

10/20/03

11/9/03

WVS

~~CTB~~  
PLC

LR

PLR 0329536998

CTB

WVS

SDX RESOURCES, INC.

P.O. BOX 5061

MIDLAND, TEXAS 79704  
RECEIVED  
(915) 683-1761

OCT 20 2003

NMOCD  
1220 S. St. Francis Drive  
Santa Fe, NM 87504

OIL CONSERVATION  
DIVISION

Oct. 10, 2003

Attention: Mr. Dave Catanach

RE: Surface commingling application  
Malibu Federal  
Sec. 5 T18S R27E  
Eddy County, New Mexico

Dear Mr. Catanach,

SDX Resources respectfully request permission to commingle on the surface the casing head gas production their Maibu Federal Lease ((NM10524) with the casing head gas from their Chalk Federal Lease (NM97122) at their Chalk Federal Battery. Interest owners in both leases have been notified and there are no objections. The casing head gas is similar and there should therefore be no difference in revenue to the interest owners including the State and Federal government. Surface commingling will allow the casing head gas to be compressed and improve the economics of the leases, extending their life, resulting in the recovery of additional reserves.

The following data is submitted for your information:

- Attachment 1: OCD Form C-107-B
- Attachment 2: Lease Boundary and Well Plat
- Attachment 3: Area Map
- Attachment 4: Interest Ownership
- Attachment 5: Interest Owner Notification

Sincerely,



Chuck Morgan

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Ave, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St Francis Dr, Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-B  
Revised June 10, 2003

**OIL CONSERVATION DIVISION**  
1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: SDX Resources, Inc.  
OPERATOR ADDRESS: PO Box 5061, Midland, TX 79704  
APPLICATION TYPE:  
 Pool Commingling  Lease Commingling  Pool and Lease Commingling  Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE:  Fee  State  Federal

Is this an Amendment to existing Order?  Yes  No If "Yes", please include the appropriate Order No. \_\_\_\_\_  
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling  
 Yes  No

**(A) POOL COMMINGLING**  
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Calculated Value of Commingled Production	Volumes

(2) Are any wells producing at top allowables?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No.  
(4) Measurement type:  Metering  Other (Specify) \_\_\_\_\_  
(5) Will commingling decrease the value of production?  Yes  No If "yes", describe why commingling should be approved \_\_\_\_\_

**(B) LEASE COMMINGLING**  
Please attach sheets with the following information

(1) Pool Name and Code.  
(2) Is all production from same source of supply?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No  
(4) Measurement type:  Metering  Other (Specify) Periodic testing via Port-a-Check

**(C) POOL and LEASE COMMINGLING**  
Please attach sheets with the following information

(1) Complete Sections A and E.

**(D) OFF-LEASE STORAGE and MEASUREMENT**  
Please attached sheets with the following information

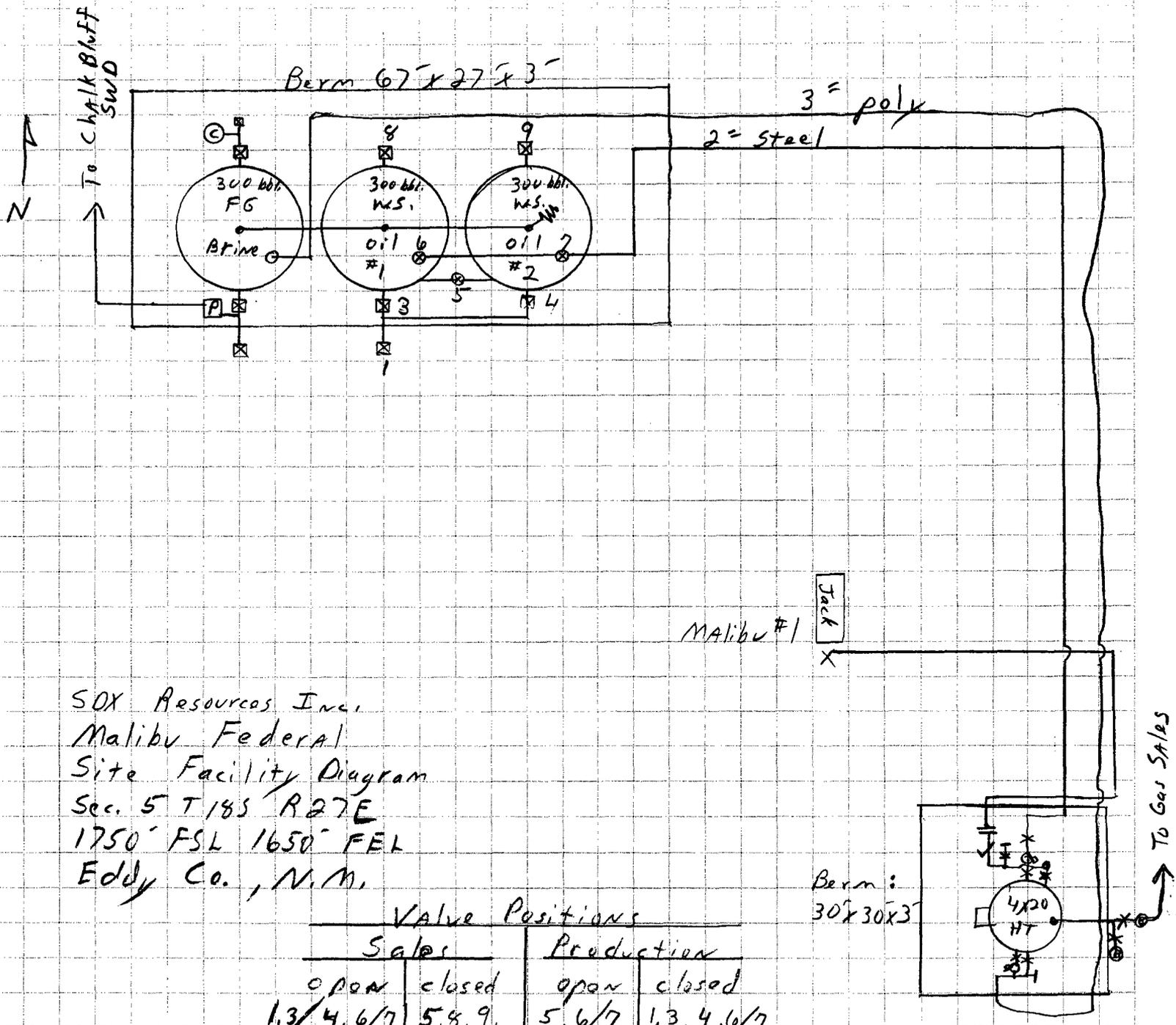
(1) Is all production from same source of supply?  Yes  No  
(2) Include proof of notice to all interest owners.

**(E) ADDITIONAL INFORMATION (for all application types)**  
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.  
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.  
(3) Lease Names, Lease and Well Numbers, and API Numbers.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Chuck Morgan TITLE: Engineer DATE: 10/15/03  
TYPE OR PRINT NAME Chuck Morgan TELEPHONE NO.: 432/685-1761  
E-MAIL ADDRESS: cmorgan@sdxresources.com



SOX Resources Inc.  
 Malibu Federal  
 Site Facility Diagram  
 Sec. 5 T18S R27E  
 1750' FSL 1650' FEL  
 Eddy Co., N.M.

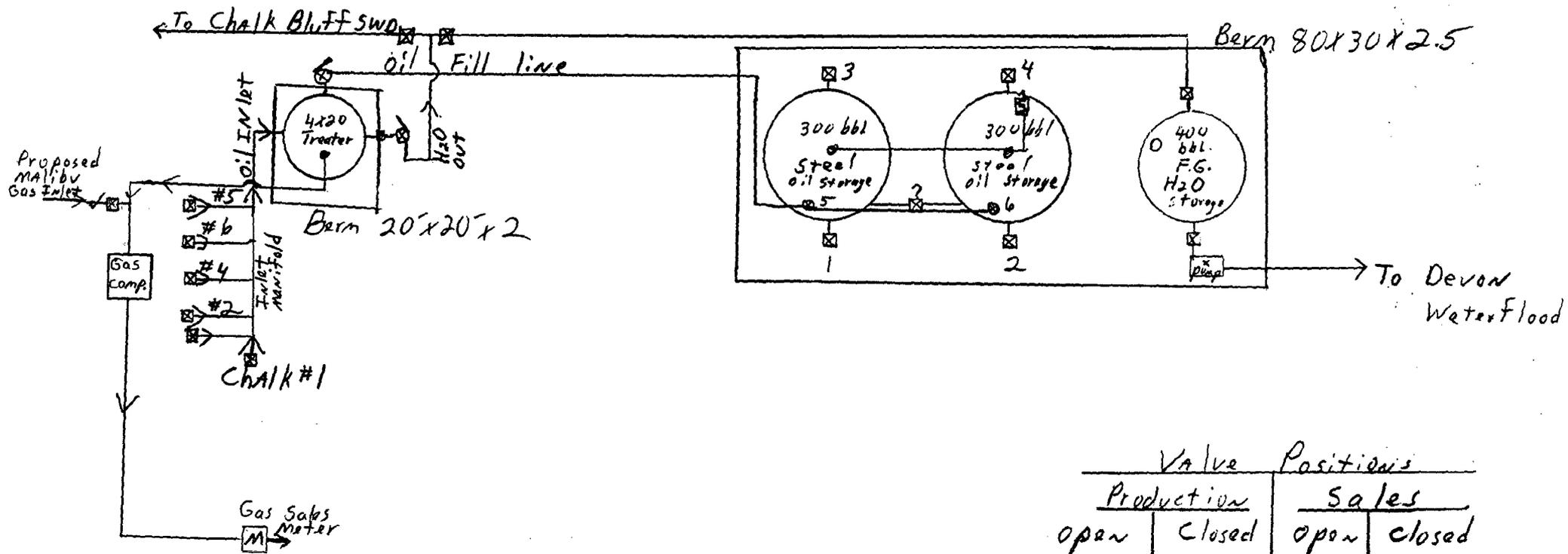
Valve Positions			
Sales		Production	
open	closed	open	closed
1, 3, 4, 6/7	5, 8, 9, 3/4, 6/7	5, 6/7	1, 3, 4, 6/7, 8, 9

Berm:  
 30x30x3

SDX Resources, Inc.  
 Chalk Federal Battery  
 "K" Sec. 5 T18S R27E  
 Eddy Co., N.M.

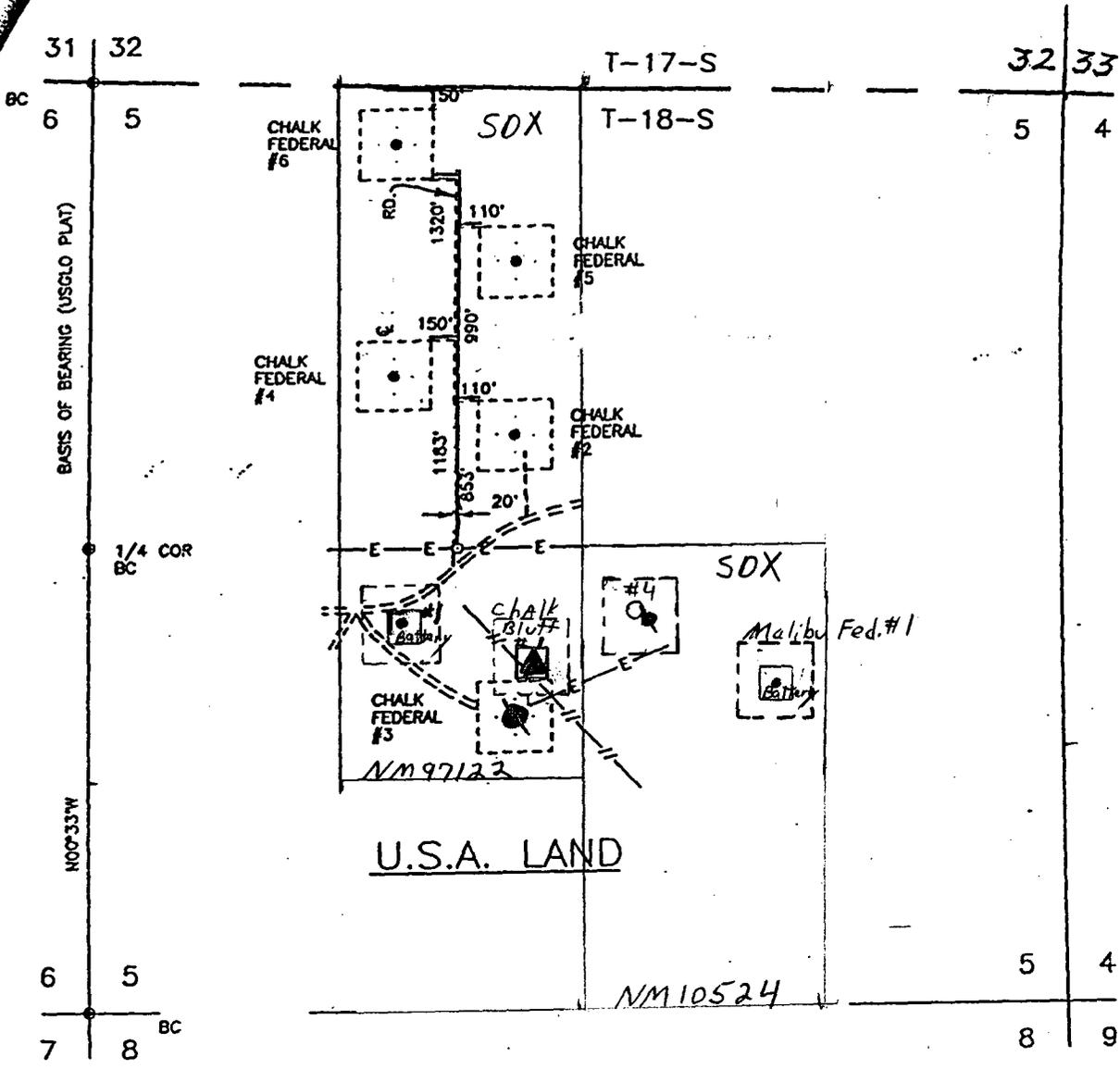
NM-97122

Site Facility Diagram  
 Chalk Federal  
 9/25/03



Value Positions			
Production		Sales	
open	closed	open	closed
7	1, 2, 3, 4	1/2, 5/6	1/2, 5/6
5/6	5/6	7	3, 4

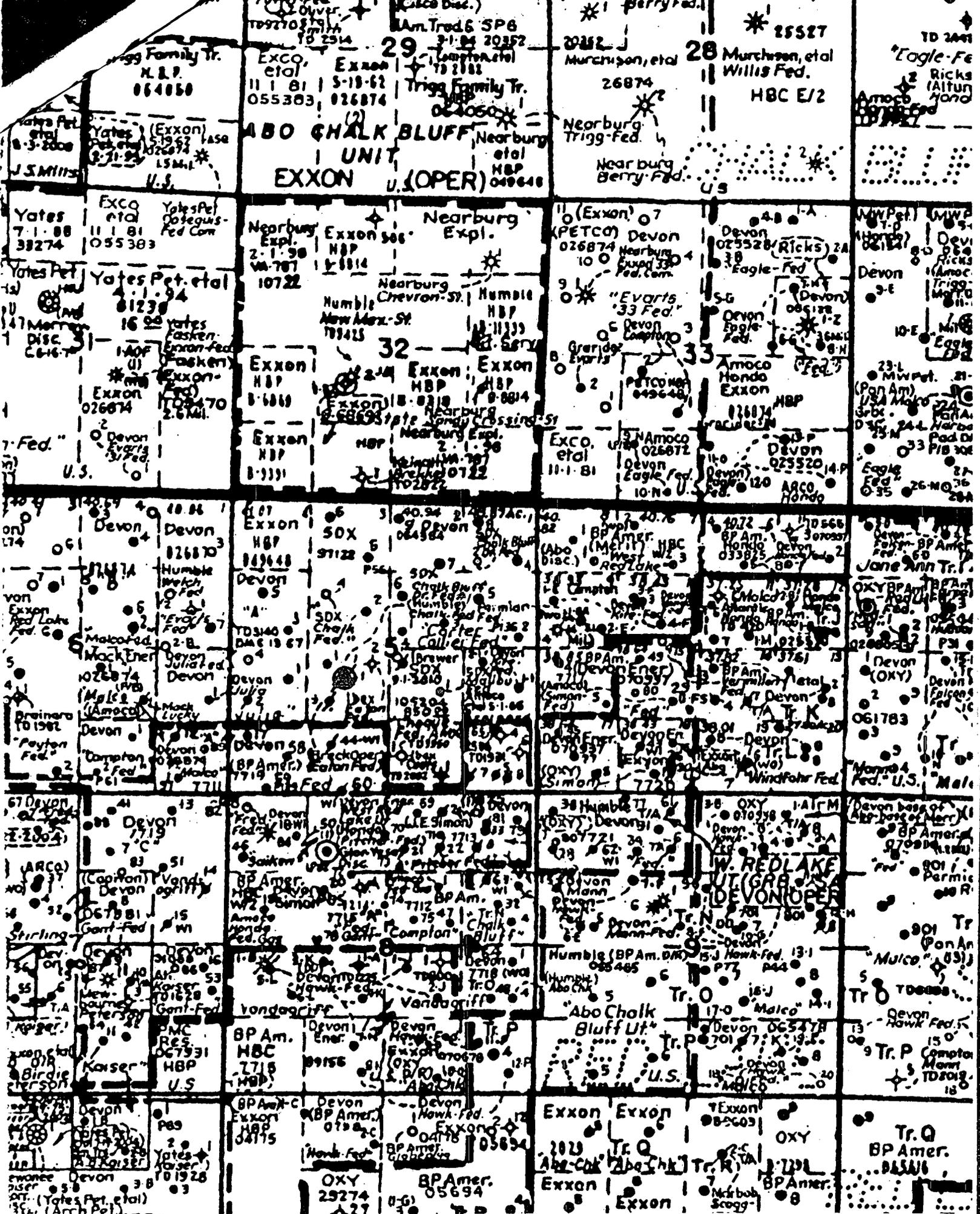
ON 5, TOWNSHIP 18 SOUTH, RANGE 27 EAST, N.M.P.M



SDX Resources Inc.

Well Names	API #'s
Malibu Fed. #1	30 015 31631
Chalk Fed. #1	30 015 29567
#2	30 015 29706
#4	30 015 29707
#5	30 015 29650
#6	30 015 29651

Attachment 2



Attachment 3

**ROD J. MACDONALD**

Attorney at Law

511 W. Ohio  
Suite 530  
Midland, Texas 79701

Licensed in Texas,  
New Mexico and Colorado

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

March 19, 2002

**DIVISION ORDER TITLE OPINION**

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

Attention: Mr. Steve Sell

Re: SDX Resources, Inc. Malibu Federal No. 1 Well - Federal Oil and Gas Lease NM 105204, insofar as it covers the following-described land situated in Eddy County, New Mexico:

Township 18 South, Range 27 East, N.M.P.M.  
Section 5: W/2 SE/4

containing 80 acres, more or less.

---

Gentlemen:

**BASIS OF EXAMINATION**

At your request, we have examined the following:

**Prior Title Opinion**

Copy of our original Drilling Title Opinion dated August 9, 2001, covering captioned land, based upon an examination of the records and certain instruments, as described therein, which together cover (a) the Plat Book Records, Historical Index Records, Serial Record and Case File for Federal Lease NM 105204, in the Bureau of Land Management State Office at Santa Fe, New Mexico, from inception of the records to August 8, 2001 at 8:00 a.m.; and (b) the records of the Office of the County Clerk of Eddy County, New Mexico, pertaining to the mineral estate only in captioned land, from inception of the records to August 6, 2001 at 8:00 a.m., based upon the indices of Guaranty Abstract and Title Company, Inc.

**Examination of the Records**

We have examined the Plat Book Records, Historical Index Records, Serial Record and Case File for Federal Lease NM 105204, in the Bureau of Land Management State Office at Santa Fe, New Mexico, from August 8, 2001 at 8:00 a.m. to March 11, 2002 at 8:00 a.m. We have examined the records of the Office of the County Clerk of Eddy County, New Mexico, pertaining to the mineral estate only in captioned land, from August 6, 2001 at 8:00 a.m. to March 4, 2002 at 8:00 a.m., based upon the indices of Guaranty Abstract and Title Company, Inc.

**Instrument**

Copy of Assignment No. 7, described below.

**OWNERSHIP OF PRODUCTION**

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

(Malibu Fed.)

Royalty:

United States of America . . . . .	.1250000
------------------------------------	----------

Overriding Royalty Interest:

Lynn S. Charuk . . . . .	.0150000
--------------------------	----------

Working Interest:

Steve Sell, whose wife is Lisa Sell . . . . .	.2881000
--	----------

St. Anselm Exploration Company . . . . .	.2580000
--	----------

John D. Pool, whose wife is Stacy Pool . . . . .	.2064000
---	----------

William S. Montgomery, Jr., as his separate property . . . . .	.0430000
---	----------

Eram Ali, whose wife is Vicky Ali . . . . .	.0215000
--	----------

Fred C. Corey, whose wife is Deborah Corey . . . . .	.0215000
---	----------

Charles M. Morgan, whose wife is Monica Morgan . . . . .	.0215000
---	----------

EXISTING OIL, GAS AND MINERAL LEASE

Serial No.:	NM 105204.
Date:	September 1, 2000.
Recorded:	Unrecorded; however, there is no need to record the lease in the county records.
Lessor:	United States of America.
Lessee:	Steve Sell.
Land Covered:	<u>T-18-S, R-27-E, N.M.P.M.</u> Section 5: W/2 SE/4  Eddy County, New Mexico, containing 80.0 acres, more or less.
Primary Term:	Ten (10) years from date.
Royalty:	1/8 on oil and gas.
Minimum Royalty:	Minimum royalty in lieu of rentals which would otherwise be required for that lease year shall be payable at the end of each lease year beginning on or after a discovery in paying quantities.
Rentals:	Rentals are payable to Lessor in advance of each lease year in the sum of \$1.50 per acre for the first five (5) years of the lease; thereafter, the rentals will be \$2.00 per acre.

PROPERTY	PROPERTY NAME	DK MONTH DESCRIPTION	INT	D.D.I.	SS#/Tax-Id
017900	CHALK FEDERAL (RED LAKE N.E.)	G 12/00 GAS SALES			
		8888250 U. S. DEPARTMENT OF INTERIOR MINERALS MANAGEMENT SERVICE Royalty Management Program P. O. Box 5810 T.A. Denver CO 80217	F	0.12500000	
					COUNTY: EDDY STATE: NM
		1004540 BNM, INC. P. O. Box 214 Midland TX 79702-0214	O	0.00500000	85-0326132
		1328910 CCW RESOURCES, INC. P. O. Box 11292 Midland TX 79702-1292	O	0.00500000	75-2483703
		5516330 MAYHILL OIL CORP. P. O. Box 5334 Midland TX 79704	O	0.06150000	75-2397319
		7121480 POCO ROYALTY COMPANY 2602 Terrace Ave. Midland TX 79705	O	0.00500000	585-26-5174
		8329540 TAY-MOR ENTERPRISES, INC. P. O. Box 4723 Midland TX 79704	O	0.02850000	75-2419960
		5790910 WILLIAM S. MONTGOMERY, JR. 4210 Lorraine Dallas TX 75205-3706	W	0.03850000	459-76-5610
		8096200 ST. ANSELM EXPLORATION COMPANY 1200 17TH ST - STE 2100 Denver CO 80202	W	0.23100000	
		9999802 STEPHEN G. SELL P.O. Box 5061 Midland TX 79704-5061	W	0.25795000	465-96-6151
		9999803 JOHN D. POOL P. O. Box 5441 Midland TX 79704-5441	W	0.18480000	459-06-2717
		9999812 FRED C. COREY 2602 Terrace Midland TX 79705	W	0.01925000	585-26-5174

Attachment 4

PROPERTY	PROPERTY NAME	DK MONTH	DESCRIPTION	INT	D.D.I.	SS#/Tax-Id
017900	CHALK FEDERAL (RED LAKE N.E.)	G	12/00 GAS SALES			
		9999814	CHARLES M. MORGAN	W	0.01925000	525-04-9220
			5321 SHADY BEND CT.			
			MIDLAND TX 79707			
		9999820	ERAM ALI	W	0.01925000	521-98-6973
			511 W. OHIO, SUITE 602			
			Midland TX 79701			
		***	DECK TOTAL		1.00000000	
			WORKING INTEREST TOTAL		0.77000000	
			OVERRIDE INTEREST TOTAL		0.10500000	
			FEDERAL INTEREST TOTAL		0.12500000	

SDX RESOURCES, INC.  
PO Box 5061  
Midland, TX 79704  
432/685-1761

October 15, 2003

Re: Surface Commingling Application  
Malibu Federal & Chalk Federal  
Sec 5, T18S, R27E  
Eddy County, New Mexico

Gentlemen:

SDX Resources has applied to the BLM, NMOCD and the State Land Office for permission to commingle casing head gas production from the Malibu Lease with casing head gas from the Chalk Federal Lease into a common battery at their Chalk Federal battery.

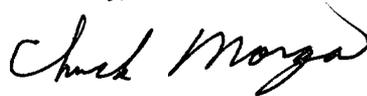
If you need any more information or have any questions please contact me at the above address or number.

If you have no objections to this application please sign where indicated and return this letter to SDX Resources at the above address.

If you have any objections to the surface commingling of these leases you should file your objections with the NMOCD at 1220 S. St. Francis Dr, Santa Fe, NM 87504, Attn: David Catanach within 20 days of the receipt of this notice. Failure to respond will constitute your approval of this application.

Your cooperation on the matter is greatly appreciated.

Sincerely,



Chuck Morgan

I/We have no objections to the commingling of the above referenced leases.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Attachment 5

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

7001 1140 0002 4302 7630  
 PS

**OFFICIAL USE**

Postage	\$ .37
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 4.42</b>



**St Anselm Expl Co**  
**1200 17th St - Ste 2100**  
**Denver CO 80202**

Instructions

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

7099 3220 0006 1554 1277  
 PS

Article Sent To:

Postage	\$ .37
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 4.42</b>



**William S Montgomery, Jr**  
**4210 Lorraine**  
**Dallas TX 75205-3706**

Instructions

SDX RESOURCES, INC.  
PO Box 5061  
Midland, TX 79704  
432/685-1761

October 15, 2003

Re: Surface Commingling Application  
Malibu Federal & Chalk Federal  
Sec 5, T18S, R27E  
Eddy County, New Mexico

Gentlemen:

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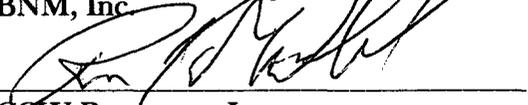
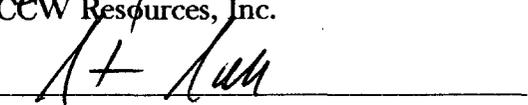
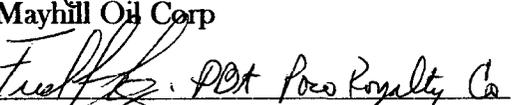
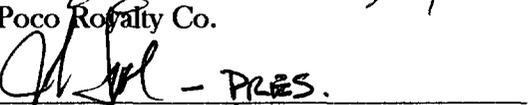
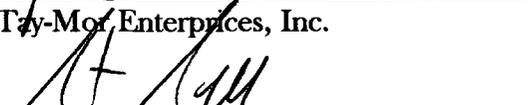
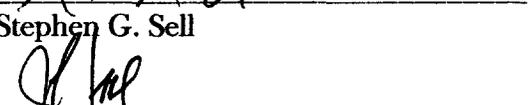
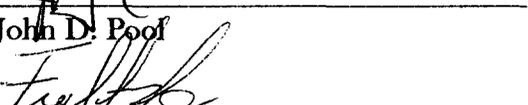
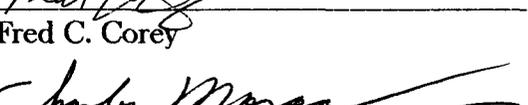
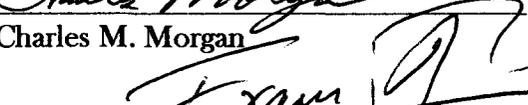


Chuck Morgan

Attachment 5

Surface Commingling Application  
Malibu Federal & Chalk Federal  
Page 2

I/We have no objections to the commingling of the above referenced leases.

 BNM, Inc	<u>10/15/03</u> Date
 CCW Resources, Inc.	<u>10/15/03</u> Date
 Mayhill Oil Corp	<u>10/15/03</u> Date
 Poco Royalty Co. Poco Royalty Co.	<u>10/15/2003</u> Date
 Tay-Mor Enterprises, Inc.	<u>10/15/03</u> Date
 Stephen G. Sell	<u>10/15/03</u> Date
 John D. Pool	<u>10/15/03</u> Date
 Fred C. Corey	<u>10/15/2003</u> Date
 Charles M. Morgan	<u>10/15/03</u> Date
 Eram Ali	<u>10/15/03</u> Date
 Lynn Charuk	<u>10/16/03</u> Date



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**GARY E. JOHNSON**  
Governor  
**Jennifer A. Salisbury**  
Cabinet Secretary

**Lori Wrotenbery**  
Director  
Oil Conservation Division

August 28, 2001

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

Attention: Mr. Chuck Morgan

Re: Division Form C-107-A  
Chalk Federal No. 5  
Lot 3, Section 5, T-18 South, R-27 East, NMPM,  
Eddy County, New Mexico

*COPY*



Dear Mr. Morgan:

With regards to the above-described administrative application, please be advised that:

- 1) The Division received this application on June 1, 2001;
- 2) By letter dated July 10, 2001, the Division requested additional information necessary to process the application; and
- 3) No additional data has been submitted as of August 28, 2001.

Pursuant to current Division procedures regarding administrative applications, your application is being returned to you unprocessed. If you wish to pursue downhole commingling approval for this well, it will be necessary to file a new application.

If I can be of further assistance, please call me at (505) 476-3466.

Sincerely,

David Catanach  
Engineer

Xc: OCD-Artesia ✓

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE

(See other instructions on reverse side)

M. Oil Cons. Division *c/s k*  
811 S. 1st Street  
Artesia, NM 88210-2834  
CMB NO. 1904-0137  
February 28, 1995  
LEASE REGISTRATION AND SERIAL NO.  
NM-97122

WELL COMPLETION OR RECOMPLETION REPORT AND LOGS

1a. TYPE OF WELL: OIL WELL  GAS WELL  DRY  Other

b. TYPE OF COMPLETION: NEW WELL  WORK OVER  DEEP-EN  PLUG BACK  DIFF. RESVR.  Other

2. NAME OF OPERATOR  
SDX Resources, Inc.

3. ADDRESS AND TELEPHONE NO.  
PO Box 5061, Midland, TX 79704 915/685-1761

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)  
At surface: 990' FNL 2310' FWL  
At top prod. interval reported below: Same  
At total depth: Same

14. PERMIT NO. **BLM DATE ISSUED**

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.  
Chalk Federal #5

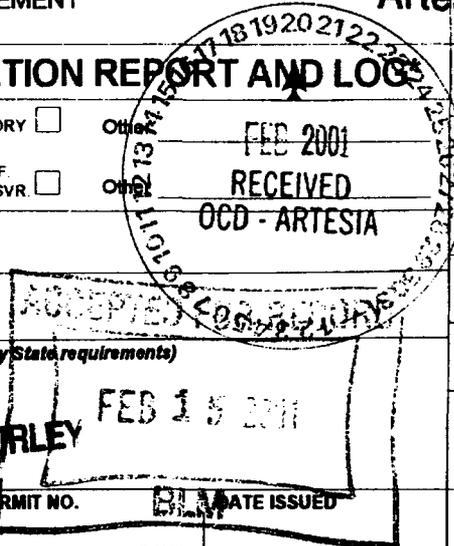
9. API WELL NO.  
30-015-29650

10. FIELD AND POOL, OR WILDCAT  
Red Lake, ~~ON GB SA~~ *Cloriet*

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA  
Sec 5, T18S, R27E, Lot 3, C *Yes*

12. COUNTY OR PARISH  
Eddy

13. STATE  
NM



15. DATE SPUNDED: 10/18/01

16. DATE T.D. REACHED: 10/25/00

17. DATE COMPL. (Ready to prod.): 01/25/01

18. ELEVATIONS (DF, RKB, RT, GE, ETC.):

19. ELEV. CASINGHEAD

20. TOTAL DEPTH, MD & TVD: 3450

21. PLUG, BACK T.D., MD & TVD: 3405

22. IF MULTIPLE COMPL., HOW MANY\*

23. INTERVALS DRILLED BY: Rotary

24. PRODUCING INTERVAL(S), OF THIS COMPLETION-TOP, BOTTOM, NAME (MD AND TVD)\*  
2796' - 3059'

25. WAS DIRECTIONAL SURVEY MADE: Yes

26. TYPE ELECTRIC AND OTHER LOGS RUN  
LDT-CNL-GR, DLL-GR

27. WAS WELL CORED: Yes

28. CASING RECORD (Report all strings set in well)

CASING SIZE/GRADE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	TOP OF CEMENT, CEMENTING RECORD	AMOUNT PULLED
8-5/8"	24#	1154	12-1/4"	375 sx Lite 200 sx C, Circ	None
5-1/2"	14#	3448	7-7/8"	250 sx 35/65 350 sx C, Circ	None

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)

30. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)
2-7/8"	3089	

31. PERFORATION RECORD (Interval, size and number)  
2796, 2805, 11, 14, 22, 38, 41, 52, 64, 66, 67, 2905, 14, 41, 49, 52, 69, 87, 97, 3011, 15, 34, 46, 59 (4" select fire, 1 spf, 24 holes)

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
2796-3059	A: 4000 gal 15% HCL F: 59,724 bbl Viking 30 + 100,320# 16/30 + 35,120# 12/20 Brady sd

33. PRODUCTION

DATE FIRST PRODUCTION: 01/11/01

PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump): Pmp 2-1/2" x 2" x 12' RWAC

WELL STATUS (Producing or shut-in): Prod

DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N FOR TEST PERIOD	OIL—BBL	GAS—MCF	WATER—BBL	GAS-OIL RATIO
01/25/01	24			56	55	84	982

FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL	GAS—MCF	WATER—BBL	OIL GRAVITY-API (CORR.)
			56	55	84	

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.): Sold

TEST WITNESSED BY: Chuck Morgan

35. LIST OF ATTACHMENTS  
Logs, Deviation Survey

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED: *Bonnie Atwater* TITLE: Regulatory Tech DATE: 02/06/01

\*(See Instructions and Spaces for Additional Data on Reverse Side)

37. SUMMARY OF POROUS ZONES: Show all important zones of porosity and content thereof; cored intervals; and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures, and recoveries).

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.
Yeso	2796	3059	Tested 56 BOPD, 55 MCFPD, 84 BWPD

*COPY*

RECEIVED  
 FEB 07 '01  
 BLM  
 ROSWELL, NM

38. GEOLOGICAL MARKERS			38. GEOLOGICAL MARKERS		
NAME	TOP		NAME	TOP	
	MEAS. DEPTH	TRUE VERT. DEPTH		MEAS. DEPTH	TRUE VERT. DEPTH
San Andres	1380				
Glorieta	2650				
Yeso	2880				