



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

ADMINISTRATIVE ORDER DHC-3690

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

Attention: Chuck Morgan

Kersey State Well No. 1
API No. 30-015-30888
Unit I, Section 32, Township 17 South, Range 28 East, NMPM,
Eddy County, New Mexico
Undesignated Artesia-Glorieta Yeso (96830), and
Artesia-Queen Grayburg San Andres (03230) Pools

Dear Mr. Morgan:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above-described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion or otherwise required separation of the zones is hereby placed in abeyance.

In accordance with Division 303C.(1)(f), the production attributed to any commingled pool within the well shall not exceed the allowable applicable to that pool.

Assignment of allowable to the well and allocation of production from the well shall be as follows.

| | | |
|--|---------|---------|
| Artesia-Glorieta Yeso Pool | Oil-71% | Gas-64% |
| Artesia-Queen Grayburg San Andres Pool | Oil-29% | Gas-36% |

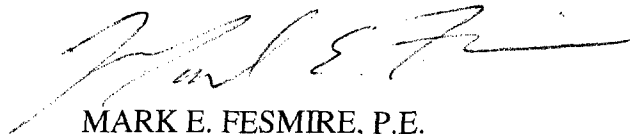
These percentages shall be amended only with written permission of the Division.

REMARKS: The operator shall notify the Artesia District Office of the Division upon implementation of commingling operations.

Pursuant to Rule 303C(2), the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

Approved at Santa Fe, New Mexico on April 11, 2006.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P.E.
Director

cc: Oil Conservation Division – Artesia
State Land Office – Oil, Gas, and Minerals Division