

| | | | | | |
|------------------|----------|---------------------|--------------------|----------|--------------------------|
| DATE IN 11/20/06 | SUSPENSE | ENGINEER Will Jones | LOGGED IN 11/21/06 | TYPE DHC | APP NO. P-TDSOL-32559052 |
|------------------|----------|---------------------|--------------------|----------|--------------------------|

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.

Print or Type Name

Signature

Title

Date

e-mail Address

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Artesia, 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
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Operator Welch AL #2 Address F
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. Property Code API No. 30-015-31917 Lease Type: Federal ☒ State ☐ Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|--|--|---------------------------|---|
| Pool Name | <u>Red Lake SA</u> | | <u>AR 55A</u> <u>Red Lake - GL - 1050</u> |
| Pool Code | <u>97253</u> | | <u>51120 96830</u> |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | <u>Btfr 2294 - 2675</u> | | <u>Btfr: 3422 - 54</u> |
| Method of Production (Flowing or Artificial Lift) | <u>pumping</u> | | <u>pumping</u> |
| 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) | <u>N/A</u> | | <u>N/A</u> |
| Oil Gravity or Gas BTU (Degree API or Gas BTU) | <u>36</u> | | <u>38</u> |
| Producing, Shut-In or New Zone | <u>Prod.</u> | | <u>SI</u> |
| 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: <u>8/1/06</u> Rates: <u>3 BOPD</u> <u>11 MCFBD</u> | Date: Rates: | Date: <u>3/3/07</u> Rates: <u>8 BOPD</u> <u>6 MCFBD</u> |
| Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.) | Oil <u>27 %</u> Gas <u>65 %</u> | Oil <u>%</u> Gas <u>%</u> | Oil <u>73 %</u> Gas <u>35 %</u> |

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?

Yes ☒ No ☐
Yes ☐ No ☐

Are all produced fluids from all commingled zones compatible with each other?

Yes ☒ No ☐

Will commingling decrease the value of production?

Yes ☐ No ☒

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 ☒ No ☐

NMOCD Reference Case No. applicable to this well: PC - 1087

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 _____ DATE _____

TYPE OR PRINT NAME _____ TELEPHONE NO. () _____

E-MAIL ADDRESS _____

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

Nov. 16, 2006

Attention: Mr. Will Jones

RE: Downhole commingling applications
Welch RL State #2 & #6
Sec. 28 T17S R28E
Eddy County, New Mexico


Dear Mr. Jones

SDX Resources respectfully request permission to downhole commingle production from the Artesia Yeso Glorietta pool with production from the Red Lake Sa pool in both their Welch RL #2 & #6 wells (Previously covered by order # PC1087). Ownership is identical for both pools on the lease. The oil from both pools is sour and is close to the same gravity. There should therefore be no difference in revenue to the interest owners including the State government. Downhole commingling will improve the economics of the lease, extending its life, resulting in the recovery of additional reserves.

The following data is submitted for your information:

| | |
|-------------------|--------------------------------|
| Attachment 1-A&B: | PC-1087 & Lease Maps |
| Attachment 2 | C-107's |
| Attachment 3 | Production History |
| Attachment 4: | Well Plats and Completion Data |
| Attachment 5: | Supporting Data |

Sincerely,



Chuck Morgan

2006 NOV 20 PM 1 23

Welch RL #6 :

Production test 11/1/06 : 11 BOPD 42 mcfGD
(San Andres & Yeso)

#6 Totals : 8.5 BOPD Yeso 10 mcfGD Yeso
2.5 BOPD San Andres 32 mcfGD S.A.
11 BOPD 42 mcfGD

Welch RL #6 Oil Ratio : 77% Yeso
23% San Andres

Gas Ratio : 24% Yeso
76% San Andres

Welch RL #2 :

Production Test 3/3/03 8 BOPD 6 mcfGD
(Yeso Perfs Only)

#2 Totals : 8 BOPD Yeso 6 mcfGD Yeso
3 BOPD San Andres 11 mcfGD S.A.
11 17

Welch RL #2 Oil Ratio : 73% Yeso
27% San Andres

Gas Ratio : 35% Yeso
65% San Andres

Welch-Red Lake State Tract:

Township 17 South, Range 28 East, N.M.P.M.

Containing 200 acres, more or less, limited to depths from the base of the Unitized Formation of the Red Lake Premier Sand Unit down to 3,500 feet below the surface.

Production History :

[illegible]

October/06 Lease Total : 888 BOPM 3091 McF6M
28 BOPD 100 McF6D

Welch RL #6 June - Aug/06 :
average production 2.5 BOPD
32 McFGD

Welch RL #2 June - Aug. / 06 :
average production 3 BOPD
11 McFGD

Last Twelve Months Historic Production Report

Project: C:\Program Files\IHS Energy\PowerTools v8.0\Welch RL.mdb

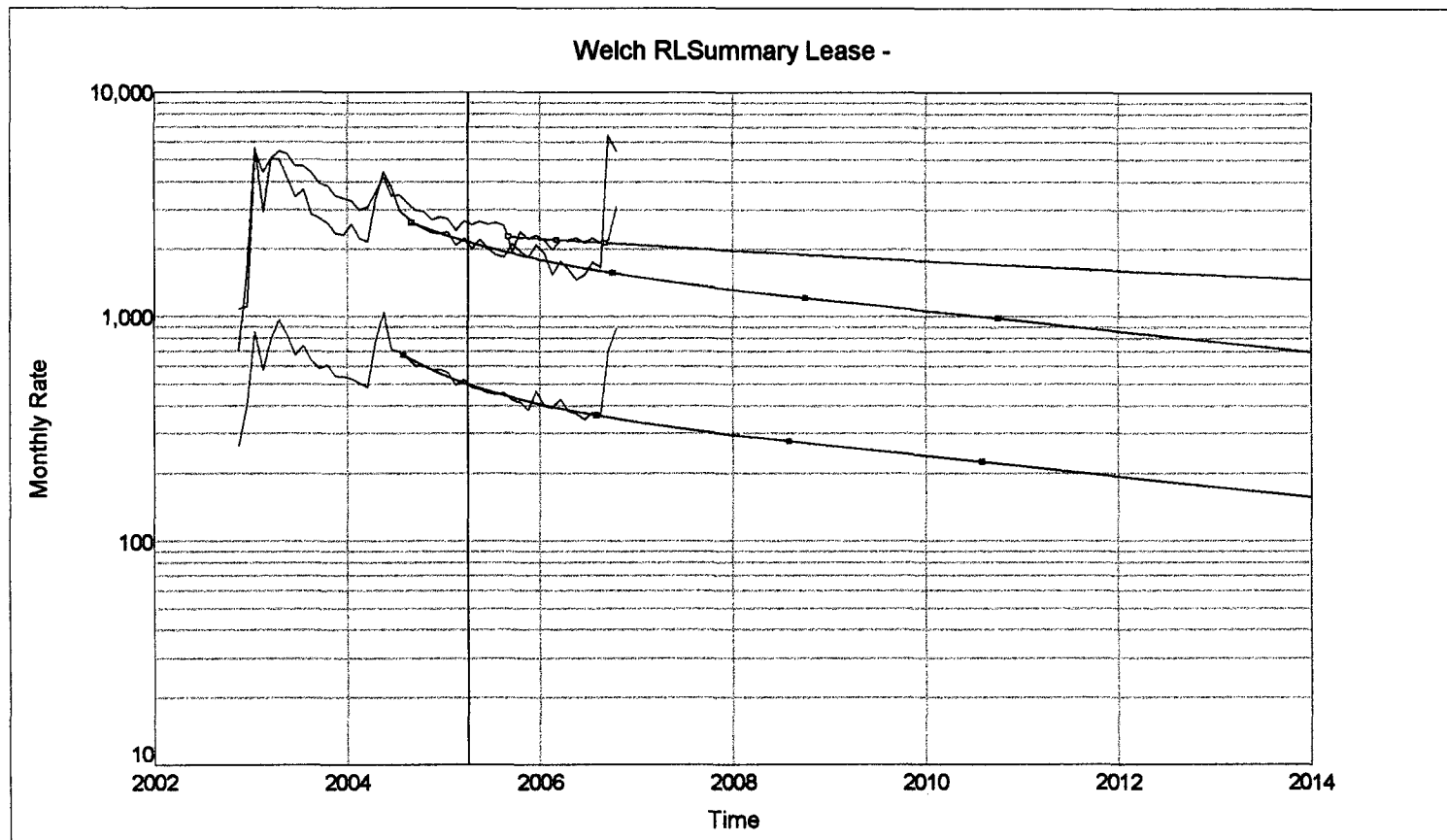
Lease Name: Welch RLSummary Lease ()

Operator:

County, ST: ,

Field Name:

Location: 0-0-0



| Date | Well Count | Days On | Oil (bbl) | Gas (mcf) | Water (bbl) | Injection (bbl) |
|----------|------------|---------|-----------|-----------|-------------|-----------------|
| Previous | | 3,579 | 21,589 | 120,482 | 100,138 | 0 |
| 11/2005 | 4 | 120 | 383 | 2,222 | 1,845 | 0 |
| 12/2005 | 4 | 124 | 468 | 2,314 | 2,096 | 0 |
| 01/2006 | 4 | 118 | 401 | 2,188 | 1,927 | 0 |
| 02/2006 | 4 | 104 | 392 | 1,995 | 1,546 | 0 |
| 03/2006 | 4 | 124 | 429 | 2,194 | 1,771 | 0 |
| 04/2006 | 4 | 120 | 380 | 2,194 | 1,632 | 0 |
| 05/2006 | 4 | 110 | 369 | 2,247 | 1,467 | 0 |
| 06/2006 | 4 | - | 348 | 2,135 | 1,546 | 0 |
| 07/2006 | 4 | | 372 | 2,244 | 1,753 | 0 |
| 08/2006 | 4 | | 363 | 2,137 | 1,665 | 0 |
| 09/2006 | | | 708 | 2,207 | 6,476 | 0 |
| 10/2006 | | | 888 | 3,091 | 5,499 | 0 |
| Total: | | 4,399 | 27,090 | 147,650 | 129,361 | 0 |

**SDX Resources, Inc. - WELCH RL STATE #2 - Eddy Co., NM - API #30-015-31917,
United Drlg Rig #4 - New Well.**

- 11/12/02 - 355' - Day #1. Anhy. MW 8.9, Vis 29, PP 500, GPM 327, SPM 14. Bit #1: 12-1/4", Jets 13-13-13, 40'/Hr, WOB all, RPM 75. Spud 12-1/4" hole @ 8:00 am 11/11/02. Hit tight spot @ 19'. WO 17-3/4" bit. Ream w/17-3/4" bit to 59'. TOH & PU 12-1/4" bit. TIH & cont drlg. Work thru tight spot. Drill to 355'. Circ. TOH. Run csg to 230'. Could not wash down. TOH LD csg. Repair rig. TIH & wash to bottom. Mix FWG & WO more FWG.
DWC: \$21,962 CWC: \$21,962
- 11/13/02 - 355' - Day #2. Bit #2: 7-7/8", Jets 13-13-13, WOB 35, RPM 60. Mix mud up & circ. TOH. RU csg crew & run 8-5/8" 24# csg. Set @ 304'. Cmt w/325 sx Cl C + CaCl2 & 1/4# flocele. PD 12:30 pm. Circ 72 sx. WOC. TIH. Take off landing jt & NU hydrill & TIH & test hydrill to 1000 psi 15 min - ok. Presently WOC.
DWC: \$15,762 CWC: \$37,724
- 11/14/02 - 1002' - Made 647'. Day #3. Anhy/Shale. MW 9.2, Vis 29, Ph 11, PP 700, GPM 317, SPM 60. Bit #2: 7-7/8", Jets 13-13-13, 29'/Hr, WOB 35, RPM 60. Dev: 1° @ 517'. WOC total of 20 hrs. Tag cmt @ 250' & drill cmt & insert float. Start drlg 7-7/8" hole.
DWC: \$10,342 CWC: \$48,066
- 11/15/02 - 1609' - Made 607'. Day #4. MW 10, Vis 30, WL 30, Ph 10.2, PP 800, GPM 317, SPM 60. Bit #2: 7-7/8", Jets 13-13-13, 28'/Hr, WOB 35, RPM 60. Dev: 1° @ 1032', 1° @ 1518'. Continue drlg formation.
DWC: \$9,082 CWC: \$57,148
- 11/16/02 - 2001' - Made 392'. Day #5. MW 9, Vis 31, WL 30, Ph 10.5, PP 800, GPM 317, SPM 60. Bit #2: 7-7/8", Jets 13-13-13, 16'/Hr, WOB 35, RPM 60. Continue drlg formation.
DWC: \$5,904 CWC: \$63,052
- 11/17/02 - 2424' - Made 423'. Day #6. MW 9.8, Vis 32, WL 30, Ph 10.4, PP 900, GPM 317, SPM 60. Bit #2: 7-7/8", jets 13-13-13, 18'/Hr, WOB 35, RPM 60. Dev: 3/4° @ 2001'. Continue drlg formation.
DWC: \$6,632 CWC: \$69,684
- 11/18/02 - 2910' - Made 486'. Day #7. MW 9.9, Vis 30, WL 30, Ph 10.4, PP 800, GPM 317, SPM 60. Bit #2: 7-7/8", Jets 13-13-13, 20'/Hr, WOB 35, RPM 60. Dev: 1° @ 2484'. Continue drlg formation.
DWC: \$7,762 CWC: \$77,446
- 11/19/02 - 3367' - Made 457'. Day #8. Yeso/Sd. MW 9.9, Vis 30, WL 30, Ph 10, PP 900, GPM 317, SPM 60, Bit #2: 7-7/8", Jets 13-13-13, 21'/Hr, WOB 35, RPM 60. Dev: 3/4° @ 2972'. Continue drlg formation.
DWC: \$8,085 CWC: \$85,531
- 11/20/02 - 3535' TD - Made 168'. Day #9. Dolo. MW 9.2, Vis 39, WL 10, Ph 11, PP 900, GPM 317, SPM 60. Bit #2: 7-7/8", Jets 13-13-13, 21'/Hr, WOB 60. Dev: 3/4° @ 3535'. Reached TD 3535' 5:15 pm 11/19/02. TOH. Run OH logs. RU csg crew & run 87 jts 5-1/2" 14# csg. Set @ 3526'. PBTd 3495'. RU cmt truck.
DWC: \$32,498 CWC: \$118,029

- 11/21/02 - 3535' TD - WO cmt bulk trucks. RU BJ & start cement job. SD for pump truck failure. Circ hole & WO pump truck repairs. Cmt w/375 sx 35/65 "C" POZ (12.8) & 375 sx "C" tail slurry. PD 11:00 am 11/20/02. Circ 50 sx. ND, set slips & jet pits. RR 1:00 pm 11/20/02.
DWC: \$7,878 CWC: \$125,907
- 11/22/02 - WO Completion.
12/16/02 CWC: \$125,907
- 12/17/02 - MIRU. Tally 106 jts 2-7/8" tbg = 3494.31'. NU BOP & TIH. Tag PBTD @ 105 + 15' @ 3477'. Roll csg w/2% KCL. Test csg & BOP 1000#. TOH w/tbg. RU Computalog WL PBTD 3477'. Run GR & CCL 3477 - 1800'. TIH w/4" csg guns & perf 3422 - 28', 3438-44 & 3452 - 54 (2 spf, 32 holes). TIH w/5-1/2" BJ HD pkr 10K w/bypass & 101 jts to 3345'. Set pkr & SDON.
DWC: \$32,920 CWC: \$158,827
- 12/18/02 - TIH. Break circ. Test tbg & pkr 4500#. Spot 3 bbls acid & 18-1/2 bbls 2%. Pull up to 3345'. Set pkr & acidize perms w/3000 gal 15% NEFE & 60 ball sealers @ 3-5 bpm. Balled out 4500#. Surged balls off & let fall. Flush to bottom perf. Avg treating psi = 1900#, ISIP = 1070#, 15 min = 730#. Flow back to pit. Swbd to 3000'. Left tbg cracked to pit. SDON. High winds.
DWC: \$6,938 CWC: \$165,765
- 12/19/02 - FL @ 700' w/25' free oil. Swbd to 2000' in 6 runs w/10% oil cut & very good gas. Swbd continuously & fl stayed @ 20000' w/10% oil cut & very good gas. TIH knocking off balls. TOH & set pkr @ 3345' w/8' L-80 sub through BOP. Load csg w/2%, load frac tks & leave FW for hot acid job. SDON.
DWC: \$4,450 CWC: \$170,215
- 12/20/02 - RU BJ Hughes & treat well w/11000 gal 20% heated HCL acid. Staged w/15,600 gal of heated 40# linear gall & followed w/5000 gal 15% HCL cool down acid. Initial rate 1.5 - 2 bpm. Inc rate 1/2 bpm w/ec acid stage to a max of 5 bpm. ISIP 1004#, 5 min sip = 1004#, 10 min sip = 967#, 15 min sip = 935#. Max treating press 1433#. Flow back acid to pit.
DWC: \$34,850 CWC: \$205,065
- 12/21/02 - Swbd continuously until noon w/FL staying @ 2000'. Treating fl w/acid gas & 5% oil cut. TIH knocking off balls. TOH w/tbg & pkr. TIH w/tbg. ND BOP. Set TAC w/12K tension land off tbg & build wellhead. Prep rods to run. Tbg & csg open to battery. SDON.
DWC: \$13,700 CWC: \$218,765

12/22/02 - TIH w/rods & pump. Space out rods. Well pumped up good. Set BP reg.
Pmpg to battery. RD & clean location.
1 - 2-7/8" crimped MA @ 3437.8'
1 - 2-7/8" API SN @ 3405.96'
2 jts - 2-7/8" tbg
1 - 2-7/8" TAC @ 3340.61'
101 jts - 2-7/8" tbg
1 - 1-1/4" x 12" strainer nipple
1 - 2-1/2" x 2" x 12' RWAC
1 - 7/8" x 2' lift sub
135 - 7/8" rods
1 - 7/8" x 4' sub
1 - 1-1/4" x 22' polish rod w/1-1/2" x 12' liner
DWC: \$3,925 CWC: \$222,690

12/24/02 - Prod for 12/23/02: 0 BO, 10 MCF, 277 BW
12/25/02 - Prod for 12/24/02: 14 BO, 13 MCF, 248 BW
12/26/02 - Prod for 12/25/02: 28 BO, 24 MCF, 252 BW
12/27/02 - Prod for 12/26/02: 44 BO, 30 MCF, 234 BW
12/28/02 - Prod for 12/27/02: 42 BO, 47 MCF, 271 BW
12/29/02 - Prod for 12/28/02: 39 BO, 48 MCF, 224 BW
12/31/02 - Prod for 12/29/02: 45 BO, 47 MCF, 199 BW
1/2/03 - Prod for 12/30/02: 37 BO, 61 MCF, 184 BW
1/3/03 - Prod for 12/31/02: 50 BO, 75 MCF, 189 BW
Prod for 1/1/03: 31 BO, 62 MCF, 154 BW
1/6/03 - Prod for 1/2/03: 42 BO, 65 MCF, 180 BW
Prod for 1/3/03: 40 BO, 65 MCF, 150 BW
Prod for 1/4/03: 35 BO, 65 MCF, 100 BW
1/7/03 - Prod for 1/5/03: 38 BO, 65 MCF, 110 BW
1/8/03 - Prod for 1/6/03: 30 BO, 65 MCF, 100 BW. Reset back press reg.
1/9/03 - Prod for 1/7/03: 28 BO, 65 MCF, 100 BW. 99 jts to FL, 10 jts to SN
1/10/03 - Prod for 1/8/03: 22 BO, 33 MCF, 68 BW. (Tester #3)
1/11/03 - Prod for 1/9/03: 22 BO, 37 MCF, 57 BW. (Tester #3)
1/12/03 - Prod for 1/10/03: 22 BO, 37 MCF, 62 BW
1/13/03 - Prod for 1/11/03: 22 BO, 37 MCF, 62 BW
1/14/03 - Prod for 1/12/03: 20 BO, 37 MCF, 67 BW

FINAL REPORT

**SDX Resources, Inc. - WELCH RL STATE #2 - API #30-015-31917, Eddy Co., NM
Workover.**

- 3/13/03 - MIRU. TOH w/rods & pump. Shop pump. NU BOP & release anchor. TOH w/2-7/8" tbg. Tally out. TIH w/5-1/2" Pengo RBP. Set RBP @ 3224'. Circ hole w/2% KCL. Test BP, csg & BOP to 1000#. Held ok. Dump 10 gal of sd on RBP. TOH. RU Computalog & perf 1 spf: 2294', 2306, 16, 32, 36, 62, 74, 2404, 16, 46, 66, 71, 2485, 2504, 22, 2612, 26, 38, 52, 65, 75 (21 holes) by LDT-CNL-GR OH log depths. TIH w/PPI & set @ 2175'. SDON.
DWC: \$7,550 CWC: \$7,550
- 3/14/03 - TIH, hang collar & get on depth. Test tbg & tool 4000#. Spot acid across perfs & load tbg. Breakdown perfs: 2294-2675' in 11 stages w/1 bbl ec. Pull up to 2175'. Fish acid bar. Reverse csg. Set pkr & acidize w/90 bbls 15% NEFE & 40 ball sealers @ 5 bpm. Avg treating psi = 1500#. Balled out 3500#. Surged balls off & let fall. Put away remaining acid & flush to bottom perf. ISIP = 1044#, 15 min = 954#. Flow back to pit & swab dry in 7 runs treating fl, 30 min = 100' w/5% oil cut & good gas, 1 ht = 200' entry w/5% oil cut & very good gas. SDON.
DWC: \$9,429 CWC: \$16,979
- 3/15/03 - 230# TP. Blow down to pit, FL @ 1100'. Swab dry in 3 runs w/5% + oil cut & good gas. 2 hrly runs = 200' entry w/5%+ oil cut & very good gas. TIH knocking off balls. TOH w/tbg & pkr. ND BOP & NU frac valve, set 2 frac tanks & fill w/480 bbls FW ec. Prep to frac 3/17/03 in the morning. SD for weekend.
DWC: \$3,450 CWC: \$20,429
- 3/16/03 - SD for weekend.
3/17/03 CWC: \$20,429
- 3/18/03 - RU BJ & frac down 5-1/2" csg w/40,000 gal Viking 25 & 70,440# 16/30 + 40,060# 12/20 Brady. Staged 1 - 5-1/2# w/5-1/2# hold on 12/20 @ 36 bpm. Avg treating psi = 1600#, ISIP = 1590#, 15 min = 1220# = 370 loss. RD BJ & RU flow back ch. CP @ 3:00 pm = 310#. SDON.
DWC: \$32,272 CWC: \$52,701
- 3/19/03 - 100# CP. Blow down to pit. NU BOP & TIH. Tag sd @ 3000'. Reverse sd out to RBP @ 3224'. Leave Pengo RBP. LD 20 jts. TOH w/67 jts. Install TAC. TIH. ND BOP. Land off tbg. Set TAC w/10K & pack off tbg head. Assemble wellhead, tbg & csg. Open down flowline. SDON for high winds.
1 - 2-7/8" crimped MA @ 2758.94'
1 - 2-7/8" API SN @ 2726.94'
16 jts - 2-7/8" tbg = 526.66'
1 - 2-7/8" x 5-1/2" TAC @ 2200.28' w/40K shear
67 jts - 2-7/8" tbg = 2197.28'
DWC: \$2,850 CWC: \$55,551
- 3/20/03 - TIH w/pmp & rods. Space out rods. Pmpd up good. RD & clean location. Left pmpg to battery. Released all rentals.
1 - 1-1/4" x 1' strainer nipple
1 - 2-1/2" x 2" x 12' RWAC P/S, S/M, D/V #15-2753
1 - 7/8" x 2' lift sub
119 - 7/8" rods
1 - 7/8" x 2' sub
1 - 1-1/4" x 22' polish rod
1 - 1-1/4" x 1-1/2" x 12' liner
DWC: \$950 CWC: \$56,501
- 3/21/03 - Prod for 3/19/03 - 232 BW to battery.

3/22/03 - Prod for 3/20/03 - 247 BW to battery. 27 jts to FL, 57 jts to SN
3/23/03 - Prod for 3/21/03 - 0 BO, 10 MCF, 277 BW
3/24/03 - Prod for 3/22/03 - 0 BO, 21 MCF, 287 BW
3/25/03 - Prod for 3/23/03 - 0 BO, 26 MCF, 243 BW. 30 jts to FL, 54 jts to SN
3/26/03 - Prod for 3/24/03 - 31 BO, 36 MCF, 236 BW
3/27/03 - Prod for 3/25/03 - 30 BO, 38 MCF, 230 BW
3/28/03 - Prod for 3/26/03 - 30 BO, 28 MCF, 300 BW
3/29/03 - Prod for 3/27/03 - 8 BO, 28 MCF, 206 BW. Gas locked.
3/30/03 - Prod for 3/28/03 - 14 BO, 31 MCF, 230 BW
3/31/03 - Prod for 3/29/03 - Pump change.
4/1/03 - Prod for 3/30/03 - 0 BO, 7 MCF 0 BW. Back on 3/31/03.
4/2/03 - Prod for 3/31/03 - 18 BO, 22 MCF 176 BW
4/3/03 - Prod for 4/1/03 - 15 BO, 30 MCF 125 BW
4/4/03 - Prod for 4/2/03 - 13 BO, 40 MCF 45 BW. Gas locked. Replace bp reg
ball & seat. 14 jts to FL, 70 jts to SN.
4/5/03 - Prod for 4/3/03 - 8 BO, 31 MCF 72 BW. Gas locked. Hot oiled. Gas
locked again.
4/6/03 - Prod for 4/4/03 - 12 BO, 30 MCF, 0 BW
4/7/03 - Prod for 4/5/03 - 0 BO, 16 MCF, 0 BW
4/8/03 - Prod for 4/6/03 - 0 BO, 7 MCF, 0 BW. Pump chg 4/7/03
4/9/03 - Prod for 4/7/03 - 6 BO, 18 MCF, 121 BW. Back on 3:30 pm 4/7/03
4/10/03 - Prod for 4/8/03 - 10 BO, 32 MCF, 168 BW
4/11/03 - Prod for 4/9/03 - 9 BO, 23 MCF, 116 BW
4/12/03 - Prod for 4/10/03 - 20 BO, 38 MCF, 163 BW
4/13/03 - Prod for 4/11/03 - 17 BO, 52 MCF, 169 BW
4/14/03 - Prod for 4/12/03 - 17 BO, 56 MCF, 167 BW
4/15/03 - Prod for 4/13/03 - 20 BO, 58 MCF, 155 BW. 41 jts to FL, 43 jts to SN
4/16/03 - Prod for 4/14/03 - 27 BO, 58 MCF, 159 BW
4/17/03 - Prod for 4/15/03 - 20 BO, 57 MCF, 135 BW. **FINAL REPORT**

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
2840 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

JUN 14 2001

Form C-102
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 | | Pool Code | Pool Name <i>Artesia, GL-4E</i> |
| Property Code <i>28535</i> | Property Name WELCH RL STATE | | Well Number 2 |
| OGRID No. 020451 | Operator Name SDX RESOURCES, INC. | | Elevation 3332. |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| F | 28 | 17-S | 28-E | | 2310 | NORTH | 1650 | WEST | 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. |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|

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

| | | |
|--|---|--|
| | 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 7/24/01 | |
| | 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. | |
| | JUNE 14 2001 | |
| | Date of Survey | |
| | Signature and Seal of Professional Engineer | |
| | | |

original on file

Last Twelve Months Historic Production Report

Project: C:\Program Files\IHS Energy\PowerTools v8.0\Welch RL.mdb

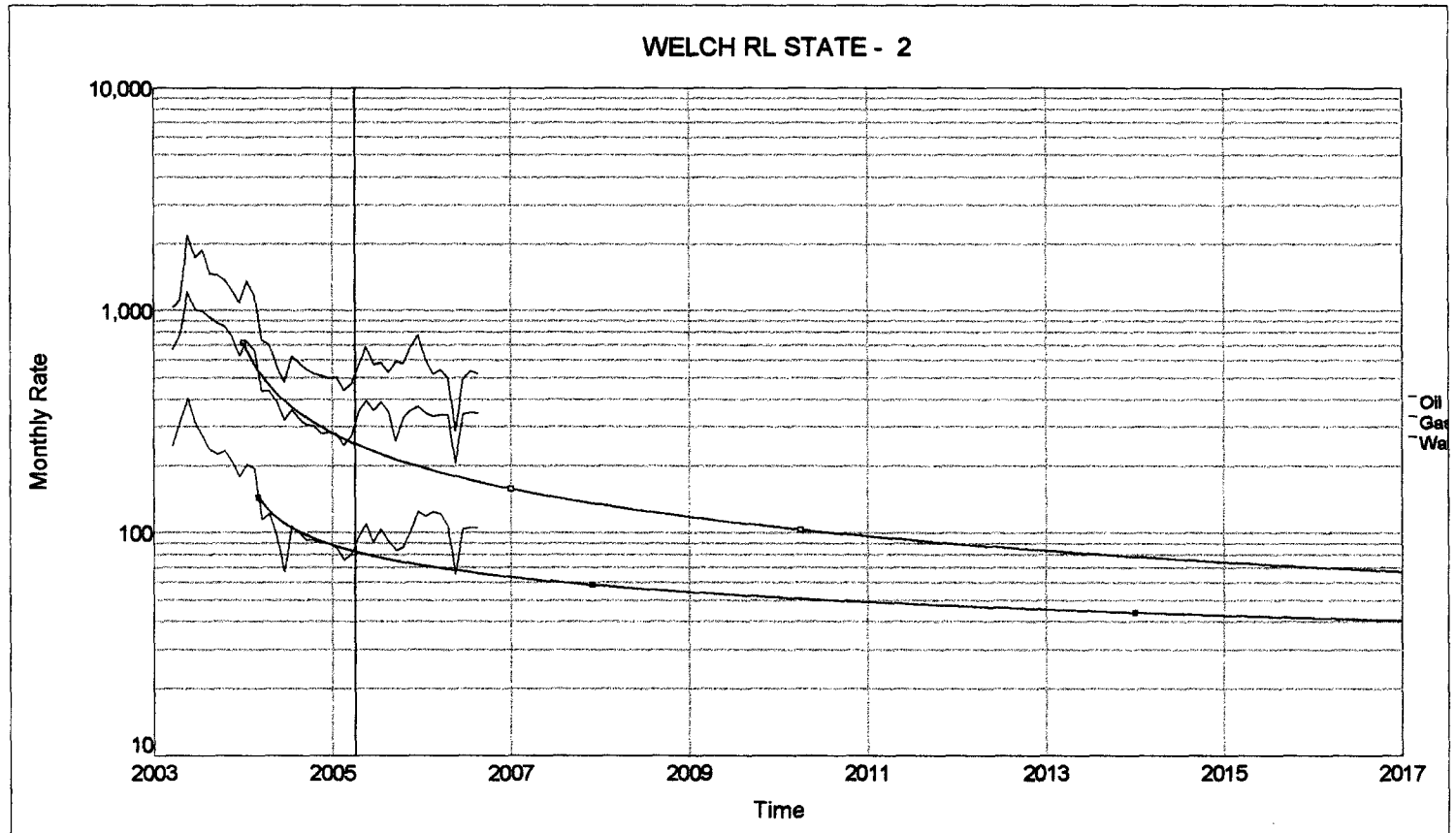
Lease Name: WELCH RL STATE (2)

Operator: SDX RESOURCES INCORPORATED

County, ST: EDDY, NM

Field Name: RED LAKE

Location: 28F 17S 28E SW SE NW



| Date | Well Count | Days On | Oil (bbl) | Gas (mcf) | Water (bbl) | Injection (bbl) |
|----------|------------|---------|-----------|-----------|-------------|-----------------|
| Previous | | 885 | 4,761 | 16,256 | 27,305 | 0 |
| 09/2005 | 1 | 28 | 84 | 260 | 595 | 0 |
| 10/2005 | 1 | 31 | 87 | 332 | 585 | 0 |
| 11/2005 | 1 | 30 | 102 | 357 | 687 | 0 |
| 12/2005 | 1 | 31 | 125 | 372 | 780 | 0 |
| 01/2006 | 1 | 30 | 119 | 347 | 605 | 0 |
| 02/2006 | 1 | 28 | 125 | 336 | 521 | 0 |
| 03/2006 | 1 | 31 | 122 | 342 | 545 | 0 |
| 04/2006 | 1 | 30 | 108 | 342 | 502 | 0 |
| 05/2006 | 1 | 17 | 66 | 206 | 288 | 0 |
| 06/2006 | 1 | | 104 | 343 | 494 | 0 |
| 07/2006 | 1 | | 106 | 350 | 539 | 0 |
| 08/2006 | 1 | | 106 | 348 | 524 | 0 |
| Total: | | 1,141 | 6,015 | 20,191 | 33,970 | 0 |