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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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2006 NOV 20 PM 1 17

October 17, 2006

Melrose Operating Company
5813 NW Grand Blvd
Suite B
Oklahoma City, Oklahoma 73118

Attn: Mr. Michael J. Corjay

Re: Resignation/Designation of Successor Unit Operator
Northeast Pearl Queen Unit
Lea County, New Mexico

Dear Mr. Corjay:

We are in receipt of your resignation/designation of successor unit operator, wherein SDX Resources Inc. has resigned as unit operator of the Northeast Pearl Queen Unit and designated Melrose Operating Company as the successor unit operator.

The Commissioner of Public Lands has this date approved the resignation of SDX Resources Inc. and the designation of Melrose Operating Company as the successor unit operator of this unit.

This change in operators is effective September 15, 2006. In accordance with this approval, Melrose Operating Company is now responsible for all operations and the reporting of all production from this unit.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY:

JAMI BAILEY, Director
Oil, Gas and Minerals Division

RP/JB/cpm

xc: Reader File

OCD-Roy Johnson

TRD

SDX Resources Inc.

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University