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DHC-2957

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SURFACE RESOURCES
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**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

October 16, 2001

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

Attn: Ms. Ann Ritchie

Re: Application for Downhole Commingling
Boggy State Well No. 1
Unit Letter P, Section 36-17S-26E
Northwest Red Lake Glorieta Yeso and Undesignated Red Lake Queen-Grayburg-San Andres Pools
Eddy County, New Mexico

Dear Ms. Ritchie:

Your application to downhole commingle the production from within the wellbore of the above-captioned well was received on September 21, 2001. Your application requests our approval to downhole commingle the Northwest Red Lake Glorieta Yeso and Undesignated Red Lake Queen-Grayburg-San Andres production within the wellbore of the Boggy State Well No. 1 located in Unit Letter Letter P, Section 36-17S-26E, Eddy County, New Mexico.

It is our understanding that production from the subject well will be allocated as follows:

| <u>POOL</u> | <u>ALLOCATION</u> | |
|---|-------------------|--------------|
| | <u>Oil %</u> | <u>Gas %</u> |
| Undesignated Red Lake Queen-Grayburg-San Andres | 60% | 50% |
| Northwest Red Lake Glorieta Yeso | 40% | 50% |
| | ----- | ----- |
| | 100% | 100% |

Since it appears that the New Mexico Oil Conservation Division's rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your request for downhole commingling the production from the above-mentioned well is hereby approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Your \$30.00 dollar filing fee has been received.

SDX Resources, Inc.

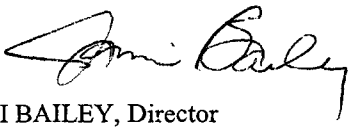
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If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

Enclosure
xc: Reader File

~~OCD--Attention: David Catanaeh~~