							

Assistant Field Manager, (ORIG. SGD.) ARMANDO A. LOPEZ Lands And Minerals TITLE DATE *See Instructions On Reverse Side

obtained prior to pit construction

APPROVED FOR 1 YEAR 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.

State of New Mexico

DISTRICT I 1625 N. FRENCH DR., HOBBS, NW 88240

Energy, Minerals and Natural Resources Department

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NW 88210

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION 1220 SOUTH ST. FRANCIS DR. Santa Fe, New Mexico 87505

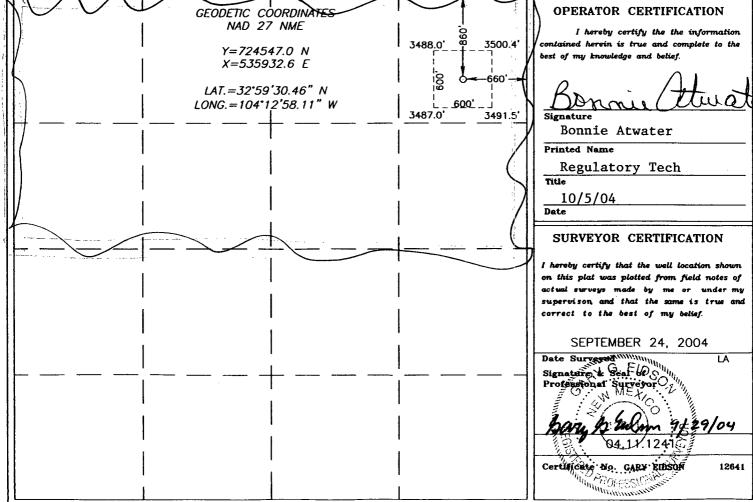
Form C-102 Revised JUNE 10, 2003 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

DISTRICT IV 1220 S. St. Francis dr., Santa Fr., NM	WELL LOCATION AND	ACREAGE DEDICATION PLAT	□ AMENDED REPORT
API Number	Pool Code	Pool Name	
	73080	Buffalo Valley Penn	
Property Code	Pr	operty Name	Well Number
		OTTER	1
OGRID No. 020451	-	erator Name SOURCES, INC.	Elevation 3491'

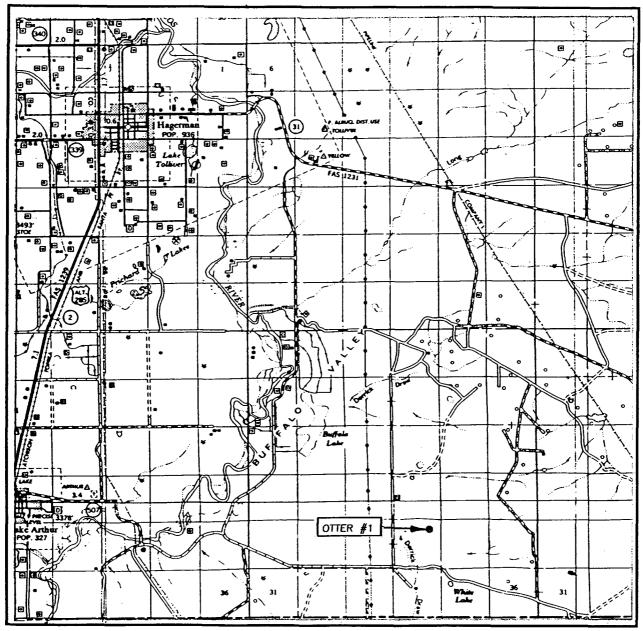
					Surface Loca	ation			
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Α .	27	15-S	27-E		860	NORTH	660	EAST	CHAVES
Bottom Hole Location If Different From Surface									

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
			<u> </u>						
Dedicated Acres	Joint o	r Infill Co	nsolidation (Code Or	der No.				
320	_								

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 GEODETIC COORDINATES OPERATOR CERTIFICATION NAD 27 NME

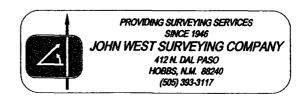


VICINITY MAP



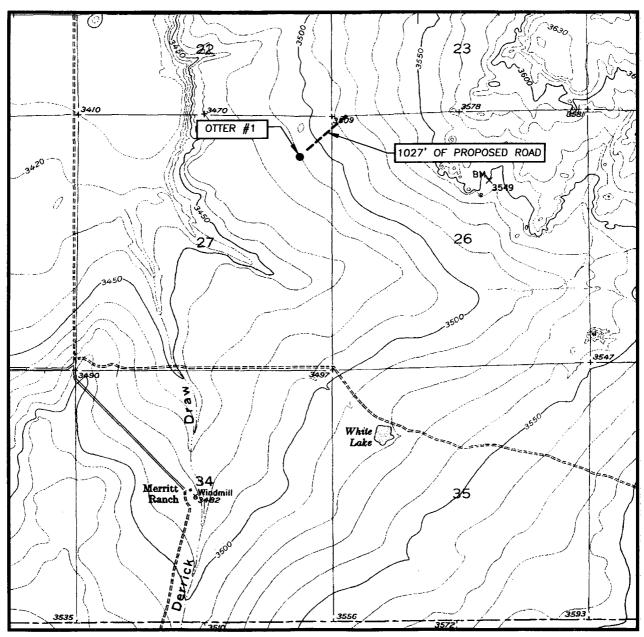
SCALE: 1" = 2 MILES

SEC. <u>27</u> TWF	P. <u>15-S</u> RGE. <u>27-E</u>
SURVEY	N.M.P.M.
COUNTY	CHAVES
DESCRIPTION_8	60' FNL & 660' FEL
ELEVATION	3491'
	SDX RESOURCES, INC.
LEASE	OTTER





LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: DIAMOND MOUND, N.M. - 10'

SEC. 27 TWP. 15—S RGE. 27—E

SURVEY N.M.P.M.

COUNTY CHAVES

DESCRIPTION 860' FNL & 660' FEL

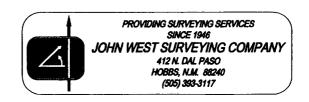
ELEVATION 3491'

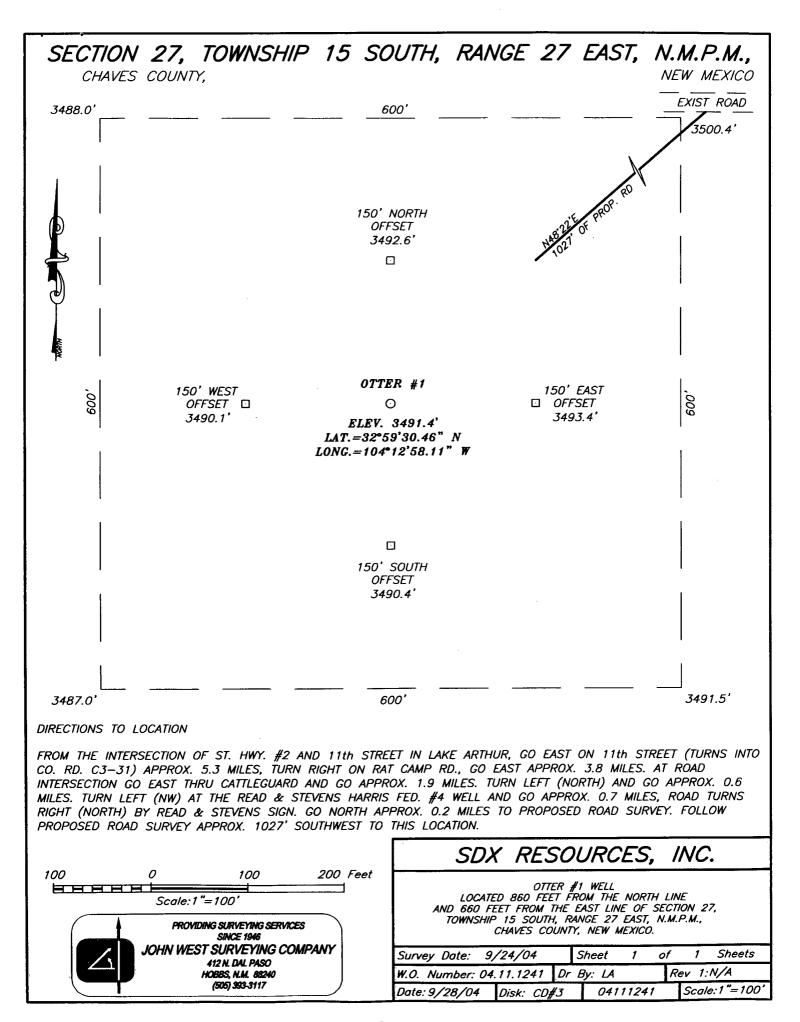
SDX

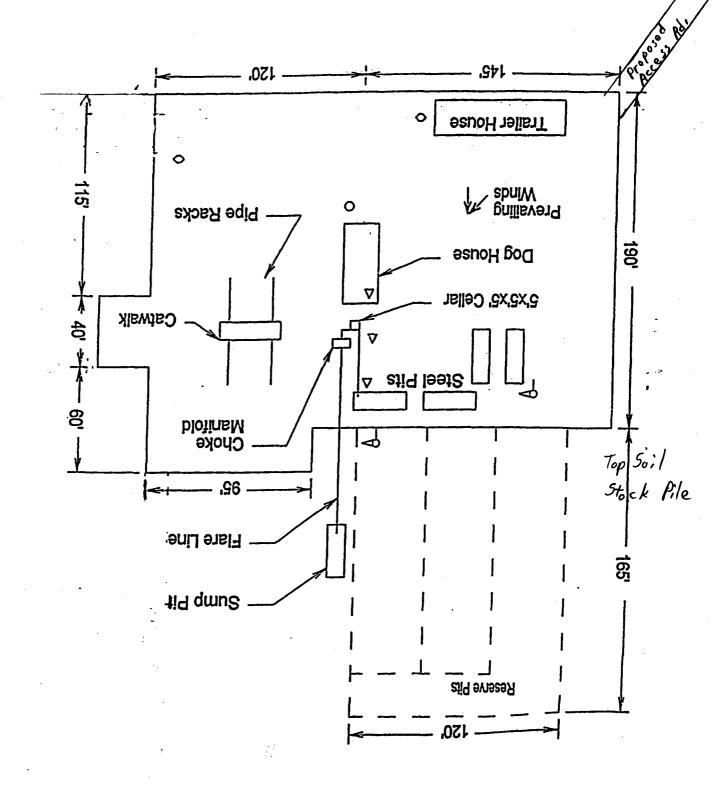
OPERATOR RESOURCES, INC.

LEASE OTTER

U.S.G.S. TOPOGRAPHIC MAP
DIAMOND MOUND, N.M.







- Wind Direction Indicators (wind sock or streamers)
- △ H2S Monitors (alarms at bell nipple and shale shaker)
- Briefing Areas
- O Remote BOP Closing Unit
- □ Sign and Condition Flags

EXHIBIT #5
Drillsite & Rig Layout Sketch $O H_{e \, r} F_{e \, d} \# /$

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

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

October 5, 2004

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.: NMNM-068043

Lease Name: Otter Federal #1

Legal Description of Land: Unit A, 860' FNL 660' FEL

Sec. 27, T15S, R27E

Chaves Co., NM

Formation (s): Buffalo Valley Penn

Bond Coverage: Statewide Bond - State of New Mexico

BLM Bond File No.: NM2307

Authorized Signature:

Vice-President

DRILLING PROGRAM SDX Resources, Inc. Otter Federal # 1 860' FNL, 660' FEL Unit A, Sec. 27, T15S, R27E Eddy Co., NM

1. Geologic Name of Surface Formation:

Permian

2. Estimated Tops of Important Geologic Markers:

San Andres	1600'	Atoka	8300'
Tubb	4400'	Mississippian Lime	8700'
Hueco	6400'		
Cisco	7050'		
Strawn	8000'		

3. Estimated Depth of Anticipated Oil or Gas:

Cisco	7500'	Gas
Strawn	8000'	Gas
Atoka	8300'	Gas

4. <u>Casing Program:</u>

Hole Size	<u>Interval</u>	OD Csg	Weight Grade Jt Cond Type
30 "	0-40	20"	Conductor Pipe
17-1/2"	0 – 350	13-3/8"	48#, H-40, 8 rd., ST&C, New
12-1/4"	0 – 1800	8-5/8"	32#, J-55, 8 rd., LT&C, New
7-7/8"	0- 9000	5-1/2"	17#, N-80, 8-rd., LT&C, New

Cement Program:

20" conductor pipe: Redi-mixed to surface

13-3/8" Surface Casing: 350' cemented to surface with 300 sx of "C" with

2% CaCl &1/4# /sack celoseal.

8-5/8" Intermediate 1800' cemented to surface with 600 sxs 35/65

POZ "C" + additives, and 200 sxs. "C" + 2% CaCL.

5-1/2" Production Casing: 9000' cemented with 970 sxs. Class "H" with

additives as needed.

5. <u>Minimum Specifications for Pressure Control:</u>

The blowout preventer equipment (BOP) are shown in Exhibit #1A&B. They will consist of an annular bag type preventer on top of a double ram 5000# WP BOP. Unit will be hydraulically operated. BOP will be nippled up on the 13-3/8" surface csg and used continuously until TD is reached. BOP and accessory equipment will be tested to API

specifications. BOP rams will be operated once every 24 HRS. and blind rams will be operated every time pipe is out of the hole. 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 and a stabbing valve.

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>	Type	Weight (ppg)	Viscosity (sec)	Waterlo (cc)_	ss —
40 – 350	FW	8.5	32-36	NC	FWG, paper, lime
350 – 1800	FW	8.5	32-36	NC	4
1800-TD	cut Brine	8.8-9.5	32-50	6-15	Polymer, caustic

Sufficient mud materials to maintain mud properties and meet minimum lost circulation and weight increase requirements will be kept on location or available at the nearest stocking point.

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 5000' 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 intermediate casing. Gr-CNL to surface.
- C. Side wall 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 150° and estimated maximum bottom-hole pressure (BHP) is 4200 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.

Otter Federal #2- Drilling Program

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 November 1, 2004. Once commenced, the drilling operation should be finished in approximately 30 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.
Otter Federal #1
860' FNL, 660' FEL
27. T15S, R27E, Unit A

Sec. 27, T15S, R27E, Unit A Eddy Co., NM

I. <u>Hydrogen Sulfide Training</u>

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.

This location is not within 3000' of any public roadway or dwelling. Therefore an H2S Contingency Plan is not necessary.

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. 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 700'.

- 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 on site.

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:

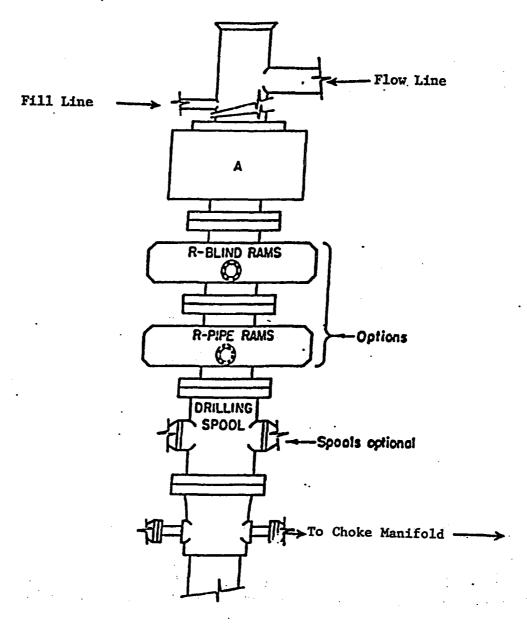
All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H2S service as necessary.

7. Communication:

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

8. Well Testing:

No DST's are planned.



ARRANGEMENT SRRA

1500 Series 5000# Working Pressure



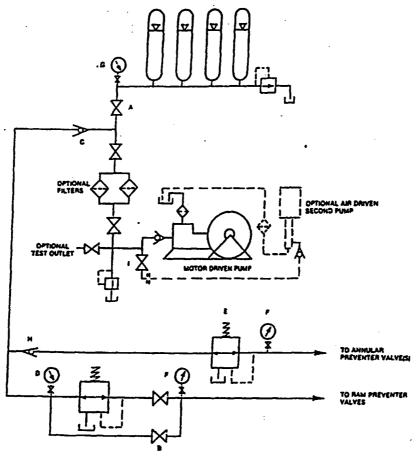


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

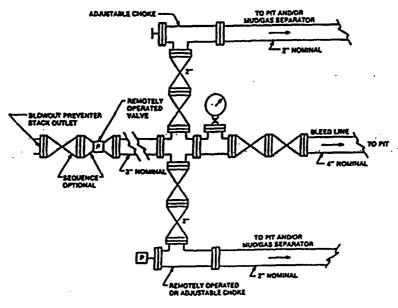


FIGURE K4-2. Typical choke manifold assembly for SM rated working pressure service — surface installation.

N.M. Oil Cons. DIV-Dist. 2

Form 3160-5 (June 1990)

UNITED STATES
DEPARTMENT OF THE INTEARCHESIA, NM 88210

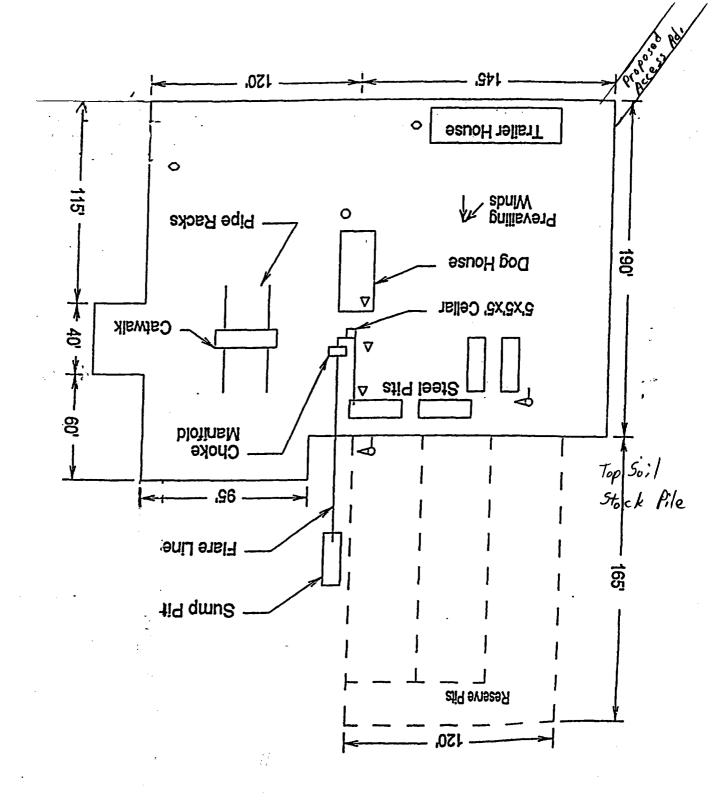
FORM APPROVED

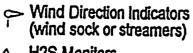
a, iviv	88210	Expires: March 31, 1993			
		E. Loses Decignation and Social No.			

	Expires:	March	31, 199	93
Lease	Designat	ion and	Serial	No.

BUREAU OF I	5. Lease Designation and Serial No. NMNM-068043	
SUNDRY NOTICES A Do not use this form for proposals to dril Use "APPLICATION FO	6. If Indian, Allottee or Tribe Name	
SUBMIT	IN TRIPLICATE RECEIVED	7. If Unit or CA, Agreement Designation
1. Type of Well	NÓV 1 7 2004	
☐ Well ☑ Other ☐	999:ARTESIA	8. Well Name and No.
2. Name of Operator		Otter Federal #1
SDX Resources, Inc. 020451		9. API Well No.
3. Address and Telephone No.	4764	10. Field and Pool, or Exploratory Area
PO Box 5061, Midland, TX 79704 432/685- 4. Location of Well (Footage, Sec., T., R., M., or Survey Des		Buffalo Valley Penn
4. Location of Well (Poolage, Sec., 1., R., W., of Survey Desi	эприону	
Sec 27, T15S, R27E, A		11. County or Parish, State
		Chaves Co., NM
12. CHECK APPROPRIATE BOX(s)	TO INDICATE NATURE OF NOTICE, REPORT, (OR OTHER DATA
TYPE OF SUBMISSION	TYPE OF ACTION	
Notice of Intent	Abandonment	Change of Plans
	Recompletion	New Construction
Subsequent Report	Plugging Back	Non-Routine Fracturing
	Casing Repair	Water Shut-Off
Final Abandonment Notice	Altering Casing	Conversion to Injection
	Other Revised Exhibits to APD	Dispose Water
		(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)
directionally drilled, give subsurface locations and measure. Attached are revised exhibits showing amended.	te all pertinet detaits, and give pertinent dates, including estimated date red and true vertical depths for all markders and zones pertinent to this dirig orientation and access roads.	work.)*
14. I hereby certify that the foregoing is true and correct Signed Donnel Durals		Date 09/15/04
(This space for Federal or State office use)	Acting Assistant Field Manager,	3 2 m 2 m 2 m 2 m 2 m 2 m 2 m 2 m 2 m 2
Approved by (ORIG. SGD.) ARMANDO A. LOPEZ	Title Lands And Minerals	Date NOV 16 2002
Conditions of approval, if any:		

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.



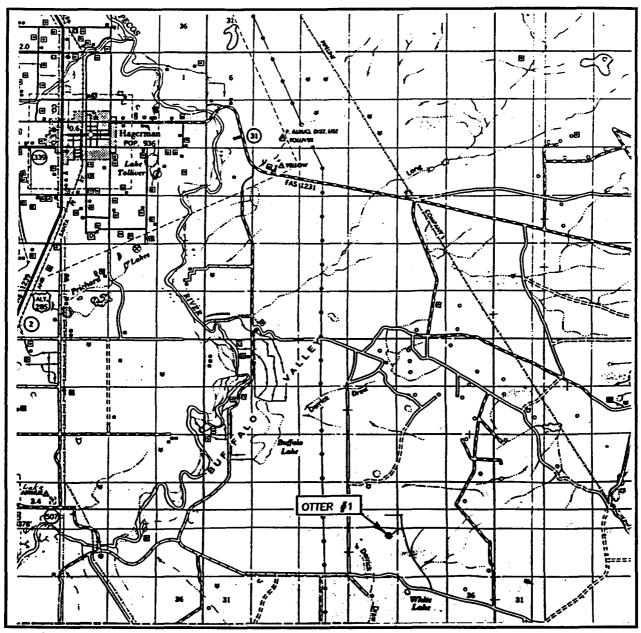


- △ H2S Monitors (alarms at bell nipple and shale shaker)
- Briefing Areas
- O Remote BOP Closing Unit
- □ Sign and Condition Flags

AN

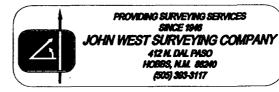
EXHIBIT #5
Drillsite & Rig Layout Sketch

VICINITY MAP



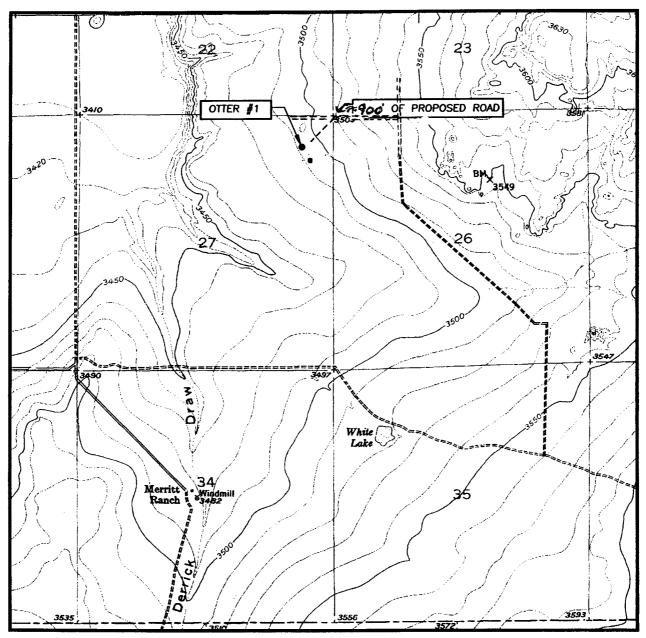
SCALE: 1" = 2 MILES

SEC. 27 T	WP. <u>15-S</u> RGE. <u>27-E</u>		
SURVEY	N.M.P.M.		
COUNTY	CHAVES		
DESCRIPTION 660' FNL & 660' FEL			
ELEVATION	3493'		
	SDX RESOURCES, INC.		
IFASE	OTTER		





LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: DIAMOND MOUND, N.M. - 10'

SEC. <u>27</u> TV	<i>N</i> P. <u>15-S</u> RGE:	<u> 27-E</u>
SURVEY	N.M.P.M.	
COUNTY	CHAVES	
	660' FNL & 6	
	3493'	
	SDX RESOURCES,	
LEASE		
U.S.G.S. TOPOGRAPHIC MAP DIAMOND MOUND, N.M.		

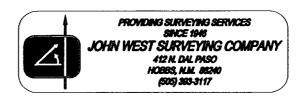


EXHIBIT #3B

