

DATE: 6/30/08	SUSPENSE	ENGINEER: W. Jones	LOGGED IN: 7/1/08	TYPE: DHC	APP NO.: PKURO818331871
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ABOVE THIS LINE FOR DIVISION USE ONLY

## NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



## ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

## Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]  
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

## [1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication  
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement  
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify \_\_\_\_\_

## [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners  
 [B] ☐ Offset Operators, Leaseholders or Surface Owner  
 [C] ☐ Application is One Which Requires Published Legal Notice  
 [D] ☒ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,  
 [F] ☐ Waivers are Attached

## [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Bonnie Atwater Bonnie Atwater Reg. Tech. 6/30/08  
 Print or Type Name Signature Title Date

batwater@sdresources.com  
 e-mail Address

RECEIVED  
 2008 JUN 30 PM 3 05

**SDX Resources, Inc.**  
P.O. Box 5061  
MIDLAND, TX 79704  
TEL: (432) 685-1761 FAX: (432) 685-0533  
TOLL FREE: (800) 344-1761

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

June 24, 2008

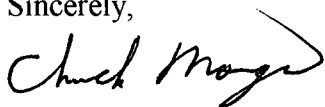
Attention Will Jones

RE: Commingling application  
Pure Federal #3 (API # 30-015-35606)  
Sec. 21 T17S R28E  
Eddy County, New Mexico

Dear Mr. Jones,

SDX Resources respectfully request permission to down hole commingle production from the Artesia Glorietta-Yeso pool (96830) with production from the Red Lake, Qn, Gb, Sa pool (51300) in their Pure Federal #3 well, and to commingle this production on the surface into a battery with production from the Pure Federal 1,2,& 4 wells (30-015: 35132, 35584, 36097). The Pure Federal # 1, 2, & #4 wells are producing from the Red Lake-Qn-Gb-Sa pool (51300). The battery is located on location at the Pure Federal #1 well. Ownership is identical for both pools in both wells and the oil from both pools is sour and is close to the same gravity. There should therefore be no difference in revenue to any party. Commingling will improve the economics of the lease, extending its life, resulting in the recovery of additional reserves. Attached is a completed form C-107A & C-103 with the necessary supporting documents. Lime Rock Resources A, L.P. is scheduled to take over as the operator on this lease effective July 1<sup>st</sup>, 2008. Thanks for your assistance on this matter.

Sincerely,



Chuck Morgan

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, 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-107A  
Revised June 10, 2003

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, New Mexico 87505

APPLICATION TYPE  
Single Well  
Establish Pre-Approved Pools  
EXISTING WELLBORE  
X Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

SDX Resources, Inc. PO Box 5061, Midland, TX 79704  
Operator Address

Pure Federal 3 A, Sec 21, T17S, R28E Eddy  
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 020451 Property Code 35988 API No. 30-015-35606 Lease Type: X Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Red Lake, QN-GB-SA		Artesia, GL-YE
Pool Code	51300		96830
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1956' - 2055'		3490' - 3498'
Method of Production (Flowing or Artificial Lift)	Pumping		Pumping
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	900		950
Oil Gravity or Gas BTU (Degree API or Gas BTU)	36		38
Producing, Shut-In or New Zone	Producing		Producing
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 6/1/08 Rates: 34 BOPD, 44 MCFGPD, 16 BWPD	Date: Rates:	Date: 5/1/08 Rates: 10 BOPD, 7 MCFGPD, 79 BWPD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 77% 86%	Oil Gas % %	Oil Gas 23% 14%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes X No  
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No

Are all produced fluids from all commingled zones compatible with each other? Yes X No

Will commingling decrease the value of production? Yes No X

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes X No

NMOCD Reference Case No. applicable to this well:

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE TITLE Engineer DATE 6/25/08

TYPE OR PRINT NAME Chuck Morgan TELEPHONE NO. ( 432 ) 685-1761

## State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT I

A. FRENCH DR., HOBBES, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brasos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

## OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.

Santa Fe, New Mexico 87505

## WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-35606		Pool Code 96830	Pool Name Artesia, GL-4E
Property Code 35988	Property Name PURE FEDERAL		Well Number 3
OGRID No. 020451	Operator Name SDX RESOURCES, INC.		Elevation 3601'

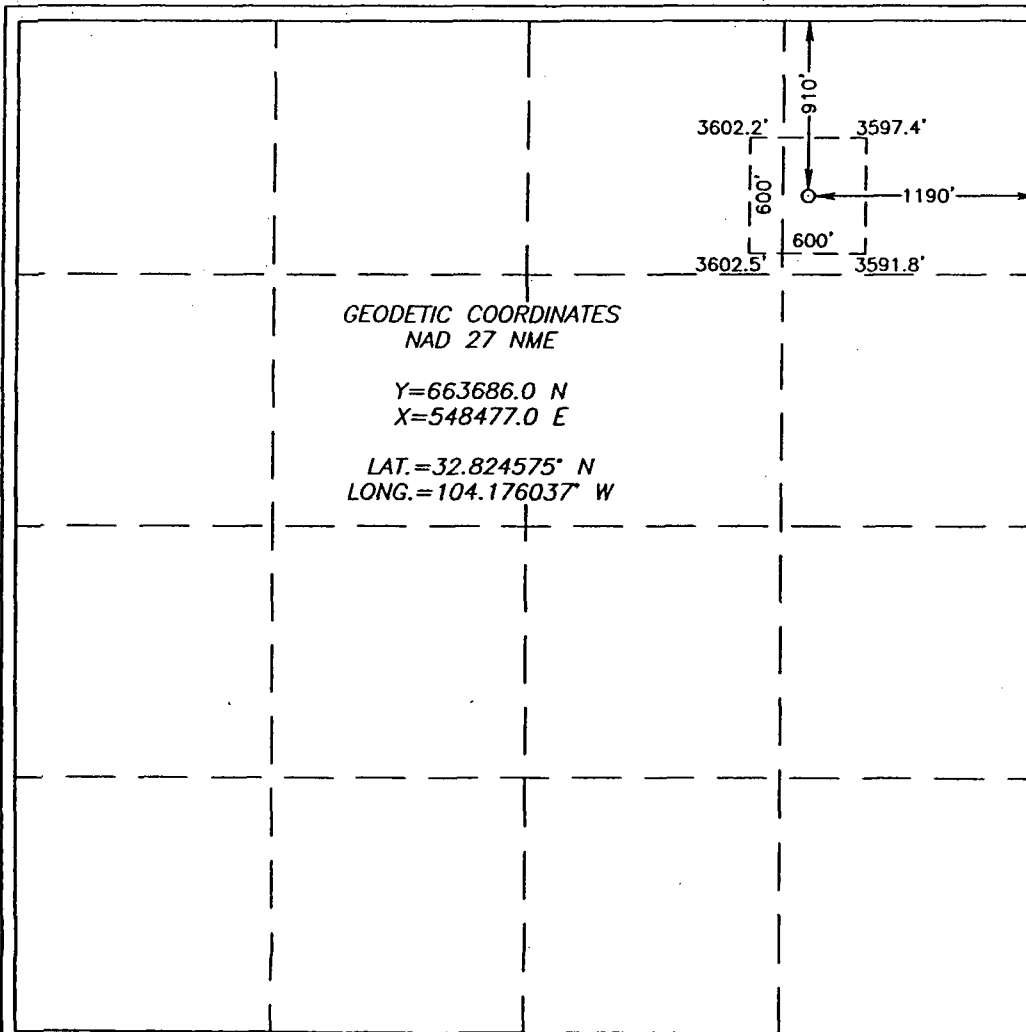
## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	21	17-S	28-E		910	NORTH	1190	EAST	EDDY

## Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40		Joint or Infill	Consolidation Code		Order No.				

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



## OPERATOR CERTIFICATION

I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Bonnie Atwater 20/07  
Signature Date  
Bonnie Atwater  
Printed Name

## SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

MARCH 5, 2007

Date Surveyed LA  
Signature & Seal of  
Professional Surveyor

Gary A. Kidson 3/16/07  
0711.0191

Certificate No. GARY KIDSON 12641  
RONALD J. KIDSON 3239

## State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT I

A. FRENCH DR., HOBBS, NM 88240

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION  
1220 SOUTH ST. FRANCIS DR.  
Santa Fe, New Mexico 87505

## WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number <b>30-015-35604</b>	Pool Code <b>51300</b>	Pool Name <b>Red Lake, QN-GB-SA</b>
Property Code <b>35988</b>	Property Name <b>PURE FEDERAL</b>	Well Number <b>3</b>
OGRID No. <b>020451</b>	Operator Name <b>SDX RESOURCES, INC.</b>	Elevation <b>3601'</b>

## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<b>A</b>	<b>21</b>	<b>17-S</b>	<b>28-E</b>		<b>910</b>	<b>NORTH</b>	<b>1190</b>	<b>EAST</b>	<b>EDDY</b>

## Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres <b>40</b>	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED  
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

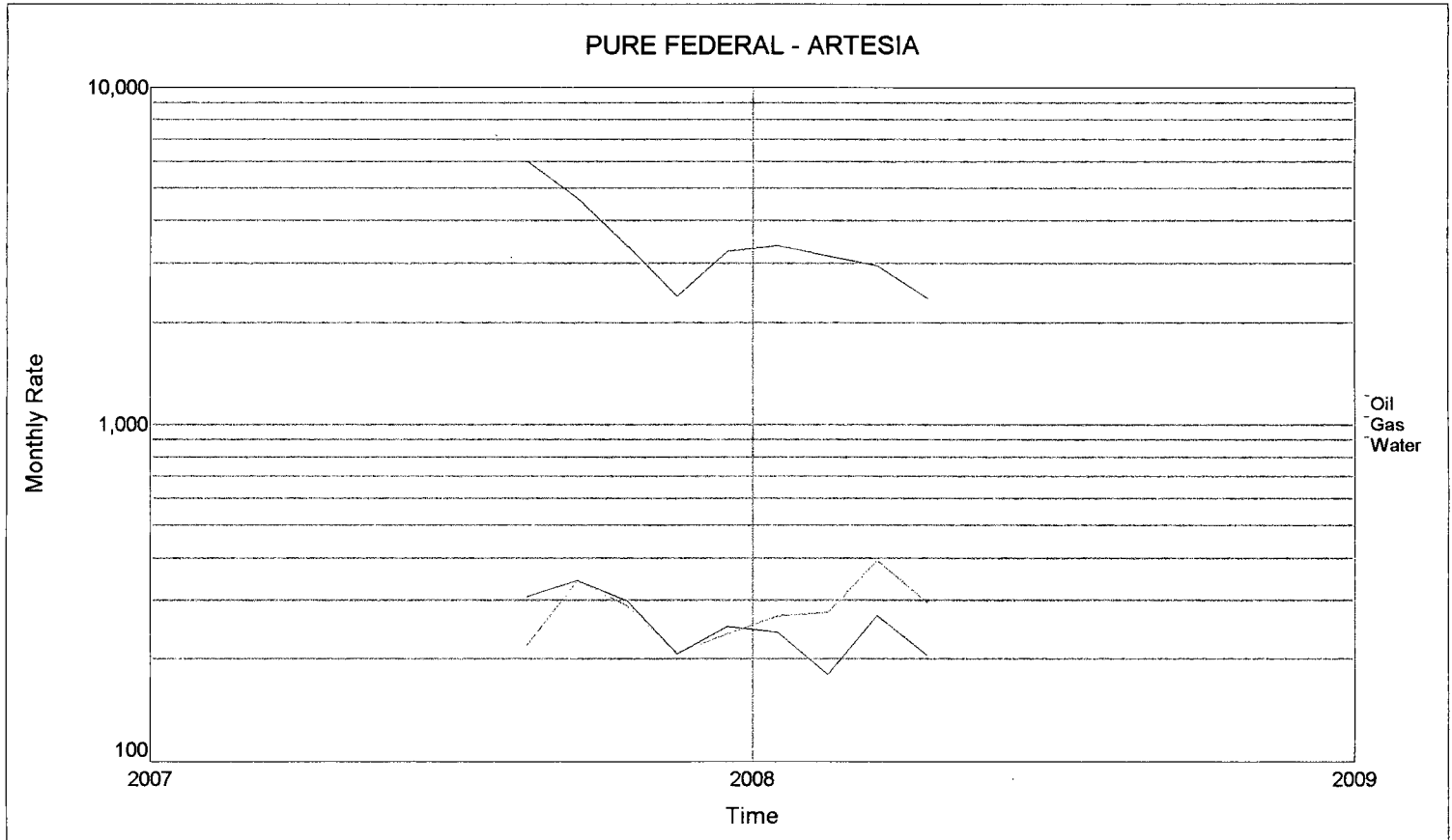
<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=663686.0 N X=548477.0 E</p> <p>LAT.=32.824575° N LONG.=104.176037° W</p>	<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Bonnie Atwater</i> / 20/07 Signature Date</p> <p>Bonnie Atwater Printed Name</p>
	<p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MARCH 5, 2007</p> <p>Date Surveyed LA</p> <p>Signature &amp; Seal of Professional Surveyor</p> <p><i>Gary A. Edson</i> 3/16/07 0711.0191</p> <p>Certificate No. GARY EDSON 12641 RONALD J. EDSON 3239</p>

# Last Twelve Months Historic Production Report

Project: Pure Fed. #3

Lease Name: PURE FEDERAL (3)  
 County, ST: EDDY, NM  
 Location: 21A 17S 28E SW NE NE

Operator: SDX RESOURCES INCORPORATED  
 Field Name: ARTESIA



Date	Well Count	Days On	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		0	0	0	0	0
05/2007	0	0	0	0	0	0
06/2007	0	0	0	0	0	0
07/2007	0	0	0	0	0	0
08/2007	1	30	220	306	6,031	0
09/2007	1	30	342	343	4,668	0
10/2007	1	31	288	297	3,366	0
11/2007	1	27	209	207	2,388	0
12/2007	1	31	237	250	3,242	0
01/2008	1	30	269	240	3,370	0
02/2008	1	0	276	180	3,155	0
03/2008	1	0	393	270	2,941	0
04/2008	1	0	295	205	2,362	0
Total:		179	2,529	2,298	31,523	0

**PURE FEDERAL #3 – API #30-015-35606 – Eddy Co., NM – Workover.**

*Final*

- 5/16/08 - Hot water csg & flow line. Test anchors. MIRU. TOH w/rods & pmp. NU BOP. Tally tbg out. TIH w/5.50 AS RBP & 72 jts tbg & set @ 2259'. Break circ & test csg & BOP – 1000#. Roll csg w/2% KCL. TOH & SDON.  
DWC: \$8,585 CWC: \$8,585
- 5/17/08 - TIH w/3" slick guns & tie into CCL log. Perf 1956' – 62' & 2049' – 55' (2 spf, 26 holes). TIH w/5.50 ASI w/unloader & tbg. Spot acid across perms. Pull up & set pkr. 500# CP. Tie on to tbg. Formation broke @ 1389#. Treated w/3000 gal 15% NEFE & 50 ball sealers @ 5 bpm. Good ball action. Balled out 4788# w/50 balls on. Surged balls off & flush to bottom perf. Avg treating psi = 2000#, ISIP = 1050#, 15 min = 760#. RD BJ. Flow back to tank. RU swab. Swab dry in 2 runs, treating fl & acid gas. Wait 1 hr = 50' entry, treating fl & sm form gas. Unset pkr. TIH knocking off balls. Pull back & reset pkr Swab dry in 1 run. SDON.  
DWC: \$19,262 CWC: \$27,847
- 5/18/08 - 20# TP. Blow down to tank. RU swab. FL @ 700' w/1200' entry overnight. Swab dry in 3 runs, treating fl w/sm amt of form gas. Wait 1 hr = 0 entry w/sm amt of form gas. Fill 3 frac tanks w/430 bbls FW ec & prep to frac Monday p.m. SD for weekend.  
DWC: \$4,105 CWC: \$31,952
- 5/19/08 - SD for weekend.  
CWC: \$31,952
- 5/20/08 - TP 40#. FL @ 800' w/1100' entry over weekend. Swab dry in 3 runs. Treating fl w/sm amt of form gas. Made 2 hrly runs = 0 entry w/sm amt of form gas. TOH w/tbg & pkr. ND BOP. NU BJ frac valve. RU BJ & frac dn csg w/46,494 gal Lighting 25 & 76,000# 16/30 Ottawa. Staged 1-4# @ 33 bpm. Avg treating psi = 3000#, ISIP = 1544#, 15 min = 1395#. RD BJ & RU flow back line. Consolidate all remaining fl to 1 tk w/1 load of 2% KCL. Hauled 1 load out of swab tk to disposal. SDON.  
DWC: \$59,847 CWC: \$91,799
- 5/21/08 - 110# CP. Blow dn to tk. ND frac valve. NU BOP. TIH w/retrieving head & tbg. Tag sd @ 2180'. Wash sd to RBP. Get on RBP & TOH. TIH w/BHA. ND BOP. Land off tbg & assemble wellhead. TIH w/pmp & rods. Space out rods. Good pmp action. RD & clean loc. Emptied all tanks & released all rentals.  
Bethlehem 114 w/62" @ 11 spm = 320 bbls x 24 hrs @ 100%.  
1 – 2-7/8" MA w/tapped bull plug @ 3428'  
1 – 2-7/8" x 4 perf sub @ 3396'  
1 – 2-7/8" API SN @ 3392'  
4 – 2-7/8" tbg = 126'  
1 – 5-1/2" x 2-7/8" TAC @ 3265' 40K  
104 – 2-7/8" tbg – 3262'  
1 – 2-1/2" x 2" x 12' RWAC PAP P/S S/V #Y-7466  
1 – 1" x 1' lift sub  
80 – 3/4" D rods w/FHSM cplg  
55 – 7/8" D rods w/FHSM cplg  
no rod subs  
1 – 1-1/4" x 22' polish rod  
1 – 1-1/4" x 1-1/2" x 12' liner  
DWC: \$8,390 CWC: \$100,189

5/22/08 - Well pmpg good. Re-space rods. RD & clean location.  
DWC: \$930 CWC: \$101,119  
Prod for 5/20/08: 15 BO, 40 MCF, ? BW  
5/23/08 - Prod for 5/21/08: 95 BO, 79 MCF, 63 BW  
5/28/08 - Prod for 5/22/08: 80 BO, 69 MCF, 52 BW. 63 JFL  
Prod for 5/23/08: 79 BO, 62 MCF, 33 BW  
Prod for 5/24/08: 70 BO, 60 MCF, 129 BW  
Prod for 5/25/08: 67 BO, 58 MCF, 39 BW  
5/29/08 - Prod for 5/27/08: 55 BO, 54 MCF, 49 BW. 63 JFL  
5/30/08 - Prod for 5/28/08: 57 BO, 49 MCF, 55 BW. 63 JFL  
6/2/08 - Prod for 5/29/08: 55 BO, 52 MCF, 157 BW. 63 JFL  
Prod for 5/30/08: 58 BO, 51 MCF, 95 BW  
Prod for 5/31/08: 44 BO, 51 MCF, 95 BW

**FINAL REPORT**



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

OPERATOR'S CUR

REC'D SEP 24 2007

FORM APPROVED  
OMB No. 1004-0137  
Expires: March 31, 2007

5. Lease Serial No. NMNM-048344
6. If Indian, Allottee or Tribe Name
7. If Unit or CA/Agreement, Name and/or No.
8. Well Name and No. Pure Federal #3
9. API Well No. 30-015-35606
10. Field and Pool, or Exploratory Area Artesia, GL-YE (96830)
11. County or Parish, State Eddy Co., NM

## SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	
2. Name of Operator SDX Resources, Inc.	
3a. Address PO Box 5061, Midland, TX 79704	3b. Phone No. (include area code) 432-685-1761
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 910 FNL 1190 FEL Sec 21, T17S, R28E, Unit A	

## 12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Surface Commingle
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

SDX Resources, Inc. proposes to commingle production from 2 separate pools into a common surface battery on their Pure Federal Lease. 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 Statment  
Well & Battery Plat  
Battery & Tester Schematics

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Bonnie Atwater		Title Regulatory Tech
Signature <i>Bonnie Atwater</i>	Date 09/10/2007	

## THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by <i>David R. Glass</i>	PETROLEUM ENGINEER	Date SEP 20 2007
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.		
Office		

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, 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 & Natural Resources

Form C-104  
Revised June 10, 2003

Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Submit to Appropriate District Office  
5 Copies

☐ AMENDED REPORT

**I. REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT**

<sup>1</sup> Operator name and Address SDX Resources, Inc. PO Box 5861 Midland, TX 79704		<sup>2</sup> OGRID Number 020451
SEP 07 2007		<sup>3</sup> Reason for Filing Code/ Effective Date NW
<sup>4</sup> API Number 30 - 015-35606	<sup>5</sup> Pool Name Artesia, GL-YE OCD-ARTESIA	<sup>6</sup> Pool Code 96830
<sup>7</sup> Property Code 35988	<sup>8</sup> Property Name Pure Federal	<sup>9</sup> Well Number 3

**II. Surface Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	21	17S	28E		910	North	1190	East	Eddy

**Bottom Hole Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<sup>12</sup> Loc Code F	<sup>13</sup> Producing Method Code Pmp	<sup>14</sup> Gas Connection Date 8/1/07	<sup>15</sup> C-129 Permit Number	<sup>16</sup> C-129 Effective Date	<sup>17</sup> C-129 Expiration Date				

**III. Oil and Gas Transporters**

<sup>18</sup> Transporter OGRID	<sup>19</sup> Transporter Name and Address	<sup>20</sup> POD	<sup>21</sup> O/G	<sup>22</sup> POD ULSTR Location and Description
034019	ConocoPhillips		O	Sec 21, T17S, R28E
221115	Frontier		G	Sec 21, T17S, R28E

**IV. Produced Water**

<sup>23</sup> POD	<sup>24</sup> POD ULSTR Location and Description Sec 21, T17S, R28E
-------------------	--

**V. Well Completion Data**

<sup>25</sup> Spud Date 5/30/07	<sup>26</sup> Ready Date 8/1/07	<sup>27</sup> TD 3575'	<sup>28</sup> PBTD 3524'	<sup>29</sup> Perforations 3490-3498	<sup>30</sup> DHC, MC
<sup>31</sup> Hole Size 12-1/4"	<sup>32</sup> Casing & Tubing Size 8-5/8" 24#	<sup>33</sup> Depth Set 411'	<sup>34</sup> Sacks Cement 375 sx C		
7-7/8"	5-1/2" 15.5#	3564'	375 sx 35/65 POZ + 375 sx C		
	2-7/8" Tbg	3392'			

**VI. Well Test Data**

<sup>35</sup> Date New Oil 8/1/07	<sup>36</sup> Gas Delivery Date 8/1/07	<sup>37</sup> Test Date 9/2/07	<sup>38</sup> Test Length 24	<sup>39</sup> Tbg. Pressure	<sup>40</sup> Csg. Pressure
<sup>41</sup> Choke Size	<sup>42</sup> Oil 14	<sup>43</sup> Water 192	<sup>44</sup> Gas 14	<sup>45</sup> AOF	<sup>46</sup> Test Method Pmp

<sup>47</sup> I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Bonnie Atwater*

Printed name:

Bonnie Atwater

Title:

Regulatory Tech

E-mail Address:

batwater@edxresources.com

Date

04C077

Phone:

1274394-1761

OIL CONSERVATION DIVISION

Approved by:

BRYAN G. ARANT

Title:

DISTRICT II GEOLOGIST

Approval Date:

SEP 11 2007

Form 3160-4  
(April 2004)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

FORM APPROVED  
OMB NO. 1004-0137  
Expires: March 31, 2007

1a. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Dry <input type="checkbox"/> Other						5. Lease Serial No. NMNM-048344			
b. Type of Completion: <input checked="" type="checkbox"/> New Well <input type="checkbox"/> Work Over <input type="checkbox"/> Deepen <input type="checkbox"/> Plug Back <input type="checkbox"/> Diff. Resvr., Other _____						6. If Indian, Allottee or Tribe Name			
2. Name of Operator <b>SDX Resources, Inc.</b>						7. Unit or CA Agreement Name and No.			
3. Address <b>PO Box 5061, Midland, TX 79704</b>				3a. Phone No. (include area code) <b>432-685-1761</b>		8. Lease Name and Well No. <b>Pure Federal #3 (35988)</b>			
4. Location of Well (Report location clearly and in accordance with Federal requirements)*  At surface <b>910' FNL 1190' FEL</b>  At top prod. interval reported below  At total depth <b>Same</b>						9. AFI Well No. <b>30-015-35606</b>			
10. Field and Pool, or Exploratory <b>Artesia, GL-YE (96830)</b>						11. Sec., T., R., M., on Block and Survey or Area <b>Sec 21, T17S, R28E</b>			
12. County or Parish <b>Eddy</b>						13. State <b>NM</b>			
14. Date Spudded <b>05/30/2007</b>		15. Date T.D. Reached <b>06/08/2007</b>		16. Date Completed <b>08/01/2007</b> <input type="checkbox"/> D & A <input checked="" type="checkbox"/> Ready to Prod.		17. Elevations (DF, RKB, RT, GL)* <b>3601' GR</b>			
18. Total Depth: MD <b>3575'</b> TVD		19. Plug Back T.D.: MD <b>3524'</b> TVD		20. Depth Bridge Plug Set: MD TVD					
21. Type Electric & Other Mechanical Logs Run (Submit copy of each) <b>LDT-CNL-GR &amp; DLL-GR</b>						22. Was well cored? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes (Submit analysis) Was DST run? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes (Submit report) Directional Survey? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes (Submit copy)			
23. Casing and Liner Record (Report all strings set in well)									
Hole Size	Size/Grade	Wt. (#/ft.)	Top (MD)	Bottom (MD)	Stage Cementer Depth	No. of Sk. & Type of Cement	Slurry Vol (BBL)	Cement Top*	Amount Pulled
12-1/4"	8-5/8	24#		411'		375 ex C		Surface	
7-7/8"	5-1/2	15.5#		3564'		375 ex 35/65		Surface	
						POZ +			
						375 ex C			
24. Tubing Record									
Size	Depth Set (MD)	Packer Depth (MD)	Size	Depth Set (MD)	Packer Depth (MD)	Size	Depth Set (MD)	Packer Depth (MD)	
2-7/8"	3392'								
25. Producing Intervals					26. Perforation Record				
Formation		Top	Bottom	Perforated Interval		Size	No. Holes	Perf. Status	
A) Yeso		3479		3490-3498			32	Prod	
B)									
C)									
D)									
27. Acid, Fracture, Treatment, Cement Squeeze, etc.									
Depth Interval			Amount and Type of Material						
3490 - 3498			3000 gal 15% NEFE						
			20,000 gal Heated 20% HCL + 30,000 gal Heated 40# linear gel + 2,000 gal 15% HCL Cool Down Acid						
28. Production - Interval A									
Date First Produced	Test Date	Hours Tested	Test Production	Oil BBL	Gas MCF	Water BBL	Oil Gravity Corr. API	Gas Gravity	Production Method
08/01/2007	09/02/2007	24	→	14	14	192			2-1/2" x 2" x 12" RWAC
Choke Size	Tbg. Press. Flwg. SI	Cog. Press.	24 Hr. Rate	Oil BBL	Gas MCF	Water BBL	Gas/Oil Ratio	Well Status	
			→	14	14	192	1000	Prod	
28a. Production - Interval B									
Date First Produced	Test Date	Hours Tested	Test Production	Oil BBL	Gas MCF	Water BBL	Oil Gravity Corr. API	Gas Gravity	Production Method
			→						
Choke Size	Tbg. Press. Flwg. SI	Cog. Press.	24 Hr. Rate	Oil BBL	Gas MCF	Water BBL	Gas/Oil Ratio	Well Status	
			→						

\*(See instructions and spaces for additional data on page 2)

ACCEPTED FOR RECORD

SEP 10 2007

JERRY FANT  
PETROLEUM GEOLOGIST

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

<b>SUNDRY NOTICES AND REPORTS ON WELLS</b> (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.)		WELL API NO. 30-015-048344
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator SDX Resources, Inc.		6. State Oil & Gas Lease No.
3. Address of Operator PO Box 5061, Midland, TX 79704		7. Lease Name or Unit Agreement Name Pure Federal
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 County		8. Well Number <u>3</u>
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3601' GR		9. OGRID Number <u>020451</u>
10. Pool name or Wildcat Artesia, GL-YE (96830)		
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 ☐ PLUG AND ABANDON ☐  
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐  
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐  
COMMENCE DRILLING OPNS. ☐ P AND A ☐  
CASING/CEMENT JOB ☐

OTHER: ☐ OTHER: Amend Surface Commingle ☒

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 #2 and #4 wells which are producing from the Red Lake, QN-GB-SA pool (51300) and with production from the Pure Federal #3 well which is producing from both the Red Lake, QN-GB-SA pool (51300) and the Artesia, GL-Ye pool (96830). Production to be allocated by a periodic test.

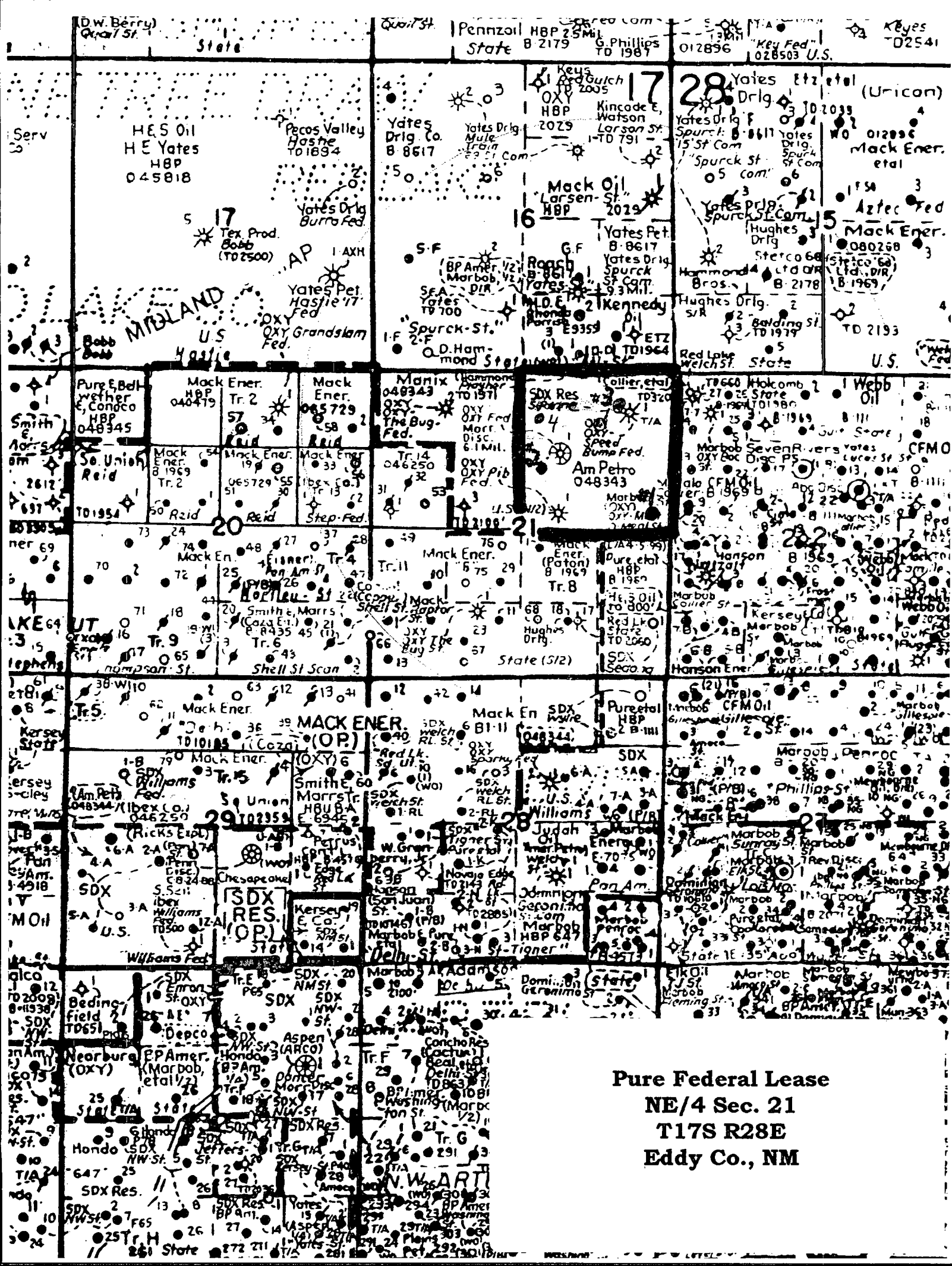
Attachments:

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 Chuck Morgan TITLE Engineer DATE 6/25/08  
Chuck Morgan cmorgan@sdxresources.com 432-685-1761  
Type or print name E-mail address: Telephone No.  
**For State Use Only**

APPROVED BY: \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
Conditions of Approval (if any): \_\_\_\_\_



**Pure Federal Lease  
NE/4 Sec. 21  
T17S R28E  
Eddy Co., NM**

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	10 BO 7 BW 6 MCF
2	35584	1650' FNL 2310' FEL Unit G	1960'-1966' 2046'-52' 2293'-2464'	Red Lake, QN-GB-SA	51300	14 BO 17 BW 21 MCF
3	35606	910' FSL 1190' FEL Unit A	3490'-3498'	Artesia, GL-YE	96830	10 BO 79 BW 7 MCF
3	35606	910' FSL 1190' FEL Unit A	1956'-2055'	Red Lake, QN-GB-SA	51300	34 BO 16 BW 44 MCF
*4	36097	990' FNL 2310' FEL Unit B	2172'-2435'	Red Lake, QN-GB-SA	51300	12 BO 40 BW 12 MCF

Lease Description: Sec 21, T17S, R28E, NE/4, 160 acres±  
 Battery Description: Sec 21, T17S, R28E, Unit H, 2310' FNL 330' FEL

\*Completed 6/8/2008

**ROD J. MacDONALD**  
*Attorney at Law*

511 W. Ohio  
Suite 530  
Midland, Texas 79701

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

Licensed in Texas  
New Mexico and Colorado

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

<sup>1</sup> 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.

<sup>2</sup> 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%

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

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

<sup>5</sup> 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.

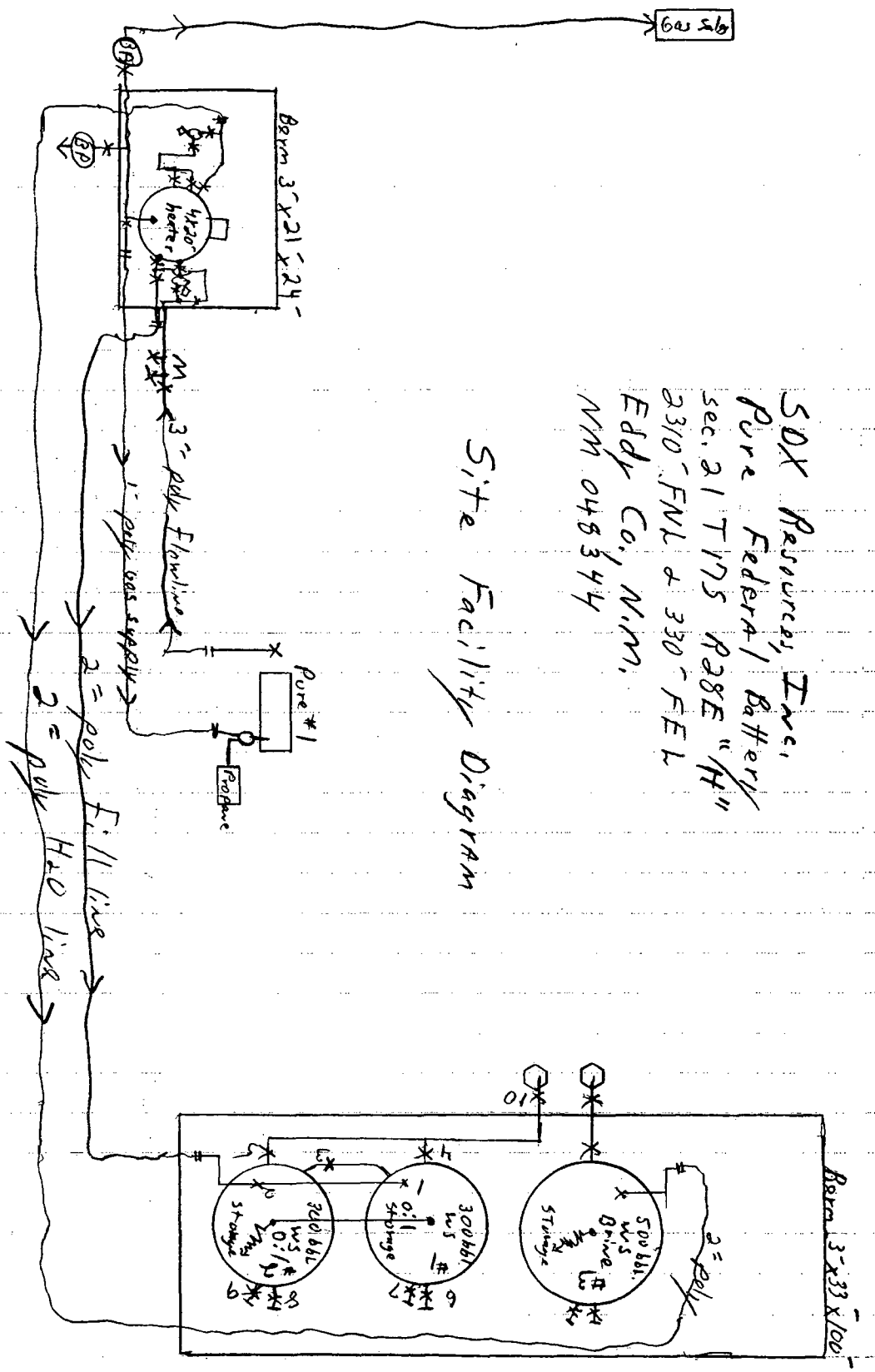
Respectfully submitted,

By: 

Rod J. MacDonald  
Attorney at Law

SOX Resources, Inc.  
 Pure Federal Battery  
 sec. 21 T175 R38E "H"  
 2310 FNL & 330 FEL  
 Eddy Co., N.M.  
 NM 048344

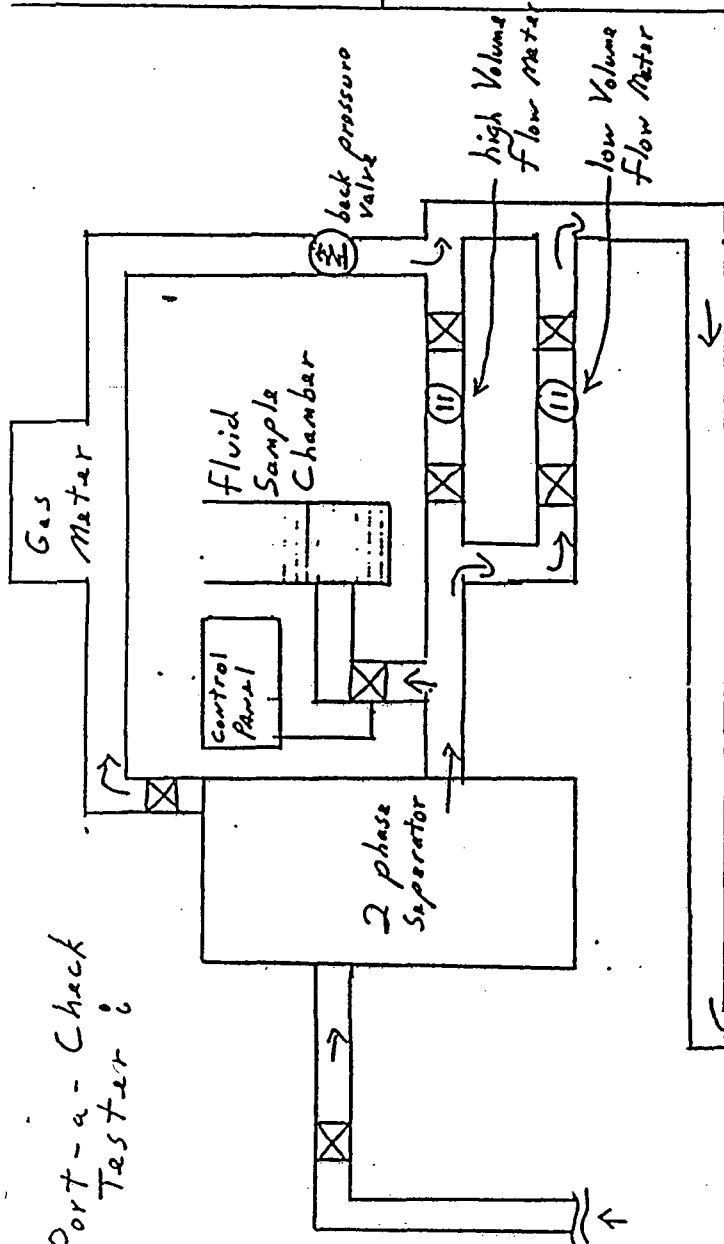
# Site Facility Diagram



Valve Positions:

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

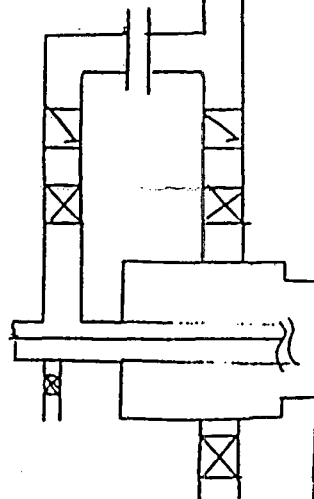
Port-a-Check  
Tester i



Tester Inlet

Tester Outlet

Standard Well Head



Flow line to battery

Attachment