

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-015-35606
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. NMNM048344
7. Lease Name or Unit Agreement Name Pure Federal
8. Well Number 3
9. OGRID Number 020451
10. Pool name or Wildcat Artesia, GL-YE (96830)

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.) 1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>	
2. Name of Operator SDX Resources, Inc.	SEP 11 2007
3. Address of Operator PO Box 5061, Midland, TX 79704	OCD-ARTESIA
4. Well Location Unit Letter <u>A</u> : <u>910</u> feet from the <u>North</u> line and <u>1190</u> feet from the <u>East</u> line Section <u>21</u> Township <u>17S</u> Range <u>28E</u> NMPM <u>Eddy</u> County	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3601' GR	
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____	
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input type="checkbox"/> OTHER: Surface Commingle <input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> P AND A <input type="checkbox"/> CASING/CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>
---	---

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

SDX Resources, Inc. proposes to commingle production from 2 separate pools into a common surface battery on their Pure Federal Lease (NMNM048344). The interest is identical for both pools and all facilities are located on lease. The battery is located on location with the Pure Federal #1 well which is producing from the Red Lake, QN-GB SA pool (51300). It will be commingled with production from the Pure Federal #3 well which is producing from the Artesia, GL-YE pool (96830). Production to be allocated by a periodic test.

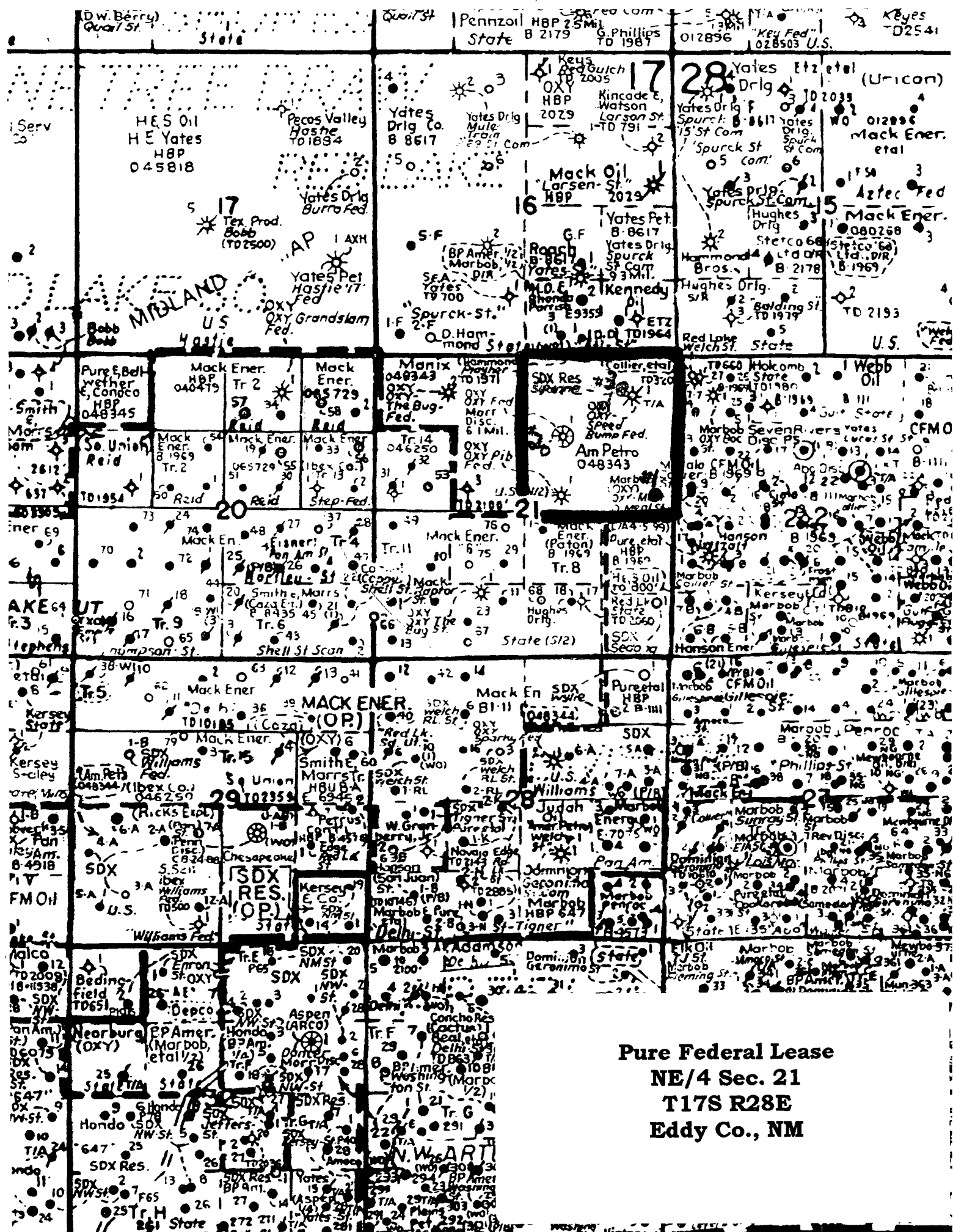
Attachments:
Lease Map
Lease & Pool Information
Title Statement
Well & Battery Plat
Battery & Tester Schematics

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines X, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Bonnie Atwater TITLE Regulatory Tech DATE 9/7/07

Type or print name Bonnie Atwater E-mail address: batwater@sdxresources.com Telephone No. 432-685-1761
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____



SDX Resources, Inc.
 PURE FEDERAL
 Sec 21, T17S, R28E
 NMNM-048344
 Lease & Pool Information

WELL #	API#	LEGALS	PERFS	POOL	POOL CODE	EST. DAILY PROD
1	35132	2310 FNL 330 FEL Unit H	1924-1930 2013-2019	Red Lake, QN-GB-SA	51300	12 BO 14 BW 10 MCF
3	35606	910 FSL 1190 FEL Unit A	3490-3498	Artesia, GL-YE	96830	14 BO 192 BW 14 MCF

Lease Description: Sec 21, T17S, R28E, NE/4, 160 acres±

Battery Description: Sec 21, T17S, R28E, Unit H, 2310' FNL 330' FEL

ROD J. MACDONALD
Attorney at Law

Licensed in Texas
New Mexico and Colorado

511 W. Ohio
Suite 530
Midland, Texas 79701

(432) 688-3939
Fax (432) 685-3700

September 1, 2006

ORIGINAL DRILLING TITLE OPINION

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

Attention: Mr. Steve Sell

Re: Pure (Williams) Federal No. 1 Well - The interest owned in Federal Lease No. NM-048344, 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 21: NE/4

containing 160 acres, more or less, limited to
depths from the surface down to 3,500 feet
below the surface.

Gentlemen:

BASIS OF EXAMINATION

At your request, we have examined the following:

Examination of the Records

1. We have examined the Plat Book Records, Historical Index Records, Serial Record and Case File for Federal Lease LC 046250(b) and NM-048344, insofar as said leases cover captioned land, in the Bureau of Land Management State Office at Santa Fe, New Mexico, from inception of the records to August 23, 2006 at 8:00 a.m.
2. 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 inception of the records to June 23, 2006 at 8:00 a.m., based upon a runsheet furnished by the Office of Steve Horn, Independent Landman.

Instruments

Copy of unexecuted Assignment Nos. 52 through 54, described below.

FEE TITLE

Based upon examination of the foregoing and subject to the title requirements hereinafter made, we find title to the mineral estate in captioned land to be vested as follows:

Minerals:

United States of America All

Leasehold Estate:

Record Title

Chisos, Ltd. 7/16
Pure Energy Group, Inc. 7/16
States, Ltd. 1/8

Operating Rights

Edge Petroleum Exploration Company	18.75000% WI ^{1,2,3,4}
Pure Energy Group, Inc.	9.37500% WI ^{1,2}
Chisos, Ltd.	9.37500% WI ^{1,2}
Gretchen Nearburg, a widow	10.28750% WI ¹
Lime Rock Resources "A", L.P.	25.58412% WI ^{1,5}
Steve Sell, a single man	11.10551% WI ^{1,5}
JSTM Properties, Ltd.	11.10550% WI ^{1,5}
William S. Montgomery, Jr.	1.01267% WI ^{1,5}
Fred C. Corey, whose wife is Deborah Corey	1.16815% WI ^{1,5}
Charles M. Morgan, whose wife is Monica Morgan	1.16815% WI ^{1,5}
Eram Ali, whose wife is Vicki Ali	0.66333% WI ^{1,5}
Ramsey Petroleum, LP	0.40507% WI ^{1,5}

¹ These interests must bear their proportionate share of the royalty owed to the United States of America, as more particularly described in our lease analysis, below.

² These interests must bear an overriding royalty interest owned by Manix Energy, LLC, equal to the difference between 22.5% and existing burdens attributable to the interest covered by Assignment No. 45, below. The burden of this overriding royalty interest is borne by the parties listed below in the percentage set forth opposite their names:

Edge Petroleum Exploration Company	50.0%
Pure Energy Group, Inc.	25.0%
Chisos, Ltd.	25.0%

³ This interest must bear an overriding royalty interest equal to 0.234375% of production from captioned land, owned by Pure Energy Group, Inc.

⁴ This interest must bear an overriding royalty interest equal to 0.234375% of production from captioned land, owned by Chisos, Ltd.

⁵ These interests must bear an overriding royalty interest equal to 2.0% of 12.5% of production from said lands and depths, owned by Nearburg Exploration, L.L.C. The burden of this overriding royalty interest is borne by the parties listed below in the percentage set forth opposite their names:

Lime Rock Resources "A", L.P.	49.0000%
Steve Sell	20.6665%
JSTM Properties, Ltd.	20.6665%
William S. Montgomery, Jr.	2.5500%
Fred C. Corey	2.1593%
Charles M. Morgan	2.1593%
Eram Ali	1.7784%
Ramsey Petroleum, LP	1.0200%

REQUIREMENT: Advisory.

16.

We have seen reference to a certain Operating Agreement dated August 25, 1955, between The Ibex Company, as Operator, and Plateau Oil Company, as Non-Operator, as amended July 16, 1956, and amended October 15, 1956, and supplemented on August 7, 1957, which may have covered captioned land, but which we have not examined.

REQUIREMENT: Submit for examination a copy of the above-referenced Operating Agreement, together with any amendments and/or supplements thereof.

17.

We direct your attention to the fact that this title opinion only covers oil, gas and related hydrocarbons. We note that captioned lands have been subject to certain hard rock mineral leases.

REQUIREMENT: Advisory.

18.

This opinion cannot cover such matters as area, boundaries, location on the ground or other matters which can be determined only by actual ground survey.

REQUIREMENT: You should have any well that you propose to drill on captioned land staked by a competent surveyor to ensure that it is properly located thereon.

COMMENTS

This opinion does not cover any matters not revealed by the materials examined.

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.

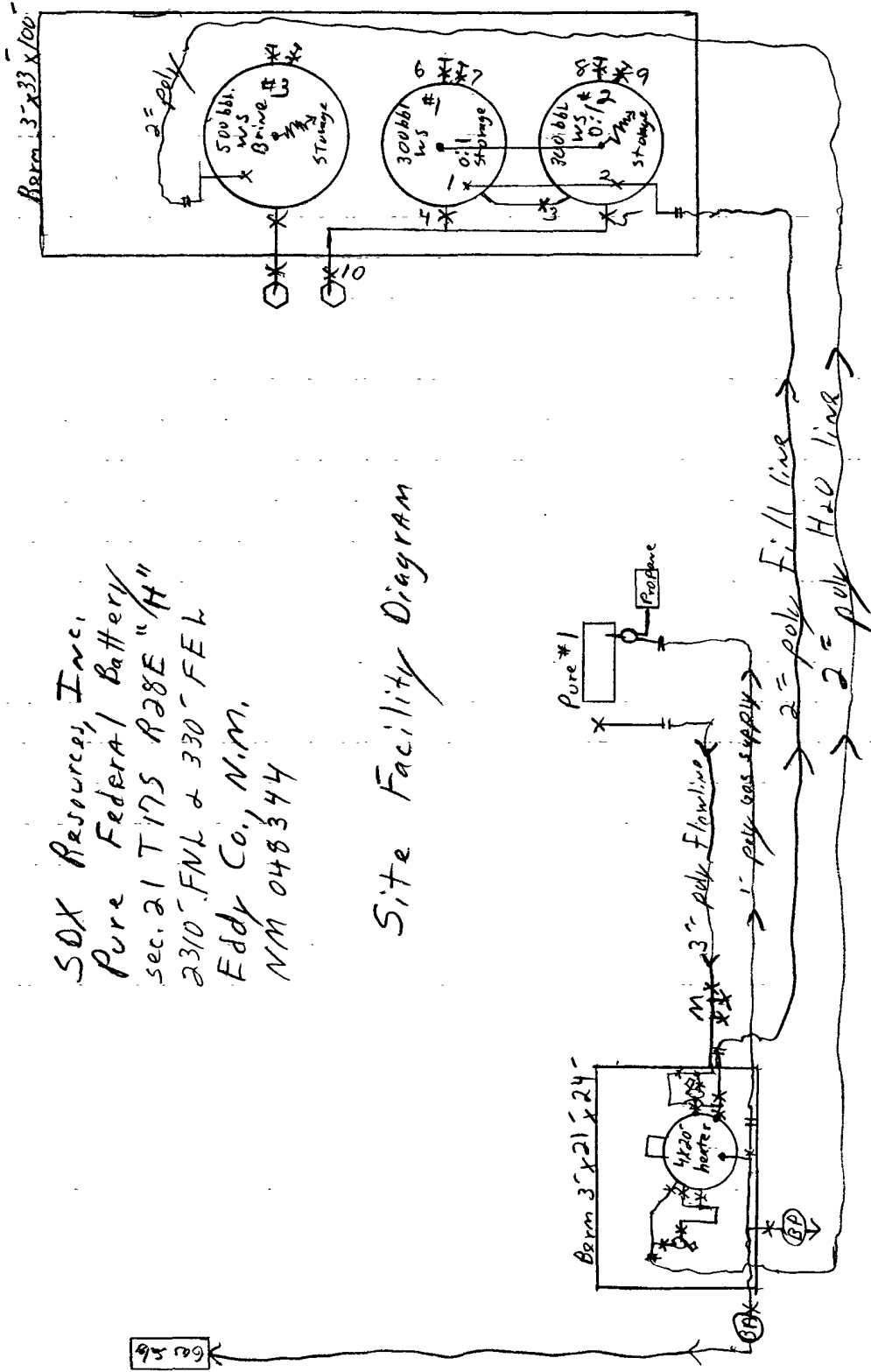
Respectfully submitted,

By: 

Rod J. MacDonald
Attorney at Law

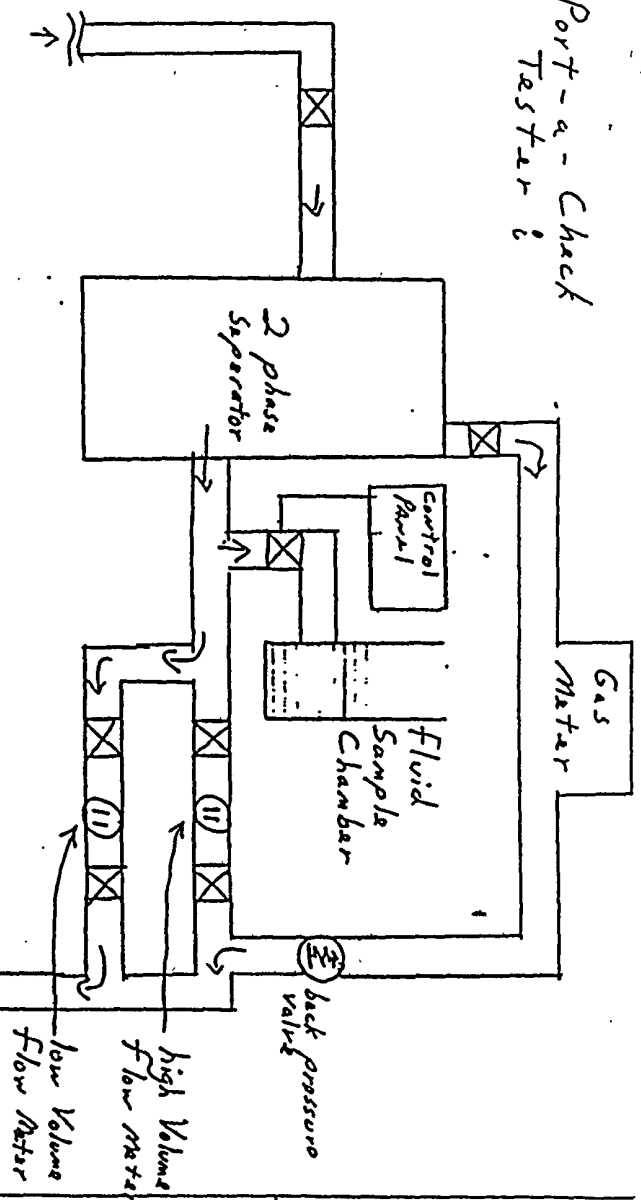
SOX Resources, Inc.
 Pure Federal Battery
 sec. 21 T175 R28E "H"
 2310 FNL & 330 FEL
 Eddy Co., N.M.
 NM 048344

Site Facility Diagram

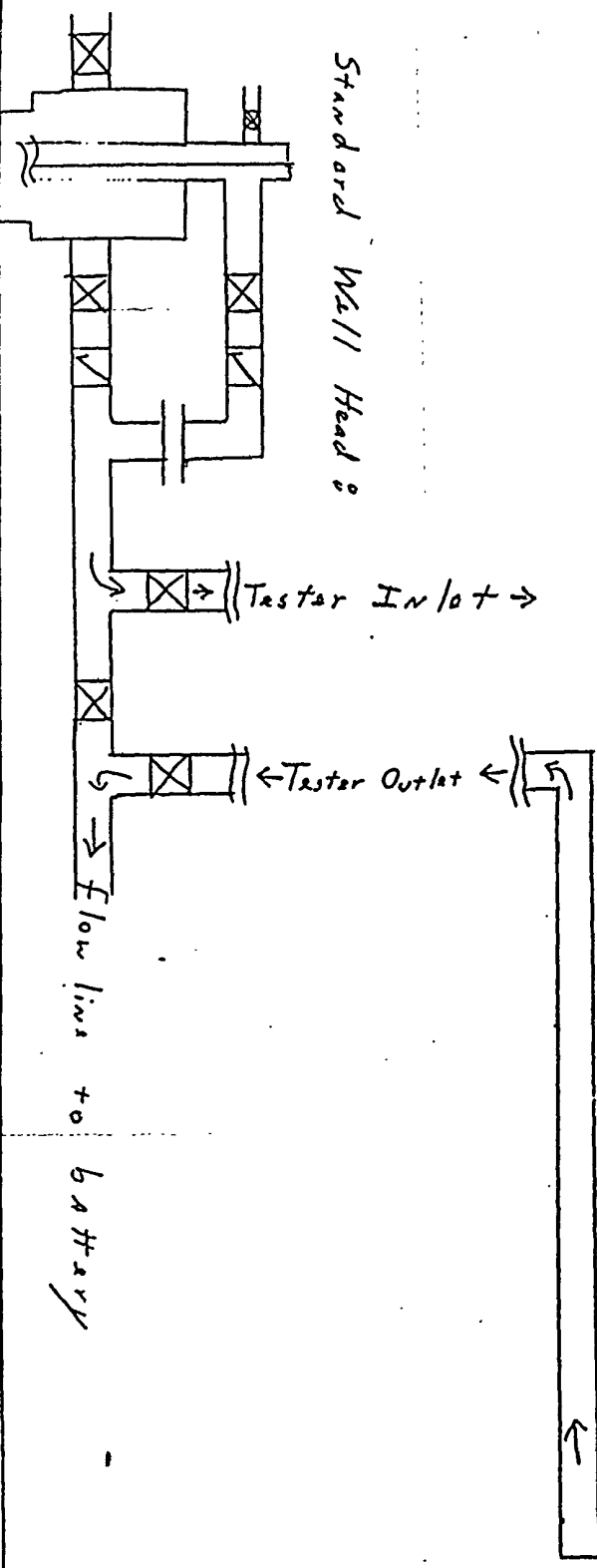


Valve Positions:	
Production	Sales
open	closed
1/2	2/1
3	4/5
	10
	3, 6, 7, 8, 9

Port-a-Chuck
Tester i



Standard Well Head



Attachment