

Submit 3 Copies To Appropriate District
Office

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103
Revised June 10, 2003

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-015-31285
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
2. Name of Operator SDX Resources, Inc.		6. State Oil & Gas Lease No.
3. Address of Operator PO Box 5061, Midland, TX 79704		7. Lease Name or Unit Agreement Name Staley State
4. Well Location Unit Letter <u>O</u> : <u>890</u> feet from the <u>South</u> line and <u>1650</u> feet from the <u>East</u> line Section <u>30</u> Township <u>17S</u> Range <u>28E</u> NMPM <u>Eddy</u> County		8. Well Number 2
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 2625' GR		9. OGRID Number 020451
		10. Pool name or Wildcat Red Lake, Yeso

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data	
NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: <input type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: Squeeze & re-complete <input checked="" type="checkbox"/>

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

2/23/05 - Pull RBP @ 2813'. Isolate perfs 2934' - 3024' & squeeze w/13 bbls Maraseal. Isolate perfs 2223' - 2472' & squeeze w/22 bbls Maraseal. WOC 48 hrs. Circ well clean CIBP @ 3621'. Perf 3321', 23, 24, 25, 30, 39, 45, 46, 47, 52, 53, 54, 61, 73, 74, 78, 80, 89, 91 (20 holes). Acidize perfs w/3000 gal of 15% NEFE & swab test zone. Treat zone down tbg w/20,000 gal Heated 20% HCL, 40,000 gal 40# linear gel & 3000 gal 15% NEFE acid. Swab back acid & put well on to pump.

Production commingled on the surface into a common battery with production from the Staley #1 (API #30-015-31284). The Staley #1 is producing from the Red Lake, QN-GB-SA pool (51300) and is located 2310' FL & 1650' FEL of Sec 30, T17S, R28E. The battery is located on the Staley #1 location. Both wells belong to the the same lease and ownership is identical. Production will allocated using well test performed routinely using port-a-check test units.

ATTACHED:

Exhibit 1: Lease Map

Exhibit 2: Battery Diagram

Exhibit 3: Ownership Certification

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 3/23/05

Type or print name Chuck Morgan

E-mail address: cmorgan@sdxresources.com

Telephone No. 432/685-1761

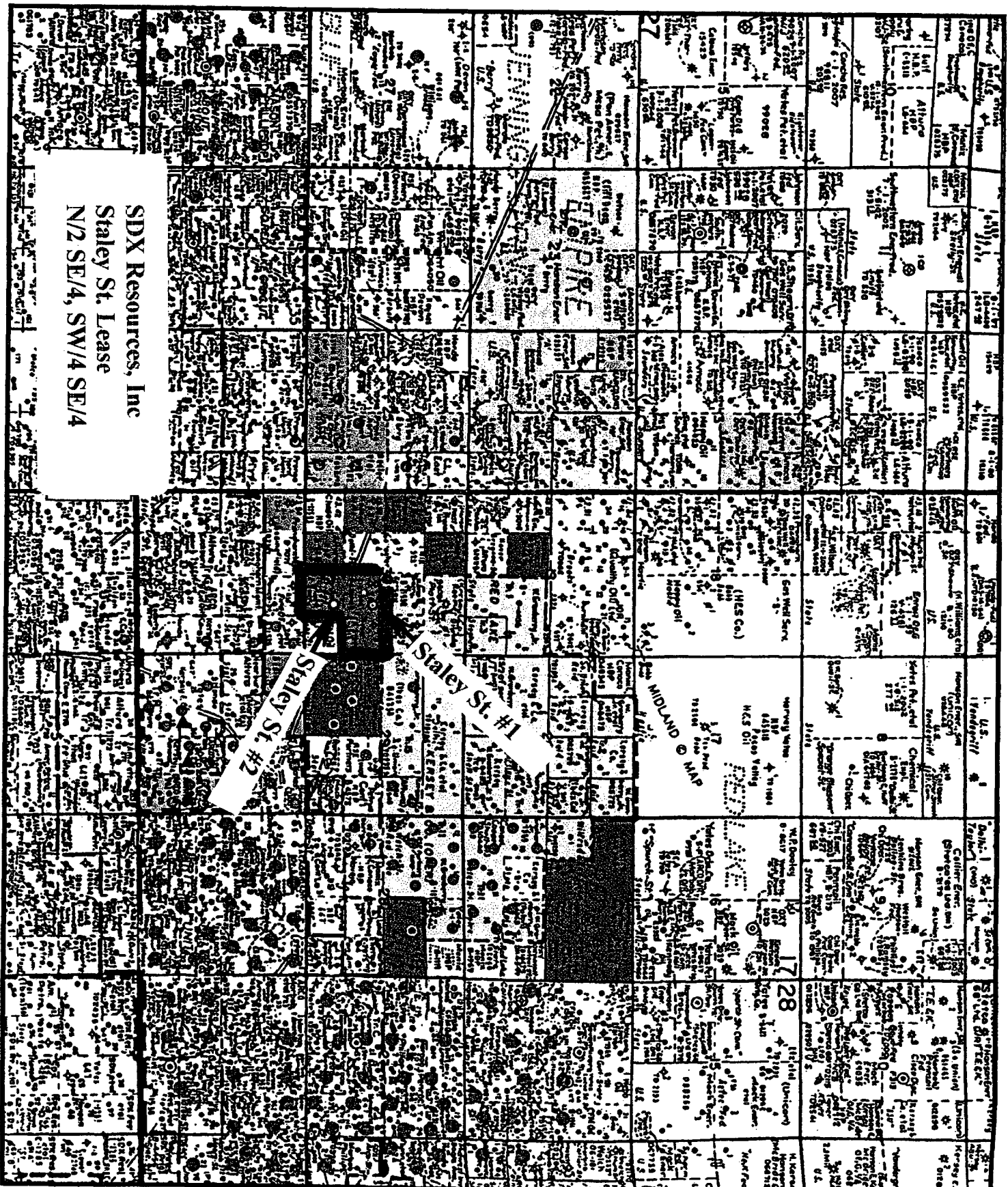
(This space for State use)

FOR RECORDS ONLY

MAR 24 2005

APPROVED BY _____ TITLE _____ DATE _____

Conditions of approval, if any:

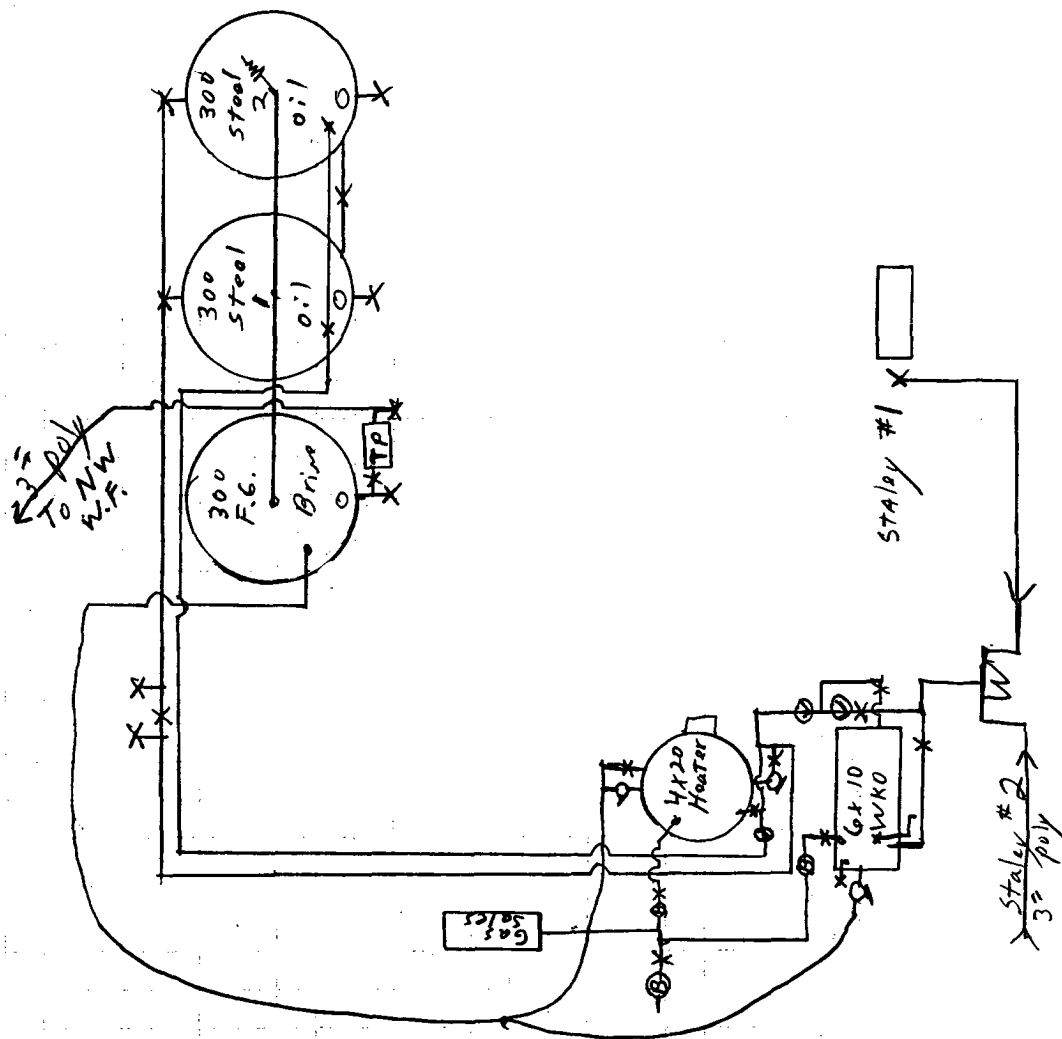


SDX Resources, Inc
Staley St. Lease
N/2 SE/4, SW/4 SE/4

Staley St. #1
Staley St. #2

MIDLAND

28



Drainage

N

SDX Resources, Inc.
Staley Battery

ROD J. MACDONALD

Attorney at Law

Licensed in Texas
New Mexico and Colorado

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Suite 530
Midland, Texas 79701

(432) 688-3939
Fax (432) 685-3700

March 23, 2005

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

Attn.: Charles Morgan

Re: Staley Nos. 1 and 2 Wells
Eddy County, New Mexico

Dear Mr. Morgan:

Pursuant to your request we have reviewed our title files covering the Staley Tract, which covers the following described lease and lands situated in Eddy Count, New Mexico:

State of New Mexico Lease No. B-4918

Township 17 South, Range 28 East, N.M.P.M.
Section 30: N/2 SE/4 and SW/4 SE/4

containing 120 acres, more or less, limited to depths
from the surface down to 5,000 feet below the surface.

We have also examined the New Mexico Oil Conservation Commission Form C-102 (Well Location and Dedication Plat) which confirm that both the Staley Nos. 1 and 2 Wells are situated within the above-described lands. Based upon our Division Order Title Opinion dated November 24, 2000, we note that the ownership under all of the above-described lands are identical. Therefore we can confirm that based upon the above materials, the ownership under both the Staley No. 1 and Staley No. 2 Wells is identical.

Should you have any questions on this matter, please call me.

Respectfully submitted,


Rod J. MacDonald