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DRC

SDX RESOURCES, INC.

P.O. BOX 5061
MIDLAND, TEXAS 79704
(915) 685-1761

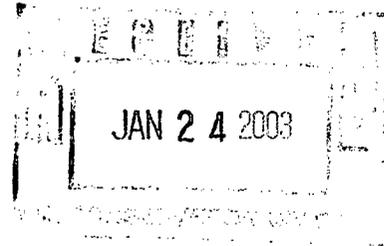
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Jan. 17, 2003

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

Attention: Mr. Dave Catanach

RE: Surface commingling application
Welch RL Lease
Sec. 28 T17S R28E
Eddy County, New Mexico



Dear Mr. Catanach,

SDX Resources respectfully request permission to commingle production from the Artesia Yeso Glorietta pool with production from the Red Lake Sa pool into their Welch RL battery. 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. Surface commingling will improve the economics of the lease, extending its life, resulting in the recovery of additional reserves.

Wells will be tested periodically with a Port-A-Check tester to allocate production to each respective well and its associated pool.

The following data is submitted for your information:

Attachment 1-A&B:	Lease Maps
Attachment 2	Lease Description
Attachment 3	Crude Analysis
Attachment 4	Production History
Attachment 5:	Well Plats and Completion Data
Attachment 6:	Battery and tester Schematics

Sincerely,

Chuck Morgan