

DATE 12/30/08	SUSPENSE	ENGINEER W. Jones	LOGGED 7/11/08	TYPE DHC	APP NO. PKVR0818332016
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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

2008 JUN 30 PM 3 05
 RECEIVED

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

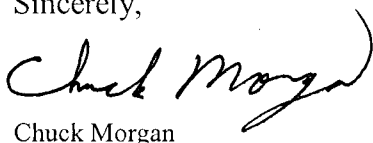
RE: Commingling application
Jeffers 36 St. #3 (API # 30-015-31541)
Jeffers 36 St. 34 (API # 30-015-34626)
Sec. 36 T17S R27E
Eddy County, New Mexico

RECEIVED
2008 JUN 27 PM 3 14

Dear Mr. Jones,

SDX Resources respectfully request permission to down hole commingle production from the Red Lake Glorietta-Yeso, N.E. pool (96836) with production from the Red Lake, Qn, Gb, Sa pool (51300) in their Jeffers 36 #3 well , and to commingle this production on the surface into a battery with production from the Jeffers 36 #4 well (30-015-34626). The Jeffers 36 #4 well is producing from the Red Lake-Qn-Gb-Sa pool (51300). The battery is located on location at the Jeffers 36 #3 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 1st, 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

Jeffers 36 State
Lease

3

B, Sec 36, T17S, R27E

Eddy

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 020451 Property Code 25196 API No. 30-015-31541 Lease Type: Federal X State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	UNDES Red Lake, QN-GB-SA		Red Lake, GL-YE, NE
Pool Code	51300		96836
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	Perfs: 2013' - 2866'		Perfs 3258' - 3312'
Method of Production (Flowing or Artificial Lift)	Pump		Pump
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)	NR		NR
Oil Gravity or Gas BTU (Degree API or Gas BTU)	36		37
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: 4/31/08 Rates: 6 BOPD, 52 MCFGPD, 1 BWPD	Date: Rates:	Date: 6/1/08 Rates: 7 BOPD, 54 MCFGPD, 109 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 47% 49%	Oil Gas % %	Oil Gas 53% 51%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?
Are all produced fluids from all commingled zones compatible with each other?

Yes X No
Yes No
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 Chuck Morgan TITLE Engineer DATE 6/24/08

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

E-MAIL ADDRESS cmorgan@sdresources.com

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
JAN 11 2001 Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-31541		Pool Code 96836	Pool Name Red Lake - GL-YE, N.E.
Property Code 25196	Property Name JEFFERS 36 STATE		Well Number 3
OGRID No. 020451	Operator Name SDX RESOURCES, INC.		Elevation 3616.

¹⁰ 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	36	17-S	27-E		460	NORTH	1650	EAST	EDDY

¹¹ 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

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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

16			460'						
					1650'				

¹⁷ OPERATOR CERTIFICATION

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

Signature Bonnie Atwater

Printed Name Bonnie Atwater

Title Regulatory Tech

Date 1/9/01

¹⁸ 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

DECEMBER 29 2000

Date of Survey

Signature and Seal of Professional Surveyor

REGISTERED LAND SURVEYOR ENGINEER

5412

NM PE&PS NO. 5412

Certificate Number

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
JAN 11 2001 Revised March 17, 1999

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-31541		Pool Code 51300	Pool Name Red Lake QN-GB-SA
Property Code 25196	Property Name JEFFERS 36 STATE		Well Number 3
OGRID No. 020451	Operator Name SDX RESOURCES, INC.		Elevation 3616.

10 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	36	17-S	27-E		460	NORTH	1650	EAST	EDDY

11 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

16	460'	1650'	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief
			Signature <i>Bonnie Atwater</i>
			Printed Name Bonnie Atwater
			Title Regulatory Tech
			Date 1/9/01
			18 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
			DECEMBER 29 2000
			Date of Survey
			Signature and Seal of Professional Surveyor
			5412 REGISTERED LAND SURVEYOR ENGINEER NM PE&PS NO. 5412 Certificate Number

Submit to Appropriate
District Office
State Lease - 6 copies
Fee Lease - 5 copies
DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 Pacheco St.
Santa Fe, NM 87505

Form C-105
Revised 1-1-89

WELL API NO.
30-015-31541

5. Indicate Type of Lease
STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well:
OIL WELL ☒ GAS WELL ☐ DRY ☐ OTHER _____
b. Type of Completion:
NEW WELL ☒ WORK OVER ☐ DEEPEN ☐ PLUG BACK ☐ DIFF RESVR ☐ OTHER _____

7. Lease Name or Unit Agreement Name

Jeffers 36 State

2. Name of Operator
SDX Resources, Inc.

8. Well No.
3

3. Address of Operator
PO Box 5061, Midland, TX 79704 915/685-1761

9. Pool name or Wildcat
Red Lake, QN-GB-SA

4. Well Location
Unit Letter B 460 Feet From The North Line and 1650 Feet From The East Line
Section 36 Township 17S Range 27E NMPM Eddy County

10. Date Spudded 10/29/02 11. Date T.D. Reached 11/07/02 12. Date Compl. (Ready to Prod.) 01/04/03 13. Elevations (DF & RKB, RT, GR, etc.) 3616' GR 14. Elev. Casinghead

15. Total Depth 3525 16. Plug Back T.D. 3473 17. If Multiple Compl. How Many Zones? 18. Intervals Drilled By Rotary Tools ☒ Cable Tools

19. Producing Interval(s), of this completion - Top, Bottom, Name 2545-2754 2802 - 2866 20. Was Directional Survey Made Yes

21. Type Electric and Other Logs Run LDL-CN-GR & MSFL/GR 22. Was Well Cored No

CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT LB/FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
8-5/8"	24# J-55	427'	12-1/4"	325 sx Prem Plus	None
5-1/2"	14# J-55	3524'	7-7/8"	325 sx Lite + 400 sx CI C	None

24. LINER RECORD					25. TUBING RECORD		
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	SIZE	DEPTH SET	PACKER SET
					2-7/8"	2907'	

26. Perforation record (interval, size, and number)
2545, 51, 59, 63, 74, 78, 2600, 12, 16, 30, 51, 57, 2712, 26, 54 (1spf, 4")
2802, 22, 30, 38, 53, 62, 66 (7 shots, 4")

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

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED
2802-66	2000 gal 15% NEFE
2545-2754	3000 gal 15% NEFE
	60000 gal Viking 25 + 95000# 16/30 + 35000# 12/20

28. PRODUCTION

Date First Production 12/16/02		Production Method (Flowing, gas lift, pumping - Size and type pump) Pump 2-1/2" x 2" x 16' RWAC					Well Status (Prod. or Shut-in) Prod	
Date of Test 01/04/03	Hours Tested 24	Choke Size	Prod'n For Test Period	Oil - BbL. 80	Gas - MCF 82	Water - BbL. 100	Gas - Oil Ratio 1025	
Flow Tubing Press.	Casing Pressure	Calculated 24- Hour Rate	Oil - BbL. 80	Gas - MCF 82	Water - BbL. 100	Oil Gravity - API - (Corr.)		

29. Disposition of Gas (Sold, used for fuel, vented, etc.)
Sold

Test Witnessed By
Chuck Morgan

30. List Attachments
Logs, Deviation Survey

31. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief

Signature

Bonnie Atwater

Printed Name

Bonnie Atwater

Title

Regulatory Tech

Date

01/09/03

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

23300-03

WELL API NO. 30-015-31541
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Jeffers 36 State
8. Well Number 3
9. OGRID Number 020451
10. Pool name or Wildcat Red Lake, QN-GB-SA

11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3616' 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: _____ mll Below-Grade Tank: Volume _____ bbls Construction Material _____

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.
3. Address of Operator PO Box 5061, Midland, TX 79704
4. Well Location Unit Letter <u>B</u> : 460 feet from the <u>North</u> line and <u>1650</u> feet from the <u>East</u> line Section <u>36</u> Township <u>17S</u> Range <u>27E</u> NMPM Eddy County
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3616' 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: _____ mll 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: <input type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input checked="" 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.

2/1/06 - TIH w/5-1/2" Arrowset RBP & set @ 2439'. Perf. 2013', 15, 19, 21, 39, 53, 62, 68, 70, 94, 2106, 14, 23, 2222, 26, 34, 44, 66, 72 & 80' (20 holes - 4" select fire). Acidized w/95 bbls 15% NEFE. Frac w/40,000 gal Lighening 30 & 65,000# 16/30 & 45,000# 12/20 Brady.

TOH w/RBP.

Set 2-1/2" x 2" x 12' RWAC pmp w/2-7/8" tbg @ 2907'.

24 Hr Test: 2/26/06 - 31 BO, 238 MCF, 110 BW

RECEIVED

MAR 10 2006

OCD-REGULATORY

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 NMOC guidelines X, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Bonnie Ottwater TITLE Regulatory Tech DATE 3/7/06

Type or print name
For State Use Only

E-mail address:

Telephone No.
MAR 10 2006

APPROVED BY: FOR RECORDS ONLY TITLE _____ DATE _____
Conditions of Approval (if any):

Last Twelve Months Historic Production Report

Project: H:\Program Files\IHS Energy\PowerTools v8.0\Jeffers 36 #3.mdb

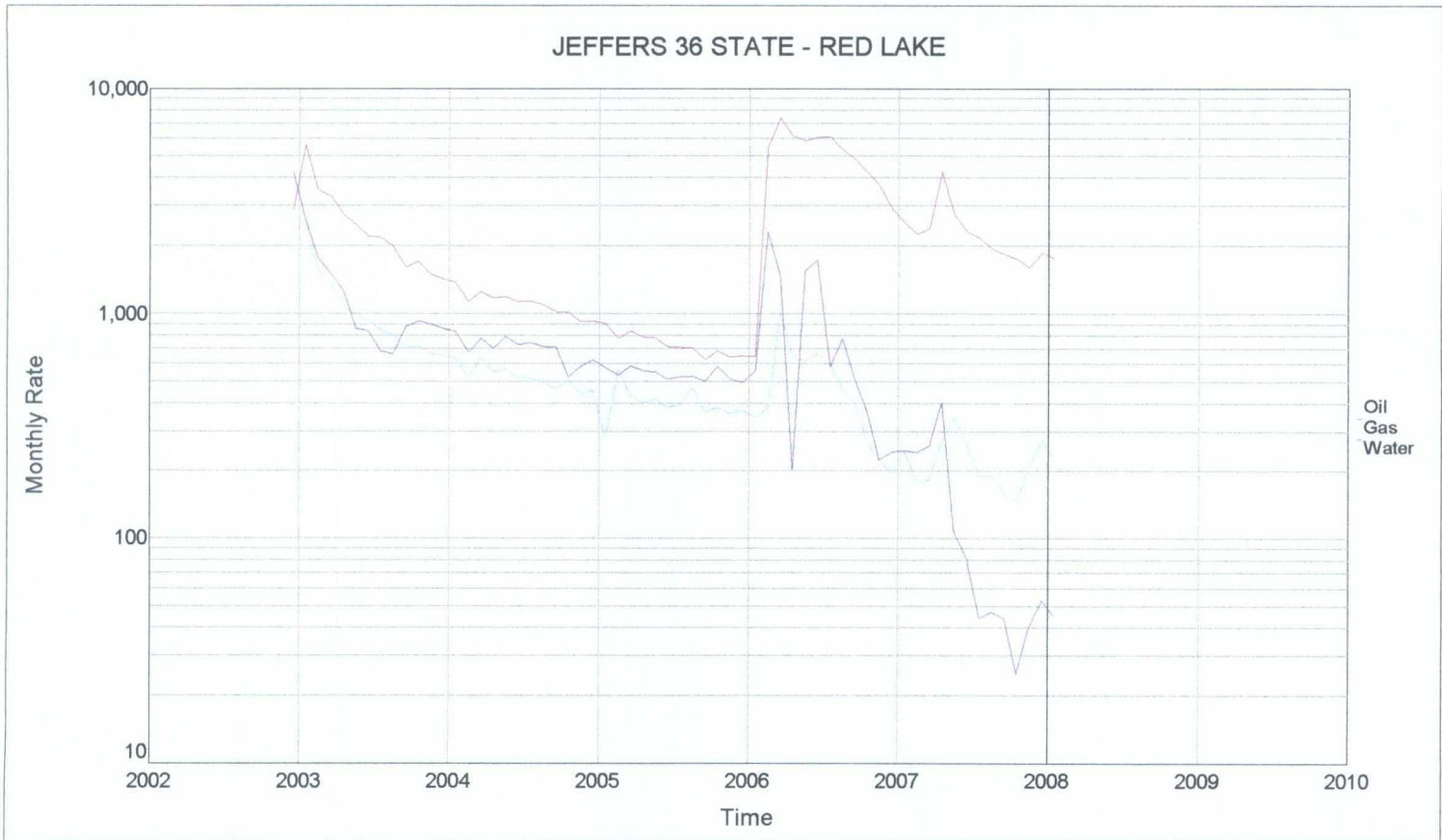
Lease Name: JEFFERS 36 STATE (3)

Operator: SDX RESOURCES INCORPORATED

County, ST: EDDY, NM

Field Name: RED LAKE

Location: 36B 17S 27E NE NW NE



Date	Well Count	Days On	Oil (bbl)	Gas (mcf)	Water (bbl)	Injection (bbl)
Previous		1,491	32,299	116,648	43,501	0
02/2007	1	28	177	2,238	241	0
03/2007	1	31	182	2,374	258	0
04/2007	1	30	271	4,253	405	0
05/2007	1	28	345	2,747	107	0
06/2007	1	30	262	2,305	81	0
07/2007	1	31	189	2,152	44	0
08/2007	1	31	189	1,939	47	0
09/2007	1	30	160	1,825	44	0
10/2007	1	31	145	1,746	25	0
11/2007	1	29	210	1,595	40	0
12/2007	1	31	272	1,860	53	0
01/2008	1	31	229	1,743	45	0
Total:		1,852	34,930	143,425	44,891	0

SDX RESOURCES, INC.

Jeffers 36 #3 WELL (Yeso and San Andres COMPLETION) DAILY PRODUCTION RATES

DATE	OIL	GAS	WATER	Comments
4/2008	6	52	1	Average Production for April (Top Zone Only)
5/1/2008				
5/2/2008				
5/3/2008				
5/4/2008				
5/5/2008				
5/6/2008				Begin Wo on Lower Zone
5/7/2008				
5/8/2008				
5/9/2008				
5/10/2008				
5/11/2008				
5/12/2008				
5/13/2008				
5/14/2008				Begin pumping from both Zones
5/15/2008	0	95	135	
5/16/2008	0	96	134	
5/17/2008	0	97	132	
5/18/2008	0	97	136	
5/19/2008	2	98	145	
5/20/2008	2	100	138	
5/21/2008	0	97	139	
5/22/2008	0	96	137	
5/23/2008	0	94	135	
5/24/2008	0	97	140	
5/25/2008	10	107	121	
5/26/2008	17	113	114	
5/27/2008	12	107	104	
5/28/2008	17	106	123	
5/29/2008	13	102	119	
5/30/2008	27	120	100	
5/31/2008	11	96	136	
6/1/2008	13	106	110	
				Production from bottom zone calculated by subtraction method:
				Oil: 13-5=8BOPD
				Gas:106-52=54MCFGPD
				Water: 110-1=109BWPD

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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505WELL API NO.
30-015-31541

5. Indicate Type of Lease

STATE ☒ FEE ☐

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

Jeffers 36 State

8. Well Number 3

9. OGRID Number 020451

10. Pool name or Wildcat
Red Lake, GL-YE, NE (96836)

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 ☒ Gas Well ☐ Other

2. Name of Operator

SDX Resources, Inc.

3. Address of Operator

PO Box 5061, Midland, TX 79704

4. Well Location

Unit Letter B : 460 feet from the North line and 1650 feet from the East line
Section 36 Township 17S Range 27E NMPM Eddy County11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3616' GRPit or Below-grade Tank Application ☐ or Closure ☐

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 ☐OTHER: Surface Commingle ☒

SUBSEQUENT REPORT OF:

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

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 Jeffers 36 Lease (E-379). The interest is identical for both pools and all facilities are located on lease. The battery is located on location with the #3 well which is producing from the Red Lake, QN-GB-SA pool (51300) and the Red Lake GL-YE, NE pool (96836). It will be commingled with production from the Jeffers 36 #4 well which is producing from the Red Lake, QN-GR-SA pool (51300). Production to be allocated by a periodic test.

Attachments:

Lease Map

Lease & Pool Information

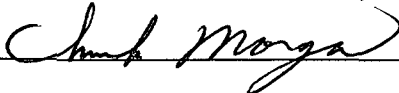
Title Statement

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 NMOC'D guidelines X, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE



Chuck Morgan

Type or print name

For State Use Only

TITLE Engineer

cmorgan@sdxresources.com

E-mail address:

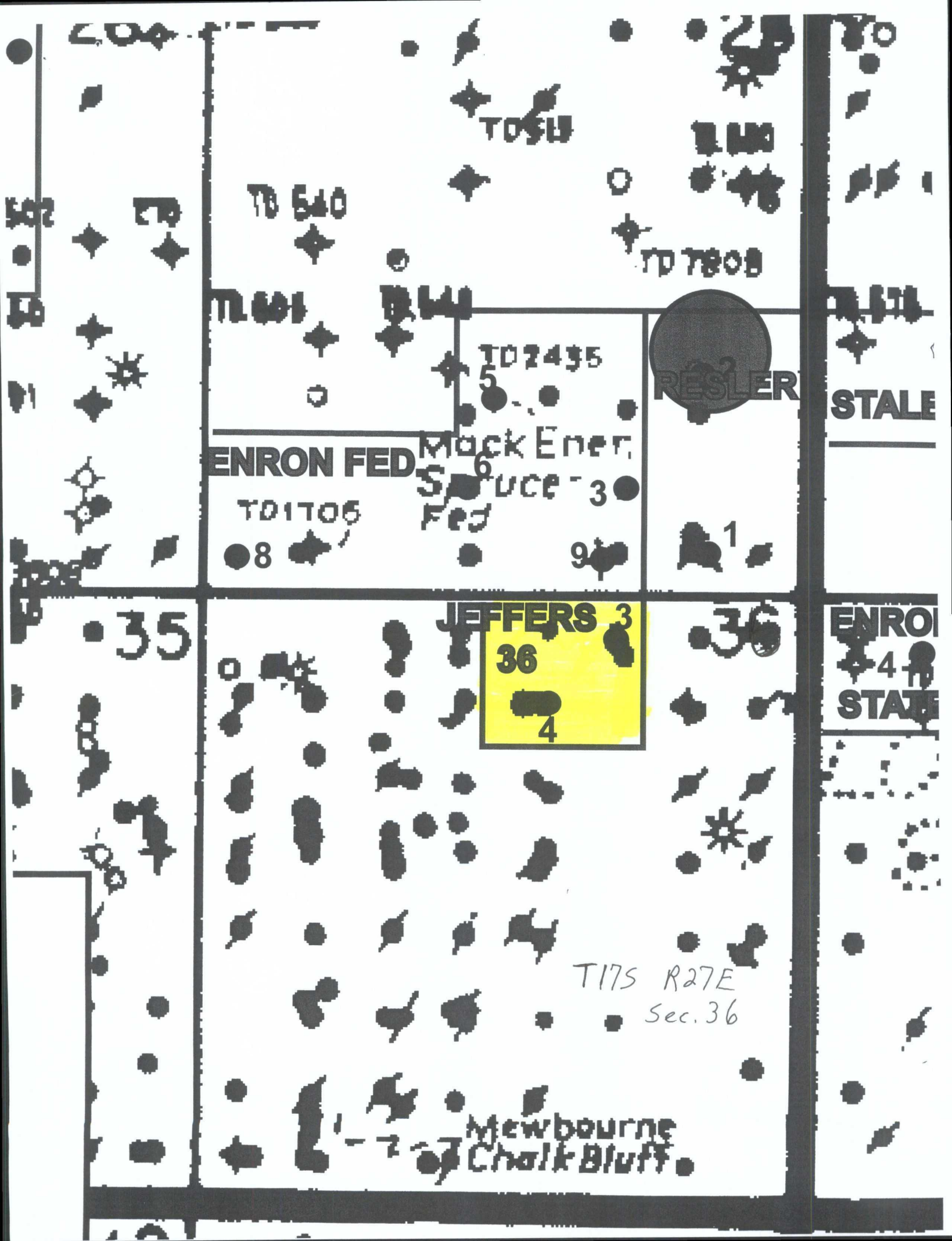
DATE 6/24/08

432-685-1761

Telephone No.

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):



T054

T0540

T07808

T0601

T0640

T0670

T02435

RESLER

STALE

ENRON FED

Mack Ener

Sauce - 3

T01706

Fed

8

9

1

35

JEFFERS 3

36

4

36

ENROI

4

STATE

T17S R27E

Sec. 36

Mewbourne

Chalk Bluff

SDX Resources, Inc.
JEFFERS 36 STATE
Sec 36, T17S, R27E
E-379
Lease & Pool Information

WELL #	API#	LEGALS	PERFS	POOL	POOL CODE	EST. DAILY PROD
4	34626	935' FNL 2260' FEL Unit B	2566' – 2860'	Red Lake, QN-GB-SA	51300	21 BO 54 BW 91 MCF
3	35606	460' FNL 1650' FEL Unit B	3258' – 3312'	Red Lake, GL-YE, NE	96836	7 BO 109 BW 54 MCF
			2013' – 2866'	Red Lake, QN-GB-SA	51300	6 BO 1 BW 52 MCF

Lease Description: Sec 36, T17S, R27E, NW/NE, 40 acres±
Battery Description: Sec 36, T17S, R27E, Unit B, 460' FNL 1650' FEL

23300 ✓

ROD J. MacDONALD
Attorney at Law

Licensed in Texas,
New Mexico and Colorado

511 W. Ohio
Suite 530
Midland, Texas 79701

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

January 22, 2003

DIVISION ORDER TITLE OPINION

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

Attention: Mr. Steve Sell

Re: SDX Resources, Inc. Jeffers 36 State No. 3 Well - The interest owned in State of New Mexico Lease No. E-379, insofar as it covers the following-described land situated in Eddy County, New Mexico:

Township 17 South, Range 27 East, N.M.P.M.
Section 36: NW/4 NE/4

from 2,000 feet below the surface down to
3,500 feet below the surface, containing 40
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 September 19, 2002, addressed to SDX Resources, Inc., covering the NW/4 NE/4 of Section 36, limited to depths from 750 feet beneath the surface down to 3,500 feet beneath the surface, based upon the prior title opinion, examination of the records and instrument, as described therein, which together cover: (i) the records of the Office of the Commissioner of Public Lands of the State of New Mexico for State of New Mexico Lease No. E-379, insofar as it covers the mineral estate only in said lands, from inception of the records to September 16, 2002 at 8:00 a.m.; and (ii) the records of the Office of the County Clerk of Eddy County, New Mexico, pertaining to the mineral estate only in said lands, from inception of the records to September 9, 2002 at 8:00 a.m.

Examination of the Records

We have examined the records in the Office of the Commissioner of Public Lands of the State of New Mexico for State of New Mexico Lease No. E-379, insofar as it covers the mineral estate only in captioned land, from September 16, 2002 at 8:00 a.m. to January 6, 2003 at 8:00 a.m. We have examined the records in the Office of the County Clerk of Eddy County, New Mexico, pertaining to the mineral estate in captioned land from September 9, 2002 at 8:00 a.m. to January 6, 2003 at 8:00 a.m., based upon the indices of Guaranty Abstract and Title Company, Inc.

Instrument

Copy of Completion Report for the captioned well, dated January 9, 2003.

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:

Royalties:

State of New Mexico1250000

Overriding Royalty Interests:

William Elmer Jeffers, Trustee
of the W. E. Jeffers Revocable
Trust Under Trust Agreement dated
May 12, 20001250000

Working Interests:

States, Inc.2887500

Steve Sell, as his separate
property1725000

John D. Pool, whose wife is
Stacy Pool1725000

William S. Montgomery, Jr.,
as his separate property0375000

Fred C. Corey, whose wife is
Deborah Corey0225000

Charles M. Morgan, whose wife is
Monica Morgan0225000

Eram Ali, whose wife is
Vicky Ali0187500

William Scott Ramsey, whose wife is
Ellen K. Ramsey0150000

EXISTING OIL AND GAS LEASE

Serial No.: E-379.

Date: June 11, 1945.

Recorded: Unrecorded; however, it is not
necessary to record the lease in
the county records.

Lessor: The State of New Mexico.

Lessee: Burnham Oil Company.

Land Covered: T-17-S, R-27-E, N.M.P.M.
Section 36: NW/4 NE/4, SW/4 SW/4

Eddy County, New Mexico, con-
taining 80.0 acres, more or less.

Primary Term: Five (5) years with the right to
extend the lease for an
additional five (5) years upon
payment of double the annual
rental provided for in the lease.

REQUIREMENT: You should have Division Orders executed by all of the parties credited herein with owning an interest in production from captioned land.

COMMENTS

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

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

ASSIGNMENT AND BILL OF SALE

STATE OF NEW MEXICO §
COUNTY OF EDDY §

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, STEVE SELL, A SINGLE PERSON; JSTM PROPERTIES, LTD.; FRED C. COREY AND HIS WIFE, DEBORAH COREY; CHARLES M. MORGAN AND HIS WIFE, MONICA MORGAN; WILLIAM S. MONTGOMERY, JR. JOINED PRO FORMA BY HIS WIFE, MARY. H. MONTGOMERY, ERAM ALI AND HIS WIFE, VICKI ALI; RAMSEY PETROLEUM, LP; AND SDX NATURAL GAS PARTNERS, LLC (hereinafter referred to as the "Assignors"), whose address is c/o SDX Resources, Inc. at 511 W. Ohio Street, Suite 601, Midland, Texas 79701, own certain interests in the oil and gas leases described in Exhibits "A1" and "A2", attached hereto (the "Leases"), covering the lands and depths in Eddy County, New Mexico described on Exhibits "A1" and "A2", attached hereto (the "Lands").

WHEREAS, LIME ROCK RESOURCES "A" L.P. (hereinafter referred to as the "Assignee"), whose mailing address is Heritage Plaza, 1111 Bagby Street, Suite 4600, Houston, Texas 77002, desires to purchase an assignment of certain interests in the Leases, together with certain other rights thereto.

WITNESS

NOW, THEREFORE, for and in consideration of the premises and the sum of Ten Dollars (\$10.00) cash in hand paid by Assignee and other good and valuable consideration, including the covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, Assignors and Assignee, by acceptance of this Assignment, hereby agree to the following terms and conditions:

1. CONVEYANCE

A. Assignors do hereby transfer, assign and convey unto Assignee, an undivided 49.0% of Assignors' interest in the Leases, INsofar AND ONLY INsofar as said leases cover the lands and depths specifically described on Exhibits "A1" and "A2", attached hereto.

B. In addition to their leasehold interest, Assignors do hereby transfer, convey and assign to Assignee, an undivided 49.0% of Assignors' interest in and to all of the oil wells, gas wells, water wells, salt water disposal wells, tanks, pumps, pipelines, water lines, roads, buildings, easements and rights-of-way, machinery, facilities, equipment, fixtures, farmout agreements, operating agreements and any personal property used in connection with the oil and gas exploration, development or operation of the Leases and Lands.

C. Assignors reserve any existing overriding royalty interests in their names (or names of which they are doing business as) that were of record prior to the effective date hereof.

D. ASSIGNORS DO NOT WARRANT OR REPRESENT, EITHER EXPRESSLY OR BY IMPLICATION, THE CONDITION OF ANY WELLS OR EQUIPMENT OR THE QUANTITY, QUALITY OR CONDITION OF ANY MATERIAL AND EQUIPMENT OR ITS FITNESS FOR USE OR THE SUITABILITY FOR USE OF SAME IN WHOLE OR IN PART. ASSIGNORS DISCLAIM ANY IMPLIED WARRANTY OF MERCHANTABILITY OF ANY PERSONAL PROPERTY OR OF THE FITNESS OF ANY PERSONAL PROPERTY FOR ANY PURPOSE, AND ASSIGNEE AGREES THAT ANY PERSONAL PROPERTY IS SOLD "AS IS" AND "WHERE IS".

E. Assignors save and except herefrom any and all sums, production, adjustments of production, unpaid proceeds owed Assignors accruing by virtue of production from the Leases and the Lands prior to the Effective Date of this Assignment, including but not limited to production in the tanks above the pipeline connection on the Effective Date hereof.

F. The Effective Date for this Assignment and Bill of Sale shall be 7:00 a.m. local time April 1, 2006, regardless of the date of execution hereof.

Tract 12: NW State No. 12 and No. 28 Wells:

Township 17 South, Range 28 East, N.M.P.M.
Section 31: NE/4 NE/4

limited to depths from the surface down to 3,304 feet below the surface, containing 40 acres, more or less.

Tract 14: NW State No. 14 and No. 19 Wells:

Township 17 South, Range 28 East, N.M.P.M.
Section 29: SE/4 SE/4

limited to depths from 500 feet below the top of the San Andres Formation down to 3,340 feet below the surface, containing 40 acres, more or less.

Tract 15: NW State No. 15 Well

Township 18 South, Range 28 East, N.M.P.M.
Section 6: Lot 1 (NE/4 NE/4)

limited to depths from 500 feet below the top of the San Andres Formation down to 3,225 feet below the surface, containing 40.15 acres, more or less.

9. Jeffers State No. 1 Tract:

State of New Mexico Lease E-1717, dated February 10, 1948, recorded in Book 30, page 55, Oil and Gas Records, by and between the State of New Mexico, as Lessor, and Burnham Oil Company, as Lessee, insofar only as said lease covers the following-described lands situated in Eddy County, New Mexico:

Township 17 South, Range 28 East, N.M.P.M.
Section 32: NW/4 SE/4

containing 40 acres, more or less, limited to depths from 2,200 feet beneath the surface down to 5,000 feet beneath the surface.

10. Jeffers 36 State No. 3 Tract:

State of New Mexico Lease E-379, dated June 11, 1945, by and between the State of New Mexico, as Lessor, and Burnham Oil Company, as Lessee, insofar only as said lease covers the following-described lands situated in Eddy County, New Mexico:

Township 17 South, Range 27 East, N.M.P.M.
Section 36: NW/4 NE/4

containing 40 acres, more or less, limited to depths from the surface down to 3,500 feet beneath the surface.

11. Kersey Nos. 1 and 2 Wells:

State of New Mexico Lease B-2071 dated August 10, 1933, recorded in Book 102, page 13, Oil and Gas Records, by and between the State of New Mexico, as Lessor, and Forest E. Levers, as Lessee, insofar only as said lease covers the following-described lands situated in Eddy County, New Mexico:

Township 17 South, Range 28 East, N.M.P.M.
Section 32: E/2 SE/4

containing 80 acres, more or less, limited to depths from the base of the Unitized Formation of the Northwest Artesia Unit (as described below), down to 5,000 feet below the surface.

2. COVENANTS

A. This Assignment is subject to the terms and provisions of the instruments described in Exhibits "A1" and "A2", attached hereto, together with all other instruments of record or referenced of record. This Assignment and Bill of Sale is also subject to that certain Purchase and Sale Agreement dated April 21, 2006, between the parties hereof and that certain Operating Agreement dated effective April 1, 2006, by and between SDX Resources, Inc., as Operator, and the parties hereof, as Non-Operators. This Assignment and Bill of Sale is also subject to that certain Letter Agreement dated May __, 2006, between the parties.

B. Assignee agrees to observe, perform and comply with the terms, provisions, covenants and conditions, express or implied, of the Leases and will comply with all laws, rules, regulations and orders, both state and federal, applicable to ownership and enjoyment of the rights herein assigned.

C. Assignors certify that this transaction does not conflict with or violate any charter, bylaw, contract, agreement, law, regulation, decree or court order to which Assignors are a party.

D. This Assignment and Bill of Sale is subject to any and all depths and limitations of record.

E. To the extent Assignors acquired their interest under a Term Assignment, then it is understood that Assignee's interest shall also be subject to the terms of any such Term Assignment.

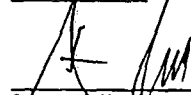
F. Separate assignments of the interests may be executed by Assignors, on the officially approved form required by the Bureau of Land Management, United States of America, in sufficient counterparts to fulfill applicable statutory and regulatory requirements, and said assignments shall be deemed to contain all of the terms and provisions hereof and shall be deemed to include all of the interest assigned herein, as fully as though same were included in such separate assignment.

This Assignment shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors and assigns forever, and Assignors hereby bind themselves to warrant and forever defend, all and singular, such leasehold interest assigned herein unto Assignee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof, by, through and under Assignors, but not otherwise.

This Assignment may be executed by Assignors and Assignee in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same instrument.

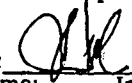
IN WITNESS WHEREOF, this Assignment and Bill of Sale is executed on the dates as set forth in the acknowledgments below for each of the respective parties.

ASSIGNORS:

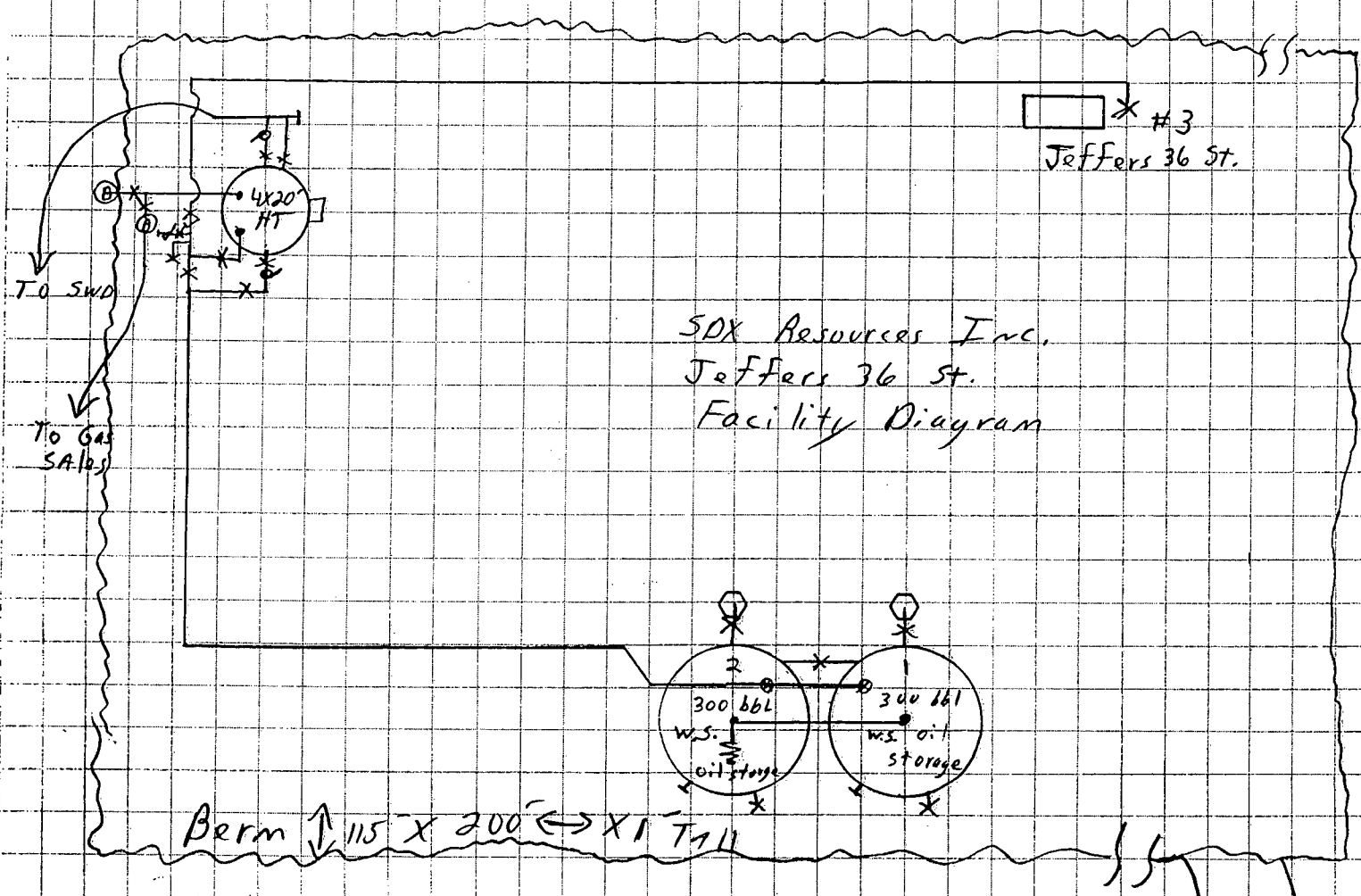


Steve Sell

JSTM Properties, Ltd.
by its General Partner,
Poolco Properties, LLC

By: 
Name: John D. Pool
Title: Manager & President

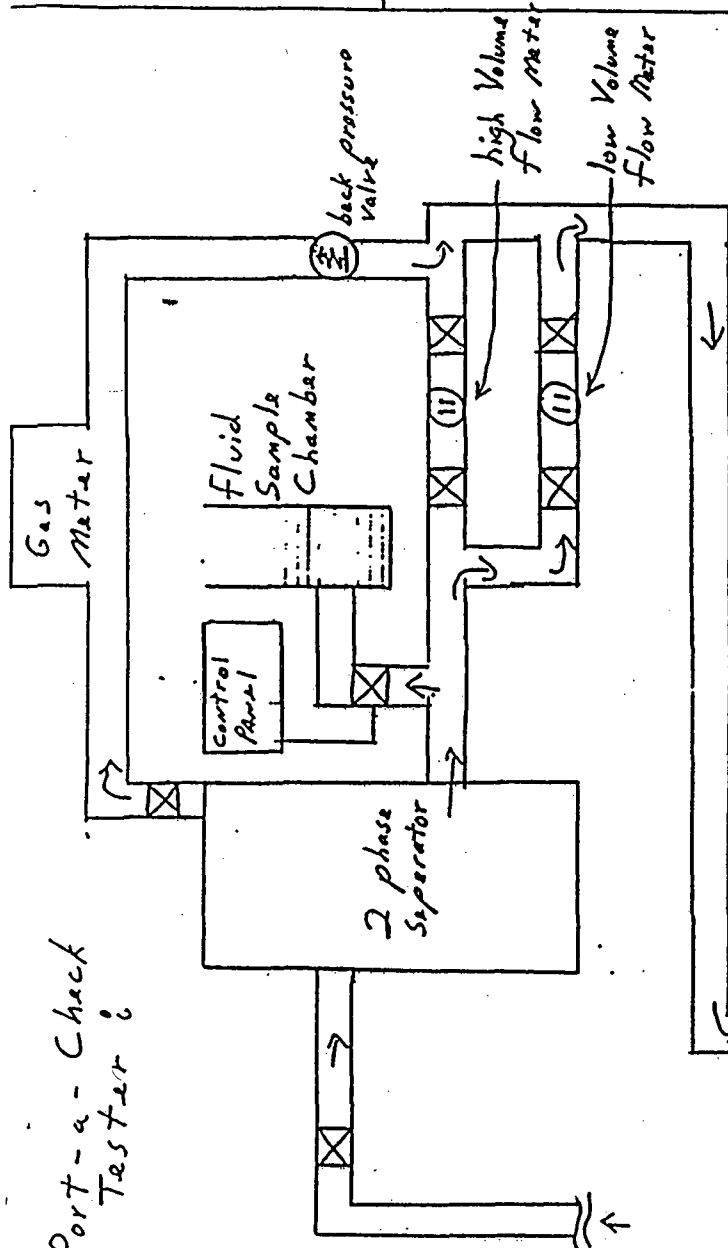
N



SDX Resources Inc.
Jeffers 36 St.
Facility Diagram

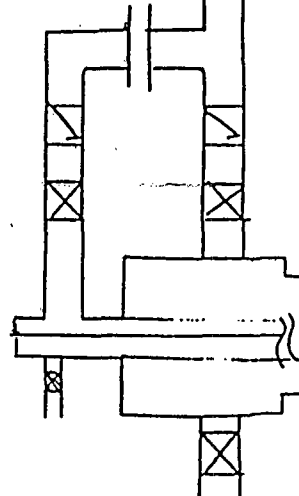
Berm 115 x 200 X 1 T 11

Port-a-Check
Tester?



Tester Inlet

Standard Well Head



flow line to battery

Attachment