SCAL, Inc.
SPECIAL CORE ANALYSIS LABORATORIES

SDX Resources, Inc.

Sidewall Core Analysis Report

Marathon 25 State #24
Eddy County, New Mexico

P.O. Box 9730 - MIDLAND, TX 79708-2730 - (432) 561-5406 - FAX (432) 561-5339

SCAL, Inc.
SPECIAL CORE ANALYSIS LABORATORIES

May 24, 2006

Mr. Chuck Morgan

SDX Resources, Inc.
511 W. Ohio
Suite 601
Midland, Texas 79701

Reference: Drilled Sidewall Core Analysis
File: 06546
Marathon 25 State #24
Eddy County, New Mexico

Dear Mr. Morgan:

Please find enclosed the final core analysis report for the rotary sidewall core samples.

The following procedures were used:

The sample containers were opened and a gas detector was used to determine the presence and relative amount of flammable gas. The gas measurement of 500+ represents the point at which the gas detector filament becomes saturated. The ends of the samples were trimmed and UV and Natural light photographs were taken. The end piece of each sample was then photographed under natural light utilizing a microscope at a low (10x) and higher (30x) magnification. A Dean-Stark extraction was performed to remove the pore water. The remaining oil was extracted using a CO2-Toluene core cleaner. A material balance was performed to determine the oil saturation. After drying, the porosity, air permeability (@ 500 psi and reservoir stress) and grain density were measured.

It was a pleasure performing these analysis for you. If you have any further questions please feel free to contact our laboratory.

Thank you for using SCAL, Inc.

Sincerely,

Landon Turnbow
Lab Supervisor

Mihai Vasilache
Petroleum Engineer/President

SCAL, Inc.

SPECIAL CORE ANALYSIS LABORATORIES

Rotary Sidewall Core Analysis Procedure, Results and Limitations

December 20, 2004

P.O. Box 9730 - MIDLAND, TX 79708-2730 - (432) 561-5406 - FAX (432) 561-5339 - SCALINC@MSN.COM

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Rotary Sidewall Core Analysis Procedure

1. Assigning sample numbers.
The sample numbers are assigned sequentially from top to bottom depth. A label with the sample number is applied to each sample jar.

2. Flammable gas detection.
The sidewall rotary cores arrive at the laboratory in glass jars. After inspecting the seal condition of the jars the gas evolved from the samples is measured using a mutlichannel digital system. SCAL, Inc. developed a new equipment and procedure allowing the gas evaluation without further gas dilution. The gas detector is calibrated using 1% methane in air as 100 gas units.

The gas readings are used to determine if gas hydrocarbons are present in a given sample. Before one makes a judgement on the existence of gas hydrocarbons there are several factors that need serious consideration:

Mud gas contamination. If the well has a open hydrocarbon zone it is very likely that gas and liquid hydrocarbons are present in the entire mud system. By looking at all the gas readings most of the time it is possible to establish some background gas level. Samples showing gas readings higher than the background are likely gas sources, where samples with values close to the background probably are contaminated.

The process used to cut and recover the cores has serious effects on the gas readings. The sidewall cores are invaded by mud filtrate during the coring process. If the sampled formation has permeability and hydrocarbons, the filtrate invasion will displace the hydrocarbons to saturations close to the residual level. As the cores are lifted from the formation pressure and temperature to surface conditions of pressure and temperature the gas will come out of solution and expand. This gas expansion will unload some of the fluids present in the pore space. The time elapsed from the cutting of the core to the time it is sealed in the glass jar is important. A long sample unloading, examination and description combined with good sample permeability and strong fluid invasion can yield low gas readings.

3. Sample trimming and marking.
The end pieces are trimmed in order to obtain a right cylindrical core. A diamond blade cooled with water is used if the cores were drilled with a water based mud. Other fluids are available for special cases (I.e. oil based drilling muds). The larger the core samples the more accurate the laboratory measurements will be. Ask the coring company to install a "long barrel" and cut the longest sidewall cores they can. This is a very important detail. The samples and end pieces are marked with a sample number.

4. Fluoresence evaluation.
The samples fluorescence is graded on a 0 to 100% scale and described with respect to intensity, color, distribution and cut.

5. Digital sample photography.
Each sample is photographed in daylight and ultraviolet. A centimeter scale is used in the photo setup allowing sample size evaluation. We then photograph the end pieces using a composite format (12 samples in the same frame) to provide the ability to compare the fluorescent colors and intensity independent of photo processing,

6. The original weight of the sample is electonically measured and recorded and the samples are loaded in individual Dean-Stark extractors to clean the samples and measure the fluid content for assessing the water and oil saturations. The water extracted is recorded at the end of the extraction process.

If the samples are tight and the Dean-Stark extraction process was not complete the samples are loaded in a digitally controlled plug toluene-CO2 cleaner and the extraction process is continued until all hydrocarbons are removed.

If salt crystals are present within the pore system a long methanol soxlet extraction using methanol is recommended. Formations with high salinity water drilled with saturated brine are the most likely candidates for this additional step.

7. After extraction the cores are dried at 100 degrees C until the weight of the sample becomes constant. special drying procedures are available for special samples containing gypsum, clays or other temperature sensitive minerals. These methods include low temperature and controlled humidity drying.

8. The samples are cooled in an automated desiccator and the dry weight of the samples is measured and recorded electronically.

9. The sample's dimensions are measured and recorded using digital precision calipers interfaced in the computer system.

10. The samples are loaded into automated He expansion equipments and the grain volumes are measured.

11. If the desired confining pressure is not specified SCAL, Inc. will average the depths for each zone and will estimate the net uniaxial overburden stress assuming 1 psi/ft weight of the overburden, normal pressurized reservoir and average Poison ratio.

12. The samples are loaded into an automated Klinkenberg system at 500 psi confining pressure (required for a good seal). After equilibrium a helium expansion porosity is conducted followed by a Klinkenberg permeability measurement. The reference volume and the sample is filled with helium and after equilibrium the helium is produced recording pressure-time data. The system integrates the data determining the Klinkenberg permeability (a liquid permeability to a non reactive liquid).

13. The porosity and Klinkenberg permeability are performed at the reservoir stress as determined in 11.

Small sample size, imperfect cylinder and drilling induced fractures are the most common problems yielding inaccurate core analysis measurements. When a porosity is too good to be true it is probably due to the sample shape and size. The very high permeability (out of context) is sometimes due to a drilling induced fracture. However the confining stress measurements reduce these errors. The relaxed fractures tend to close at reservoir stress.

The most realistic data will be the Klinkenberg permeability and porosity determined at reservoir stress. The "ambient" (500 psi) is provided to compare the subject cores with old core analysis measured by the old technology.

14. The fluid saturations are calculated. The recorded Dean-Stark water divided by the pore volume represents the water saturation. To calculate the oil saturation a material balance is performed. The original weight minus the dry weight minus the water recovered represents the oil extracted from the sample.

The water and oil saturations are affected by several factors; mud filtrate invasion during the coring, gas expansion during core retrieval to surface, sample handling in the field and laboratory, sample size and its porosity. A small tight sample with low porosity can have a very small pore volume making the saturation calculation inaccurate or even impossible.

A very high water saturation without fluorescence and without significant (higher than the background gas) gas units will indicate a wet zone, where moderate water saturations with some gas units will indicate "gas expansion" in the core retrieval process therefore a "gas zone". Oil fluorescence associated with some oil saturations (e.g. the residual range due to invasion) will indicate an "oil zone".

The gas readings and fluid saturations are subject to fluid invasion, gas expansion, drilling parameters and field handling.

15. A geological sample description along with low and high magnification stereo microscope photos is done. The core end pieces are mounted in coin holders, labeled with the depth and included in the final report.

16. The final core analysis report is prepared as paper and digital versions. Plots of permeability versus porosity and the reservoir quality index versus normalized porosity are included. All digital pictures are printed and copied to the CD and can be used as desired by the client and its partners.

SCAL, Inc. is equipped with state-of-the-art technology; it maintains qualified and experienced laboratory personnel, and uses multiple sets of hi-tech automated equipment for each step of this procedure to provide this type of analysis on a fast turnaround basis making it possible for our clients to a make a pipe setting decision on reservoir stress core analysis data.

We will be happy to work with you and modify this "standard" procedure to meet your specific needs. Thank you for considering SCAL, Inc.

Sincerely,

Mihai A. Vasilache
Petroleum Engineer, President

Drilled Sidewall Core Analysis Report

Company: SDX Resources, Inc.
File No.: 06546
Well : Marathon 25 State #24
Location: 480' FNL & 1650' FEL, Sec 25, T17S, R28E

Field: Red Lake
Formation:
County: Eddy County, New Mexico

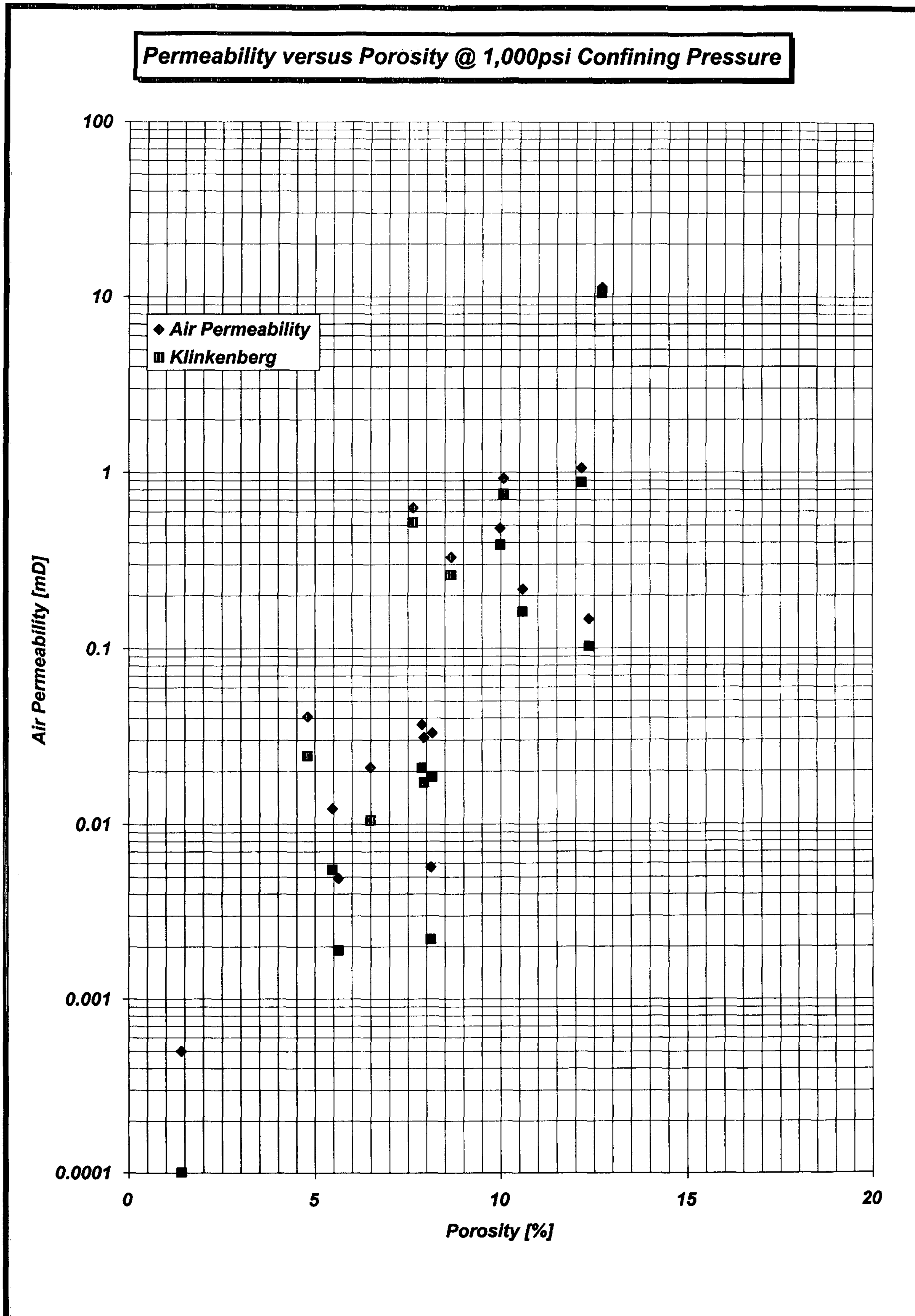
Sample Number	Depth ft	Air Permeability mD	Klinkenberg Permeability mD	Porosity %	Grain Density g/cc	Sw %	So %	Gas Units	Fluorescence %	Fluorescence Description	Sample Description
Confining Pressure 1,000psi											
1	2,088.0	0.4802	0.3861	9.99	2.70	43.4	18.2	430	95	Dl gld-orng	Ss:orng-brn vfg wl srt md sm pyr
2	2,176.0	23.5 (f)	22.3 (f)	17.23	2.66	50.3	18.9	200	100	V dl gld	Ss:orng vf-fg mod srt md
3	2,216.0	1.05	0.8746	12.16	2.68	45.1	19.2	436	100	V dl gld	Ss:ltorng vfg wl srt md
4	2,219.0	0.2166	0.1612	10.59	2.73	44.0	19.5	362	100	Yl	Ss:tn vfg wl srt md v sl dol
5	2,231.0	0.0329	0.0185	8.16	2.71	66.9	0.0	23	0		Ss:rd xf-vfg mod srt md sl dol v sl hem
6	2,285.0	0.3550 (f)	0.2796 (f)	2.70	2.80	70.4	0.0	12	0		Dol:tn-pnk styl
7	2,295.0	0.0005	0.0001	1.42	2.82	73.6	0.0	10	0		Dol:pnk nvp
8	2,309.0	0.0049	0.0019	5.63	2.76	62.1	0.0	18	0		Dol:rd-brn styl sm gyp
9	2,445.0	0.1461	0.1022	12.36	2.77	46.3	20.0	500+	100	Brt yl	Dol:tn ppp v sl anhy v sl pyr
10	2,650.0	0.3289	0.2607	8.67	2.85	43.2	18.8	500+	95	Brt yl	Dol:tn ppp sm anhy
11	2,670.0	0.0057	0.0022	8.12	2.85	53.6	16.2	500+	60	Dl yl sp	Dol:brn ppp sl anhy v sl pyr
12	2,702.0	1488 (f)	1473 (f)	10.32	2.82	50.5	17.9	500+	80	V dl yl	Dol:brn ppp sl anhy v sl pyr v sl sh v sl hal
13	2,750.0	0.0210	0.0105	6.50	2.84	69.3	0.0	216	0		Dol:brn ppp v sl anhy v sl pyr
14	2,788.0	0.9216	0.7498	10.08	2.83	47.6	18.5	500+	95	Yl-dl yl sp	Dol:brn ppp sl anhy foss
15	2,806.0	0.0122	0.0055	5.47	2.84	70.1	0.0	21	tr	Yl sp	Dol:brn ppp v sl anhy
16	2,850.0	0.0309	0.0172	7.93	2.86	76.9	0.0	22	tr	Yl sp	Dol:tn intxln por anhy styl
17	2,915.0	11.3	10.5	12.70	2.83	73.7	0.0	14	0		Dol:tn ppp v sl hal
18	2,944.0	0.0367	0.0208	7.88	2.86	62.5	0.0	17	0		Dol:tn ppp sl anhy
19	3,018.0	0.0408	0.0244	4.80	2.85	58.4	9.9	447	20	Yl-dl yl sp	Dol:brn ppp sl anhy
20	3,057.0	0.6281	0.5178	7.64	2.83	46.6	10.3	336	20	Yl-dl yl sp	Dol:brn sml vugs sl anhy

Note: 500+ gas reading represents a saturated detector filament

1% CH_4 in air = 100 gas units

Core Description Abbreviations

ang	angular
anhy	anhydrite
ark	arkosic
arg	argillaceous
bl	blue
bldgg	bleeding gas
bldgo	bleeding oil
blk	black
blky	blocky
brn	brown
brt	bright
bf	buff
calc	calcareous
carb	carbonaceous
cem	cement
cg	coarse grain
cgl	conglomerate
chky	chalky
chrty	cherty
com	common
conch	conchoidal
cnsl	consolidated
crm	cream
cslt	coarse siltstone
dk	dark
dns	dense
dol	dolomite
dolic	dolomitic
dru	drusy
dul	dull
fg	fine grain
fiss	fissile
foss	fossiliferous
frac	fractured
fri	friable
gil	gilsonite
glauc	glauconite
grn	green
grst	grainstone
gry	gray
gyp	gypsum
h/frac	horizontally fractured
hal	halite
incl	inclusion
intrgr	intergranular
intrxln	intercrystalline
ip	in part
lam	lamina(-ated)
ls	limestone
lt	light
md	medium
mf	mineral fluorescence
mg	medium grain
micr	micritic
mod	moderate
mott	mottled
mdst	mudstone
n/a	not available
n/r	not recovered
nod	nodules
nvp	no visible porosity
o	oil
ool	oolitic
orng	orange
peld	peloid
pisol	pisolitic
pk	pink
pkst	packstone
por	porosity
poss	possible
ppp	pinpoint porosity
pr(-ly)	poor(-ly)
ptg	parting
pyr	pyrite
rnd	round
sbang	subangular
sc	surface contamination
sh	shale
strgr	stringer
sbrnd	subround
scat	scattered
sd(y)	sand(y)
sh	shale
shy	shaley
sil	siliceous
sl	slight(ly)
slty	silty
sm	some
sml	small
sp	spotty
ss	sandstone
sltst	siltstone
srt	sorted
strks	streaks
styl	styolite
suc	sucrosic
tbfa	too broken for analysis
tn	tan
tr	trace
v	very
vis	visible
vtfrac	vertically fractured
vfg	very fine grain
vug	vug(gy)
w/	with
wht	white
wk(-ly)	weak(-ly)
wkst	wackestone
wl	well
xln	crystalline
xfg	extremely fine grained
xl	crystal
yl	yellow



Permeability versus Porosity @ 1,000psi Confining Pressure
Air Permeability
Klinkenberg
100
10
1
0.1
0.01
0.001
0.0001
Air Permeability [mD]
0
5
10
15
20
Porosity [%]

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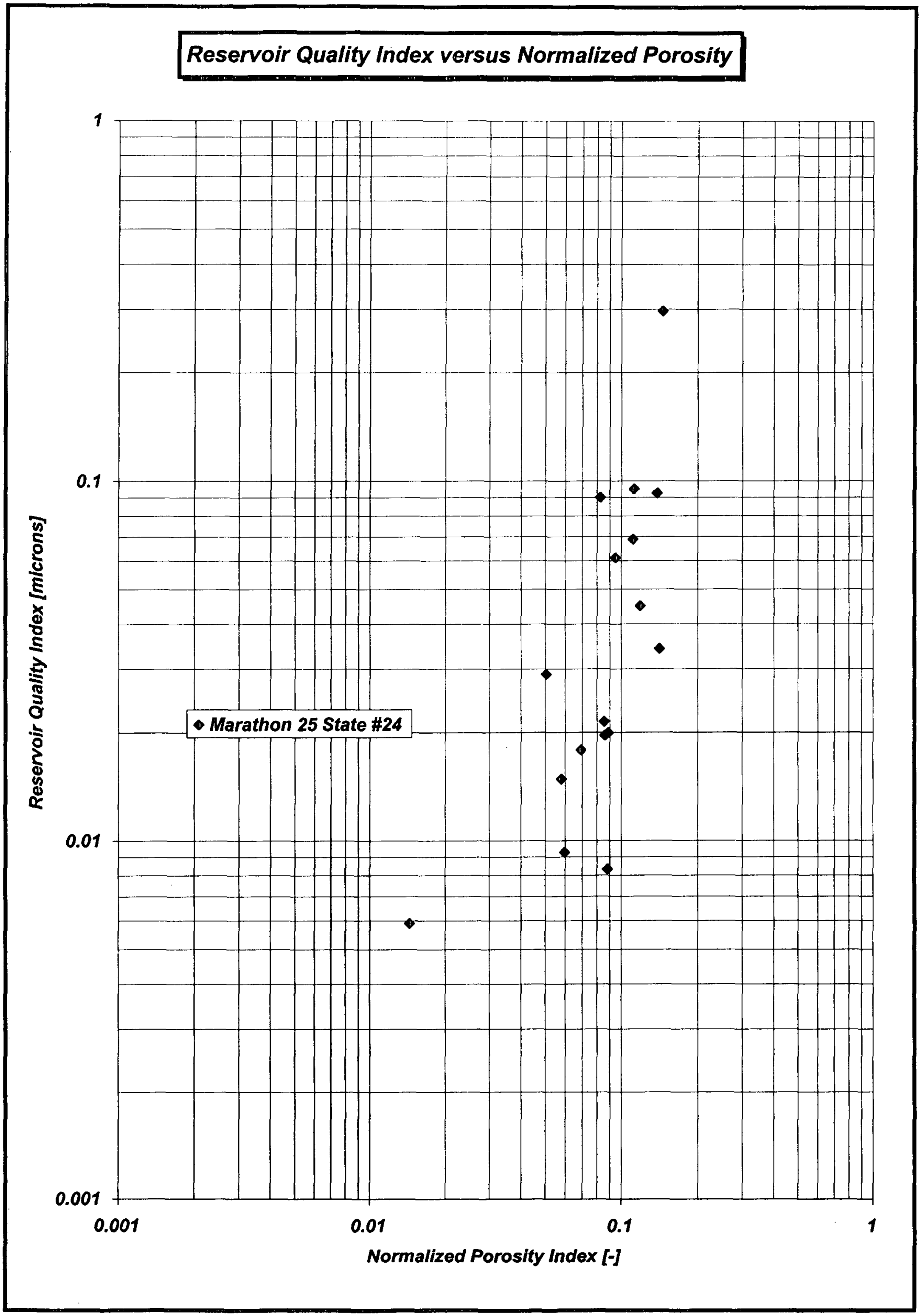


Reservoir Quality Index versus Normalized Porosity
Reservoir Quality Index [microns]
1
0.1
0.01
0.001
Marathon 25 State #24
0.001
0.01
0.1
1
Normalized Porosity Index [-]

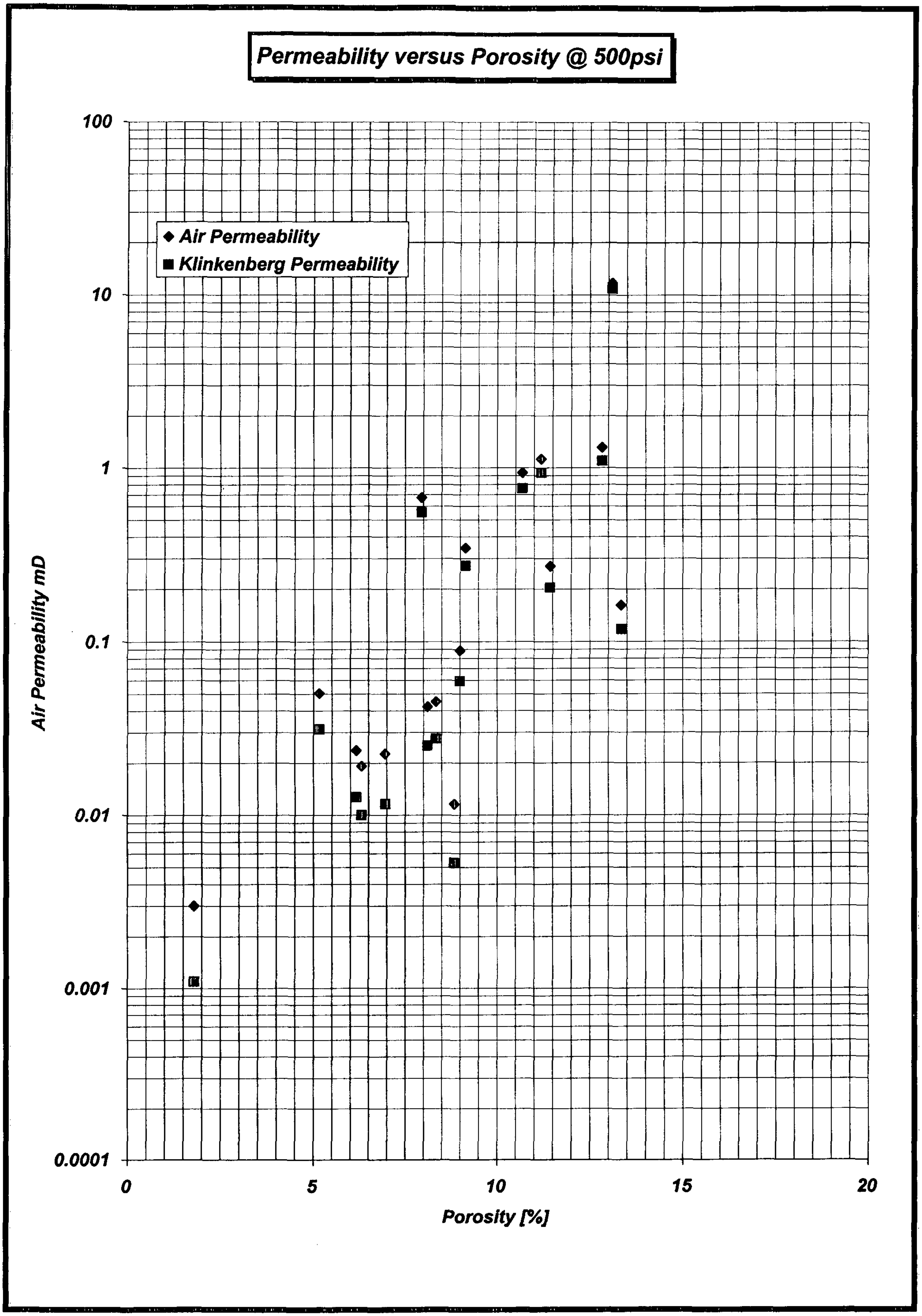
SCAL, Inc.

Drilled Sidewall Core Analysis Report

Company : SDX Resources, Inc.
File No. : 06546
Well : Marathon 25 State #24
Location : 480' FNL & 1650' FEL, Sec 25, T17S, R28E

Field: Red Lake
Formation:
County : Eddy County, New Mexico

Sample Number	Depth	Grain Density	Porosity	Air Permeability	Klinkenberg Permeability	Porosity	Air Permeability	Klinkenberg Permeability
	ft	g/cc	%	mD	mD	%	mD	mD
			Confining Pressure 500psi			Confining Pressure 1,000psi		
1	2,088.0	2.70	11.19	1.12	0.9356	9.99	0.4802	0.3861
2	2,176.0	2.66	18.08	33.3 (f)	31.8 (f)	17.23	23.5 (f)	22.3 (f)
3	2,216.0	2.68	12.83	1.31	1.09	12.16	1.05	0.8746
4	2,219.0	2.73	11.43	0.2699	0.2046	10.59	0.2166	0.1612
5	2,231.0	2.71	9.00	0.0883	0.0593	8.16	0.0329	0.0185
6	2,285.0	2.80	3.61	1.05 (f)	0.8687 (f)	2.70	0.3550 (f)	0.2796 (f)
7	2,295.0	2.82	1.80	0.0030	0.0011	1.42	0.0005	0.0001
8	2,309.0	2.76	6.17	0.0235	0.0127	5.63	0.0049	0.0019
9	2,445.0	2.77	13.35	0.1613	0.1176	12.36	0.1461	0.1022
10	2,650.0	2.85	9.15	0.3437	0.2726	8.67	0.3289	0.2607
11	2,670.0	2.85	8.85	0.0115	0.0053	8.12	0.0057	0.0022
12	2,702.0	2.82	12.11	2829 (f)	2808 (f)	10.32	1488 (f)	1473 (f)
13	2,750.0	2.84	6.96	0.0225	0.0116	6.50	0.0210	0.0105
14	2,788.0	2.83	10.68	0.9333	0.7584	10.08	0.9216	0.7498
15	2,806.0	2.84	6.31	0.0191	0.0100	5.47	0.0122	0.0055
16	2,850.0	2.86	8.35	0.0449	0.0276	7.93	0.0309	0.0172
17	2,915.0	2.83	13.10	11.6	10.8	12.70	11.3	10.5
18	2,944.0	2.86	8.12	0.0420	0.0251	7.88	0.0367	0.0208
19	3,018.0	2.85	5.16	0.0502	0.0313	4.80	0.0408	0.0244
20	3,057.0	2.83	7.96	0.6699	0.5532	7.64	0.6281	0.5178



Permeability versus Porosity @ 500psi
Air Permeability
Klinkenberg Permeability
100
10
1
0.1
0.01
0.001
0.0001
Air Permeability mD
0
5
10
15
20
Porosity [%]

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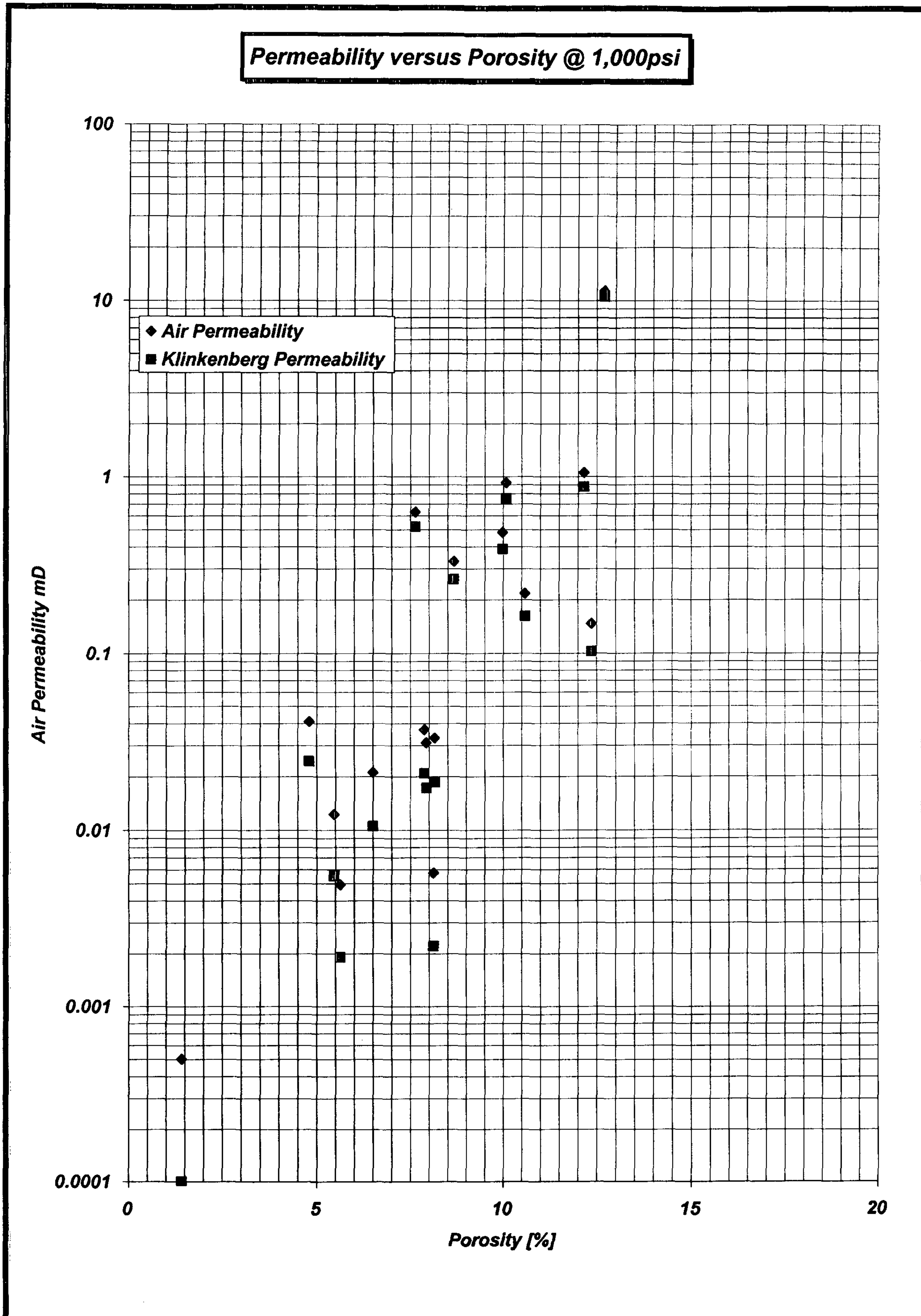

Permeability versus Porosity @ 1,000psi
100
10
1
0.1
0.01
0.001
0.0001
Air Permeability mD
Air Permeability
Klinkenberg Permeability
0
5
10
15
20
Porosity [%]

SCAL, Inc.

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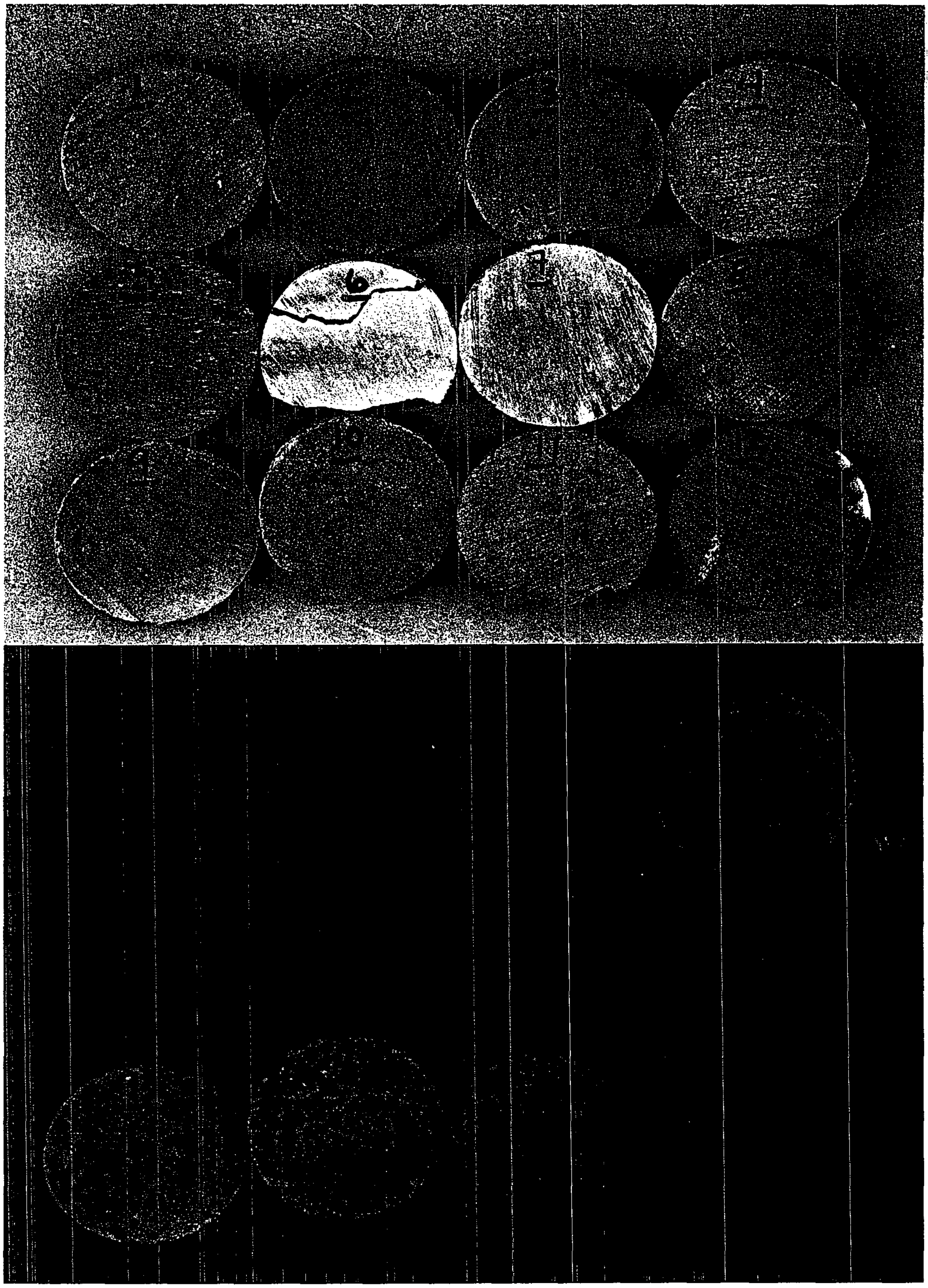
SPECIAL CORE ANALYSIS LABORATORIES

Marathon 25 State #24



Sample	Depth	Sample	Depth	Sample	Depth	Sample	Depth
1	2,088.0	4	2,219.0	7	2,295.0	10	2,650.0
2	2,176.0	5	2,231.0	8	2,309.0	11	2,670.0
3	2,216.0	6	2,285.0	9	2,445.0	12	2,702.0

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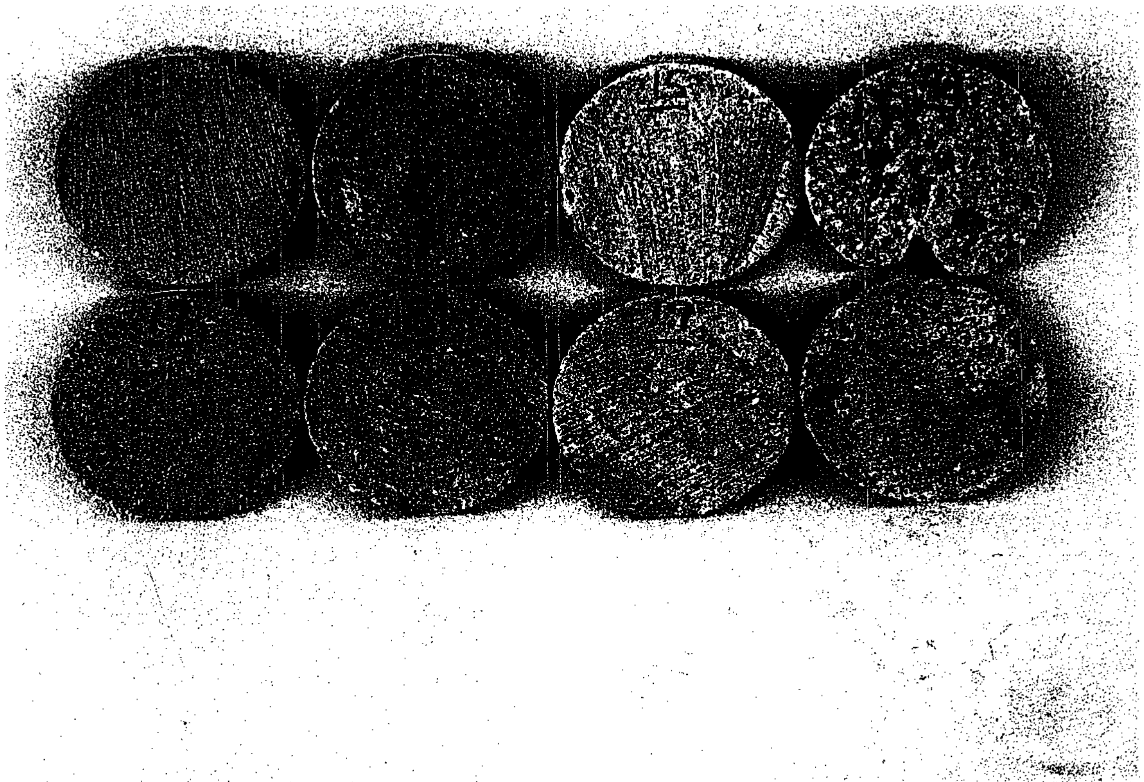
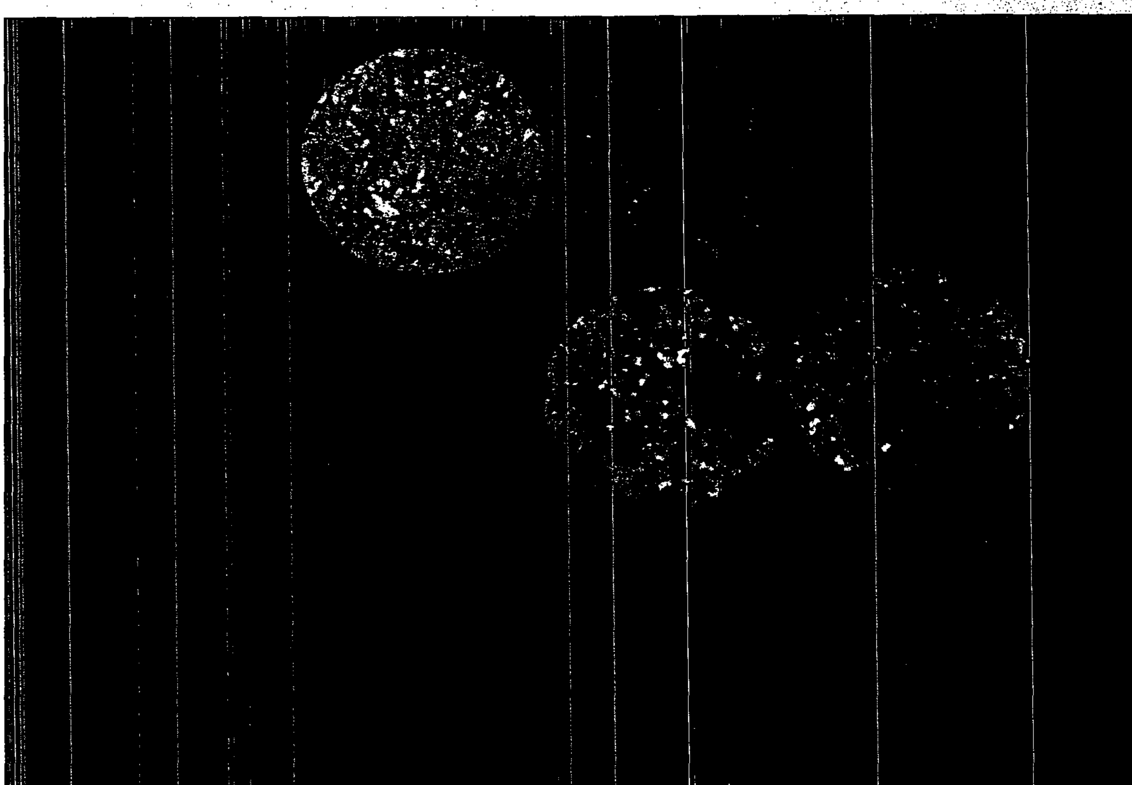
Marathon 25 State #24





Sample	Depth	Sample	Depth	Sample	Depth
13	2,750.0	16	2,850.0	19	3,018.0
14	2,788.0	17	2,915.0	20	3,057.0
15	2,806.0	18	2,944.0		