

10/20/03 11/9/03 WVS ~~CTB~~ LR PLR 0329536998

CTB

SDX RESOURCES, INC.

P.O. BOX 5061

MIDLAND, TEXAS 79704
RECEIVED (915) 683-1761

WVS

OCT 20 2003

NMOCD

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

OIL CONSERVATION
DIVISION

Oct. 10, 2003

Attention: Mr. Dave Catanach

RE: Surface commingling application
Malibu Federal
Sec. 5 T18S R27E
Eddy County, New Mexico

Dear Mr. Catanach,

SDX Resources respectfully request permission to commingle on the surface the casing head gas production their Maibu Federal Lease ((NM10524) with the casing head gas from their Chalk Federal Lease (NM97122) at their Chalk Federal Battery. Interest owners in both leases have been notified and there are no objections. The casing head gas is similar and there should therefore be no difference in revenue to the interest owners including the State and Federal government. Surface commingling will allow the casing head gas to be compressed and improve the economics of the leases, extending their life, resulting in the recovery of additional reserves.

The following data is submitted for your information:

- Attachment 1: OCD Form C-107-B
- Attachment 2: Lease Boundary and Well Plat
- Attachment 3: Area Map
- Attachment 4: Interest Ownership
- Attachment 5: Interest Owner Notification

Sincerely,



Chuck Morgan

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

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original
application to the Santa Fe
office with one copy to the
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: SDX Resources, Inc.
OPERATOR ADDRESS: PO Box 5061, Midland, TX 79704
APPLICATION TYPE:
☐ Pool Commingling ☒ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingling)
LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☐ Yes ☒ No If "Yes", please include the appropriate Order No. _____
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling
☒ Yes ☐ No

(A) POOL COMMINGLING
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes

- (2) Are any wells producing at top allowables? ☐ Yes ☒ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☒ No.
(4) Measurement type: ☒ Metering ☐ Other (Specify) _____
(5) Will commingling decrease the value of production? ☐ Yes ☒ No If "yes", describe why commingling should be approved _____

(B) LEASE COMMINGLING
Please attach sheets with the following information

- (1) Pool Name and Code.
(2) Is all production from same source of supply? ☒ Yes ☐ No
(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No
(4) Measurement type: ☒ Metering ☐ Other (Specify) Periodic testing via Port-a-Check

(C) POOL and LEASE COMMINGLING
Please attach sheets with the following information

- (1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT
Please attach sheets with the following information

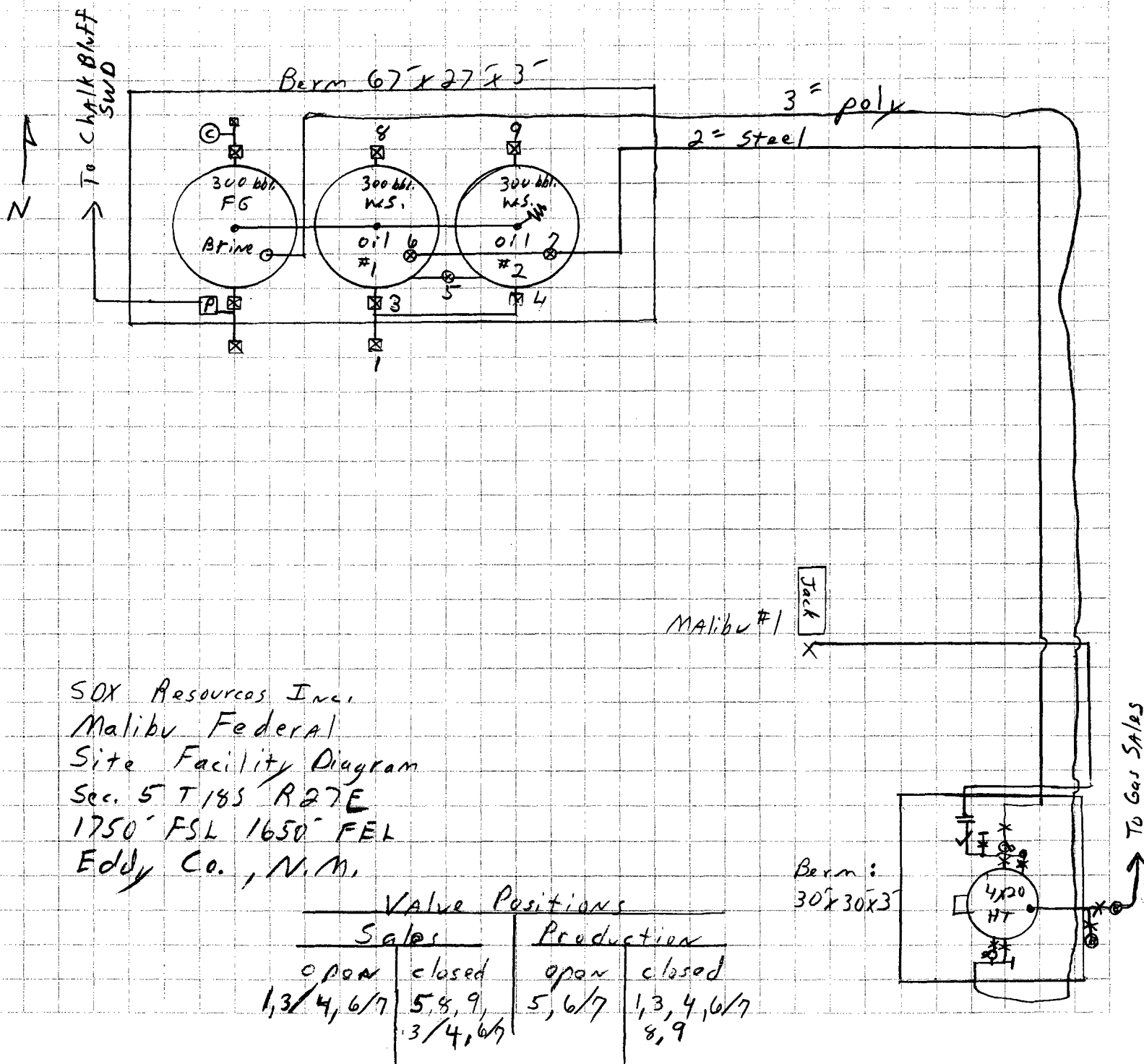
- (1) Is all production from same source of supply? ☒ Yes ☐ No
(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)
Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location.
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.
(3) Lease Names, Lease and Well Numbers, and API Numbers.

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

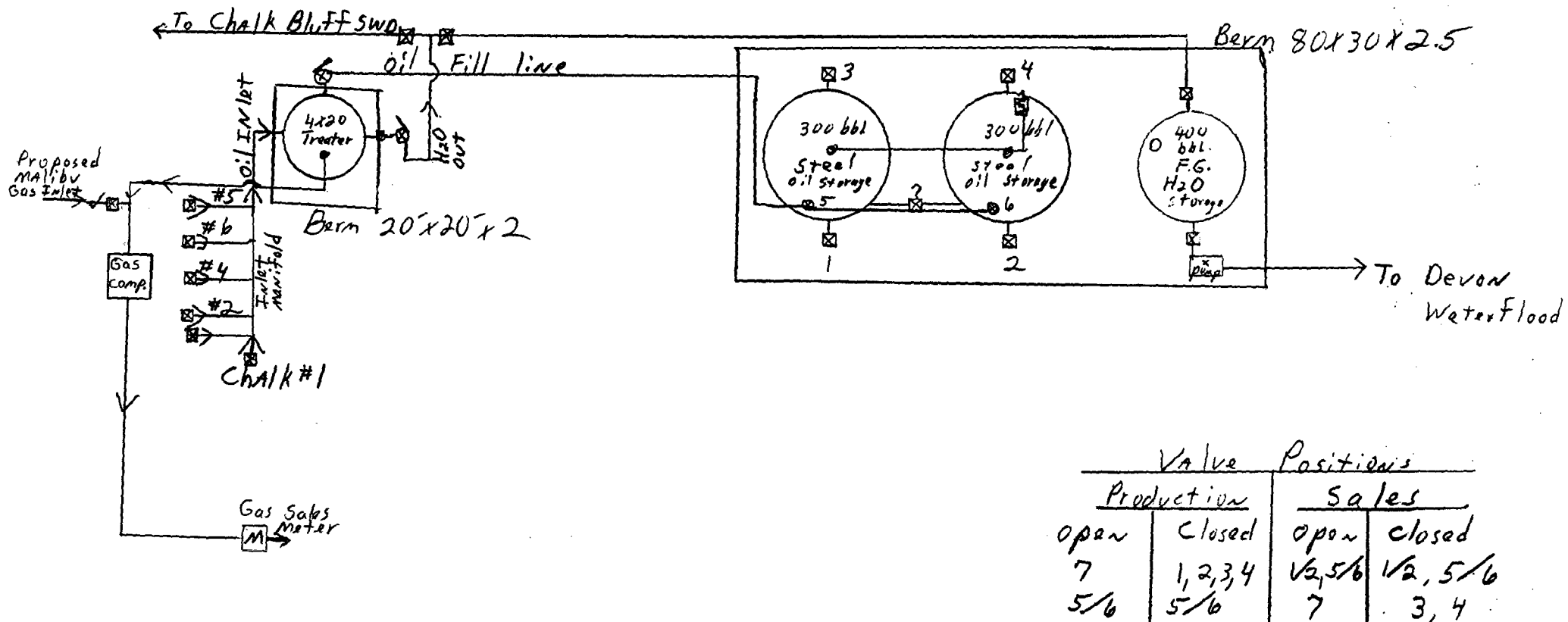
SIGNATURE: Chuck Morgan TITLE: Engineer DATE: 10/15/03
TYPE OR PRINT NAME Chuck Morgan TELEPHONE NO.: 432/685-1761
E-MAIL ADDRESS: cmorgan@sdxresources.com



SDX Resources, Inc.
 Chalk Federal Battery
 "K" Sec. 5 T18S R27E
 Eddy Co., N.M.

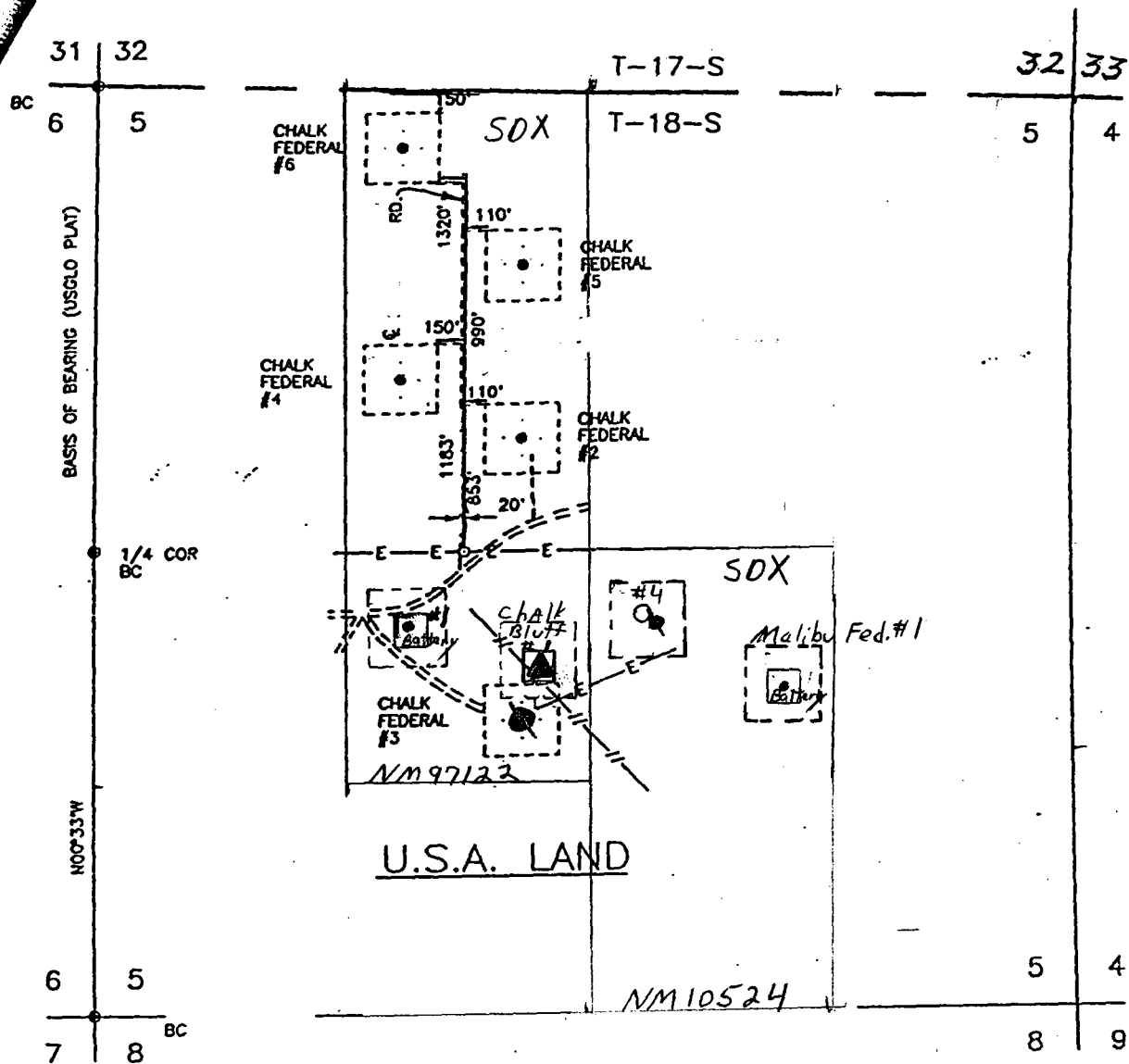
NM-97122

Site Facility Diagram
 Chalk Federal
 9/25/03



Valve Positions			
Production		Sales	
open	closed	open	closed
7	1, 2, 3, 4	1/2, 5/6	1/2, 5/6
5/6	5/6	7	3, 4

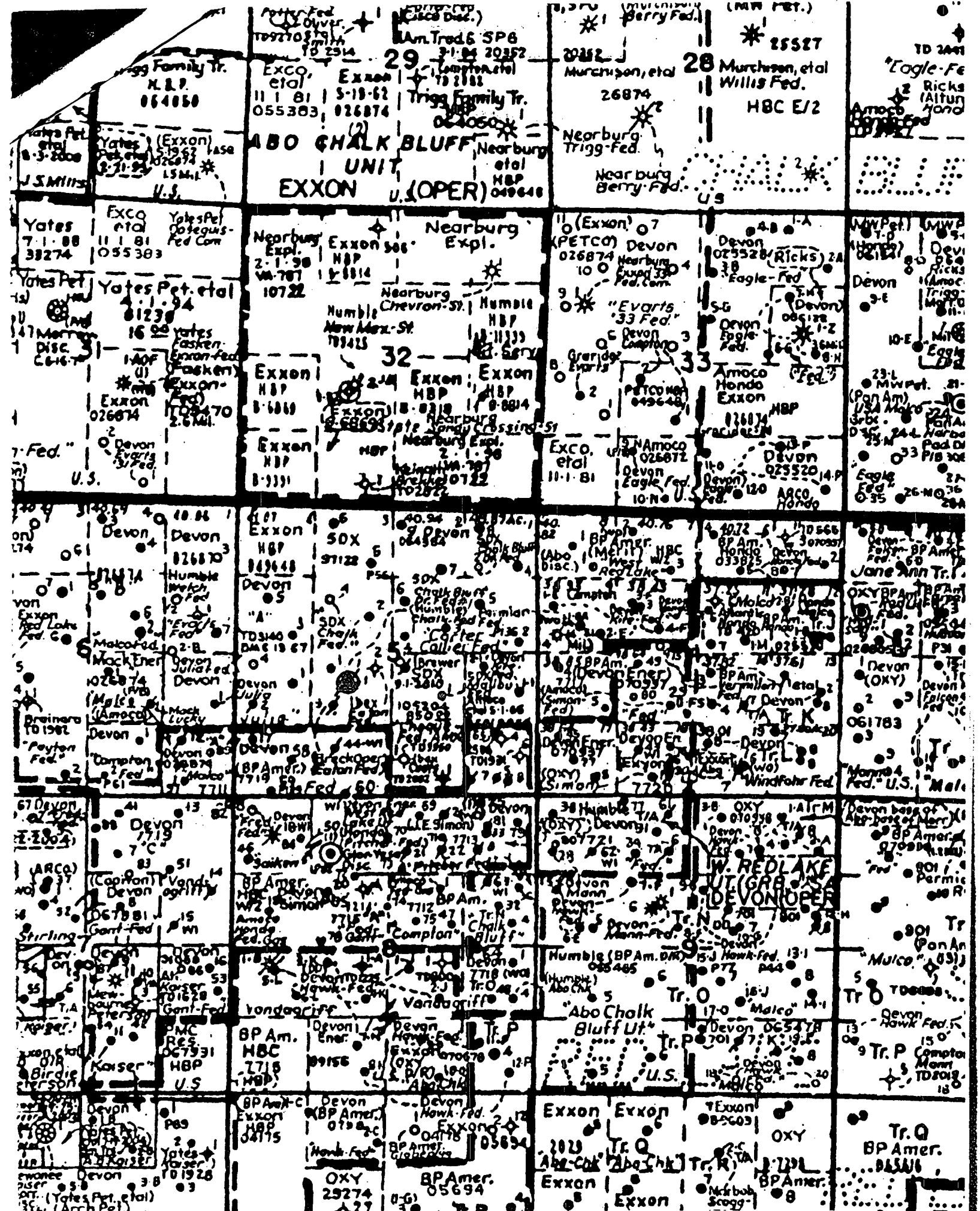
ON 5, TOWNSHIP 18 SOUTH, RANGE 27 EAST, N.M.P.M



SDX Resources Inc.

Well Names	API #'s
Malibu Fed. #1	30 015 31631
Chalk Fed. #1	30 015 29567
#2	30 015 29706
#4	30 015 29707
#5	30 015 29650
#6	30 015 29651

Attachment 2



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

March 19, 2002

DIVISION ORDER TITLE OPINION

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

Attention: Mr. Steve Sell

Re: SDX Resources, Inc. Malibu Federal No. 1 Well - Federal
Oil and Gas Lease NM 105204, insofar as it covers the
following-described land situated in Eddy County, New
Mexico:

Township 18 South, Range 27 East, N.M.P.M.
Section 5: W/2 SE/4

containing 80 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 August 9, 2001, covering captioned land, based upon an examination of the records and certain instruments, as described therein, which together cover (a) the Plat Book Records, Historical Index Records, Serial Record and Case File for Federal Lease NM 105204, in the Bureau of Land Management State Office at Santa Fe, New Mexico, from inception of the records to August 8, 2001 at 8:00 a.m.; and (b) the records of 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 August 6, 2001 at 8:00 a.m., based upon the indices of Guaranty Abstract and Title Company, Inc.

Examination of the Records

We have examined the Plat Book Records, Historical Index Records, Serial Record and Case File for Federal Lease NM 105204, in the Bureau of Land Management State Office at Santa Fe, New Mexico, from August 8, 2001 at 8:00 a.m. to March 11, 2002 at 8:00 a.m. We have examined the records of the Office of the County Clerk of Eddy County, New Mexico, pertaining to the mineral estate only in captioned land, from August 6, 2001 at 8:00 a.m. to March 4, 2002 at 8:00 a.m., based upon the indices of Guaranty Abstract and Title Company, Inc.

Instrument

Copy of Assignment No. 7, described below.

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:

(Malibu Fed.)

Royalty:

United States of America1250000

Overriding Royalty Interest:

Lynn S. Charuk0150000

Working Interest:

Steve Sell, whose wife is
Lisa Sell2881000

St. Anselm Exploration Company2580000

John D. Pool, whose wife is
Stacy Pool2064000

William S. Montgomery, Jr.,
as his separate property0430000

Eram Ali, whose wife is
Vicky Ali0215000

Fred C. Corey, whose wife
is Deborah Corey0215000

Charles M. Morgan, whose wife
is Monica Morgan0215000

EXISTING OIL, GAS AND MINERAL LEASE

Serial No.: NM 105204.

Date: September 1, 2000.

Recorded: Unrecorded; however, there is no need to record the lease in the county records.

Lessor: United States of America.

Lessee: Steve Sell.

Land Covered: T-18-S, R-27-E, N.M.P.M.
Section 5: W/2 SE/4

Eddy County, New Mexico, containing 80.0 acres, more or less.

Primary Term: Ten (10) years from date.

Royalty: 1/8 on oil and gas.

Minimum Royalty: Minimum royalty in lieu of rentals which would otherwise be required for that lease year shall be payable at the end of each lease year beginning on or after a discovery in paying quantities.

Rentals: Rentals are payable to Lessor in advance of each lease year in the sum of \$1.50 per acre for the first five (5) years of the lease; thereafter, the rentals will be \$2.00 per acre.

PROPERTY	PROPERTY NAME	DK MONTH DESCRIPTION	INT	D.D.I.	SS#/Tax-Id
017900	CHALK FEDERAL (RED LAKE N.E.)	G 12/00 GAS SALES			COUNTY: EDDY STATE: NM
	8888250 U. S. DEPARTMENT OF INTERIOR	MINERALS MANAGEMENT SERVICE	F	0.12500000	
		Royalty Management Program			
		P. O. Box 5810 T.A.			
	Denver	CO 80217			
	1004540 BNM, INC.		O	0.00500000	85-0326132
		P. O. Box 214			
	Midland	TX 79702-0214			
	1328910 CCW RESOURCES, INC.		O	0.00500000	75-2483703
		P. O. Box 11292			
	Midland	TX 79702-1292			
	5516330 MAYHILL OIL CORP.		O	0.06150000	75-2397319
		P. O. Box 5334			
	Midland	TX 79704			
	7121480 POCO ROYALTY COMPANY		O	0.00500000	585-26-5174
		2602 Terrace Ave.			
	Midland	TX 79705			
	8329540 TAY-MOR ENTERPRISES, INC.		O	0.02850000	75-2419960
		P. O. Box 4723			
	Midland	TX 79704			
	5790910 WILLIAM S. MONTGOMERY, JR.		W	0.03850000	459-76-5610
		4210 Lorraine			
	Dallas	TX 75205-3706			
	8096200 ST. ANSELM EXPLORATION COMPANY		W	0.23100000	
		1200 17TH ST - STE 2100			
	Denver	CO 80202			
	9999802 STEPHEN G. SELL		W	0.25795000	465-96-6151
		P.O. Box 5061			
	Midland	TX 79704-5061			
	9999803 JOHN D. POOL		W	0.18480000	459-06-2717
		P. O. Box 5441			
	Midland	TX 79704-5441			
	9999812 FRED C. COREY		W	0.01925000	585-26-5174
		2602 Terrace			
	Midland	TX 79705			

Attachment 4

PROPERTY	PROPERTY NAME	DK MONTH DESCRIPTION	INT	D.D.I.	SS#/Tax-Id
017900	CHALK FEDERAL (RED LAKE N.E.)	G 12/00 GAS SALES			
		9999814 CHARLES M. MORGAN			
		5321 SHADY BEND CT.			
		MIDLAND TX 79707			
		9999820 ERAM ALI			
		511 W. OHIO, SUITE 602			
		Midland TX 79701			
		*** DECK TOTAL		1.00000000	
		WORKING INTEREST TOTAL		0.77000000	
		OVERRIDE INTEREST TOTAL		0.10500000	
		FEDERAL INTEREST TOTAL		0.12500000	

COUNTY: EDDY STATE: NM

W 0.01925000 525-04-9220

W 0.01925000 521-98-6973

SDX RESOURCES, INC.
PO Box 5061
Midland, TX 79704
432/685-1761

October 15, 2003

Re: Surface Commingling Application
Malibu Federal & Chalk Federal
Sec 5, T18S, R27E
Eddy County, New Mexico

Gentlemen:

SDX Resources has applied to the BLM, NMOCD and the State Land Office for permission to commingle casing head gas production from the Malibu Lease with casing head gas from the Chalk Federal Lease into a common battery at their Chalk Federal battery.

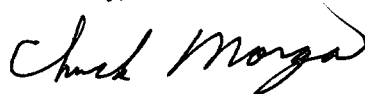
If you need any more information or have any questions please contact me at the above address or number.

If you have no objections to this application please sign where indicated and return this letter to SDX Resources at the above address.

If you have any objections to the surface commingling of these leases you should file your objections with the NMOCD at 1220 S. St. Francis Dr, Santa Fe, NM 87504, Attn: David Catanach within 20 days of the receipt of this notice. Failure to respond will constitute your approval of this application.

Your cooperation on the matter is greatly appreciated.

Sincerely,



Chuck Morgan

I/We have no objections to the commingling of the above referenced leases.

Signature

Date

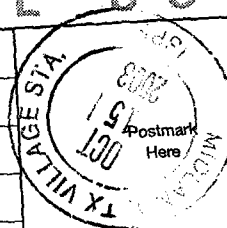
Attachment 5

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

7001 1140 0002 4309 7630
 DEPT 6054 2000 04TT 1000

Postage	\$.37
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.42



St Anselm Expl Co
1200 17th St - Ste 2100
Denver CO 80202

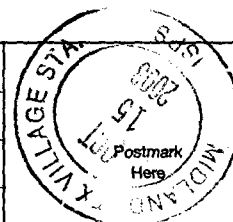
Instructions

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

Article Sent To:

7099 3220 0006 1554 1277
 7099 3220 0006 1554 1277

Postage	\$.37
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.42



William S Montgomery, Jr
4210 Lorraine
Dallas TX 75205-3706

Instructions

SDX RESOURCES, INC.
PO Box 5061
Midland, TX 79704
432/685-1761

October 15, 2003

Re: Surface Commingling Application
Malibu Federal & Chalk Federal
Sec 5, T18S, R27E
Eddy County, New Mexico

Gentlemen:

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Sincerely,




Chuck Morgan

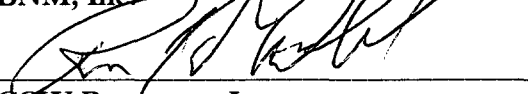
Attachment 5

Surface Commingling Application
Malibu Federal & Chalk Federal
Page 2


I/We have no objections to the commingling of the above referenced leases.


BNM, Inc.

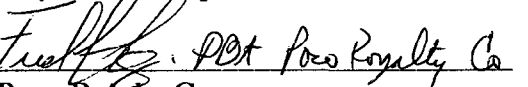
10/15/03
Date


CCW Resources, Inc.

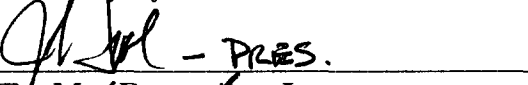
10/15/03
Date


Mayhill Oil Corp

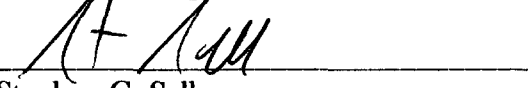
10/15/03
Date


Poco Royalty Co.

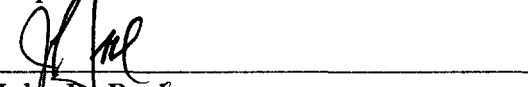
10/15/2003
Date


Tay-Mor Enterprises, Inc.


10/15/03
Date


Stephen G. Sell

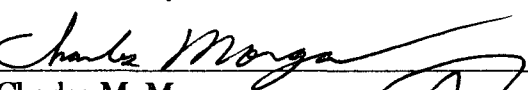
10/15/03
Date


John D. Pool

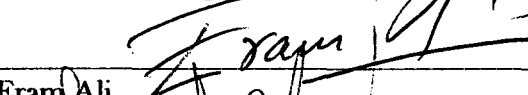
10/15/03
Date


Fred C. Corey


10/15/2003
Date


Charles M. Morgan

10/15/03
Date


Eram Ali

10/15/03
Date


Lynn Charuk

10/16/03
Date



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

August 28, 2001

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

Attention: Mr. Chuck Morgan

Re: Division Form C-107-A
Chalk Federal No. 5
Lot 3, Section 5, T-18 South, R-27 East, NMPM,
Eddy County, New Mexico

COPY



Dear Mr. Morgan:

With regards to the above-described administrative application, please be advised that:

- 1) The Division received this application on June 1, 2001;
- 2) By letter dated July 10, 2001, the Division requested additional information necessary to process the application; and
- 3) No additional data has been submitted as of August 28, 2001.

Pursuant to current Division procedures regarding administrative applications, your application is being returned to you unprocessed. If you wish to pursue downhole commingling approval for this well, it will be necessary to file a new application.

If I can be of further assistance, please call me at (505) 476-3466.

Sincerely,

David Catanach
Engineer

Xc: OCD-Artesia ✓

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE

(See other instructions on reverse side)

M. Oil Cons. Division c/sk

811 S. 1st Street
Artesia, NM 88210-2834
NM-97122

WELL COMPLETION OR RECOMPLETION REPORT AND LOGS

1a. TYPE OF WELL: OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> DRY <input type="checkbox"/> Other <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
b. TYPE OF COMPLETION: NEW WELL <input checked="" type="checkbox"/> WORK OVER <input type="checkbox"/> DEEP-EN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> DIFF. RESVR. <input type="checkbox"/> Other <input type="checkbox"/>		7. UNIT AGREEMENT NAME	
2. NAME OF OPERATOR SDX Resources, Inc.		8. FARM OR LEASE NAME, WELL NO. Chalk Federal #5	
3. ADDRESS AND TELEPHONE NO. PO Box 5061, Midland, TX 79704 915/685-1761		9. API WELL NO. 30-015-29650	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements) At surface 990' FNL 2310' FWL At top prod. Interval reported below Same At total depth Same		10. FIELD AND POOL, OR WILDCAT Red Lake, ON CB SA 11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA Sec 5, T18S, R27E, Lot 3, C	
14. PERMIT NO. BLM DATE ISSUED FEB 15 2001		12. COUNTY OR PARISH Eddy	
		13. STATE NM	

15. DATE SPUDDED 10/18/01	16. DATE T.D. REACHED 10/25/00	17. DATE COMPL. (Ready to prod.) 01/25/01	18. ELEVATIONS (DF, RKB, RT, GE, ETC.)	19. ELEV. CASINGHEAD
20. TOTAL DEPTH, MD & TVD 3450	21. PLUG, BACK T.D., MD & TVD 3405	22. IF MULTIPLE COMPL., HOW MANY	23. INTERVALS DRILLED BY Rotary	24. PRODUCING INTERVAL(S), OF THIS COMPLETION-TOP, BOTTOM, NAME (MD AND TVD) 2796' - 3059'
25. TYPE ELECTRIC AND OTHER LOGS RUN LDT-CNL-GR, DLL-GR				26. WAS WELL CORED Yes

28. CASING RECORD (Report all strings set in well)					
CASING SIZE/GRADE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	TOP OF CEMENT, CEMENTING RECORD	AMOUNT PULLED
8-5/8"	24#	1154	12-1/4"	375 sx Lite 200 sx C, Circ	None
5-1/2"	14#	3448	7-7/8"	250 sx 35/65 350 sx C, Circ	None

29. LINER RECORD					30. TUBING RECORD		
SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
					2-7/8"	3089	

31. PERFORATION RECORD (Interval, size and number) 2796, 2805, 11, 14, 22, 38, 41, 52, 64, 66, 67, 2905, 14, 41, 49, 52, 69, 87, 97, 3011, 15, 34, 46, 59 (4" select fire, 1 spf, 24 holes)				32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.			
				DEPTH INTERVAL (MD)			
				2796-3059			
				A: 4000 gal 15% HCL			
				F: 59,724 bbl Viking 30 + 100,320# 16/30			
				+ 35,120# 12/20 Brady sd			

33. PRODUCTION							
DATE FIRST PRODUCTION 01/11/01		PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump) Pmp 2-1/2" x 2" x 12' RWAC				WELL STATUS (Producing or shut-in) Prod	
DATE OF TEST 01/25/01	HOURS TESTED 24	CHOKE SIZE	PROD'N FOR TEST PERIOD	OIL—BBL. 56	GAS—MCF. 55	WATER—BBL. 84	GAS-OIL RATIO 982
FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL. 56	GAS—MCF. 55	WATER—BBL. 84	OIL GRAVITY-API (CORR.)	
34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) Sold						TEST WITNESSED BY Chuck Morgan	

35. LIST OF ATTACHMENTS Logs, Deviation Survey		
36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records		
SIGNED <u>Bonnie Atwater</u>	TITLE <u>Regulatory Tech</u>	DATE <u>02/06/01</u>

*(See Instructions and Spaces for Additional Data on Reverse Side)

37. SUMMARY OF POROUS ZONES: Show all important zones of porosity and content thereof; cored intervals; and all drill-stem tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures, and recoveries).

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.
Yeso	2796	3059	Tested 56 BOPD, 55 MCFPD, 84 BWPD
<div style="position: relative; height: 400px;"> <div style="position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%); font-size: 4em; opacity: 0.5;">COPY</div> <div style="position: absolute; bottom: 10%; left: 10%; transform: rotate(-90deg); font-weight: bold;">RECEIVED</div> <div style="position: absolute; bottom: 10%; left: 20%;">FEB 07 '01</div> <div style="position: absolute; bottom: 10%; left: 20%; font-size: 0.8em;">BLM ROSNELL AM</div> </div>			

38. GEOLOGICAL MARKERS			38. GEOLOGICAL MARKERS		
NAME	TOP		NAME	TOP	
	MEAS. DEPTH	TRUE VERT. DEPTH		MEAS. DEPTH	TRUE VERT. DEPTH
San Andres	1380				
Glorieta	2650				
Yeso	2880				