Submit 3 Copies To Appropriate District	Sta
Office	
District I	Energy, Mir
1625 N. French Dr., House No. 88240	
District II	OII COM
1301 W. Grand Ave. Artes 478 210	OIL CON
District III	1220
1000 Rio Brazos Rd., Aztec Andrea 10	
District IV	Sa
1220 S. St Francis Dr., Santa Fe, NM	
87505	_
SUNDRY NOTION	CES AND REPOR
(DO NOT USE THIS FORM FOR PROPOS	ALS TO DRILL OR TO
DIFFERENT RESERVOIR. USE "APPLICA	ATION FOR PERMIT"
PROPOSALS.)	

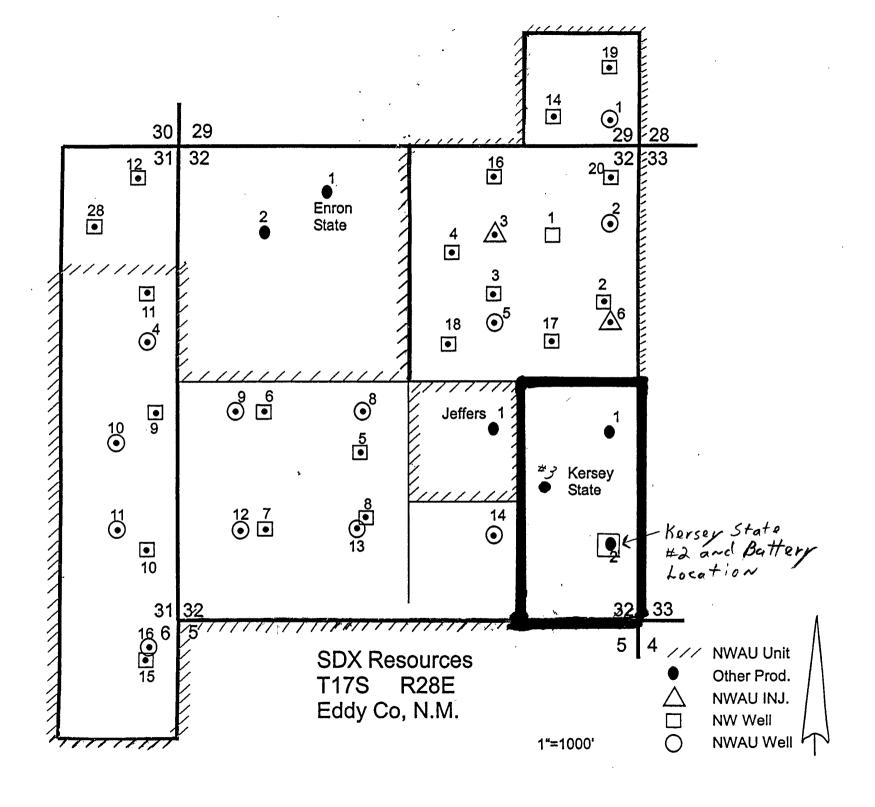
ate of New Mexico nerals and Natural Resources

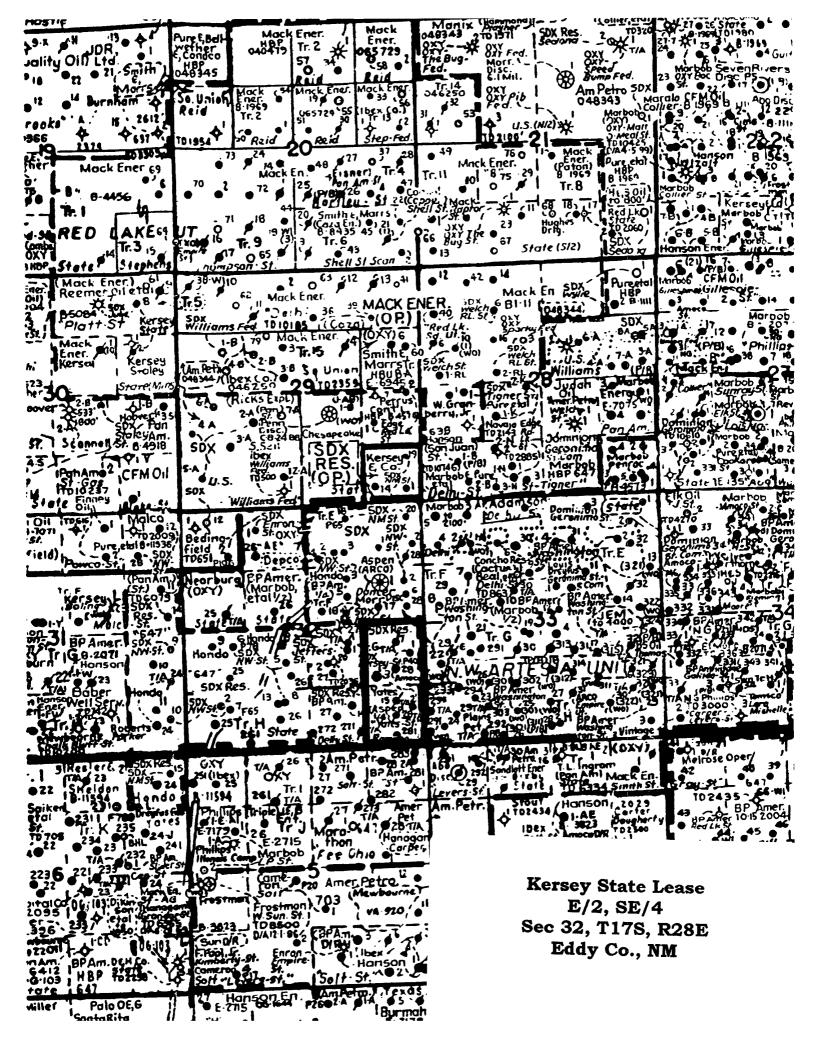
	roini C-10.
	May 27, 200
WELL API NO.	

SERVATION DIVISION

30	-015-35562		
5.	Indicate Type of	Lease	
	STATE X	FEE	
6.	State Oil & Gas	Lease No.	

	1220 South St. Francis Dr.	STATE X FEE	
1000 Rio Brazos Rd., Aztec 10 District IV	Santa Fe, NM 87505	6. State Oil & Gas Lease No.	
1220 S. St Francis Dr., Santa Fe, NM		B-2071	
87505	ICES AND REPORTS ON WELLS	7. Lease Name or Unit Agreement Name	
	SALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A	7. Lease Name of Omt Agreement Name	
DIFFERENT RESERVOIR. USE "APPLIC	CATION FOR PERMIT" (FORM C-101) FOR SUCH	Kersev State	
PROPOSALS.) 1. Type of Well: Oil Well X Gas Well Other		8. Well Number 3	
1. Type of Well: Oil Well X 2. Name of Operator	Gas Well Other	9. OGRID Number 020451	
SDX Resources, Inc.	SEP 17 2007	7. OOKID Willioci 020431	
3. Address of Operator	SEP 1 / 2001	10. Pool name or Wildcat	
PO Box 5061, Midland, TX 7970	OCD-ARTESIA	Artesia, GL-YE (96830)	
4. Well Location			
i	1650feet from the _South line and	990 feet from the East line	
Section 32	Township 17S Range 28E	NMPM Eddy County	
Section 32	11. Elevation (Show whether DR, RKB, RT, GR,		
	3673° GR		
Pit or Below-grade Tank Application 🔲 o	95.		
Pit type Depth to Groundw	rater Distance from nearest fresh water well I	Distance from nearest surface water	
Pit Liner Thickness: mil		onstruction Material	
<u> </u>			
12. Check	Appropriate Box to Indicate Nature of Notic	e, Report or Other Data	
NOTICE OF IN	NTENTION TO: SU	JBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK			
TEMPORARILY ABANDON		DRILLING OPNS. P AND A	
PULL OR ALTER CASING			
	_		
OTHER: Surface Commingle	X OTHER:		
13. Describe proposed or comp	pleted operations. (Clearly state all pertinent details,		
13. Describe proposed or comp of starting any proposed w			
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SDX Resources, Inc. **KERSEY STATE** Sec 32, T17S, R28E Lease & Pool Information

WELL#	API# 30-015-	LEGALS	PERFS	POOL	POOL CODE	EST. DAILY PROD
1	30888	2018 FSL 330 FEL Unit I	2330-2608	Artesia, QN-GB-SA	03230	1.5 BO 4 BW 17 MCF
2	30889	844 FSL 330 FEL Unit P	2514-2718	Artesia, QN-GB-SA	03230	2 BO 3 BW 4 MCF
3	35562	1650 FSL 990 FEL Unit I	3632-3730	Artesia, GL-YE	96830	20 BO 275 BW 27 MCF

Lease Description: Sec 32, T17S, R28E, E/2 SE/4, 80 acres± Battery Description: Sec 32, T17S, R28E, Unit P, 844 FSL 330 FEL

ROD J. MACDONALD

Attorney at Law

Licensed in Texas, New Mexico and Colorado 511 W. Ohio Suite 530 Midland, Texas 79701

(915) 688-3939 Fax (915) 685-3700

August 7, 2000

ORIGINAL DIVISION ORDER TITLE OPINION

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

Attention: Mr. Steve Sell

Re: <u>SDX Resources, Inc. Kersey State Nos. 1 and 2 Wells</u> - The interest owned in State of New Mexico Lease No. B-2071, insofar as it covers the following-described land situated in Eddy County, New Mexico:

Township 17 South, Range 28 East, N.M.P.M. Section 32: E/2 SE/4

from the base of the Unitized Formation of the Northwest Artesia Unit down to 5,000 feet below the surface, containing 80 acres, more or less.

Gentlemen:

BASIS OF EXAMINATION

At your request, we have examined the following:

Prior Title Opinion

Our Original Drilling Title Opinion dated January 18, 2000, addressed to SDX Resources, Inc., covering the mineral estate only in captioned land, based upon an examination of the records covering: (a) the records of the Offices of the Commissioner of Public Lands of the State of New Mexico affecting the oil and gas mineral rights to said lands under Lease No. B-2071, from inception of the records to November 27, 1999 at 8:00 a.m.; and (b) the records in the Offices of the County Clerk of Eddy County, New Mexico, pertaining to the mineral estate only in said lands, from inception of the records to November 4, 1999 at 8:00 a.m.

Examination of the Records

We have examined the records in the Office of the Commissioner of Public Lands of the State of New Mexico for State of New Mexico Lease No. B-2071, insofar as it covers the mineral estate only in captioned land, from November 27, 1999 at 8:00 a.m. to August 4, 2000 at 8:00 a.m. We have examined the records in the Office of the County Clerk of Eddy County, New Mexico, pertaining to the mineral estate only in captioned land, from November 4, 1999 at 8:00 a.m. to July 20, 2000 at 8:00 a.m., based upon the indices of Caprock Title Company.

<u>Instruments</u>

Copy of Assignment Nos. 29 through 31.

6294/ODOTO/SDX

OWNERSHIP OF PRODUCTION - OIL & CASINGHEAD GAS PRODUCTION

Based upon examination of the foregoing and subject to the title requirements hereinafter made, we find the oil and casinghead gas produced and saved from captioned land to be vested as follows:

	Less than or equal to	Greater than 35 BOPD but less than or equal to 50 BOPD	Greater than 50 BOPD
Royalties:		_co so borb	_ SO BOPD
State of New Mexico	.1250000	.1250000	.1250000
Overriding Royalty Interests:			
Colaro Corporation	.0593750 /	.0890625	.1187500
Everett R. Jones, Jr.	.0015625	.0023438	.0031250
Rock Energy Corporation	.0015625	.0023437	.0031250
Mary Kersey, a Widow	.0032950	.0000000	.0000000
Marie Kersey Wade	.0016691	.0000000	.0000000
Katheryn Kersey Alexander	.0015625	.0000000	.0000000
Working Interests:			
St. Cyr Exploration Company	.2014934 —	.1953125	.1875000
Steve Sell, whose wife is Lisa Sell	.1450752 ~	.1406250	.1350000
John D. Pool, whose wife is Stacy Pool	.1450752	.1406250	.1350000
Alpine Resources, LLC	.1007467~	.0976563	.0937500
SOG Investors, LLC	.0503733 /	.0488281	.0468750
Etkind Oil LLC	.0503733	.0488281	.0468750
William S. Montgomery, Jr., as his separate property	.0402987	.0390625	.0375000
Fred C. Corey, whose wife is Deborah Corey	.0201493~	.0195313	.0187500
Charles M. Morgan, whose wife is Monica Morgan	.0201493/	.0195312	.0187500
William Scott Ramsey, whose wife is Ellen K. Ramsey	.0161195	.0156250	.0150000
Eram Ali, whose wife is Vicky Ali	.0161195 /	.0156250	.0150000

OWNERSHIP OF PRODUCTION - GAS PRODUCTION

Based upon examination of the foregoing and subject to the title requirements hereinafter made, we find the gas produced and saved from captioned land to be vested as follows:

Royalties:

State of New Mexico	.1250000
Overriding Royalty Interests:	
Colaro Corporation	.0890625
Everett R. Jones, Jr	.0023438
Rock Energy Corporation	.0023437

.0156250

· Marin front . Working Interests: St. Cyr Exploration Company • • • • • • • • • .1953125 .1406250 John D. Pool, whose wife is .1406250 .0488281 .0488281 William S. Montgomery, Jr., as his separate property .0390625 Fred C. Corey, whose wife is Deborah Corey .0195313 Charles M. Morgan, whose wife is Monica Morgan .0195312 William Scott Ramsey, whose wife is .0156250

EXISTING OIL, GAS AND MINERAL LEASE

Serial No.:

Eram Ali, whose wife is

B-2071.

Date:

August 10, 1933.

Recorded:

Book 102, page 13, Oil and Gas

Records.

Lessor:

The State of New Mexico.

Lessee:

Forest E. Levers.

Land Covered:

Captioned land, together with numerous other tracts totalling 3,380.21 acres, more or less.

Primary Term:

Five (5) years, with the right to extend the lease for an additional five years upon payment of double the annual rental provided in the lease.

Royalties:

1/8 on oil and gas.

Shut-in Gas Well Royalties:

None.

Rentals:

Rentals in the sum of \$.50 per acre are payable on or before August 10 annually, regardless of drilling operations or production on the leased premises. Annual

The opinions expressed herein are for your sole use and benefit, and may be relied upon only by you or your counsel. They are not to be circulated, quoted or otherwise relied upon by any other party except with my prior written consent.

Respectfully submitted,

Ву:____

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Transgr. To Southwest

